



**TENAGA NASIONAL BERHAD**

**BOARD CHARTER**

**(4<sup>th</sup> Edition as at 14 December 2023)**

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## BOARD CHARTER

### DEFINITION AND INTERPRETATION:-

- I. In this Board Charter, where the context so admits the following expressions shall have the following meanings:-
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|------------------------|--|
| “Act”                  | Companies Act 2016 (Act 777) & Regulations as amended from time to time and any re-enactment thereof   |
| “AGM”                  | Annual General Meeting   |
| The Constitution”      | Memorandum and Articles of Association/The Constitution of the Company as amended from time to time altered by special resolution  |
| “Blue Book”            | Blue Book Version 2 on the “Intensifying Performance Management Practices” launched in July 2005 to encourage adoption of performance management best practices at Government Link Companies (GLC)                                 |
| “Board”                | Board of Directors of Tenaga Nasional Berhad   |
| “Bursa Securities”     | Bursa Malaysia Securities Berhad   |
| “Chairman”             | Chairman of the Board  |
| “Charter”              | Board of Directors’ Charter  |
| “CMSA”                 | Capital Market and Services Act 2007 as amended from time to time and any re-enactment thereof   |
| “Company” or “TNB”     | Tenaga Nasional Berhad [Company No:199001009294 (200866-W)]  |
| “Directors”            | Directors of the Company   |
| “Green Book”           | The Green Book on Enhancing Board Effectiveness issued on April 2006 by the Putrajaya Committee on GLC High Performance (PCG)  |
| “Independent Director” | A Director who does not participate in the management of the Company and who satisfies the criteria for “independence” set out under Chapter 1 of Main Market Listing Requirements of Bursa Securities                             |
| “MCCG”                 | Malaysian Code on Corporate Governance including any amendments that may be made from time to time   |
| “Member”               | any person/persons for the time being holding shares in the Company and whose name appears in the Register of Members (except the Depository or its nominee company) and depositors whose names appear in the Record of Depositors |

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“MMLR”	Main Market Listing Requirements of Bursa Securities as amended from time to time
“NED Handbook”	TNB Non-Executive Directors’ Handbook as amended from time to time
“PCC”	Procurement Code of Conduct
“SC”	Securities Commission
“SID”	Senior Independent Director
“Senior Management”	Members of Group Executive Management Committee
“Special Shareholder”	The Minister of Finance, a body corporate incorporated under the Ministry of Finance (Incorporation) Act 1957
“Company Secretary or Secretary”	any person or persons appointed to perform the duties of a secretary of the Company and (subject to the provisions of the Act) includes an Assistant, Deputy, or Joint Secretary, and any person appointed by the Board to perform any of the duties of the Secretary
“TOR”	Terms of Reference
“TNB Group”	Collectively, TNB and its subsidiaries

- II.** In this Charter, unless the context otherwise requires, words importing the masculine gender shall include the feminine, neuter genders and vice versa; and
- III.** Words importing the singular shall include the plural and vice versa.

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## **1.0 INTRODUCTION AND OBJECTIVE**

TNB is a public company incorporated under the Companies Act 1965 on 2 July 1990 as a company limited by shares. TNB is a public listed company in Main Market of Bursa Securities since 28 May 1992.

The Purpose, Aspiration and TNB Core Values are as follows:-

### **Purpose**

Together We Brighten Lives Through Innovative and Sustainable Solutions Towards a Better World

### **Aspiration**

To Be a Leading Provider of Sustainable Energy Solutions in Malaysia and Internationally.

### **Core Values**

Integrity, collaborative, professionalism, customer centricity, forward thinking and mindfulness.

### **Objective of the Charter**

The Board and Management of TNB are committed in ensuring good corporate governance throughout the Company. In its continuous pursuit to enhance its corporate governance, TNB regularly reviews its existing framework and governance practices to ensure they remain relevant and robust within the challenging and changing business environment.

The Board is also committed to ensure that best practices in Corporate Governance are adhered throughout the Group to enable the Company to achieve its strategic objective of becoming a leading corporation in the energy and related business globally.

The Charter serves as a source of reference and primary induction literature, providing insights to existing and prospective board members to assist the board members in performing fiduciary duties and responsibilities as directors of TNB. It will also assist the Board in assessing their own performance and of its individual Directors. This Charter is available on TNB's website: [www.tnb.com.my](http://www.tnb.com.my).

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## 2.0 THE BOARD

### 2.1 Principal Responsibilities

- 2.1.1 The Board is collectively responsible for the long-term success of the Company and the delivery of sustainable value to its stakeholders. It is essential for the Board to govern and set the strategic direction of the Company while exercising oversight on management in discharging its fiduciary duties and leadership functions. The Board plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company.
- 2.1.2 Duties of the Board include formulating, periodically reviewing and approving overall business and organisation strategies and key policies of the Company. The Board also sets the Company's core values and adopts proper standards to ensure that TNB operates with integrity and in compliance with the relevant rules and regulations.
- 2.1.3 The Board has a legal duty to act in the best interest of the Company. The Board collectively and individually, must at all times act honestly and use reasonable diligence in discharging of their duties.
- 2.1.4 The Board assumes the following fiduciary duties:-
- (a) Formulating, reviewing and approving the Company's strategic business plan;
    - Together with Senior Management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
    - To review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;
    - To provide guidance to the management in developing strategic plan of the Company that support long term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.
  - (b) Identifying and managing principal risks affecting the Company;
    - To understand the principal risks of the Company's business and recognise that business decisions involve in taking of appropriate risks.
    - To set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.
  - (c) Reviewing the adequacy and integrity of the Company's internal control system;
    - To ensure there is a sound framework for internal control and risk management and the integrity of the Company's financial and non-financial reporting.

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- (d) Overseeing and evaluating the conduct and the performance of the Company's businesses;
- To supervise and assess management performance to determine whether the business is being properly managed.
- (e) Succession Planning;
- To ensure that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and Senior Management.
- (f) Overseeing the development and implementation of the Company's stakeholders communication policy;
- To ensure that the Company has in place procedures to enable effective communication with stakeholders.
- 2.1.5 The Board has established written procedures in determining issues that require Board's approval or issues that can be delegated to the respective Board or Management Committees.
- 2.1.6 The Board reserves full decision-making powers on the following matters:-
- (a) Shareholding and Capital structures;
- (b) Mergers, Acquisitions and Divestments;
- (c) Investments in capital projects/joint ventures;
- (d) Risk management;
- (e) Limits of Authority;
- (f) Capital and Revenue Budgets;
- (g) Key human resource issues.
- 2.1.7 The Board has established a procedure whereby the Directors, collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expense.
- 2.1.8 Other than the abovementioned specific responsibilities, the Board takes full, independent responsibility and accountability for the smooth functioning of core processes, involving board governance, business value and ethical oversight.

## **2.2 Board Composition and Balance**

- 2.2.1 Pursuant to the Constitution of the Company, the number of Directors shall be not less than two (2) and not more than 12.
- 2.2.2 The Directors shall have power at any time, and from time to time, to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing Directors, however the total number of Directors shall not exceed the number fixed in accordance with the Company's Constitution.

