

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5362  
**COMPANY NAME** : TENAGA NASIONAL BERHAD  
**FINANCIAL YEAR** : December 31, 2019

## **OUTLINE:**

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board of Directors (Board) of Tenaga Nasional Berhad ("TNB" or "the Company") 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.</p> <p>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.</p> <p>In order to ensure the effective discharge of its functions and responsibilities, the Board has established its principal Committees to exercise oversight in specific areas, of which are the Board Audit Committee (BAC), Board Finance and Investment Committee (FIC), Board Tender Committee (BTC), Board Nomination and Remuneration Committee (BNRC), Board Risk Committee (BRC), Board Long Term Incentive Plan Committee (BLTIP) and Board Integrity Committee (BIC).</p> <p>The Board is responsible for the oversight and overall management of the Company. In order to ensure the effective discharge of its functions and responsibilities, it has established a Governance Model for the Group where specific powers of the Board are delegated to the relevant Board Committees and the President/Chief Executive Officer (P/CEO). The Governance Model is on page 25 of the Corporate Governance &amp; Financial Statements 2019.</p> |

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|  | <p>The Board shall assume, among others, the following principal responsibilities:</p> <p><b>1. Formulating, reviewing and approving the Company’s strategic business plan</b></p> <p>The Board plays a pivotal role in reviewing the Company’s strategic direction and approving corporate strategic initiatives developed by the Management.</p> <p>The Board deliberates annually on the Company’s strategic and business plan as proposed by the Management, including the annual capital and revenue budget for the ensuing year as well as the Key Performance Indicators (KPIs). This will ensure that the KPIs correspond with the Company’s annual strategic and business plan. The Board reviews and deliberates on the Management’s views in ensuring the best decisions are reached after considering all relevant aspects.</p> <p>A separate and informal session between the Board and Top Management, known as the Board Breakout Session (BBO), is held to have in-depth discussions and exchange of views on the Company’s strategic issues/challenges. The BBO is coordinated by the Company Secretary’s Office as and when the need arises and is a platform for the Board and Management to deliberate and exchange views as well as opinions in formulating strategic plans and to chart the direction of the Group, including the reporting of its progress.</p> <p>For the Financial Year under review, four (4) BBOs were held on 6 March 2019, 12 March 2019, 8 April 2019 and 15 April 2019 respectively. During the BBOs, the Management shared and discussed with the Board on the Needle Project which relates to its restructuring design, overview of its implementation, detailed financial impacts and final transaction components. Apart from that, the issues on Malaysia Electricity Supply Industry (MESI) 2.0 was also deliberated particularly its Challenges and Future as well as the moving forward plan of TNB’s participation in Telco and National Fiberisation and Connectivity Plan.</p> <p>In return, the Management gained constructive inputs/guidance from the Board on way forward of these investments and regulatory landscapes &amp; challenges of utility industry in Malaysia. More information on the Strategic Direction is available in the Strategic Review on pages 34 to 60 of the Integrated Annual Report.</p> <p>The Board on 29 July 2019, had approved the Proposed Internal Reorganisation which involves the transfer by TNB of its domestic power generation and electricity retail businesses to two (2) new wholly-owned subsidiaries of TNB of which are TNB Power Generation Sdn. Bhd. and TNB Retail Sdn. Bhd. The Proposed Internal Reorganisation is expected to improve the efficiency, agility and performance of the business segments of the TNB group of companies (“TNB Group” or “Group”) and promote ownership, entrepreneurship</p> |
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|  | <p>and innovation within the Group. The Proposed Internal Reorganisation is in line with TNB's strategic transformation plan, Reimagining TNB, and is envisaged to improve the TNB Group's performance and returns to the shareholders of TNB in the medium to long-term.</p> <p>The Proposed Internal Reorganisation was approved by the shareholders at the Court Convened Meeting duly held on 11 February 2020.</p> <p>Half-year reviews of the business plan and the budget were conducted whereby comparison of approved targets against the Company's actual performance was made.</p> <p>Based on the evaluation for Financial Year under review, the Board collectively concurred that it has reviewed the Company's strategic and financial plan as well as monitored its implementation, including the setting of suitable KPIs in achieving the Company's objectives.</p> <p><b>2. Identifying and managing principle risks affecting the Company</b></p> <p>The Board, through the BRC, is responsible for overseeing the effectiveness and adequacy of the Group's risk management framework and to ensure that it forms part of the Group's corporate culture. The BRC's key responsibilities include approving the risk management framework and policies on behalf of the Board and deliberating the Group's strategic and key operating risks as well as ensuring appropriate mitigations are implemented to manage these risks.</p> <p>During the Financial Year under review, there were eight (8) BRC sittings. The BRC reviewed the Statement of Risk Management and Internal Control, which summarised the risk management practices and internal controls implemented by Management. It also deliberated Key Risk Indicators that were developed in alignment with BRC's and management's risk appetite. Additionally, the BRC reviewed the Group's insurance programmes and recommended improvements for an adequate and effective risk transfer mechanism in the interests of the Group</p> <p>The BRC cascaded its mandate and tone from the top with regard to the importance of integrated risk management in organisational processes through the Top Management Risk Forum attended by approximately 100 members of top management from across the Group.</p> <p>The BRC is assisted by the Chief Risk Officer (CRO) and the Risk Management Department (RMD) in discharging its duties and responsibilities. The RMD is responsible for the effective implementation of TNB Risk Management Framework for informed decision-making. The framework is developed in alignment with ISO 31000:2018. In the year under review, the framework was revised</p> |
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|  | <p>to ensure alignment with the second edition of the standard and was approved by the BRC.</p> <p>The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision making for the achievement of the Group's strategic outcomes and long-term objectives.</p> <p>Based on the evaluation for the Financial Year under review, the Board collectively agreed that it has discharged its roles in identifying principal risks and in ensuring that the Group has put in place an adequate risk management framework to effectively monitor and manage the risks of its operational businesses.</p> <p><b>3. Reviewing the adequacy and integrity of the Company's internal control system</b></p> <p>The Board is responsible for ensuring that a sound reporting framework of internal controls and regulatory compliance is in place throughout the Company. Based on the evaluation for the Financial Year under review, the Board collectively concurred that it has discharged its roles through the BRC/BAC whereby regular meetings were held in reviewing the effectiveness of the Company's internal control system. Details of the Company's internal control system and its effectiveness are provided in the Statement on Risk Management and Internal Control in the Corporate Governance &amp; Financial Statements 2019.</p> <p><b>4. Overseeing and evaluating the conduct and performance of the Company's businesses</b></p> <p>The P/CEO is responsible for managing the day-to-day operations of the Company and implementing the Group strategies and policies as agreed by the Board. In doing so he is well supported by the respective Management Committees. The performance of the Management is measured through the Company's and Group's quarterly financial reports. The Board, on a continuous basis, is well informed of the progress of the Company's strategic initiatives and critical operational issues as well as of the Group's performance based on approved KPIs.</p> <p><b>5. Succession Planning</b></p> <p>The Board, through the BNRC is entrusted to review potential candidates for Top Management positions and establish their remuneration. The Group's nomination, selection and succession policies are formulated by the BNRC.</p> <p>During the Financial Year under review, there were two (2) new additions to the Board, duly appointed by the Board/BNRC.</p> <p>Taking the helm as P/CEO, Datuk Seri Amir Hamzah bin Azizan was appointed with effect from 2 April 2019, as Appointed Director of the</p> |
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|  | <p>Minister of Finance (Incorporated) (MoF Inc.), the Special Shareholder of TNB. While Dato' Roslina binti Zainal was appointed with effect from 15 March 2019 as Non-Independent Non-Executive Director.</p> <p>At the issuance of this CG Report, Dato' Cheok Lay Leng has been appointed as Independent Non-Executive Director with effect from 2 March 2020.</p> <p>Their mix of skills, experience, expertise and qualification are analysed prior to their respective appointments. The selection of candidates and appointment of Independent Non-Executive Directors by the BNRC/Board are made with the assistance of independent consultant.</p> <p>During the Financial Year under review, Datuk Ir. Husaini bin Husin was appointed as Chief Grid Officer with effect from 1 February 2019 and at the issuance of this CG Report, Amir Mahmod bin Abdullah was appointed as Chief Procurement Officer with effect from 1 January 2020.</p> <p>As part of TNB internal reorganisation, Mohd Shahazwan bin Mohd Harris was appointed as Chief International Officer with effect from 1 July 2019, to lead the International Asset Group, to steer its business growth forward. While Mohamad Ariff bin Zainol is made Chief Global Business Solutions with effect from 18 January 2019, to head TNB Global Business Solutions Division.</p> <p>The Board on 28 February 2020 with the concurrence of the Special Shareholder, MoF Inc., approved the appointment of Tan Sri Ahmad Badri Mohd Zahir as Chairman, Non-Independent Non-Executive Director of TNB for a period of three (3) years with effect from 12 March 2020 until 11 March 2023.</p> <p>Tan Sri Leo Moggie had ceased office as Chairman of TNB with effect from 12 March 2020 following his resignation and had relinquished his chairmanships/directorships in the respective subsidiaries within TNB Group of Companies.</p> <p>The Board of Directors of TNB expressed its appreciation to Tan Sri Leo Moggie for his immense contribution to the Company.</p> <p>The Board/BNRC deliberated on the succession planning for critical positions in TNB, intended to surface and manage the development of TNB's future leaders.</p> <p>The Board is satisfied that the BNRC has efficiently discharged its duties pertaining to the nomination, remuneration and succession management functions as set out in its Terms of Reference.</p> |
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|  | <p>The BNRC annually evaluates the performance of the P/CEO and the Top Management, whose remunerations are directly linked to their respective KPIs. The P/CEO's remuneration package is reviewed by the BNRC to reflect the contributions made towards the Group's achievements for the year. The BNRC's views and recommendations on this are submitted to the Board for its decision/approval.</p> <p>Based on the evaluation for the Financial Year under review, the Board collectively concurred that succession planning for the P/CEO and Top Management as well as for the Company's future leaders had been appropriately developed.</p> <p>The roles and responsibilities of the Board are stated in paragraph 2.1 of the Board Charter, which is available on TNB's website: <a href="https://www.tnb.com.my/listings/corporate_governance/">https://www.tnb.com.my/listings/corporate_governance/</a></p> |  |
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## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The roles and responsibilities of Chairman of the Board are specified in paragraph 3.2 of the Board Charter, which is available on TNB's website: <a href="https://www.tnb.com.my/listings/corporate_governance/">https://www.tnb.com.my/listings/corporate_governance/</a></p> <p>The Chairman is responsible for the leadership of the Board in ensuring the effectiveness of all aspects of his role.</p> <p>The Chairman is responsible, inter alia:</p> <ul style="list-style-type: none"><li>(a) providing leadership for the Board so that the Board can perform its responsibilities effectively;</li><li>(b) setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;</li><li>(c) leading Board meetings and discussions;</li><li>(d) encouraging active participation and allowing dissenting views to be freely expressed;</li><li>(e) managing the interface between Board and management;</li><li>(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</li><li>(g) leading the Board in establishing and monitoring good corporate governance practices in the Company.</li></ul> <p>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.</p> <p>The Chairman is responsible for managing the business of the Board to ensure that:</p> <ul style="list-style-type: none"><li>(a) all Directors are properly briefed on issues arising at Board Meetings;</li></ul> |