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- 2.2.3 Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who shall retire by rotation at the meeting.
- 2.2.4 Rights of the Special Shareholder to Nominate Directors
- 2.2.4.1 The Special Shareholder shall have the right from time to time to appoint any Entitled Persons to be Directors, (hereinafter referred to as "Appointed Directors"), so that there shall not be more than six (6) Appointed Directors at any time.
- 2.2.4.2 Any appointment, nomination, removal or termination of Appointed Directors shall be in writing served to the Company Secretary together with in the case of appointment or nomination, the consent of the person concerned, and such notice shall be signed by or on behalf of the Special Shareholder.
- 2.2.4.3 Notwithstanding anything to the contrary in the Constitution, but subject to the Act:-
- (a) If an Appointed Director ceases to hold such office, the vacancy may only be filled by appointment by the Special Shareholder.
- (b) The provision of the Constitution relating to the appointment of Directors shall not apply to Appointed Director.
- 2.2.4.4 If an existing Director is nominated to be an Appointed Director, he shall on the termination of his nomination continue to be a Director.
- 2.2.5 The Board shall consist of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.
- 2.2.6 The number of Independent Directors should comprise of at least one third (1/3) of the membership of the Board. The number of Independent Directors should be significant to ensure their views will carry significant weight in Board decisions.
- 2.2.7 In the event that the Chairman of the Board is not an Independent Director, then the Board should comprise of a majority of Independent Directors to ensure balance of power and authority on the Board.
- 2.2.8 The President/Chief Executive Officer (P/CEO) is the Executive Director on the Board. However, the views of the management are represented at meetings of the Board by the presence of senior executives as and when required.
- 2.2.9 Non-Executive Directors should be persons of calibre, credibility and have the necessary skills and experience to bring independent judgement to bear on the issues of strategy, performance and resources including key appointments and standards of conduct.
- 2.2.10 The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations. The views of the Independent Directors should carry significant weight in the Board's decision-making process.



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2.2.11 The Independent Directors help to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

2.2.12 Profiles of the Board are disclosed in the Integrated Annual Report of the Company which is accessible in the Company's website.

## **2.3 Board Appointment Process**

2.3.1 TNB has adopted a formal and transparent procedure for the appointment of new Directors. The Board Nomination and Remuneration Committee (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 Board Committee members, taking into consideration the required mix of skills, contribution, performance, competencies and experience relevant to TNB's business prior recommending to the Board. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company.

2.3.2 A Director shall be appointed through the following manner:-

(a) the Special Shareholder (i.e., for Appointed Directors) pursuant to the Constitution;  
or

(b) the Board pursuant to the Constitution.

2.3.3 The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.

2.3.4 Upon the appointment of a new Director, the Company Secretary advises the Director of his/her principal duties and responsibilities. The Company Secretary also provides the Directors with a Director's Manual Kit which consists of the Company's Constitution, Non-Executive Directors' Handbook, Electricity Supply Act 1990, Electricity Supply (Amendment) Act 2015 (*Akta A1501*), Electricity Supply (Successor Company) Act 1990, TNB's Procurement Policy and Procedures, Procurement Code of Conduct, TNB's Code of Ethics, TNB's Board Charter, TNB Corporate Integrity Management System (TCIMS), *Prosedur Penggerak Etika* (TNB Whistle Blowing), latest Board/Board Committees Meeting Schedule, and the latest Integrated Annual Report of the Company.

2.3.5 The directorships held by any Board member shall not exceed five (5) in listed companies. To ensure that a Director devotes his time and commitment to the Company, the Director shall notify the Chairman of his intention prior accepting any new directorship.

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## 2.4 Board Fit & Proper Policy

2.4.1 The key objective of this TNB Board of Directors' Fit and Proper Policy ("TNB BOD's Fit and Proper Policy") is to set out the criteria for the appointment and re-appointment of Directors of Tenaga Nasional Berhad ("TNB" / "the Company") and its subsidiaries.

2.4.2 To ensure that each of the Directors has the character, experience, integrity, competence and time to effectively discharge his/her role as a Director of TNB and its subsidiaries.

2.4.3 To guide TNB Board and the Board Nomination and Remuneration Committee ("BNRC") in their review and assessment of:-

- (a) any candidate to be appointed as a new Director to the Board; and
- (b) any existing Director who is seeking for re-appointment.

### 2.4.4 Criteria

The fit and proper criteria of a Director include but not limited to the following:-

(a) Character and Integrity

(i) Probity

- is compliant with legal obligations, regulatory requirements and professional standards;
- has not been obstructive, misleading or untruthful in dealings with regulatory bodies or a court;
- have not been reprimanded or disqualified or removed by a professional or regulatory body in relation to matters in respect to the person's honesty, integrity or business conduct.

(ii) Personal integrity

- has not perpetrated or participated in any business practices which are deceitful, oppressive improper (whether unlawful or not), or which otherwise reflect discredit on his professional conduct;
- service contract (i.e., in the capacity of management or director) had not been terminated in the past due to concerns on personal integrity;
- have no concurrent responsibilities or interest which would contribute to a conflict of interest situation or otherwise impair the ability to discharge duties and responsibilities as Director of the Company and/or its subsidiaries;
- has not abused other positions that he/she has held or is holding in a manner that contravenes the principles of good governance.

(iii) Financial integrity

- manages personal debts or financial affairs satisfactorily;
- demonstrates ability to fulfil personal financial obligations as and when they fall due;
- have not been subjected to a judgment debt which is unsatisfied, either in whole or in part whether in Malaysia or elsewhere.

(iv) Reputation

- is of good repute in the financial and business community;
- has not been the subject of civil or criminal proceedings or enforcement action, in managing or governing an entity for the past 10 years;

- 
- have not been reprimanded by the Securities Commission Malaysia, Bursa Malaysia Securities Berhad, Suruhanjaya Syarikat Malaysia, Bank Negara Malaysia or any other regulatory authorities both local or abroad;
  - has not been substantially involved in the management of a business or Company which has failed, where that failure has been occasioned in part by deficiencies in that management.

(b) Experience and Competence

(i) Qualifications, training and skills

- possesses education qualification that is relevant to the skill set that the director is earmarked to bring to bear onto the boardroom (i.e. a match to the board skill set matrix and strategic priorities of the Company);
- has a considerable understanding on the workings of a corporation;
- have adequate and broad knowledge including the United Nations Sustainable Development Goals on sustainability as well as Environment, Social & Governance (ESG) issues;
- possesses general management skills as well as understanding of corporate governance and sustainability issues;
- Financial literacy especially able to read and understand financial statements;
- keeps knowledge current based on continuous professional development;
- possesses leadership capabilities and a high level of emotional intelligence.

(ii) Relevant experience and expertise

- possesses relevant experience and expertise with due consideration given to past length of service, nature and size of business, responsibilities held, number of subordinates as well as reporting lines and delegated authorities.

(iii) Relevant past performance or track record

- had a career of occupying a high-level position in a comparable organisation, and was accountable for driving or leading the organisation's governance, business performance or operations;
- possesses commendable past performance record as gathered from the results of the board effectiveness evaluation (applicable for re-election and re-appointment of directors).

(c) Time and Commitment

(i) Ability to discharge role having regard to other commitments

- able to devote time as a board member, having factored other outside obligations including concurrent board positions held by the director across listed issuers and non-listed entities (including not-for-profit organisations).

(ii) Participation and contribution in the board or track record

- demonstrates willingness to participate actively in board activities;
- demonstrates willingness to devote time and effort to understand the businesses and exemplifies readiness to participate in events outside the boardroom;

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- manifests passion in the vocation of a director;
  - exhibits ability to articulate views independently, objectively and constructively;
  - exhibits open mindedness to the views of others and ability to make considered judgment after hearing the views of others.

2.4.5 Apart from the above criteria, relevant background checks will be conducted as part of the due diligence process.

**2.4.6 Assessment**

- (a) The BNRC will assess each person for a new appointment or re-appointment of Directors based on the criteria set under item 2.4.4 before recommending to the Board for approval.
- (b) For re-appointment of Directors, the Directors will be evaluated based on the Board Evaluation Form. (The questionnaires for TNB BOD's Fit and Proper Policy are based on the Corporate Governance Guide 4th Edition). The BNRC has the power not to recommend to the Board the re-appointment of retiring Directors who do not meet the policy requirements.
- (c) For the appointments of new Director, the candidates are required to complete the Directors Information. The candidates also required to complete a self-declaration of fit and proper form and authorise the Company to perform background check, if necessary, which may cover previous employment verification, professional reference checks, education confirmation and/or criminal record and credit checks.
- (d) The results of the assessments are part of the Company's internal documents and shall not be disclosed or provided to any other party.

**2.4.7 Review of the Board Fit & Proper Policy**

The BNRC shall recommend any change to the Policy as the BNRC deems appropriate to the Board for approval. The terms of the Policy shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Main Market Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory requirements.

2.4.8 A copy of TNB BOD's Fit and Proper Policy is available on the Company's website.

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## **2.5 Board Diversity Policy**

- 2.5.1 The Board acknowledges and strongly supports the need to enhance board diversity as it is critical to the efficient functioning of the Board and good governance. In addition, the Board believes that the appointments of the existing Directors were guided by their skills, experience, competency and wealth of knowledge while taking into consideration gender diversity.
- 2.5.2 The Board fully supports the Government's target of having 30% women's participation on Boards of public companies by ensuring targeted women representation at the Board level.
- 2.5.3 In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing board members, management or major shareholders. The Board may utilise independent sources to identify suitably qualified candidates.
- 2.5.4 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 the Company's strategic plan and business/industry.
- 2.5.5 The Board/BNRC continuously review 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 Management's performance.

## **2.6 Board Continuing Education Programs**

- 2.6.1 The Company has an induction program for newly appointed Directors. The induction program aims at communicating to the newly appointed Directors, the Company's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and the expectations of the Company concerning input from Directors. The Company Secretary is primarily responsible for the induction program with appropriate assistance from the Management.
- 2.6.2 All newly appointed Directors are required to attend the Mandatory Accreditation Program (MAP) as prescribed by Bursa Securities within the stipulated timeframe.
- 2.6.3 In addition to the MAP, the Board is encouraged to attend training programs conducted virtually/physically by highly competent professionals and which are relevant to the Company's operation and business.
- 2.6.4 The Company Secretary will continuously assist the Board in identifying the training needs of the Directors by providing customised in-house training or arranging external programmes, training sessions, briefings, workshops and seminars that are relevant to the Directors.
- 2.6.5 The Board on an annual basis will participate in the Board Technical Visit whereby the Directors will visit any power and energy related establishment in order to enhance its technical and operational knowledge of the power sector.

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- 2.6.6 The Board will assess the training needs of the Directors and shall disclose the trainings attended by the Directors of the Financial Year in the Integrated Annual Report.

## **2.7 Board Evaluation Assessment**

- 2.7.1 The Board has adopted a formal Board Evaluation Process whereby on annual basis the performance of each Committee and Board as well as individual performance will be evaluated. The evaluation assessment is designed as a tool to determine the effectiveness of the Board, Board Committees and individual Directors by identifying their strengths and weaknesses.
- 2.7.2 The results of the evaluation shall be analysed and deliberated at the BNRC and subsequently to the Board for endorsement.
- 2.7.3 The Board shall engage an independent expert periodically to facilitate objective and candid board evaluations.
- 2.7.4 The Board recognises the importance of Independent Director in providing independent and sound judgement as well as the relevant checks and balances in proceedings of the meetings. This will enable the Board to make an informed decision.
- 2.7.5 The Board shall undertake an annual assessment of the independence of its Independent Directors. The criteria used in assessing independence are directors' background, business transactions, family relationships, commitment and contributions during Board deliberations as well as complying with the criteria of independence as set out in the MMLR.
- 2.7.6 The Board has a policy which limits the tenure of its Independent Directors to nine (9) years without further extension.

## **2.8 Re-election of Directors**

- 2.8.1 All Directors are subject to re-election by rotation once at least in every three (3) years whereby the re-election will take place at each AGM. The Directors to retire at the AGM shall be the Directors who have been longest in service.
- 2.8.2 The Executive Directors are also subject to the re-election by rotation at the AGM.
- 2.8.3 The re-election of Directors ensures that the shareholders have a regular opportunity to reassess the composition of the Board. Particulars of Directors submitted to shareholders for re-election are enumerated in the Statement Accompanying Notice of AGM.

## **2.9 Resignation**

- 2.9.1 A Director may resign from his appointment as Non-Executive Director of the Company by tendering his resignation to the Board as governed by the Act and the Company's Constitution.

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## 2.10 Disqualification of Director

2.10.1 The office of any Director including Alternates shall ipso facto be vacated in the following events:-

- (a) ceases to be a Director by virtue of the Act;
- (b) becomes bankrupt during his term of office or makes any arrangement or composition with his creditors generally;
- (c) becomes prohibited from being a Director by reason of any order made under the Act;
- (d) becomes of unsound mind during his term of office or a person whose person or estate is liable to be dealt with in any manner under the law relating to mental disorder;
- (e) resigns his office by notice in writing to the Company;
- (f) is absent for more than 50% of the total Board's meeting held during the Financial Year (whether or not an Alternate appointed by him attends);
- (g) is removed by a resolution of the Company in general meeting;
- (h) is convicted by a court of law, whether within Malaysia or elsewhere, in relation to offences set out in paragraph 15.05 of the MMLR.

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## 2.11 Supply of Information

- 2.11.1 The Company shall provide all Directors with timely and quality information in a form and manner appropriate for them to discharge their duties effectively.
- 2.11.2 The Management is responsible for providing the Board with the required information in an appropriate and timely manner. The Chairman, assisted by the Company Secretary, assesses the type of information required to be provided to the Board. If the information provided by the Management is insufficient, the Board will make further enquiries where necessary to which the person(s) responsible will then respond as fully and promptly as possible.
- 2.11.3 The calendar for Board and Board Committees meetings is scheduled well in advance, which include the Board Break-out Session, Pre-Board meetings and AGM, with dates for the year circulated to the Board at the latest practicable month of the preceding year to give the Directors ample time to plan their attendance.
- 2.11.4 The meeting agenda and board papers are circulated to all Directors five (5) working days before Board and Board Committee meetings to enable the Board to make informed decisions.
- 2.11.5 Board papers are circulated to Board Members via an advanced meeting software 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 prior to the meetings.
- 2.11.6 The Board is continuously advised and updated on statutory, regulatory requirements and current issues/business trends pertaining to their duties and responsibilities.
- 2.11.7 The Board may seek external and independent professional advice on any matter in furtherance of its duties that is deemed necessary and appropriate at the Company's expense.
- 2.11.8 During a Board meeting, if any Director holds views contrary to those of any of the other Directors on any matter discussed, the minutes will clearly record and reflect the dissenting views, apart from the decision and deliberations of the issues discussed in arriving at the decision.
- 2.11.9 All Board decisions are clearly recorded in the minutes and relevant Board decisions are communicated to the Management via action sheet no later than seven (7) working days from the Board meeting.
- 2.11.10 The minutes of the Board and Board Committees meetings are kept by the Company Secretary and are available for inspection by any Director during office hours.