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|  | <p>(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;</p> <p>(c) the issues discussed are forward looking and concentrate on strategic issues.</p> <p>The Chairman ensures that every Board resolution is put to vote to ensure the will of the majority prevails.</p> <p>The Chairman ensures that the P/CEO looks beyond his executive functions and accepts his full share of responsibilities on governance.</p> <p>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.</p> |  |  |  |
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### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Board acknowledges the importance of a clear division of responsibilities between the Chairman and the P/CEO. The roles of Chairman and the P/CEO are separated and clearly defined in the Board Charter. This segregation ensures an optimal balance of independent decision-making, increased accountability and greater capacity for management supervision by the Board.</p> <p>The positions of Chairman and P/CEO are held by two (2) different individuals.</p> <p>At the issuance of this CG Report, the Chairman of TNB, Tan Sri Ahmad Badri Mohd Zahir, appointed by the Board on 12 March 2020 continues to lead and guides the Board, ensuring that it maintains the highest standard of governance.</p> <p>The Chairman serves as the primary link between the Board and the Company. He is also responsible for fostering constructive relations between the P/CEO and the Non-Executive Directors to ensure effective and appropriate communication with the shareholders.</p> <p>The P/CEO, Datuk Seri Amir Hamzah bin Azizan manages the Company's operations and implementing Group strategies and policies as agreed by the Board. In addition, the P/CEO establishes, reviews strategies and plays a key role in instilling the Company's culture and standards, which include appropriate corporate governance practices throughout the Group.</p> <p>The distinct and separate roles of the Chairman and P/CEO, with their clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.</p> <p>The separate roles and responsibilities of the Chairman and P/CEO are provided in the Board Charter, which is available on TNB's website: <a href="https://www.tnb.com.my/listings/corporate_governance/">https://www.tnb.com.my/listings/corporate_governance/</a></p> |
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### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>Norazni binti Mohd Isa was appointed as the Group Company Secretary on 31 May 2012. She has legal qualifications and qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. She is a Licensed Secretary by the Companies Commission of Malaysia.</p> <p>The Company Secretary manages the logistics of all Board, Board Committees and the group subsidiary meetings. The Company Secretary ensures that the attendance and minutes of all board and committees meetings are properly recorded and kept at the Company Secretary's Office including the proceedings of the Company General Meetings. Subsequently the Company Secretary also ensures that deliberations of Board and Committees Meetings are well communicated to the relevant Management personnel for appropriate actions.</p> <p>The Company Secretary will facilitate to update the Board on the follow-up of its decisions and recommendations by the Management. Action items would stay as matters arising in the minutes of meetings until they are resolved.</p> <p>The Company Secretary serves as a focal point for stakeholders' communication and engagement on corporate governance issues and plays an advisory role to the Board particularly with regards to the Company's Constitution, Board policies and procedures, corporate governance best practices and its compliance with regulatory requirements, codes and legislations. The Board Members have unlimited access to the professional advice and services of the Company Secretary.</p> <p>The Company Secretary also provides support to the Board in fulfilling its fiduciary duties, roles and responsibilities, apart from facilitating on Board communications in order to meet the Board's needs and stakeholders' expectations.</p> <p>During the Financial Year under review, all Board Members including Datuk Seri Amir Hamzah bin Azizan and Dato' Roslina binti Zainal completed the Mandatory Accreditation Programme for Directors of Public Listed Companies (MAP) accordingly as</p> |

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|  | <p>prescribed under Paragraph 15.08 by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR).</p> <p>The Company Secretary assists the Board Continuing Development by facilitating the orientation of new Directors and co-ordinating internal training programmes, as well as arranging for external training programmes that are relevant to the Directors. These include the annual Board Development Programme (BDP) which is organised in-house as part of TNB's Board Continuing Development Programme. The Company Secretary also keeps proper record of trainings attended by each Director during the period/year under review for reporting purposes.</p> <p>In 2019, a BDP was held on 25 July 2019, focused on Malaysian Financial Reporting Standards (MFRS) 16 'Leases' and Directors &amp; Officers Liability Insurance (DOLI), with the aim to better understand the MFRS new requirement and DOLI. The MFRS 16 'Leases' was presented by the representatives of Messrs PricewaterhouseCoopers PLT (PwC), Siew Kar Wai, Partner and Khairul Azhar Norhan, Executive Director, while DOLI was presented by Marie Yang, Commercial Directors &amp; Officers and Financial Institutions Manager, Asia, of Liberty Specialty Markets Singapore Pte Ltd.</p> <p>New Board Members are provided with the opportunity to experience the Company's operations first-hand and to meet and discuss all aspects of this with the Top Management. The Company Secretary facilitates the induction programme by providing the new Board Members with access to information on areas such as operations, finance, treasury and risk management, as required.</p> <p>As a matter of practice, induction sessions are arranged by the Company Secretary's Office between the Directors and the respective Top Management to better assist them in understanding the Company's core businesses and its whole operation.</p> <p>At the issuance of this CG Report, two (2) induction sessions were conducted, for Dato' Cheok Lay Leng, the newly appointed Director, with the respective Top Management. The details of the induction sessions are on page 36 of the Corporate Governance &amp; Financial Statements 2019.</p> <p>In addition, TNB Operational Briefing was also held on 14 March 2020 to update Tan Sri Ahmad Badri Mohd Zahir, the newly appointed Chairman, on the latest information/progress of TNB operation, which was attended by Top Management, led by the P/CEO. The briefing was presented by Generation &amp; Energy Ventures Divisions, Grid Division, Distribution Network Division, Group Finance Division, International Asset Group, TNB Global Business Solutions Division and Group Human Resource Division.</p> |
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|  | <p>The Company Secretary also continuously keeps herself properly updated of the evolving market environment, regulatory changes and enhancement in corporate governance best practices.</p> <p>Trainings attended by the Company Secretary for the Financial Year under review are listed on page 39 of the Corporate Governance &amp; Financial Statements 2019.</p> <p>The roles and responsibilities of the Company Secretary are specified in the Board Charter, which is available on TNB's website: <a href="https://www.tnb.com.my/listings/corporate_governance/">https://www.tnb.com.my/listings/corporate_governance/</a></p> |  |
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| <b>Measure</b>   | :  |  |
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### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board schedules meetings on a monthly basis. Additional meetings are held as necessary to discuss specific issues that require deliberation in between the scheduled meetings.</p> <p>The calendar for Board and Board Committee meetings is scheduled well in advance, which include the BBO, pre-Board meetings and Annual General Meeting (AGM), with dates for the year circulated to the Board in the month of October of the preceding year to give the Directors ample time to plan their attendance.</p> <p>A pre-Board meeting is held prior to any Board meetings for the Management to provide the Chairman with insights into the papers that will be deliberated.</p> <p>The agenda of Board meetings is drawn up after consultation between the Chairman, P/CEO and Company Secretary at the pre-Board meeting. Copies of the agenda and Board papers are circulated to Board Members via an advanced meeting software of which allows the Directors to securely access, read and review Board/Committees Documents and collaborate with Directors and Company Secretary electronically or in hard copies at least five (5) working days prior to the meetings.</p> <p>The Company Secretary ensures that the Board papers/meeting materials are uploaded on their iPads or other relevant gadgets as soon as practicable.</p> <p>This permits prior review by the Directors and if necessary, the provision of further information for deliberation at the meeting to ensure informed decision-making. Any Director may request matters to be included in the agenda.</p> <p>The Directors may participate in the Board/Committee Meeting by means of teleconference, video conference or any other communication channel that allows the Board's participation in the meeting, as permitted by TNB's Constitution.</p> |

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|  | <p>Top Management and external advisors may be invited to attend Board meetings to advise the Board when matters under their purview are being considered, or as otherwise requested by the Board to enable informed decision-making. Should a Director be unable to attend a meeting, his/her views are sought in advance and put to the meeting to facilitate a comprehensive discussion. Thereupon, each Director makes himself/herself available to fellow Directors and may contribute to all major decisions before the Board.</p> <p>A comprehensive Board paper comprising the objectives, background, issues, implications, risks, appropriate analysis/statistics, recommendations and other relevant information is prepared to enable the Board to make informed and effective decisions.</p> <p>Decisions of the Board and Board Committees are made by consensus, except under certain circumstances. These decisions and conclusions are recorded in the Board minutes. In the case of a tied vote, the Chairman has a second or casting vote. The Board's decisions may also be obtained via circulation depending on the urgency and availability of the Directors as well as the nature of the proposal/subject matter.</p> <p>Minutes of the meetings are circulated earlier to all Directors for their perusal prior to the meetings. The Directors may request for clarification or raise comments on the minutes prior to their confirmation. After the Directors' confirmation, the Chairman of the meeting signs the minutes as a correct record of the proceedings.</p> <p>The Company Secretary will also communicate to the relevant Management the Board's decisions/recommendations via circulation of Action Sheets for appropriate actions to be taken. The Company Secretaries will follow up with Management on status of actions taken with reference to the previous minutes of meetings to update the Board. Action items would remain as matters arising and be tabled at the subsequent Board/Board Committees meetings for notation/deliberation until they are resolved.</p> |  |
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### Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board 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 Board Charter is available on TNB's website: <a href="https://www.tnb.com.my/listings/corporate_governance/">https://www.tnb.com.my/listings/corporate_governance/</a></p> <p>The TNB Board Charter supports good standards of corporate governance, through the collation of a number of key matters, including:</p> <ul style="list-style-type: none"><li>• The division of responsibilities between the Chairman and P/CEO;</li><li>• The respective roles, responsibilities and authorities of the Board, its Committees and Management;</li><li>• Reserved Matters of the Board; and</li><li>• Board level policies and practices.</li></ul> <p>The Board Charter is provided to each Director and the Board reviews its Charter periodically subject to changes in regulations and best practices. For the purpose of clarity and consistency with the Malaysian Code on Corporate Governance 2017 (MCCG), the Board had reviewed and revised its Board Charter on 28 September 2017.</p> |
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### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>TNB Board is guided by high standard of ethical conduct in accordance with the Code of Ethics for Company Directors as established by the Companies Commission of Malaysia.</p> <p>Each Non-Executive Director is supplied with the Non-Executive Directors' Handbook as reference of their professional responsibilities as well as the terms and conditions of their service. The Non-Executive Directors' Handbook is updated as and when the need arises to reflect any changes of the applicable rules and regulations as well as in the policies/procedures that govern the conduct of the Directors.</p> <p>TNB has a Code of Ethics to govern the conduct of its employees. The provisions set out in the Code of Ethics ensure compliance with laws and regulations, sound employment practices, confidentiality and privacy. It also includes provisions on conflicts of interest, giving and accepting business courtesies and the protection and proper use of TNB's assets and resources.</p> <p>TNB's Code of Ethics also defines how TNB relates to its shareholders, employees, customers, suppliers and the communities in which it operates. It includes TNB's general principles on business integrity. All employees are expected to conduct business in accordance with the applicable laws, rules and regulations and in a manner so as to enhance the reputation of TNB.</p> <p>TNB's Procurement Code of Conduct guides TNB's Directors and employees as well as all existing and potential suppliers/contractors including their directors and employees. TNB believes that all supplier/contractor relationships should be based on principles of good governance such as integrity, accountability, fairness and a zero-tolerance rule towards bribery and corruption. These principles are enforced in the Procurement Code of Conduct, which is constantly revised to reflect changes in regulations, reputational demands and business challenges.</p> |

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|  | <p>The Procurement &amp; Supply Chain Policy and Procedures provides a set of general policy and procedures as guidance in executing procurement within TNB. The Policy and Procedures enables TNB to obtain the best value in procurement, adopt leading business practice, advance TNB's business priorities, add value to customers and uphold good corporate governance.</p> <p>To inculcate good governance throughout the Company, all employees particularly the staff under the Procurement &amp; Supply Chain Division are to sign the Integrity Pledge annually and to be recorded in their personnel files respectively.</p> <p>In addition, all newly appointed Board members shall receive comprehensive information pack containing apart from the Board Charter and Non-Executive Directors' Handbook, the Company's Constitution, relevant Acts affecting the Company, the latest Integrated Annual Report, TNB's Procurement &amp; Supply Chain Policy and Procedures, Procurement Code of Conduct &amp; Code of Ethics and TNB Corporate Integrity Management System (TCIMS) Handbook in order to facilitate the discharge of their duties.</p> <p>Apart from the involvement of independent directors in the Company to strengthen its efforts towards enhancing the integrity and transparency, the Company also implemented the Integrity Pact as one of the ways to protect the Company whereby the process requiring the Board/BTC members to sign declarations before the meeting to avoid involvement in corruption, occurrence of conflicts of interest and in maintaining the confidentiality of information.</p> <p>Integrity Pacts set out the behaviours expected of the Company's External Providers when participating in the contracting procedure. Signing the Pact is a prerequisite for entering into a contract with TNB, and includes provisions for recognised challenge areas such as collusion between providers, bribing of company personnel, and misrepresentation of products. The Pacts are provided to providers at an early stage of the procurement process.</p> <p>Integrity Pledges establish the expected behaviours of TNB Personnel at all levels participating in tender committees. Like the Integrity Pacts, the Pledges cover the high-risk areas of bribery, sharing of confidential information and collusion. In addition, the Pledges include a Conflict of Interest statement. All members of the committee who are present must sign their Pledges at the start of the meeting.</p> <p>Due to the Malaysian Anti-Corruption Amendment Act 2018 on Corporate Liability, the Directors and Top Management are responsible on the actions of the Company. With that TNB has taken the initiative in introducing the TCIMS Handbook to strengthen its integrity values.</p> |
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|   | <p>Through the publication of TCIMS Handbook, TNB had been awarded the ISO 37001 Anti-Corruption Management System from SIRIM on 15 November 2018.</p> <p>The TCIMS Handbook was launched on 20 December 2018, is based on the ISO 37001 standard, covers elements such as due diligence, financial and non-financial controls, policies on specific high-risk bribery areas, whistleblowing policy, and training &amp; communication.</p> <p>The 61-page book covers five (5) TCIMS policies; Anti Bribery Policy, Gifts, Hospitality and Related Benefits Policy, Conflicts of Interest Policy, Whistleblowing Policy and Integrity Pact and Committee Integrity Pledges Policy.</p> <p>The objectives for the TCIMS are summarized below:</p> <ul style="list-style-type: none"><li>• Bring TNB up to international standards of integrity infrastructure</li><li>• Impact corruption costs</li><li>• Improve Company culture</li></ul> <p>The implementation of TCIMS Handbook assures that TNB has adequate procedures, which prevent and safeguard the Company from bribery related offences.</p> <p>TNB’s Code of Ethics, Procurement Code of Conduct, TCIMS Handbook and the relevant policies are available at their respective sections on TNB’s website: <a href="https://www.tnb.com.my/ethics-governance//">https://www.tnb.com.my/ethics-governance//</a></p> |  |
| Explanation for departure :   |   |  |
|   |   |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |
| Measure :   |   |  |
| Timeframe :   |   |  |

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Whistle Blowing Procedure embodies TNB's commitment in maintaining an open working environment in which employees, contractors and members of the public are able to report instances of unethical, unlawful or undesirable conduct on a confidential basis without any fear of intimidation or reprisal. An independent investigation team investigates all reported concerns and where applicable, provides feedback regarding the investigation's outcome.</p> <p>The objectives of the Whistle Blowing Procedure are as follows:</p> <ul style="list-style-type: none"><li>• to detect and address unacceptable conduct;</li><li>• to provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to TNB; and</li><li>• to protect people who report unacceptable conduct in good faith.</li></ul> <p>On 15 November 2018, TNB has been awarded the ISO 37001 Anti-Corruption Management System from SIRIM, strengthening its integrity values through the publication of TCIMS Handbook.</p> <p>The objectives for the TCIMS are:</p> <ul style="list-style-type: none"><li>• to bring the Company up to international standards of integrity infrastructure;</li><li>• impact corruption costs; and</li><li>• improve Company culture.</li></ul> <p>The Handbook also covers five (5) TCIMS policies which are:</p> <ul style="list-style-type: none"><li>• Anti-Bribery Policy;</li><li>• Gifts, Hospitality and Related Benefits Policy;</li><li>• Conflicts of Interest Policy;</li><li>• Whistleblowing Policy; and</li><li>• Integrity Pact and Committee Integrity Pledges Policy.</li></ul> |

|  | Whistle Blowing reporting channels are: <ul style="list-style-type: none"> <li>toll-free line at 1-800-888-862</li> <li>Online Whistle Blowing Information System (WBIS): <a href="https://wbis.tnb.com.my/">https://wbis.tnb.com.my/</a></li> <li>email to one (1) of the designated officers by using the Whistle Blowing Complaint Form, available in Malay &amp; English:</li> </ul> <table border="1"> <thead> <tr> <th>NAME</th><th>DESIGNATION</th><th>E-MAIL ADDRESS</th></tr> </thead> <tbody> <tr> <td>Noraini binti Che Dan</td><td>Senior Independent Non-Executive Director</td><td>norainicd.integrity@tnb.com.my</td></tr> <tr> <td>Datuk Lim Tong Kang</td><td>Chief Risk Officer</td><td>ltk.integrity@tnb.com.my</td></tr> <tr> <td>Norazni binti Mohd Isa</td><td>Company Secretary</td><td>noraznii.integrity@tnb.com.my</td></tr> <tr> <td>Kalivann Palanivelu</td><td>Chief Integrity Development Officer</td><td>kalivann.integrity@tnb.com.my</td></tr> <tr> <td>Hasbah binti Hasbullah</td><td>Head, Integrity Development &amp; Culture</td><td>hasbahh.integrity@tnb.com.my</td></tr> </tbody> </table> |                                | NAME | DESIGNATION | E-MAIL ADDRESS | Noraini binti Che Dan | Senior Independent Non-Executive Director | norainicd.integrity@tnb.com.my | Datuk Lim Tong Kang | Chief Risk Officer | ltk.integrity@tnb.com.my | Norazni binti Mohd Isa | Company Secretary | noraznii.integrity@tnb.com.my | Kalivann Palanivelu | Chief Integrity Development Officer | kalivann.integrity@tnb.com.my | Hasbah binti Hasbullah | Head, Integrity Development & Culture | hasbahh.integrity@tnb.com.my |
|--|--|--------------------------------|------|-------------|----------------|-----------------------|---|--------------------------------|---------------------|--------------------|--------------------------|------------------------|-------------------|-------------------------------|---------------------|-------------------------------------|-------------------------------|------------------------|---------------------------------------|------------------------------|
| NAME   | DESIGNATION  | E-MAIL ADDRESS                 |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
| Noraini binti Che Dan  | Senior Independent Non-Executive Director  | norainicd.integrity@tnb.com.my |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
| Datuk Lim Tong Kang  | Chief Risk Officer   | ltk.integrity@tnb.com.my       |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
| Norazni binti Mohd Isa   | Company Secretary  | noraznii.integrity@tnb.com.my  |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
| Kalivann Palanivelu  | Chief Integrity Development Officer  | kalivann.integrity@tnb.com.my  |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
| Hasbah binti Hasbullah   | Head, Integrity Development & Culture  | hasbahh.integrity@tnb.com.my   |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
| <b>Explanation for departure</b> :   |  |                                |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
|  |  |                                |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |                                |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
| <b>Measure</b> :   |  |                                |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |
| <b>Timeframe</b> :   |  |                                |      |             |                |                       |   |                                |                     |                    |                          |                        |                   |                               |                     |                                     |                               |                        |                                       |                              |

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>At the issuance of this CG Report, TNB Board consists of 10 members of which the Independent Directors exceed the minimum number as prescribed by the MMLR as follows:</p> <ul style="list-style-type: none"><li>(a) one (1) Executive Director (P/CEO);</li><li>(b) three (3) Non-Independent Non-Executive Directors;</li><li>(c) six (6) Independent Non-Executive Directors.</li></ul> <p>In support of the MCCG and to maintain appropriate dynamics on Board, the Board 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 and knowledge relevant to Company's business and industry.</p> <p>The Board may appoint a new Director either to fill a casual vacancy or to add to the existing Directors. The MoF Inc., being the Special Shareholder of TNB also possesses the right to appoint up to six (6) Directors. The Company's Constitution provides that the Company must have at least two (2) Directors but not more than 12 Directors.</p> <p>The Board had considered the independence of each Independent Non-Executive Director in office and concluded that each Independent Non-Executive Director met the independence criteria as set out in the MMLR. The Board is generally satisfied that each Independent Non-Executive Director remains independent in character and judgement and is free from relationships or circumstances which are likely to affect or could appear to affect the Director's judgement.</p> <p>These Directors are considered by the Board to be independent of Management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement.</p> <p>It is vital for the Board to assess the independence of its Independent Directors. This is done annually with reference to the key criteria developed by BNRC in a framework adopted by TNB. The criteria include independence from the Management and the absence of any business relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the Independent Director's</p> |



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|   | <p>judgement. The Directors are also assessed on their ability to provide strong, valuable contributions to the Board's deliberations, without interference to and acting in the best interest of TNB.</p> <p>In addition to the annual independence assessment of the Independent Directors, annual declaration of independence are made by Independent Directors.</p> <p>The outcome of the Board Evaluation Assessment (BEA) indicated that the Directors have demonstrated independence and objectivity in the Board's decision making process, by giving constructive criticism and valuable input through sharing of knowledge, experience/expertise and have acted in best interest of the Company and in safeguarding the stakeholders' interest.</p> <p>The Board collectively and individually is aware of their fiduciary and legal duties to act in the best interest of the Company and must at all times act honestly and use reasonable diligence in discharging their duties which include to protect interest of the minority shareholders.</p> <p>On 12 March 2020 Tan Ahmad Badri Mohd Zahir was redesignated as Non-Independent Non-Executive Chairman of TNB. He assumes the role of Chairman upon the cessation of office of Tan Sri Leo Moggie.</p> <p>With the addition of Dato' Cheok Lay Leng who was appointed as Independent Non-Executive Director on 2 March 2020, the Board agreed that Dato' Cheok Lay Leng had met the required skills thus able to fill the skill gaps which have been identified by the Board and that the expertise and experiences he may bring to the Board, shall further strengthen the Board composition and dynamics.</p> <p>Currently the Board comprises of a majority of Independent Directors.</p> <p>The independence of Dato' Roslina binti Zainal shall be reviewed in accordance with Paragraph 1.01 of MMLR (independence test). She may be redesignated as Independent Non-Executive Director subject to the Assessment of Independence and the Board's approval in April 2020. The proposed redesignation will further strengthen the composition of Independent Directors on the Board.</p> |
| <b>Explanation for departure</b>  | <div></div> <div></div>   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |
| <b>Measure</b>  | <div></div>   |

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|------------------|---|--|--|
| <b>Timeframe</b> | : |  |  |
|------------------|---|--|--|

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

|   |   |                                      |  |
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| Application   | : | Not applicable - Step Up 4.3 adopted |  |
| Explanation on application of the practice  | : |                                      |  |
| Explanation for departure   | : |                                      |  |
|   |   |                                      |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |                                      |  |
| Measure   | : |                                      |  |
| Timeframe   | : |                                      |  |
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**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