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## **2.12 Frequency of Meetings**

- 2.12.1 The Board meets in person at least once every quarter to facilitate the discharge of its duties and responsibilities, with due notice of issues to be discussed.
- 2.12.2 Special Board Meeting may be convened as and when the need arises to consider urgent matters that require the Board's consideration.
- 2.12.3 The Management other than the P/CEO may be invited to attend and speak at meetings on matters relating to their sphere of responsibility.
- 2.12.4 The Directors may meet together for the despatch of business, adjourn and otherwise, and regulate their meeting as they think fit. The quorum necessary for the transaction of business shall not be less than two (2) Directors, at least one (1) of whom shall be Appointed Director. A director interested in a contract or arrangement shall be counted for the purposes of determining a quorum notwithstanding his interest.
- 2.12.5 Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman (unless he is not the Chairman of the Board of Directors) shall have a second or casting vote. A meeting at which only two (2) Directors are competent to vote on the question at issue the Chairman of the meeting at which only such a quorum is present, shall have no casting vote.
- 2.12.6 Director may participate in a meeting of the Board by means of a telephone conference, video conference or any communication equipment which allows all persons participating in the meeting to communicate with each other.
- 2.12.7. Director so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be countered in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Chairman of the meeting then is.
- 2.12.8 A Director shall attend not less than 50% of the total Board's meetings held during a financial year. A Director however shall be required to vacate his position as Director if he is absent for more than 50% of the total Board's meetings held during a financial year.
- 2.12.9 The number of Board Meetings held per year and the details of attendance of each Director at the meetings held shall be disclosed in the Company's Integrated Annual Report.
- 2.12.10 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.

## **2.13 Conflict of Interest**

- 2.13.1 The Directors have a continuing responsibility to determine whether they have a potential or actual conflict of interest in relation to any matter, which comes before the Board. The Company and the Group have adopted a practice whereby each Director is required to make written declarations whether they have any interest in any transaction.
- 2.13.2 Notwithstanding any provision of the Act and the MMLR, the Board must not engage directly or indirectly in any business activity that competes or conflicts with the interests of the Company.

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2.13.3 A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

2.13.4 Pursuant to the MMLR, a Director with any interest, direct or indirect, must abstain from Board deliberation and not to vote on the relevant resolution in respect of the related party transaction.

#### **2.14 Trading on Insider Information**

2.14.1 A Director must not deal in the listed securities of the Company or of other listed companies as long as he is in possession of price sensitive information relating to such listed securities.

2.14.2 Pursuant to the MMLR, Directors and Senior Management must not deal in the listed securities of the Company or of other listed issuers as long as he is in possession of price-sensitive information relating to such listed securities.

2.14.3 Notices on closed period for trading in the Company's shares are sent to Directors and Senior Management on a quarterly basis by the Company Secretary, specifying the closed period where Directors and Senior Management personnel are prohibited from dealings in the Company's shares.

#### **2.15 Directors' Indemnity**

2.15.1 The Company has in place a liability insurance policy for Directors and Officers in respect of liabilities arising from holding office as Directors and Management of the Company. The insurance does not provide coverage in the event a Director or Management member is proven to have acted negligently, fraudulently or dishonestly. The Directors contribute annually towards the payment of the premium for this policy.

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### **3.0 CHAIRMAN AND PRESIDENT/CHIEF EXECUTIVE OFFICER**

#### **3.1 Balance of Power**

3.1.1 The Company shall ensure a balance of power and authority between the Chairman and the P/CEO with a clear division of responsibility between the conduct of the Board and the Company's business respectively. The positions of the Chairman and the P/CEO are separated and clearly defined.

#### **3.2 Chairman**

3.2.1 The Chairman is responsible for the leadership of the Board in ensuring the effectiveness of all aspects of his role.

3.2.2 The Chairman of the Board is not a member of the Board Audit Committee or Board Nomination and Remuneration Committee.

3.2.3 The Chairman is responsible, inter alia:-

- (a) providing leadership for the Board so that the Board can perform its responsibilities effectively;
- (b) setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- (c) leading Board meetings and discussions;
- (d) encouraging active participation and allowing dissenting views to be freely expressed;
- (e) managing the interface between Board and Management;
- (f) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- (g) leading the Board in establishing and monitoring good corporate governance practices in the Company.

3.2.4 The Chairman, in consultation with the P/CEO and the Company Secretary, sets the agenda for Board Meetings and ensures that all relevant issues are on the agenda.

3.2.5 The Chairman is responsible for managing the business of the Board to ensure that:-

- (a) all Directors are properly briefed on issues arising at Board Meetings;
- (b) sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable a thorough preparation for the Board discussion;
- (c) the issues discussed are forward looking and concentrate on strategic issues.

3.2.6 The Chairman ensures that every Board resolution is put to vote to ensure the will of the majority prevails.

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- 3.2.7 The Chairman ensures that every Board resolution is put to vote to ensure the will of the majority prevails.
  - 3.2.8 The Chairman ensures that the P/CEO looks beyond his executive functions and accepts his full share of responsibilities on governance.
  - 3.2.9 The Chairman will have no casting vote if two (2) Directors form a quorum, or if there are only two (2) Directors competent to vote on the question at issue.

### **3.3 President/Chief Executive Officer**

- 3.3.1 The P/CEO is the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions.
- 3.3.2 The P/CEO has the executive responsibility for the day-to-day operation of the Company's business.
- 3.3.3 The P/CEO implements the policies, strategies and decisions adopted by the Board.
- 3.3.4 All Board authorities conferred on the Management is delegated through the P/CEO and this will be considered as the P/CEO's authority and accountability as far as the Board is concerned.

### **3.4 Senior Independent Director (SID)**

- 3.4.1 The Board may select among its Independent Non-Executive Directors and appoint a SID.
- 3.4.2 The selection of SID is based on his experience and the significant influence he has within the Board, ability to convey concerns of the Independent Directors on the Board to the other members of the Board and in the event of dissention between the Chairman and/or Executive Directors of the Company in the execution of their duties as Independent Director.
- 3.4.3 The SID will be expected to play the following roles:-
  - (a) Provides an additional communication channel between Non-Executive Directors and shareholders and address to the Board on the concerns conveyed by the shareholders and the public.
  - (b) Shareholders may direct their queries to the SID through email at cosec@tnb.com.my.
  - (c) Be available to shareholders if their concerns through contact in the normal channels of Chairman or Executive Directors have failed to resolve the issue or for which such contact is inappropriate.
  - (d) Ensure that the Board is aware of any shareholders' concerns not resolved through the existing mechanism for investor communication.
  - (e) Act as a sounding board for the Chairman. It is important for the SID and the Non-Executive Directors to be able to judge the effectiveness of the Chairman's leadership of the Group.

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- (f) Represents and acts as spokesperson for the Independent Non-Executive Directors as a group, act as an intermediary for other Non-Executive Directors when necessary and specifically serve as the principal conduit between the Independent Non-Executive Directors and Chairman on sensitive issues.
  - (g) Promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and complied with.
  - (h) Ensure the composition of the Board in regard to the number of Independent Directors is in adherence to relevant requirements and regulations.
  - (i) Be 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.

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## 4.0 BOARD COMMITTEES

In accordance with the Articles of Association, the Board delegates certain responsibilities to the following Board Committees with specific terms of reference:-

- (a) Board Audit Committee;
- (b) Board Finance and Investment Committee;
- (c) Board Tender Committee
- (d) Board Nomination and Remuneration Committee;
- (e) Board Sustainability and Risk Committee;
- (f) Board Long Term Incentive Plan Committee;
- (g) Board Integrity Committee.