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| <b>Application</b>                             | : | Adopted   |
| <b>Explanation on adoption of the practice</b> | : | <p>The Board adopts the policy which limits the tenure of its Independent Non-Executive Directors to nine (9) years, pursuant to Step Up 4.3 of MCCG.</p> <p>Currently, none of the Company's Independent Non-Executive Directors has served the Board for more than nine (9) years. Further details with regards to their length of tenure are set out in the Protecting Value Through Effective Governance: Board Tenure and Experience on page 90 of the Integrated Annual Report 2019 and Board of Directors' Profile on pages 2 to 12 of the Corporate Governance &amp; Financial Statements 2019.</p> |

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

| <b>Application</b> :                              | Applied   |            |                    |            |    |                      |     |    |             |     |    |       |     |    |         |     |
|---|---|------------|--------------------|------------|----|----------------------|-----|----|-------------|-----|----|-------|-----|----|---------|-----|
| <b>Explanation on application of the practice</b> | <p>TNB strongly supports diversity within its Board of Directors, including gender, age, professional diversity as well as diversity of thought. The Board currently comprises of individuals from a diverse range of skills, industries, backgrounds and experience, which enables a broad evaluation of all matters considered by the Board and contributes to collaborative and constructive discussion.</p> <p>In addition, the Board believes that the appointments of the existing Directors and Top Management were guided by their skills, experience, competency and wealth of knowledge while taking into consideration gender diversity.</p> <p>During the Financial Year under review, the BNRC embarked on developing and reviewing the Board Skills Matrix, which serves to identify the skills, knowledge, experience and capabilities desired of the Board to enable it to meet both, current and future challenges of the Company. It reflects the appropriate mix of skills, expertise and experience required to address existing and emerging business and governance issues, to enable Directors to effectively review the Management’s performance.</p> <p>The Board Skills Matrix consists of several criteria, which are Leadership/Stewardship, Regulatory Experience &amp; Network, General Management, Sector/Service Experience, Entrepreneurship and Other Factors relevant/tailored to the Company.</p> <p>The Board Skills Matrix was later verified by the Board. The Board at its meeting on 27 June 2019 approved the BNRC’s recommendation that in order to strengthen the composition of the Board to be more dynamic, the skills and gaps that have been identified as critical and need to be filled are technical experience, international experience and customer centric.</p> <p>The following Board’s Skill Matrix is based on the Board composition as at 17 March 2020:-</p> <table><tr><th>No.</th><th>Areas of Expertise</th><th>Percentage</th></tr><tr><td>1.</td><td>Finance &amp; Accounting</td><td>50%</td></tr><tr><td>2.</td><td>Engineering</td><td>10%</td></tr><tr><td>3.</td><td>Legal</td><td>10%</td></tr><tr><td>4.</td><td>Others*</td><td>30%</td></tr></table> <p>*includes expertise such as Government management and administration, science and petrochemical, technoprenuership and technology.</p> | No.        | Areas of Expertise | Percentage | 1. | Finance & Accounting | 50% | 2. | Engineering | 10% | 3. | Legal | 10% | 4. | Others* | 30% |
| No.   | Areas of Expertise  | Percentage |                    |            |    |                      |     |    |             |     |    |       |     |    |         |     |
| 1.  | Finance & Accounting  | 50%        |                    |            |    |                      |     |    |             |     |    |       |     |    |         |     |
| 2.  | Engineering   | 10%        |                    |            |    |                      |     |    |             |     |    |       |     |    |         |     |
| 3.  | Legal   | 10%        |                    |            |    |                      |     |    |             |     |    |       |     |    |         |     |
| 4.  | Others*   | 30%        |                    |            |    |                      |     |    |             |     |    |       |     |    |         |     |

|                                   | <p>For Top/Senior Management appointments, Talent Review Forums, known as Succession Management Committee (SMC) Meetings, were held with the intention to surface and manage the development of TNB’s future leaders.</p> <p>The selection of shortlisted candidates for critical positions in TNB as discussed during TNB SMC Meeting will be further deliberated at the BNRC/Board Meetings.</p> <p>During the Financial Year under review, three (3) sessions of SMC were held on 16 June 2019, 19 August 2019 and 13 December 2019.</p> <p>In the year 2019, five (5) women are on Board, namely Noraini binti Che Dan, Gee Siew Yoong, Juniwati Rahmat Hussin, Ong Ai Lin and Dato’ Roslina binti Zainal representing 50% of the Board.</p> <p>The Diversity Composition Disclosures of the Board and Top Management are illustrated by the diagrams below:</p> <p>Diversity Composition Disclosures:</p> <p>The Board:</p> <table><tr><th colspan="3">RACE/ETHNICITY</th><th colspan="3">AGE GROUP</th><th colspan="2">GENDER</th></tr><tr><td>Bumiputera</td><td>Chinese</td><td>Indian</td><td>40-49 years</td><td>50-59 years</td><td>60 years and above</td><td>Male</td><td>Female</td></tr><tr><td>6</td><td>3</td><td>1</td><td>1</td><td>3</td><td>6</td><td>5</td><td>5</td></tr></table> <p>The Top Management (including P/CEO):</p> <table><tr><th colspan="3">RACE/ETHNICITY</th><th colspan="3">AGE GROUP</th><th colspan="2">GENDER</th></tr><tr><td>Bumiputera</td><td>Chinese</td><td>Indian</td><td>40-49 years</td><td>50-59 years</td><td>60 years and above</td><td>Male</td><td>Female</td></tr><tr><td>15</td><td>-</td><td>-</td><td>1</td><td>13</td><td>1</td><td>14</td><td>1</td></tr></table> <p>The profiles of the Board and Top Management indicating their diverse qualifications/experience and expertise are on pages 2 to 21 of the Corporate Governance &amp; Financial Statements 2019 and Our Board of Directors &amp; Our Senior Management are on pages 80 to 83 of the Integrated Annual Report 2019.</p> | RACE/ETHNICITY |             |             | AGE GROUP          |        |        | GENDER |  | Bumiputera | Chinese | Indian | 40-49 years | 50-59 years | 60 years and above | Male | Female | 6 | 3 | 1 | 1 | 3 | 6 | 5 | 5 | RACE/ETHNICITY |  |  | AGE GROUP |  |  | GENDER |  | Bumiputera | Chinese | Indian | 40-49 years | 50-59 years | 60 years and above | Male | Female | 15 | - | - | 1 | 13 | 1 | 14 | 1 |
|-----------------------------------|---|----------------|-------------|-------------|--------------------|--------|--------|--------|--|------------|---------|--------|-------------|-------------|--------------------|------|--------|---|---|---|---|---|---|---|---|----------------|--|--|-----------|--|--|--------|--|------------|---------|--------|-------------|-------------|--------------------|------|--------|----|---|---|---|----|---|----|---|
| RACE/ETHNICITY                    |   |                | AGE GROUP   |             |                    | GENDER |        |        |  |            |         |        |             |             |                    |      |        |   |   |   |   |   |   |   |   |                |  |  |           |  |  |        |  |            |         |        |             |             |                    |      |        |    |   |   |   |    |   |    |   |
| Bumiputera                        | Chinese   | Indian         | 40-49 years | 50-59 years | 60 years and above | Male   | Female |        |  |            |         |        |             |             |                    |      |        |   |   |   |   |   |   |   |   |                |  |  |           |  |  |        |  |            |         |        |             |             |                    |      |        |    |   |   |   |    |   |    |   |
| 6                                 | 3   | 1              | 1           | 3           | 6                  | 5      | 5      |        |  |            |         |        |             |             |                    |      |        |   |   |   |   |   |   |   |   |                |  |  |           |  |  |        |  |            |         |        |             |             |                    |      |        |    |   |   |   |    |   |    |   |
| RACE/ETHNICITY                    |   |                | AGE GROUP   |             |                    | GENDER |        |        |  |            |         |        |             |             |                    |      |        |   |   |   |   |   |   |   |   |                |  |  |           |  |  |        |  |            |         |        |             |             |                    |      |        |    |   |   |   |    |   |    |   |
| Bumiputera                        | Chinese   | Indian         | 40-49 years | 50-59 years | 60 years and above | Male   | Female |        |  |            |         |        |             |             |                    |      |        |   |   |   |   |   |   |   |   |                |  |  |           |  |  |        |  |            |         |        |             |             |                    |      |        |    |   |   |   |    |   |    |   |
| 15                                | -   | -              | 1           | 13          | 1                  | 14     | 1      |        |  |            |         |        |             |             |                    |      |        |   |   |   |   |   |   |   |   |                |  |  |           |  |  |        |  |            |         |        |             |             |                    |      |        |    |   |   |   |    |   |    |   |
| Explanation :<br>for<br>departure |   |                |             |             |                    |        |        |        |  |            |         |        |             |             |                    |      |        |   |   |   |   |   |   |   |   |                |  |  |           |  |  |        |  |            |         |        |             |             |                    |      |        |    |   |   |   |    |   |    |   |
|                                   |   |                |             |             |                    |        |        |        |  |            |         |        |             |             |                    |      |        |   |   |   |   |   |   |   |   |                |  |  |           |  |  |        |  |            |         |        |             |             |                    |      |        |    |   |   |   |    |   |    |   |

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

|                    |  |  |
|--------------------|--|--|
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> : |  |  |

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>TNB strongly supports diversity within its Board of Directors, including gender, age, professional diversity as well as diversity of thought.</p> <p>The Board currently comprises of individuals from a diverse range of skills, industries, backgrounds and experience, which enables a broad evaluation of all matters considered by the Board and contributes to collaborative and constructive discussion.</p> <p>To date, five (5) women remain on the Board, namely Noraini binti Che Dan, Gee Siew Yoong, Juniwati Rahmat Hussin, Ong Ai Lin and Dato' Roslina binti Zainal representing 50% of the Board, exceeding the Government's target of having 30% women on the Board.</p> |
| <b>Explanation for departure</b>   | : |   |
|  |   |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |



### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

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 utilises independent sources to identify suitably qualified candidates.

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>In view of the need to ensure proper processes are in place to manage succession issues at the Board level, an appropriate process for the selection, nomination and appointment of suitable candidates to the Board has been put in place.</p> <p>The Board may appoint a new Director either to fill a casual vacancy or to add to the existing Directors. The MoF Inc., being the Special Shareholder of TNB also possesses the right to appoint up to six (6) Directors. The Company's Constitution provides that the Company must have at least two (2) Directors but not more than 12 Directors.</p> <p>The selection of candidates and appointment of Independent Non-Executive Directors by the Board/BNRC are also made with the assistance of independent consultant. The Board does not solely rely on recommendations from existing Board Members, Management or Major Shareholders.</p> <p>While the Board is responsible for the appointment of new Directors, the BNRC is entrusted with the responsibility of screening and conducting an initial selection by assessing and considering the capabilities, commitment and qualities of candidates to be appointed as Board Members.</p> <p>Prior to the submission of its recommendations to the Board on the selection/appointment of Directors, the BNRC shall consider the following criteria in search of the suitable candidates:</p> <ul style="list-style-type: none"><li>(a) personal integrity/reputation</li><li>(b) relevant educational background</li><li>(c) skills, knowledge, experience, expertise in line with the Company's strategy/business operation/industry</li><li>(d) diversity in terms of age, gender and background</li><li>(e) current directorships of companies held (as prescribed to Paragraph 15.06 of the MMLR).</li><li>(f) director's independence</li><li>(g) existing commitments</li><li>(h) potential conflict of interest/risk.</li></ul> |

|                                  |  |
|----------------------------------|--|
|                                  | <p>The BNRC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary. Aside from that, the BNRC also makes additional verifications prior to the appointment of a Director, which includes background checks on the individual's character and bankruptcy search to qualify as Director.</p> <p>The potential candidates are required to declare/confirm that he/she meets the criteria of an Independent Director in accordance with the MMLR and its Practice Note 13 prior recommending to the Board for its approval on his/her proposed appointment as an Independent Non-Executive Director. Having considered all aspects, the BNRC shall then submit its recommendations to the Board for its approval.</p> <p>Following each appointment, a letter of appointment will be issued and the Company Secretary shall undertake the necessary actions as authorised by the Board, to ensure the appointment is in accordance with the statutory requirements and as prescribed by the MMLR.</p> <p>All necessary information will be obtained from the newly appointed Director for the Company's records and for meeting the statutory requirements and other applicable rules and regulations.</p> <p>During the Financial Year under review, the BNRC held 12 meetings to deliberate on matters including the following:-</p> <ul style="list-style-type: none"> <li>• Appointment of new Board Members and Top Management;</li> <li>• Established Board Skills Matrix;</li> <li>• Findings of Annual Independence Assessment of Independent Non-Executive Directors;</li> <li>• Findings of BEA of the Board of Directors, its Committees, Self and Peer;</li> <li>• Reviewed composition of the Board Committees;</li> <li>• Reviewed composition of the Boards of TNB Group of Companies;</li> <li>• Reviewed and assessed the performance and made recommendation to the Board with regards to Directors who sought re-election at the AGM;</li> <li>• Assessed and recommended to the Board the renewal of service contracts of Top Management;</li> <li>• Recommended/Reviewed the appointment, succession planning framework and performance evaluation of President/CEO and Top Management.</li> </ul> |
| <b>Explanation for departure</b> | :  |
|                                  |  |

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

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|---|---|---|--|
| Application   | : | Applied   |  |
| Explanation on application of the practice  | : | <p>The BNRC is chaired by Juniwati Rahmat Hussin, an Independent Non-Executive Director with effect from 1 August 2018.</p> <p>The membership of BNRC during the Financial Year under review is on page 33 of the Corporate Governance &amp; Financial Statements 2019.</p> |  |
| Explanation for departure   | : |   |  |
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| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |   |  |
| Measure   | : |   |  |
| Timeframe   | : |   |  |

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

## Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Board recognises an objective and well-managed board evaluation process can lead to substantial improvement in board effectiveness, bringing significant benefits to the Company.</p> <p>During the Financial Year under review, the Board with the assistance of BNRC, had undertaken a formal and extensive BEA of its own performance, its Committees and Individual Directors, for the period from 1 January 2019 to 31 December 2019.</p> <p>The BEA questionnaires towards an Effective Board covered the following parameters:</p> <ul style="list-style-type: none"><li>(i) Responsibility and Conduct (Business Strategy governance and Implementation, Risk management &amp; Integrity &amp; Implementation of strategies and policies);</li><li>(ii) Process and Administration (Board and Committee Charters, Agenda and frequency of meetings &amp; Sufficient information availability and on a timely basis);</li><li>(iii) Composition (Diversity, Competencies of the Members &amp; Board and Committee compositions).</li></ul> <p>Each Director had completed the BEA for the Board and its respective Committees including Self and Peer Assessment. The BEA analysis was presented to the BNRC for deliberation. A summarised report of BEA was tabled to the Board by the Chairman of BNRC with a view to discuss on areas of improvement.</p> <p><u>2019 BEA RESULTS</u></p> <p>Based on the 2019 BEA results, the effectiveness of both the Chairman and P/CEO are reflective of the Board's confidence in both Chairman and P/CEO, where there is strong leadership helming the Company.</p> |

|  |   |
|--|---|
|  | <p>With the leadership portrayed by Tan Sri Leo Moggie, the effectiveness of Chairman of the Board was recorded as outstanding, in average. While the effectiveness of P/CEO was recorded as Exceed Expectation in average, the Board agreed that Datuk Seri Amir Hamzah bin Azizan has demonstrated good leadership, has strong grasp of issues faced by TNB and regarded as refreshing change to TNB Management.</p> <p>Overall, the Board operates effectively as a team as evident in the synergies of its Members whereby it has remained highly effective and have consistently met high performance standards and all expectations. This indicates that the Directors have continuously fulfilled their responsibilities as Members of the Board.</p> <p>The Board also has identified some areas of improvements for the effectiveness of its operation which included among others, managing the regulatory outcome and industry reformation, the Company's restructuring, the succession planning of Board and Top Management and skills acquired based on Board Skills Matrix.</p> <p>The respective Board Committees in average have been regarded as very effective in assisting the Board to carry out its duties. This indicates that each Committee member has continuously fulfilled his/her responsibilities as Member of the Board Committee.</p> <p>The 2019 BEA also inclusive of Directors' Self and Peer Assessment whereby the results in general reflected the Board's consensus that each of the Director's level of performance was good and that they had also met the prescribed performance criteria.</p> <p>In conclusion, the Board and Board Committees are satisfied with their existing composition and are of the view that, with the current mix of skills, knowledge, experience and strength of the existing Directors, the Board and respective Board Committees are able to discharge their duties effectively.</p> <p>The performance of each Director who is retiring at the next AGM is taken into account by the Board in determining whether or not the Board should support the re-election or re-appointment of the Director.</p> |
| <b>Explanation for departure</b>   | <div></div> <div></div>   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | <div></div>   |

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## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

|   |   |
|---|---|
| <b>Application</b> :                              | Applied   |
| <b>Explanation on application of the practice</b> | <p>The Board, with the assistance of the BNRC, reviews the overall remuneration policy of the Non-Executive Directors, Executive Director and Top Management. The remuneration policy aims to attract, retain and motivate executives and Directors who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the Non-Executive Directors, Executive Director and Top Management.</p> <p>The BNRC may obtain independent professional advice and any other information necessary in determining the remuneration framework.</p> <p>The Directors' Remuneration Policy is shaped by the following underlying principles:</p> <ul style="list-style-type: none"><li>(i) Alignment with strategy and business objectives;</li><li>(ii) Alignment with shareholders' interest;</li><li>(iii) Long-term success of the Company;</li><li>(iv) Consistency and transparency;</li><li>(v) Reward performance with competitive remuneration;</li><li>(vi) Alignment with market/industry practice;</li><li>(vii) Support Company values.</li></ul> <p>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.</p> <p>The BNRC reviews the performance of the Executive Director annually and submits views/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the Executive Director's contributions towards the Group's achievements for the year.</p> <p>The remuneration package for the Top Management is also structured to link rewards to corporate and individual performance. The BNRC also reviews the performance of the Top</p> |



Management annually and submits views/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the Top Management contributions towards the Group's achievements for the year.

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

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

The last increment of the Non-Executive Directors remuneration/benefits was made in 2013. The Board on 11 April 2018, engaged Willis Towers Watson (WTW) to conduct a holistic and independent review of the Non-Executive Directors' Remuneration with the view to determine its market competitiveness and alignment with the latest regulations/corporate governance guidelines in Malaysia.

Due to limited listed company data in utilities industry in Malaysia, multiple data sources, combining of local and regional listed companies, beyond the local market and industry were considered.

From the study, overall TNB is at par with the market for most of the compensation elements offered to the Non-Executive Directors. With that the current remuneration framework of TNB Non-Executive Directors be retained, and it needs to be reviewed in one (1) or two (2) years' time to ensure its market competitiveness, as recommended by WTW.

The existing remuneration policy of Non-Executive Directors in TNB and its subsidiaries is as follows:-

| <i>Description<br/>(existing)</i>                  | <i>TNB Board</i>   |   | <i>TNB Subsidiaries</i>                                       |   |
|--|--|---|---|---|
|  | <i>Chairman</i>  | <i>Independent<br/>Non- Executive<br/>Directors</i> | <i>Chairman</i>   | <i>Independent<br/>Non- Executive<br/>Directors</i>           |
| <i>Monthly fixed fees</i>                          | <i>RM30,000<br/>per month</i>  | <i>RM20,000 per<br/>month</i>                       | <i>Category I<br/>– RM7,000<br/>Category II<br/>– RM5,000</i> | <i>Category I<br/>– RM5,000<br/>Category II<br/>– RM3,000</i> |
| <i>* Meeting<br/>Allowances<br/>(per meeting):</i> |  |   |   |   |
| <i>(i) Board</i>                                   | <i>RM2,500</i>   | <i>RM2,000</i>                                      | <i>RM1,500</i>  | <i>RM1,000</i>  |
| <i>(ii) Board<br/>Committees</i>                   | <i>RM2,000</i>   | <i>RM1,500</i>                                      | <i>RM1,000</i>  | <i>RM800</i>  |
| <i>Benefits</i>                                    | <i>Medical, Business Peripherals,<br/>Electricity Bills, Travelling &amp;<br/>Telecommunication and other<br/>claimable benefits</i> |   |   |   |

*\* subject to not more than three (3) payments in a month.*

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|  | <p>As approved by the shareholders at the Company’s Extraordinary General Meeting (EGM) held on 18 December 2014, Board Long Term Incentive Plan Committee (BLTIP) consisting of BNRC members is entrusted by the Board to oversee the administration of TNB LTIP and the shares granted (LTIP Shares) subject to the By-Laws.</p> <p>Further to that, the BLTIP shall recommend to the Board for approval and to determine the manner in which the LTIP Shares are granted and subsequently vested to the selected employees in accordance with the By-Laws. This including inter alia, the determination of eligibility, grant level, terms of acceptance of offers, terms of vesting of shares, performance conditions and any other terms and conditions imposed at the discretion of the BLTIP.</p> <p>The policies and procedures on remuneration is available in TNB’s Board Charter and on pages 40 to 41 of the Corporate Governance &amp; Financial Statements 2019.</p> |  |
| <b>Explanation :<br/>for<br/>departure</b>   |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure :</b>   |  |  |
| <b>Timeframe :</b>   |  |  |

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The BNRC has a dual role, which among others identify and recommend new nominees to the Board, Board Committees and the Group, and to determine the remuneration packages of the Non-Executive Directors (NED), the Executive Director and the Top Management. The BNRC Terms of Reference is available on TNB's website: <a href="https://www.tnb.com.my/listings/corporate_governance/">https://www.tnb.com.my/listings/corporate_governance/</a></p> <p>The remuneration policy aims to attract, retain and motivate executives and Directors who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the Non-Executive Directors and of the Executive Director and the Top Management.</p> <p>A significant portion of an Executive Director's compensation package is determined by performance during the year against individual Key Performance Indicators (KPIs) in a scorecard aligned with the corporate objectives as approved by the Board.</p> <p>The BNRC reviews the performance of the Executive Director annually and submits views/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the Executive Director's contributions towards the Group's achievements for the year.</p> <p>The remuneration package for the Top Management is also structured to link rewards to corporate and individual performance. The BNRC also reviews the performance of the Top Management annually and submits views/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the Top Management contributions towards the Group's achievements for the year.</p> |

|   |  |
|---|--|
|   | <p>The Board as a whole shall determine and recommend the remuneration of the Non-Executive Directors for shareholders' approval at the AGM. The Non-Executive Directors are remunerated through monthly fixed fees, meeting allowances and benefits-in-kind, inclusive of the reimbursement of electricity and telephone bills as well as business peripherals.</p> <p>The Section 230(1) of the Companies Act 2016 stipulates among others that the fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.</p> <p>As agreed by the Board, the shareholders' approval shall be sought at the 30<sup>th</sup> AGM on the Non-Executive Directors' remuneration through two (2) separate resolutions as follows:</p> <p><b>(a) Ordinary Resolution 4</b> on the payment of Non-Executive Directors' fees from the 30<sup>th</sup> AGM until the next AGM of the Company:</p> <ul style="list-style-type: none"> <li>(i) Director's fee of RM30,000.00 per month for the Non-Executive Chairman;</li> <li>(ii) Director's fee of RM20,000.00 per month for each Non-Executive Director;</li> <li>(iii) Director's fee of RM7,000.00 and RM5,000.00 per month for TNB Subsidiaries Category I and II respectively to Non-Executive Chairman.</li> </ul> <p><b>(b) Ordinary Resolution 5</b> on the payment of benefits payable to the Non-Executive Directors (excluding Non-Executive Directors' fees) amounting to RM1,885,100.00 from the 30<sup>th</sup> AGM until the next AGM of the Company.</p> <p>At the 29<sup>th</sup> AGM of the Company held on 14 May 2019, the benefits payable to Non-Executive Directors of the Company from the 29<sup>th</sup> AGM until the 30<sup>th</sup> AGM of the Company ("12 months") was approved for an amount of RM2,258,100.00. The utilisation of this approved amount as at 31 December 2019 is RM594,349.51.</p> <p>Based on the schedule of meetings in the first quarter of 2020, an amount of RM356,609.71 is expected to be utilised for payment of meeting allowances and other benefits to the Non-Executive Directors. Hence, the expected total utilised amount would be approximately 42% of the approved amount.</p> <p>The BNRC Report and the Directors' Remuneration disclosure are provided on pages 33 and 41 of the Corporate Governance &amp; Financial Statements 2019 respectively.</p> |
| <p><b>Explanation for departure</b></p> | <p>:</p>   |