Independent Directors play leading roles in these committees. The Management and third parties are co-opted to the Committees as and when required. Where Committees have no authority to make decisions on matters reserved for the Board, recommendations would be highlighted in their respective reports for the Board's deliberation and endorsement. The Chairman of each Committee reports the outcome of the Committee meetings to the Board and relevant decisions are incorporated into the minutes of the Board Meetings.

Details of the membership and a summary of the terms of reference of each Committee appointed by the Board are published in the Annual Report.

### 4.1 Board Audit Committee (BAC)

4.1.1 The functions and responsibilities of BAC shall include, but not limited to the following:-

#### (a) Corporate Financial Reporting

- (i) Review and recommend the acceptance or otherwise of accounting policies, principles and practices.
- (ii) Review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:-
  - a. any changes in existing accounting policies or implementation of new accounting policies;
  - b. major judgment areas, significant and unusual events;
  - c. significant adjustments resulting from audit;
  - d. the going concern assumptions;
  - e. compliance with accounting standards, MMLR, and legal, regulatory, and statutory requirements.

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- (iii) Review with Management and the external auditor the results of the audit, including any difficulties encountered prior to presentation to the Board.
  - (iv) Review and verify the allocation of scheme options pursuant to the Company's Share Issuance Scheme in accordance with MMLR as to provide a statement by Audit Committee in the annual report.

**(b) Internal Control**

- (i) Assess the quality and effectiveness of the system of internal control and the efficiency of the Group's operations.
- (ii) Review the findings on internal control in the Group reported by the internal and external auditors.

**(c) Internal Audit**

- (i) Approve the Internal Audit Charter of the Group's internal audit function which defines its mandated purpose, authority, and responsibility.
- (ii) Ensure that the internal audit function has appropriate standing in the Group and has the necessary authority, resources and competency to carry out its work without any hindrance. This includes a review of the organisational structure, resources, budget, and qualifications of the internal audit personnel.
- (iii) Review the adequacy of internal audit plan and the scope of audits to ensure robustness of risk assessment methodology and audit planning process.
- (iv) Review internal audit reports and Management's response and actions taken in respect of these. Where appropriate, recommend to escalate significant matters to the Board.
- (v) Appraise the performance of the Group's internal audit function and Head of Internal Audit.
- (vi) Be informed of resignations and transfers of senior internal audit staff and provide resigning/ transferred staff an opportunity to express their views.
- (vii) Direct any special investigation to be carried out by internal audit function.
- (viii) Review and approve the Statement on Internal Audit Function to be incorporated in the Integrated Annual Report as required under MMLR.
- (ix) Conduct a formal, private meeting with the Head of Internal Audit, without the presence of Management, at least annually to discuss on any matters or issues concerning internal audit or the organisation.
- (x) Approve the setting up of internal audit function in subsidiaries of the Group.

**(d) External Audit**

- (i) Nominate the external auditor together with such other functions as may be agreed to by the Board and recommend for approval of the Board the external audit fee, and consider any question of resignation or termination.

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- (ii) Review the external audit plans and scope of work.
  - (iii) Assess the suitability, objectivity and independence of the external auditor annually to safeguard the quality and reliability of audited financial statements through:-
    - a. Conduct an evaluation on the performance of the external auditor in guiding decisions on the appointment or re-appointment of the external auditor.
    - b. Consider the Annual Transparency Report of the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks.
    - c. Obtain written assurance from the external auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement for the financial year.
    - d. Monitor the extent of non-audit services performed by the external auditor to ensure that provision of the non-audit services does not impair their independence.
  - (iv) Review external audit reports and Management's response and actions taken in respect of these. Where appropriate, recommend to escalate significant matters to the Board.
  - (v) The BAC shall meet the external auditors at least twice a year to discuss problems and reservations arising out of audits and any matters the auditors may wish to discuss, in the absence of Management, Executive Directors or Non-independent Directors where necessary.

**(e) Corporate Governance**

- (i) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow up (including disciplinary action) of any instances of non-compliance.
- (ii) Review the findings of any examinations by regulatory authorities.
- (iii) Review any related party transaction and conflict of interest situation that arose, perceived, or may arise within the Group including any transaction, procedure or course of conduct that raises questions of integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.
- (iv) Review and approve the Statement of Corporate Governance for the Integrated Annual Report as required under MMLR.
- (v) Review the investor relations program and shareholder communications policy for the Group.
- (vi) Examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.



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- (vii) Where the BAC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of MMLR, to promptly report such matters to Bursa Malaysia Securities Berhad.
  - (f) Sustainability Matters
    - (i) Ensure consistency and connectivity of sustainability-related disclosures across financial reporting and other public disclosures.
    - (ii) Ensure the internal audit function has adequately incorporated sustainability into its audit plan.
    - (iii) Approve the assurance plan/methodology on Sustainability Statement including the types of assurance (internal/ external), level of assurance (limited/ reasonable), subject matter, scope and boundaries.
    - (iv) Endorse appointment of external assurance provider for co-sourcing or outsourcing of sustainability assurance.
    - (v) Review the results of assurance of the Sustainability Statement and approve the Statement of Assurance which forms part of the Sustainability Statement.

## **4.2 Board Finance and Investment Committee (FIC)**

### **4.2.1 Functions of The Committee**

- (a) The functions of the Committee are as follows:-
  - (i) To review and recommend to the Board for approval / approve investment / divestment proposal recommended by Management balancing strategic, financial and risk and return;
  - (ii) To review and approve investment risks and risk treatment proposed by Management for new investment / divestment proposals proposed by the Management for investment of value up to RM200.0 million per transaction;
  - (iii) To review and recommend to the Board for approval investment risks and risk treatment proposed by Management for new investment / divestment proposals proposed by the Management for investment of value above RM200.0 million per transaction;
  - (iv) To review issuance of new TNB shares;
  - (v) To review and evaluate, as may be appropriate, information relating to the Company's investable assets, its investment policies, strategies, objectives and activities;
  - (vi) To review the formation and operation of employees financial/investment schemes;
  - (vii) To monitor and review equity investments in subsidiaries and associated companies, and to evaluate and consider and make appropriate recommendations;

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- (viii) To provide input on the valuation of the proposed investments / divestments taking into account compliance with relevant policies, risk management analysis, findings of the due diligence and written report from external advisers, as applicable;
  - (ix) To review, monitor and make recommendations to the Board for approval in matters pertaining to finance, including but not limited to budgets and funding activities;
  - (x) To carry out such other duties that may be delegated to it by the Board;
  - (xi) In discharging its functions, the Committee shall at all times adhere to all applicable laws, regulations and guidelines and comply with the provisions of the Best Practices of the MCGG.

### **4.3 Board Tender Committee (BTC)**

#### **4.3.1 Functions of The Committee**

- (a) The functions of the Committee are as follows:-
  - (i) To establish the framework of TNB Procurement & Supply Chain Policy and Procedures from time to time;
  - (ii) To advise the Board regarding the details and implementation of the framework of TNB Procurement & Supply Chain Policy and Procedures;
  - (iii) To make the necessary recommendations as specified under the objectives of the Committee; and
  - (iv) To assist the Board in regulating the performance on compliance of Senior Management and other Executive Directors in relation to TNB Procurement & Supply Chain Policy and Procedures.
- (b) In discharging its functions, the Committee shall at all times be mindful of all applicable laws, regulations and guidelines and provisions with the Best Practices of the MCGG.