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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

|   |   |  |  |
|---|---|--|--|
| Application   | : | Applied  |  |
| Explanation on application of the practice  | : | The breakdown details of each Director’s remuneration on named basis for the Financial Year ended 31 December 2019 are on page 41 of the Corporate Governance & Financial Statements 2019. |  |
| Explanation for departure   | : |  |  |
|   |   |  |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |  |
| Measure   | : |  |  |
| Timeframe   | : |  |  |

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

| <b>Application</b>                                | :                                  | Applied   |                                  |                                    |   |                                   |   |                           |                                       |   |                           |                                 |   |                           |                                    |   |                           |                  |   |                           |              |          |  |
|---|------------------------------------|---|----------------------------------|------------------------------------|---|-----------------------------------|---|---------------------------|---------------------------------------|---|---------------------------|---------------------------------|---|---------------------------|------------------------------------|---|---------------------------|------------------|---|---------------------------|--------------|----------|--|
| <b>Explanation on application of the practice</b> | :                                  | <p>The remuneration of the top five (5) Senior Management (including salary, bonus, benefits-in-kind and other emoluments) for the Financial Year ended 31 December 2019 ranged as follows:</p> <table><tr><th><b>Name of Senior Management</b></th><th><b>Number of Senior Management</b></th><th><b>Range of Remuneration Per Annum (Bands of RM50,000.00)</b></th></tr><tr><td>Datuk Fazlur Rahman bin Zainuddin</td><td>1</td><td>RM1,750,000 – RM1,800,000</td></tr><tr><td>Dato’ Muhammad Razif bin Abdul Rahman</td><td>1</td><td>RM1,600,000 – RM1,650,000</td></tr><tr><td>Datuk Wira Roslan bin Ab Rahman</td><td>1</td><td>RM1,550,000 – RM1,600,000</td></tr><tr><td>Dato’ Nor Azman bin Mufti @ Jaafar</td><td>1</td><td>RM1,500,000 – RM1,550,000</td></tr><tr><td>Nazmi bin Othman</td><td>1</td><td>RM1,450,000 – RM1,500,000</td></tr><tr><td><b>Total</b></td><td><b>5</b></td><td></td></tr></table> <p>The basic pay, allowances and other benefits for Top Management is based on market practices and benchmarking with comparable companies. The remuneration paid to the Top Management is the result of the study and recommendation done by an independent consultant, which was tabled at BNRC and later approved by the Board.</p> <p>A substantial portion of the remuneration has been made variable and is determined by individual performance against the Key Performance Indicators (KPIs) in a scorecard aligned with the Company objectives approved by the Board. The ratings (achievements) of the Top Management is done by the P/CEO and reviewed by the Chairman of the Company.</p> <p>Based on the total score of the KPIs of the individual and overall financial performance of the Company, BNRC would determine the variable remunerations (bonus) to be paid to the Top Management on individual basis.</p> | <b>Name of Senior Management</b> | <b>Number of Senior Management</b> | <b>Range of Remuneration Per Annum (Bands of RM50,000.00)</b> | Datuk Fazlur Rahman bin Zainuddin | 1 | RM1,750,000 – RM1,800,000 | Dato’ Muhammad Razif bin Abdul Rahman | 1 | RM1,600,000 – RM1,650,000 | Datuk Wira Roslan bin Ab Rahman | 1 | RM1,550,000 – RM1,600,000 | Dato’ Nor Azman bin Mufti @ Jaafar | 1 | RM1,500,000 – RM1,550,000 | Nazmi bin Othman | 1 | RM1,450,000 – RM1,500,000 | <b>Total</b> | <b>5</b> |  |
| <b>Name of Senior Management</b>                  | <b>Number of Senior Management</b> | <b>Range of Remuneration Per Annum (Bands of RM50,000.00)</b>   |                                  |                                    |   |                                   |   |                           |                                       |   |                           |                                 |   |                           |                                    |   |                           |                  |   |                           |              |          |  |
| Datuk Fazlur Rahman bin Zainuddin                 | 1                                  | RM1,750,000 – RM1,800,000   |                                  |                                    |   |                                   |   |                           |                                       |   |                           |                                 |   |                           |                                    |   |                           |                  |   |                           |              |          |  |
| Dato’ Muhammad Razif bin Abdul Rahman             | 1                                  | RM1,600,000 – RM1,650,000   |                                  |                                    |   |                                   |   |                           |                                       |   |                           |                                 |   |                           |                                    |   |                           |                  |   |                           |              |          |  |
| Datuk Wira Roslan bin Ab Rahman                   | 1                                  | RM1,550,000 – RM1,600,000   |                                  |                                    |   |                                   |   |                           |                                       |   |                           |                                 |   |                           |                                    |   |                           |                  |   |                           |              |          |  |
| Dato’ Nor Azman bin Mufti @ Jaafar                | 1                                  | RM1,500,000 – RM1,550,000   |                                  |                                    |   |                                   |   |                           |                                       |   |                           |                                 |   |                           |                                    |   |                           |                  |   |                           |              |          |  |
| Nazmi bin Othman                                  | 1                                  | RM1,450,000 – RM1,500,000   |                                  |                                    |   |                                   |   |                           |                                       |   |                           |                                 |   |                           |                                    |   |                           |                  |   |                           |              |          |  |
| <b>Total</b>                                      | <b>5</b>                           |   |                                  |                                    |   |                                   |   |                           |                                       |   |                           |                                 |   |                           |                                    |   |                           |                  |   |                           |              |          |  |

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|  | The BNRC submits its recommendations to the Board for appropriate rewards based on the individual achievements in the year and their contribution to the Company. |  |
| <b>Explanation for departure</b> :   |   |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b> :   |   |  |
| <b>Timeframe</b> :   |   |  |



**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

|  |   |             |
|--|---|-------------|
| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : |             |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The BAC currently comprises of four (4) members, and is chaired by the Senior Independent Non-Executive Director.</p> <p>The BAC Chairman, Noraini binti Che Dan is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.</p> <p>Noraini binti Che Dan, Senior Independent Non-Executive Director was appointed as the BAC Chairman with effect from 23 January 2017. She is not the Chairman of the Board.</p> <p>This has always been a practice of TNB, in line with the requirement of Practice 8.1 of MCCG which is reflected in the BAC Terms of Reference.</p> |
| <b>Explanation for departure</b>   | : |  |
|  |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |
|  |   |  |

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The requirement for a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the BAC is clearly stated in the TNB External Auditors Policy under Section 5.0 - Conflict of Interest, of which states that:</p> <p>“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.”</p> <p>This has always recognised the need to uphold the independence of its BAC members. None of the Board were former key audit partners within the cooling-off period of two (2) years. Thus, there is no such person being appointed as a member of the BAC.</p> |
| <b>Explanation for departure</b>   | : |   |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

|   |   |  |
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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>TNB Board/BAC are responsible for reviewing, assessing and monitoring the performances, suitability and independence of External Auditors.</p> <p>The Board on 29 January 2016 had adopted TNB External Auditors' Policy. The policy sets out the guidelines and procedures for the Board/BAC to assess and monitor the performances, suitability, objectivity and independence of the External Auditors.</p> <p>The policy covers:-</p> <ul style="list-style-type: none"><li>(i) selection and appointment;</li><li>(ii) independence;</li><li>(iii) conflict of interest;</li><li>(iv) non-audit services;</li><li>(v) rotation of audit partner;</li><li>(vi) annual reporting;</li><li>(viii) annual assessment,</li><li>(ix) audit fees.</li></ul> <p>The policy will be reviewed periodically to ensure relevance with applicable laws and best practices.</p> <p>Based on the External Auditors Assessment Results for the Financial Year 2019, overall the Company by 91% was highly satisfied/ satisfied with the services provided by PwC in term of quality, sufficiency of resources, communication and interaction and independence, objectivity and professional skepticism. Comments to be forwarded to PwC to further improve their services.</p> <p>The BAC has also evaluated and is satisfied with the independence and objectivity of external auditor including reviewing the fees and list of non-audit services provided by External Auditors to TNB and the Group on quarterly basis.</p> <p>With that, the Board/BAC are satisfied with the quality of service, sufficiency of resources, communication and interaction and independence, objectivity and professional skepticism demonstrated by PwC in carrying out their functions as External Auditors.</p> |

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|  | The Board, being satisfied with the External Auditors' performance, had approved the BAC's recommendation on the re-appointment of External Auditors for shareholders' approval at the 30 <sup>th</sup> AGM. |  |
| <b>Explanation for departure</b>   | :  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b>   | :  |  |
| <b>Timeframe</b>   | :  |  |

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| <b>Application</b>                             | :                                | Adopted   |     |        |             |    |                                  |   |    |                            |                                    |    |            |                                    |    |                            |  |
|--|----------------------------------|---|-----|--------|-------------|----|----------------------------------|---|----|----------------------------|------------------------------------|----|------------|------------------------------------|----|----------------------------|--|
| <b>Explanation on adoption of the practice</b> | :                                | <p>As of 31 December 2019, the Board Audit Committee comprises of majority of Independent Non-Executive Directors and a Non-Independent Non-Executive Director.</p> <p>The current membership is as follows:</p> <table><tr><th>No.</th><th>Member</th><th>Designation</th></tr><tr><td>1.</td><td>Noraini binti Che Dan (Chairman)</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>2.</td><td>Gopala Krishnan K.Sundaram</td><td>Independent Non-Executive Director</td></tr><tr><td>3.</td><td>Ong Ai Lin</td><td>Independent Non-Executive Director</td></tr><tr><td>4.</td><td>Dato' Roslina binti Zainal</td><td>Non-Independent Non-Executive Director</td></tr></table> <p>The composition is aligned with Paragraph 15.09 (1) of the MMLR which prescribed that "audit committee must be composed of not fewer than three (3) members and all the members must be non-executive directors, with a majority of them being independent directors".</p> <p>The outcome of the BEA indicated that the BAC continuously remains highly effective and have fulfilled their roles and responsibilities as members of BAC as required by its Terms of Reference.</p> <p>The independence of Dato' Roslina binti Zainal shall be reviewed in accordance with Paragraph 1.01 of MMLR (independence test). She may be redesignated as Independent Non-Executive Director subject to the Assessment of Independence and the Board's approval in April 2020. With her proposed re-designation being approved, the Company shall fulfil Practice 8.4 of having all Independent Directors in BAC.</p> | No. | Member | Designation | 1. | Noraini binti Che Dan (Chairman) | Senior Independent Non-Executive Director | 2. | Gopala Krishnan K.Sundaram | Independent Non-Executive Director | 3. | Ong Ai Lin | Independent Non-Executive Director | 4. | Dato' Roslina binti Zainal | Non-Independent Non-Executive Director |
| No.  | Member                           | Designation   |     |        |             |    |                                  |   |    |                            |                                    |    |            |                                    |    |                            |  |
| 1.   | Noraini binti Che Dan (Chairman) | Senior Independent Non-Executive Director   |     |        |             |    |                                  |   |    |                            |                                    |    |            |                                    |    |                            |  |
| 2.   | Gopala Krishnan K.Sundaram       | Independent Non-Executive Director  |     |        |             |    |                                  |   |    |                            |                                    |    |            |                                    |    |                            |  |
| 3.   | Ong Ai Lin                       | Independent Non-Executive Director  |     |        |             |    |                                  |   |    |                            |                                    |    |            |                                    |    |                            |  |
| 4.   | Dato' Roslina binti Zainal       | Non-Independent Non-Executive Director  |     |        |             |    |                                  |   |    |                            |                                    |    |            |                                    |    |                            |  |