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## 4.4 Board Nomination and Remuneration Committee (BNRC)

### 4.4.1 Functions of The Committee

- (a) The functions of the Committee are as follows:-

#### Nomination Functions

##### A. The Board

- (i) To identify and nominate to the Board suitable candidates for appointment as Directors in TNB Group whilst ensuring that they possess the necessary experience and skills. However, decisions as to who shall be appointed shall be the responsibility of the respective Board;
- (ii) To consider and recommend a policy regarding the period of service of Non-Executive Directors;
- (iii) To recommend the removal of a Director if the Director concerned is ineffective, errant and negligent in discharging his duties;
- (iv) To review annually the structure, size and composition of the Board to ensure that the Board comprises of:-
  - a. majority of Non-Executive Directors with the appropriate mix of skills and experience in compliance with paragraph 15.02 of the MMLR including core competencies which Non-Executive Directors should bring to the Board and other qualities to function effectively and efficiently; and
  - b. one third (1/3) of Independent Non-Executive Directors.
- (v) To recommend directors who are retiring (by rotation) for re-election and termination of membership of individual directors in accordance with policy, for cause or other appropriate reasons;
- (vi) To ensure that all Directors undergo the MAP and on continuous basis ensures the training needs of the Directors as prescribed by Bursa Securities in compliance with paragraph 15.08 of the MMLR;
- (vii) To provide adequate training and orientation for new directors with respect to the business, structure and management of the Company as well as the expectations of the Board with regards to their contribution to TNB Group;
- (viii) To establish and implement processes for assessing the effectiveness of the Board as a whole, the Board Committees and for assessing the contributions of each Director;
- (ix) To propose to the Board the duties and responsibilities of Non-Executive Directors, including the membership and chairmanship of Board Committees;
- (x) to review annually the status of independence of all the Independent Non-Executive Directors; and

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- (xi) To consider and recommend solutions on issues of conflict of interest affecting the Directors.

B. P/CEO and Senior Management

- (i) Review and recommend to the Board the appointment, upgrading and promotion of P/CEO and Senior Management of TNB Group;
- (ii) To consider and recommend a policy regarding the period of service of P/CEO;
- (iii) To consider P/CEO and Senior Management's succession planning, and
- (iv) To recommend the removal of the P/CEO and Senior Management if they are found to be ineffective, errant and negligent in discharging their duties.

Remuneration Functions

A. The Board

- (i) To make recommendations to the Board on the remuneration package of Non-Executive Directors.

B. P/CEO and Senior Management

- (i) To determine remuneration and terms of employment of the Executive Director;
- (ii) To determine performance contracts and targets and the structure of the rewards for the Executive Director and to assess the Executive Director's performance against these targets;
- (iii) To recommend to the Board the remuneration framework of the Executive Director and the Senior Management. The Committee may obtain independent professional advice and any other information necessary in determining the framework;
- (iv) To recommend to the Board any proposals of the Executive Director and Senior Management (if any) remuneration and benefit including pension, share option, service contracts and compensation payment for approval;
- (v) To establish a formal and transparent procedure for developing policy on the Executive Director and Senior Management (if any) remuneration and for fixing their individual remuneration packages;
- (vi) To review all benefits and entitlements of the Executive Director and Senior Management (if any) of TNB Group; and
- (vii) To consider compensation commitments/severance payments for Executive Director in the event of early termination of his employment/service contract;

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- (b) To consider any other matters referred by the Board to the Committee;
  - (c) In discharging its duties, the Committee shall at all times be mindful of the provisions of all applicable laws, regulations and guidelines.

## **4.5 Board Sustainability and Risk Committee (BSRC)**

### **4.5.1 Functions of The Committee**

- (a) The functions of the Committee as are follows:
  - (i) To deliberate and recommend for Board's approval on the sustainability framework and policy.
  - (ii) To oversee the implementation of the sustainability framework which is to be embedded into the culture, processes and structures of the Group.
  - (iii) To deliberate the TNB sustainability roadmap based on sustainability strategies and targets approved by the Board and ensure its effective deployment and execution Group wide.
  - (iv) To oversee the Group's sustainability key performance against approved strategies and targets.
  - (v) To review and recommend for Board's approval the Group sustainability disclosures required by Bursa Malaysia.
  - (vi) To advise on the disclosures in the TNB Sustainability Report prior to publication to external stakeholders.
  - (vii) To deliberate and recommend for Board's approval the risk management framework and policy.
  - (viii) To oversee the implementation of the risk management framework which is to be embedded into the culture, processes and structures of the Group.
  - (ix) To deliberate the Group's strategic and key operating risks as well as risk issues through timely and regular reports and ensure the implementation of appropriate systems to manage these risks. It has the authority to direct special investigations, on behalf of the Board, into significant risk management activities, as and when necessary
  - (x) To approve the Group's risk appetite and ensure that actions are taken in a timely manner when risks are outside tolerable ranges.
  - (xi) To co-review with the Board Audit Committee and recommend for Board's approval the Statement of Risk Management and Internal Control disclosure required by Bursa Malaysia.

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## **4.6 Board Long Term Incentive Plan Committee (BLTIP)**

### **4.6.1 Functions of The Committee**

- (a) The functions of the Committee are as follows:
  - (i) To oversee the administration of the TNB Long Term Incentive Plan (LTIP) and the shares granted under it (LTIP Shares), subject to the By-Laws;
  - (ii) To set the rules and regulations, or impose such terms and conditions, or delegate part of its power, as may be required in connection with the administration of the TNB LTIP;
  - (iii) To approve and determine the manner in which the LTIP Shares are granted to and subsequently vested to the selected employees who have accepted their respective grants (Grantees) in accordance with the provisions of the By-Laws;
  - (iv) If and when required, to determine if any special terms to apply to offers of the LTIP Shares to grantees who are employed by any one of the Company and its considered necessary or appropriate to accommodate for differences in applicable law, tax, policy or custom and the approval of such supplements to or amendments, restatements or alternate versions of the TNB LTIP made in relation thereto.

## **4.7 Board Integrity Committee (BIC)**

### **4.7.1 BIC's roles:-**

- (a) ensure a separate and accountable Integrity Department (ID) structure to the BOD so that issues of pressure, exclusion, rejection do not arise as well improper actions on the part of the organization;
  - (b) ensure that ID performs the core functions of the ID that have been set which are Complaint Management, Detection and Verification, Strengthening Integrity and Governance;
  - (c) monitor ID's performance through reporting; and
  - (d) instruct ID to ensure that the ID is relevant as an entity responsible for maintaining integrity in the organization.
- 4.7.2 To enhance the integrity function by ensuring the objectivity, independence and capacity of the ID, and provide a forum for discussion that is independent of the management;
- 4.7.3 To review the sufficiency, adequacy and comprehensiveness of TNB's Corporate Integrity Management System (TCIMS), to mitigate corruption risks and assure the Board on compliance with applicable laws, regulations, rules, directives and guidelines;
- 4.7.4 Govern the disciplinary proceedings for the Company.

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#### 4.7.5 Functions of The Committee

(a) The Committee shall be responsible for:-

**A. Disciplinary Procedures:**

- (i) to oversee and conduct disciplinary matters for TNB personnel, including acting on the advice of the management, hearing and deciding on appeals and enforcing disciplinary proceedings against staff convicted of misconduct;
- (ii) to act as the case determination committee for the P/CEO of the Company;
- (iii) to hear and decide on appeals made by the Top Management (executive level M15 and above or any grade which is equivalent) who were convicted and sentenced to disciplinary or termination of service;
- (iv) in carrying out the functions of the executive committee of the appeal for the Top Management (executive level M15 and above or any grade which is equivalent) of the Company, the Committee may change the verdict and/or maintain, alleviate or aggravate the sentence passed by the Disciplinary Committee concerned.