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The BAC consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.</p> <p>Noraini binti Che Dan, the Chairman of BAC, is a qualified accountant and was appointed by the Board as the Senior Independent Non-Executive Director based on her experience and strong comprehension of the Company's governance issues.</p> <p>The qualifications, skills, experience and expertise varies among the BAC members of whom are from diverse fraternities such as legal, accountancy, finance, audit and engineering. With their knowledge/ vast experience, they are not only capable to understand the matters under the BAC's purview but also able to provide sound advice to the Board in terms of financial reporting, internal and external audit reports as well as other matters to be considered by Audit Committee.</p> <p>The BAC members are aware of the need to continuously develop and increase their knowledge in the area of accounting and auditing standards, given the changes and development in this area from time to time. In line with this, the BAC members have made continuous effort in keeping themselves abreast of new developments by attending relevant trainings in accounting practices and other development programmes.</p> <p>The list of trainings attended by the BAC members for the Financial Year ended 31 December 2019 are on pages 38 to 39 of the Corporate Governance &amp; Financial Statements 2019.</p> |
| <b>Explanation for departure</b>                  | : |   |

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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |



## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.1

The board should establish an effective risk management and internal control framework.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Group adopts the principles and guidelines expressed in ISO 31000:2018, 'Risk Management – Guidelines' in the design and implementation of the TNB Risk Management Framework. The intent of the TNB Risk Management Framework is to provide a structured and consistent approach to risk management across the Group for informed decision-making. The purpose of risk management is to create and protect value and this is exemplified through each element in the TNB Risk Management Framework.</p> <p>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.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The features of the TNB Risk Management Framework are leadership and commitment, culture, business strategy, risk assessment, review, monitor and report, communication and integration. A centralised Risk Management Department led by the CRO is responsible for the application of the framework across TNB Group.</p> <p>Various board committees have been set up to promote governance, transparency and accountability as each committee plays its oversight role as stipulated in its respective terms of reference. The responsibility for implementing and executing the risk management and internal control system across the Group reside with management, which reviews, monitors and takes relevant and timely action as and when required. Various management committees have been established to direct, monitor and ensure that business operations are carried out in accordance with the Group's approved long-term and short-term business plans and established policies.</p> <p>A structured risk assessment process is in place to guide the Group to identify, analyse, evaluate and treat risks. These risks are documented and monitored through the TNB Risk Information System (TRIS), an online real-time tool.</p> <p>Risk Management Department assesses the risk maturity of business units with the objective of assessing the effectiveness of implementation of the TNB Risk Management Framework by the respective business unit.</p> <p>For the year under review, the Board had reviewed the adequacy and effectiveness of the Group's risk management and internal control systems through reports and updates from the CRO and Chief Internal Auditor.</p> <p>Further details are provided in the Statement on Risk Management and Internal Control on pages 54 to 59 of the Corporate Governance &amp; Financial Statements 2019.</p> |

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| <b>Explanation for departure</b> :   |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

| <b>Application</b>                             | :                          | Adopted  |     |        |             |    |                           |                                    |    |                       |   |    |                        |                                    |    |                            |                                    |    |            |                                    |
|--|----------------------------|--|-----|--------|-------------|----|---------------------------|------------------------------------|----|-----------------------|---|----|------------------------|------------------------------------|----|----------------------------|------------------------------------|----|------------|------------------------------------|
| <b>Explanation on adoption of the practice</b> | :                          | <p>The BRC was established on 5 June 2013, to assist the Board in carrying out its responsibilities with regard to the oversight of the implementation of the Group's risk management framework, in view of safeguarding shareholders' investments and the Group's assets.</p> <p>The purpose of BRC is to assist 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.</p> <p>The BRC is composed of no fewer than three (3) members including the Chairman, with majority of Independent Non-Executive Directors, and at least one (1) of whom shall preferably has recent and relevant experience in risk management.</p> <p>The current composition is as follows:</p> <table><tr><th>No.</th><th>Member</th><th>Designation</th></tr><tr><td>1.</td><td>Gee Siew Yoong (Chairman)</td><td>Independent Non-Executive Director</td></tr><tr><td>2.</td><td>Noraini binti Che Dan</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>3.</td><td>Juniwati Rahmat Hussin</td><td>Independent Non-Executive Director</td></tr><tr><td>4.</td><td>Gopala Krishnan K.Sundaram</td><td>Independent Non-Executive Director</td></tr><tr><td>5.</td><td>Ong Ai Lin</td><td>Independent Non-Executive Director</td></tr></table> <p>In the Financial Year under review, the BRC members comprise exclusively of Independent Non-Executive Directors with vast experience in fields such as finance, accounting, audit, law, engineering, project management and involved in industries such as maritime, property, energy and financial institutions. The BRC members also sit on the boards of other listed entities and public companies.</p> | No. | Member | Designation | 1. | Gee Siew Yoong (Chairman) | Independent Non-Executive Director | 2. | Noraini binti Che Dan | Senior Independent Non-Executive Director | 3. | Juniwati Rahmat Hussin | Independent Non-Executive Director | 4. | Gopala Krishnan K.Sundaram | Independent Non-Executive Director | 5. | Ong Ai Lin | Independent Non-Executive Director |
| No.  | Member                     | Designation  |     |        |             |    |                           |                                    |    |                       |   |    |                        |                                    |    |                            |                                    |    |            |                                    |
| 1.   | Gee Siew Yoong (Chairman)  | Independent Non-Executive Director   |     |        |             |    |                           |                                    |    |                       |   |    |                        |                                    |    |                            |                                    |    |            |                                    |
| 2.   | Noraini binti Che Dan      | Senior Independent Non-Executive Director  |     |        |             |    |                           |                                    |    |                       |   |    |                        |                                    |    |                            |                                    |    |            |                                    |
| 3.   | Juniwati Rahmat Hussin     | Independent Non-Executive Director   |     |        |             |    |                           |                                    |    |                       |   |    |                        |                                    |    |                            |                                    |    |            |                                    |
| 4.   | Gopala Krishnan K.Sundaram | Independent Non-Executive Director   |     |        |             |    |                           |                                    |    |                       |   |    |                        |                                    |    |                            |                                    |    |            |                                    |
| 5.   | Ong Ai Lin                 | Independent Non-Executive Director   |     |        |             |    |                           |                                    |    |                       |   |    |                        |                                    |    |                            |                                    |    |            |                                    |

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|  | Further details are provided in the BRC Report on pages 45 to 47 of the Corporate Governance & Financial Statements 2019. |
|--|---|

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Group Internal Audit (GIA) carries out the internal audit function in TNB. GIA reports functionally to the BAC and administratively to the P/CEO to maintain independence. Additionally, the Chief Internal Auditor (CIA) declares GIA organisational independence on annual basis and the BAC reviews the declaration made. The BAC oversees and monitors GIA's activities and reviews its performance on a quarterly basis. The BAC has established the roles &amp; responsibilities of the GIA in the Internal Audit Charter.</p> <p>During the Financial Year under review, GIA issued a total of 166 reports arising from 80 planned audits, six (6) ad-hoc audits, six (6) surprise audits, two (2) external assessments of compliance/audit functions and 72 follow-up audits. The areas reviewed included generation, grid, distribution, procurement, projects, engineering, accounting and finance, human resources, corporate governance, information and communication technology, strategy and regulatory, corporate communications, energy ventures and subsidiaries.</p> <p>Internal audit reports were issued to Management and they contained improvement opportunities, audit findings, management response and corrective actions in areas with significant risks and internal control deficiencies. Management provided the corrective and preventive actions as well as deadlines to complete the actions. Reports that require significant improvement opportunities and/or shows critical control deficiencies were tabled to the BAC for deliberation.</p> <p>Additionally, TNB's state of internal controls for areas reviewed were also tabled to the BAC for their deliberation. Management were present at the BAC meetings to respond and provide feedback on the progress of business process improvement opportunities identified by GIA.</p> <p>Further information are available in the BAC Report and Internal Audit Function on pages 42 to 44 and 48 to 50 of the Corporate Governance &amp; Financial Statements 2019, respectively.</p> |
| <b>Explanation for departure</b>                  | : |  |
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*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>TNB's internal audit function comes under the purview of the GIA. GIA supports the Board, through the BAC, in discharging its responsibilities to maintain sound and effective internal control system and governance practices to safeguard the interest of TNB's stakeholders. GIA's purpose, authority and responsibilities are governed by an Internal Audit Charter, which is approved by the BAC and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.</p> <p>As at 31 December 2019, GIA is staffed with 64 auditors with diverse disciplines.</p> <p>Rosli bin Mohd Rose is the Chief Internal Auditor. He reports functionally to the BAC and administratively to the P/CEO. He joined GIA as the Deputy CIA (Core Business) in 2006 and was appointed as the CIA in 2014. He holds a Degree of Electrical and Electronic Engineering from Brighton Polytechnic (currently University of Brighton), United Kingdom and a Master of Engineering from Universiti Tenaga Nasional, Malaysia. Prior to joining GIA, he has extensive experience in various aspects of operations, such as operation &amp; maintenance, project management, asset management, human resource and business development. He is an Associate Member of the Institute of Internal Auditors Malaysia.</p> <p>The CIA declares GIA's organisational independence on an annual basis and the BAC reviews the declaration made.</p> <p>The Chief Internal Auditor prepares the Statement of Internal Audit Function on annual basis and amongst others, includes:</p> <ul style="list-style-type: none"><li>• number of resources in the Internal Audit Department,</li><li>• name and qualification of the Chief Internal Auditor, and</li><li>• that internal audit function adopts standards and practices as per International Professional Practices Framework issued by Institute Internal Auditors, Global in carrying out its activities.</li></ul> |



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|   | <p>The Chairman of BAC reviews the Statement of Internal Audit Function.</p> <p>Further information is available in Internal Audit Function on pages 48 to 50 of the Corporate Governance &amp; Financial Statements 2019.</p> |  |
| <b>Explanation for departure</b>  | :  |  |
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| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |  |
| <b>Measure</b>  | :  |  |
| <b>Timeframe</b>  | :  |  |

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>TNB strives to continuously aim and build strong and long-term relationships with its various stakeholders. The Board is committed in maintaining high standard in the dissemination of relevant and material information on the Company's development through effective engagement and communication, while ensuring this information are comprehensive, timely and transparent.</p> <p>TNB is cognisance of the role of active communication plays in ensuring continual dialogue with the shareholders. To this end, the communication processes include:</p> <ul style="list-style-type: none"><li>• the disclosure of full and timely information about TNB's activities in accordance with the MMLR</li><li>• the prompt release of information on TNB's website</li><li>• announcements to Bursa Malaysia Securities Berhad are immediately made available on TNB's website</li><li>• all disclosures, including notices of meetings and other shareholders' communications are drafted clearly, in simple language and with conciseness</li></ul> <p>TNB corporate website contains all relevant information of the Company and it is accessible to the public. The Media &amp; Investors Section among others include the media releases, investor presentations, quarterly and annual financial statements, announcements, information on shares and dividends, integrated annual reports and circulars/statements to shareholders, AGM Minutes &amp; Appendixes as well as demand sales and foreign shareholdings.</p> <p>The Corporate Disclosure Policy, as well as associated guidelines, reinforce TNB's commitment to continuous disclosure and outline Management's accountabilities and the processes to be followed in ensuring compliance.</p> <p>For ease of reference and to better facilitate the stakeholders' understanding of the Company's business and the governance policies, various documents pertaining to the organisation, Board and Top Management, corporate governance, the Constitution, policies, the</p> |

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|  | <p>Board Charter, Terms of References and other related corporate information are accessible through the TNB's website at <a href="https://www.tnb.com.my">https://www.tnb.com.my</a>.</p> <p>TNB recognises the importance of shareholders' participation in general meetings and encourages such participation. The shareholders are encouraged to attend the general meetings and use the opportunity to ask questions and vote on important matters affecting the Company.</p> <p>TNB's practice is to release all price-sensitive information to Bursa Malaysia Securities Berhad in a timely manner as required under the MMLR and to the market and community generally through TNB's media releases, website and other appropriate channels.</p> <p>The Company Secretary is responsible for reviewing proposed disclosures and making decisions in relation to the disclosure of information to the market. Each Division in TNB is required to inform the Company Secretary of any potential price-sensitive information concerning TNB as soon as this becomes known.</p> <p>TNB's Investor Relations' (IR) structured engagement programmes are designed to build and maintain confidence within the investment community, both locally and internationally by delivering effective, comprehensive and timely communication. Furthermore, to ensure transparency and high standards of corporate disclosure, various extensive channels are used to facilitate TNB's engagement and communication programmes with the investment community. The channels include:</p> <ul style="list-style-type: none"> <li>• Quarterly and Full Year Financial Results Announcements</li> <li>• Engagement sessions with the investment community through one-on-one/group meetings, investor conferences and non-deal roadshows</li> <li>• Interactive session with shareholders at the AGM</li> <li>• Site Visits to TNB's power plants</li> <li>• IR section in TNB's website</li> <li>• IR Corporate Day</li> <li>• Bursa filings &amp; Press Release</li> <li>• Annual Integrated &amp; Sustainability reports</li> </ul> <p>More details on the Company's engagement activities by IR for the Financial Year under review are on pages 72 to 74 of the Integrated Annual Report 2019 and pages 51 to 53 of the Corporate Governance &amp; Financial Statements 2019. The stakeholders are encouraged to channel their concerns to Investor Relations Department via <a href="mailto:tenaga_ird@tnb.com.my">tenaga_ird@tnb.com.my</a>. The contact details of IR are available under Corporate Information on page 76 of the Integrated Annual Report 2019 and through the website: <a href="https://www.tnb.com.my/contact-us/investor-relations/">https://www.tnb.com.my/contact-us/investor-relations/</a>.</p> |
|--|---|

|  |   |  |
|--|---|--|
|  | TNB continues to provide clear, transparent and comprehensive information on all efforts that highlight our commitment and initiatives to sustainability, while identifying areas for improvement. We disclose targets for certain material matters, which are aligned to the corporate strategy and also the United Nations Sustainable Development Goals (UN SDGs). The Sustainability Statement for the Financial Year under review is on pages 100 to 134 of the Integrated Annual Report 2019. |  |
| <b>Explanation for departure</b>   | :   |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | :   |  |
| <b>Timeframe</b>   | :   |  |

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>In line with TNB's Strategic Plan to be world-class electricity utility, this period's reporting journey continues in the format of the Integrated Annual Report. TNB since the Financial Year 2016 has adopted integrated reporting, which is aligned to global standards.</p> <p>The Integrated Annual Report outlines on TNB's Economic, Environmental and Social activities as it strives to provide material information on its business. This includes the performance of TNB's domestic and international operations as well as its long-term strategy to achieve its goal of becoming a world-class utility.</p> <p>The development of the Integrated Annual Report was guided by Bursa Malaysia's Sustainability Reporting Guide, the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and the International Integrated Reporting &lt;IR&gt; Framework.</p> <p>The impact and contributions of TNB's business to the six (6) capitals of value creation as described in the &lt;IR&gt; Framework are presented in the Integrated Annual Report in an integrated manner.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board ensures that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the AGM.</p> <p>It has been the Company's practice since 2017, to issue the Notice of AGM, at least 28 days prior to the meeting.</p> <p>TNB had its 29<sup>th</sup> AGM on 14 May 2019 whereby the Notice of 29<sup>th</sup> AGM were issued to the shareholders on 12 April 2019, more than 28 days before the meeting, well in advance of the 21-day requirement of the Companies Act 2016 and MMLR.</p> <p>With that, the shareholders were given sufficient notice and ample time to consider the resolutions and make informed decisions in exercising their voting rights at the AGM. It also allowed the shareholders to make necessary arrangement either to attend and participate in person or to appoint proxies, corporate representatives or attorneys prior to the Meeting.</p> <p>TNB distributed Administrative Details together with the Notice of AGM to furnish the shareholders with information pertaining to the AGM including the shareholders' eligibility, their rights to appoint proxies and as to whom may count as proxy.</p> <p>The explanatory notes to the Notice of 29<sup>th</sup> AGM dated 12 April 2019 contained details of each resolution to be tabled i.e. re-election of Directors, Non-Executive Directors' remuneration comprising Non-Executive Directors' fees and benefits; and re-appointment of Auditors, to enable the shareholders to make informed decisions when exercising their voting rights.</p> <p>The Notice of AGM was also published in two (2) local English and one (1) Malay newspapers. Additionally, it was made available on TNB's website at <a href="http://www.tnb.com.my">www.tnb.com.my</a>.</p> |
| <b>Explanation for departure</b>                  | : |   |

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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>All Directors attended the AGM which was scheduled in advance at the beginning of the year. Once meeting dates have been fixed and approved by the Board, Directors would commit themselves to attend the meetings as scheduled, unless for unforeseeable reasons that are unavoidable. At the 29<sup>th</sup> AGM, the Directors including the Chairman of the BAC, BNRC and BRC were present in person to engage directly with the shareholders.</p> <p>The Chairman of each committee will respond to any questions addressed to them (if any) at general meetings.</p> <p>At the 29<sup>th</sup> AGM, P/CEO had presented on TNB's key highlights, Business Strategy and Direction and financial highlights for 2019.</p> <p>The Chairman also invited the shareholders and provided ample time for them to raise questions pertaining to the Company's performance, including questions on all resolutions tabled.</p> <p>The Directors, P/CEO, Top Management and representatives of External Auditors were in attendance to respond to any queries by the shareholders. The Company also shared the responses to the questions raised by the shareholders before and during the AGM which was briefed by the P/CEO and Chief Financial Officer at the AGM.</p> <p>To further facilitate the engagement between the Directors and shareholders, TNB's Investor Relations Team had also collected questions from the shareholders before they enter the Meeting venue, of which were addressed during the Meeting.</p> |
| <b>Explanation for departure</b>   | : |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |



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### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

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| <b>Application</b>                                | : | Departure  |
| <b>Explanation on application of the practice</b> | : |  |
| <b>Explanation for departure</b>                  | : | <p>TNB has yet to facilitate voting in absentia and remote participation by shareholders at general meetings.</p> <p>Nonetheless, the Company, wherever possible, do leverage on technology to reach out to a wider audience and to create ease of access and convenience in all communications with the shareholders.</p> <p>TNB conducts its AGM by poll in accordance with Paragraph 8.29A of the MMLR (voting by poll). The Company has leveraged on technology to facilitate the poll voting via electronic method (e-polling) for all resolutions proposed since its 26<sup>th</sup> AGM held on 15 December 2016. Electronic voting was used to provide a more efficient and accurate outcome of the results. The appointed Poll Administrator and Independent Scrutineers will conduct the e-polling process and verify the results of the poll.</p> <p>The voting at the 29<sup>th</sup> AGM held on 14 May 2019 was conducted via e-polling. TNB had appointed Symphony Share Registrars Sdn. Bhd. now known as Boardroom Share Registrars Sdn. Bhd. and Boardroom Business Solutions Sdn. Bhd. as the Poll Administrator and Independent Scrutineer respectively to conduct the e-polling process and to verify the results of the poll.</p> <p>Colour coded wristbands were issued at the registration counters to facilitate the e-polling process. The polling/voting was conducted upon completion of deliberation of all resolutions to be transacted at the AGM. The Company Secretary would briefly explain the e-polling procedures at the AGM before the e-polling takes place. At the 29<sup>th</sup> AGM, TNB provided 15 e-polling kiosks where the shareholders/proxies were directed to cast their votes.</p> <p>Upon verification of the poll results by Boardroom Business Solutions Sdn. Bhd., the Chairman announced the results for each resolution. The outcome of the meeting/e-polling results was announced to Bursa</p> |

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|   | <p>Malaysia Securities Berhad on the same day to notify all shareholders and the Minutes of the 29<sup>th</sup> AGM was posted at TNB's website.</p> <p>To encourage large participant of eligible shareholders in attending the Company's AGM, suitable and easily access venue is selected. The Company has always conducted its general meetings at one (1) venue and location which was easily accessible and familiar to most shareholders of the Company.</p> <p>Previously, TNB holds it AGM at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, Kuala Lumpur, Malaysia. Due to current renovation works in progress at TNB, the 29<sup>th</sup> AGM of the Company was held at The Malaysia International Trade &amp; Exhibition Centre (MITEC) in Kuala Lumpur. Nonetheless, the forthcoming 30<sup>th</sup> AGM of the Company will be held at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, Kuala Lumpur, Malaysia on 30 June 2020.</p> <p>As an alternative to the voting in absentia and remote shareholders' participation at General Meetings, the proxy form authorises the proxy(ies) or the Chairman of the Meeting, to attend and vote at the meetings, on behalf of the shareholders. Besides that, the Company allows the shareholders to send their queries/questions within a stipulated timeframe before the AGM, which will be addressed by the Management accordingly.</p> <p>Nevertheless, the Company will consider various factors including applicable laws, regulations and necessary infrastructure requirement and its cost to facilitate voting in absentia; and remote shareholders' participation at General Meetings.</p> <p>As an alternative to the recommended practice, shareholders who are unable to attend general meetings are allowed to appoint their respective proxies to participate, speak and vote on their behalf at all general meetings of the Company.</p> <p>TNB has also embarked on online proxy lodgement whereby alternatively, the shareholders may opt to lodge their Proxy Forms via the Boardroom Smart Portal at <a href="http://www.boardroomlimited.my">www.boardroomlimited.my</a>, which is free and available to all individual Depositors before the cut-off time to submit the Proxy Forms. For further details on the proxy lodgement, the shareholders may refer to the Annexure of the Administrative Details of 30<sup>th</sup> AGM in the AGM Booklet 2019, which is available in TNB website at <a href="http://www.tnb.com.my">www.tnb.com.my</a>.</p> |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |
| <p><b>Measure</b></p>   | <p>: TNB will monitor the development of this practice in the market for future consideration. Nonetheless, the Board will re-evaluate its position upon the availability of appropriate and reliable technology in the future. As for now, the Company intends to maintain its current practice.</p>   |

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| <b>Timeframe</b> | : | Others As and when deem appropriate. |

## **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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