**B. Integrity Policies and Procedures**

- (i) to review and make recommendations to the Board of Directors on steps to be taken to establish a culture of Integrity and honesty in all of the Company's business dealings.
- (ii) to ensure the Company's strategy and anti-bribery policy are aligned.
- (iii) to review and obtain approval from the Board of Directors for the organization's anti-bribery policy, Code of Ethics, disciplinary procedures, whistleblowing procedures, and other related procedures and documentations comprising the TNB's Corporate Integrity Management System (TCIMS).
- (iv) to review and report to the Board of Directors on the progress in respect of the implementation, compliance with and effectiveness of the TCIMS.
- (v) to review and report to TNB Board of Director regarding disciplinary cases and decisions, integrity initiatives and decisions related to the TNB integrity agenda.
- (vi) to review on annual basis its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board of Directors for approval.

(b) To carry out any other duties that may be delegated to it by the Board of Directors.

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#### **4.8 Disclosure**

- (a) The Committees shall assist the Board in making certain disclosures concerning the activities of the Committees such as in the Corporate Governance Overview Statement to be issued in the Integrated Annual Report.
- (b) The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of each Committee with a copy to the Company Secretary.

#### **4.9 Revision Of The Terms Of Reference**

- (a) Any revision or amendment to the respective Terms of Reference, as proposed by any Committee or any third party, shall first be presented to the respective Board Committees/Board for its approval.
- (b) Upon the Board's approval, the said revisions or amendments shall form part of the respective Terms of Reference and shall be considered duly revised or amended.

#### **4.10 Ad-Hoc Board Committees**

The Board is authorised to establish ad-hoc or special purpose Board Committees, on needs basis to deliberate and expedite decision-making processes in respect of specific aspects of the business. These Committees as and when established will be governed by its terms of reference duly approved by the Board.



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## 5.0 REMUNERATION LEVELS OF DIRECTORS

- 5.1 The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully and meeting its objectives, taking into consideration all relevant factors including the function, expertise, workload, complexities and responsibilities involved, but without paying more than is necessary to achieve this goal.
- 5.2 The framework for the remuneration of Executive and Non-Executive Directors is reviewed regularly against market practices. 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.
- 5.3 The Non-Executive Directors are remunerated through fixed monthly fees, meeting allowances and benefits-in-kind, inclusive of the reimbursement of utilities bills and business peripherals.
- 5.4 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.
- 5.5 The BNRC annually evaluates the performance of the P/CEO and Senior 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.
- 5.6 The level of remuneration for the Executive Director(s) is determined by the BNRC/Board after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies.
- 5.7 No Director other than P/CEO shall have a service contract with the Company.
- 5.8 The Company may undertake a formal independent review of the Directors Remuneration no less frequently than once in every three (3) years in order to ensure that the Board is adequately remunerated.
- 5.9 The details of the remuneration received by each Director are disclosed in the Integrated Annual Report.

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## **6.0 FINANCIAL REPORTING**

### **6.1 Transparency**

- 6.1.1 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.
- 6.1.2 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.
- 6.1.3 The Company announces to Bursa Securities its quarterly financial results within two (2) months after the end of each quarterly financial period.
- 6.1.4 The Auditors' Report shall contain a statement from the Auditors explaining their responsibility in forming an independent opinion, based on their audit, of the financial statements.

### **6.2 Company Auditors**

- 6.2.1 The Board has formal and transparent procedures for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the Company Auditors through its Audit Committee.
- 6.2.2 The BAC also keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Company Auditors.
- 6.2.3 Appointment of the Company Auditors is subject to approval of shareholders at AGM. The Company Auditors shall retire during the AGM every year and be re-appointed by shareholders for the ensuing year.
- 6.2.4 TNB's External Auditors Policy under Para 5: Conflict of Interest which states that: "such individual must not have been a member of the audit engagement team of TNB during the two-year period preceding the commencement of audit procedures for the financial year in which such individual was hired by TNB Group."
- 6.2.5 The BAC is responsible for reviewing, assessing and monitoring the performances, suitability and independence of External Auditors, including reviewing the fees and list of non-audit services provided by external auditor to TNB and the Group on a quarterly basis.
- 6.2.6 TNB External Auditors will be reviewed periodically to ensure relevance with applicable laws and best practices.

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### 6.3 Internal Controls and Risk Management

- 6.3.1 TNB Risk Management Framework provides a structured and consistent approach to risk management across the Group. The purpose of risk management is to create and protect value and this is exemplified through each element in the Framework.
- 6.3.2 The Risk Management Department is responsible for the effective implementation of TNB Risk Management Framework for informed decision-making.
- 6.3.3 The internal control framework is structured in such a manner that it provides reasonable assurance that the likelihood of an event with significant adverse impact on business objectives is managed within tolerable levels. This is achieved through a combination of preventive, detective and corrective measures.
- 6.3.4 The BSRC assists the Board in ensuring that the Group has in place a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives.
- 6.3.5 The Company's risk management framework and internal controls are disclosed in the Integrated Annual Report.
- 6.3.6 The Company has an internal audit function, which critically reviews significant aspects of the Company's activities and its internal controls. Comprehensive audits on governance, financial and operational activities and risk management are undertaken on a regular basis. The Head of Internal Audit has direct access to the Board through the Chairman of the BAC.
- 6.3.7 The Board with the assistance of the BAC ensures the system of internal controls is reviewed and thereafter receives reports regarding the outcome of such reviews on a regular basis.
- 6.3.8 The BAC reviews the performance of internal audit function on a quarterly basis through its achievement report and approves the achievement of Chief Internal Auditor's performance management result.
- 6.3.9 The internal audit function reports functionally to BAC and administratively to P/CEO to maintain its independence.
- 6.3.10 Additionally, the Chief Internal Auditor declares Group Internal Audit organisational independence on annual basis and the BAC reviews the declaration made.

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## **7.0 GENERAL MEETINGS**

### **7.1 Annual General Meeting (AGM)**

- 7.1.1 The Company regards the AGM as an important event in the corporate calendar of which all Directors and Senior Management shall be in attendance, physically or virtually.
- 7.1.2 The Company regards the AGM as the key forum of communication and dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from, the Company's shareholders.
- 7.1.3 The Chairman and SID encourage active participation by the shareholders during the AGM.
- 7.1.4 The Chairman where appropriate, and the P/CEO shall respond to the shareholders' queries during the meeting. Where necessary, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.
- 7.1.5 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.
- 7.1.6 The AGM Notice is issued to the shareholders at least 28 days prior to the meeting.
- 7.1.7 During the Meeting, the Chairman encourages the shareholders and provides ample time for them to post/raise questions to the Board and Senior Management pertaining to the Company's performance, including on the proposed resolutions tabled at the AGM.
- 7.1.8 The proceedings of the AGM including the responses to questions raised by the shareholders/proxies before and during the AGM is recorded in the minutes of meeting and made available on TNB's website at [www.tnb.com.my](http://www.tnb.com.my).
- 7.1.9 Minutes of the general meeting is circulated to shareholders no later than 30 business days after the general meeting.
- 7.1.10 TNB enables remote shareholders' participation and online remote voting by leveraging technology in accordance with Section 327(1) and (2) of the CA 2016. Detailed procedures are provided to shareholders in the Administrative Details of AGM.
- 7.1.11 Poll Administrator and Scrutineer are appointed to conduct the polling process and to validate the votes cast at the general meeting respectively.
- 7.1.12 The Shareholders/proxies able to view the live webcast of the AGM proceedings, post questions to the Board/Management and submit their votes in real-time whilst the meeting is in progress. An e-voting tutorial video on the e-voting process will be played at the AGM prior to the commencement of the e-voting.
- 7.1.13 The outcomes of the general meetings are announced to Bursa Securities and to be disclosed on the Company's website after the meeting.

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## 8.0 INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

- 8.1 The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company and as such adopts an open and transparent policy with its shareholders and investors.
- 8.2 The Board ensures the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year.
- 8.3 The Company is committed to communicating its strategy and activities regularly and clearly to its shareholders and, to that end, maintains an active dialogue with investors through a planned programme of investor relation activities and engagement.
- 8.4 The communication processes include:
- the disclosure of full and timely information about TNB's activities in accordance with the MMLR;
  - the prompt release of information on TNB's website
  - announcements to Bursa Securities are immediately made available on TNB's website
  - all disclosures, including notices of meetings and other shareholders' communications are drafted clearly, in simple language and with conciseness
- 8.5 The Company shall proactively disseminate relevant and timely information to the investment community to keep investors abreast of the Group's strategies, performance updates and key business activities. The Company has established an Investor Relations Policy and Guidelines to ensure adherence to best practice communication guidelines and fair and timely disclosure of information to all shareholders and investment community.
- 8.6 The Company's website, [www.tnb.com.my](http://www.tnb.com.my), provides easy access of communication and source of information on corporate information pertaining to the Company and its activities to shareholders, and the general public and is continuously updated.

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## **9.0 RELATIONSHIP WITH OTHER STAKEHOLDERS**

In the course of pursuing the vision and mission of the Company, the Board recognises that no company can exist by maximising shareholders value alone. In this regard, the needs and interests of other stakeholders are also taken into consideration.

### **9.1 Employees**

- 9.1.1 The Board acknowledges that the employees are invaluable assets of the Company and play a vital role in achieving the objectives of the Company.
- 9.1.2 The Company adopts comprehensive and documented policies and procedures with respect to the following:-
  - (a) occupational safety and health with the objective of providing a safe and healthy working environment for all employees; and
  - (b) industrial relations with the objective of managing employees' welfare and well-being in the workplace.

### **9.2 Environment**

- 9.2.1 The Board acknowledges the need to safeguard and minimise the impact to the environment in the course of achieving the objectives of the Company.
- 9.2.2 The Company shall comply with all rules and directives of the authorities on environmental safety and protection as part of its commitment to protect the environment and contribute towards sustainable development.
- 9.2.3 The Company is committed in supporting initiatives on environmental issues.

### **9.3 Corporate Social Responsibility**

- 9.3.1 The Board acknowledges that the Company should play a vital role in contributing towards the welfare of the community in which it operates.
- 9.3.2 The Company adopts comprehensive and documented policies and procedures towards responsible marketing and advertising of its products and services.
- 9.3.3 The Company supports charitable causes and initiatives on community development projects.

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## 10.0 COMPANY SECRETARY

- 10.1 The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.
- 10.2 The Company Secretary through the Chairman plays an important role in good governance by helping the Board and its Committees function effectively and in accordance with their terms of reference and best practices.
- 10.3 The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with rules, regulations, procedures and laws affecting the Company in collaboration with the in-house legal adviser and Chief Financial Officer specifically to statutory laws and taxation.
- 10.4 The Company Secretary is to advise Directors of their obligations to adhere to matters, among others relating to:-
- (a) disclosure of interest in securities;
  - (b) disclosure of any conflict of interest in a transaction involving the Company;
  - (c) prohibition on dealing in securities;
  - (d) restrictions on disclosure of price-sensitive information.
- 10.5 The roles and responsibilities of a Company Secretary include, but are not limited to the following:-
- (a) manage all Board and Board Committees meeting logistics, attend and record minutes of all Board and Committees meetings and facilitate Board communications;
  - (b) advise the Board on its roles and responsibilities;
  - (c) facilitate the orientation of new Directors and assist in Directors training and development;
  - (d) advise the Board on corporate disclosures and compliance with Company and securities regulations and listing requirements;
  - (e) manage processes pertaining to the general meetings;
  - (f) monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
  - (g) serve as a focal point for stakeholders' communication and engagement on corporate governance issues.
- 10.6 The Company Secretary should possess the knowledge and experience to carry out his/her functions. These may include knowledge in company and securities law, finance, governance and other areas of compliance such as MMLR.
- 10.7 The Company Secretary should undertake continuous professional development.

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- 10.8 The Board Members have unlimited access to the professional advice and services of the Company Secretary.
- 10.9 The removal of the Company Secretary is a matter for the Board as a whole.

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## 11.0 STRATEGY TOWARDS PROMOTING SUSTAINABILITY

11.1 In the effort of maximising shareholders' return, TNB at the same time advocated towards managing its business responsibly by managing the economic, social and environmental aspects of its operations.

TNB has produced on annual basis the Sustainability Report, to communicate more effectively with stakeholders on its endeavours towards sustainability. Together with the Integrated Annual Report, which highlights the financial aspects of the business, both reports provide a clear, comprehensive and transparent representation of the Company's performance annually.

11.2 The Board has adopted the Global Reporting Initiative for the Sustainability Reporting Framework for the purpose of preparing its Sustainability Report and applies the following additional guidelines:-

- (a) Bursa Malaysia Sustainability Reporting Guide (2nd Edition);
- (b) Task Force on Climate-related Financial Disclosures (TCFD) framework;
- (c) GRI Electric Utilities Sector Disclosures;
- (d) United Nations Sustainable Development Goals (UN SDGs)

11.3 The Sustainability Report incorporates details on the Company's interactions and initiatives with the targeted stakeholders groups, the engagement methodology and the Company's approach towards achieving the Company's long term viability, encompassing environmental, social and governance aspects of the business.

11.4 The Company's sustainability activities are aligned to the corporate strategies and values. TNB employs the following strategies in promoting sustainability:-

- (a) Adoption of a framework to manage current and future impacts on the Company's stakeholders;
- (b) Aligned with its corporate values;
- (c) Incorporate clear plans to address issues and concerns of its key stakeholders;
- (d) Ensure effective communication of sustainability objectives to parties involved;
- (e) Ensure integration of values and stakeholder interests in corporate strategy.

11.5 The Board together with Management takes responsibility for the governance of sustainability in the Company including setting the Company's sustainability strategies, priorities and targets.

11.6 The Board takes into account sustainability considerations when exercising its duties including among others the development and implementation of Company strategies, business plans, major plans of action and risk management.

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- 11.7 Strategic management of material sustainability matters should be driven by Senior Management.
  - 11.8 The Board ensures that the Company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.
  - 11.9 The Board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.
  - 11.10 Performance evaluations of the Board and Senior Management include a review of the performance of the Board and Senior Management in addressing the Company's material sustainability risks and opportunities.
  - 11.11 The Board identifies a designated person within Management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Company.

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## 12.0 APPLICATION

12.1 The principles set out in this Charter are:-

- (a) kept under review and updated as practices on Corporate Governance development and further guidelines on Corporate Governance are issued by the relevant regulatory authorities;
- (b) applied in practice having regard to their spirit and general principles rather than to the letter alone; and
- (c) summarised in the Integrated Annual Report as part of a narrative statement by the Directors on Corporate Governance.

12.2 The Board endeavours to comply at all times with the principles and practices set out in this Charter.

12.3 The Charter shall be made public in the Company's website.

*(End)*