

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5347
COMPANY NAME : TENAGA NASIONAL BERHAD
FINANCIAL YEAR : December 31, 2018

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.

Application	:	Applied
Explanation on application of the practice	:	<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 Integrity Committee (BIC) and Board Long Term Incentive Plan Committee (BLTIP).</p> <p>TNB's corporate governance model enables the shareholders to understand and manage the Company's business and to achieve its objectives. It defines the boundaries within which the employees and external parties are expected to work. It establishes a common approach to how the Company operates, wherever the location. The corporate governance model is on page 118 of the Integrated Annual Report.</p>

	<p>The Board shall assume, among others, the following principal responsibilities:</p> <p>1. Formulating, reviewing and approving the Company's strategic business plan</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/assumptions 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 discuss in-depth and exchange 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>During the Financial Year under review, two (2) BBOs were held on 11 December 2018 and 10 October 2018, specifically to discuss on the Regulatory Landscape & Challenges, Malaysia Electricity Supply Industry and the Refinement of TNB's International Investment Strategy.</p> <p>During the BBOs, the Management shared with the Board of the Regulatory Landscape, its Current Challenges & Cost of Service and Tariff Design Study as well as Strategies in Refining TNB's International Investment. In return, the Management gained constructive inputs/guidance from the Board on way forward of these investments and challenges of utility industry in Malaysia.</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>
--	---

2. Identifying and managing principle risks affecting the Company

The Risk Management Department (RMD), led by the Chief Risk Officer, is responsible for the effective implementation of the TNB Risk Management Framework for informed decision-making. Additionally, RMD manages the insurance programmes for the Company and its subsidiaries. RMD had implemented various initiatives in Financial Year 2018 in alignment with the BRC's objective, which is to ensure that the Company has in place a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives.

There has been strong and consistent mandate from the BRC and TNB Top Management in driving effective risk management across the Company and its subsidiaries. In Financial Year 2018, BRC communicated its mandate through the Top Management Risk Forum held on 23 January 2018. About 100 Top Management personnel from business units and subsidiaries participate in the dialogue session with the BRC members regarding risks and improvement opportunities for the coming year.

Additionally, there were 12 BRC sittings in Financial Year 2018 to deliberate risk management matters and mitigations across the organisation. Business units had numerous opportunities to provide assurances to BRC of its risk management efforts, assisting the Board in its decision-making, especially in the management of strategic risks that may prevent TNB from achieving its Reimagining TNB outcomes.

BRC were provided with timely alerts on the health of the organisation in achieving its strategic objectives through the quarterly Risk Dashboard reports. RMD collated and highlighted the status of 28 Key Risk Indicators (KRI) identified by the business units. Indicators at triggering and breaking points were deliberated for accelerated mitigating actions to manage the potential impacts. Moreover, RMD facilitated the review of the KRIs to ensure they remain relevant to the present business and strategic objectives as well as adaptive to the changing industry and global scenarios.

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

The Board is responsible for ensuring that a sound reporting framework of internal controls and regulatory compliance is in place throughout the Company. Based on the evaluation for the Financial Year under review, the Board collectively concurs 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 of Risk Management and Internal Control in this Integrated Annual Report.

4. Overseeing and evaluating the conduct and performance of the Company's businesses

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

5. Succession Planning

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

During the Financial Year under review, there were three (3) new additions to the Board, duly appointed by the Board/BNRC. Gopala Krishnan K. Sundaram and Ong Ai Lin were appointed as Independent Non-Executive Directors with effect from 4 July 2018 and 1 August 2018 respectively, while Datuk Ahmad Badri bin Mohd Zahir, a Non-Executive Non-Independent Director was appointed on 1 November 2018, as Appointed Director of the Minister of Finance (Incorporated) (MoF Inc.), the Special Shareholder of TNB.

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 Board/BNRC are made with the assistance of independent consultant.

The Board is satisfied that the BNRC has efficiently discharged its duties pertaining to the nomination, remuneration and succession management functions as set out in its TOR. The BNRC annually evaluates the performance of the President/CEO and the Top Management, whose remunerations are directly linked to their respective KPIs. The President/CEO's remuneration package is reviewed by the BNRC to reflect the contributions made towards the Group's achievements for the year. The BNRC's views and recommendations on this are submitted to the Board for its decision/approval.

The roles and responsibilities of the Board are stated in paragraph 2.1 of the Board Charter, which is available on TNB's website:
<https://www.tnb.com.my/about-tnb/board-charter/>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<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: https://www.tnb.com.my/about-tnb/board-charter/</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">a) providing leadership for the Board so that the Board can perform its responsibilities effectively;b) setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;c) leading Board meetings and discussions;d) encouraging active participation and allowing dissenting views to be freely expressed;e) managing the interface between Board and management;f) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; andg) leading the Board in establishing and monitoring good corporate governance practices in the Company. <p>The Chairman, in consultation with the President/Chief Executive Officer (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">a) all Directors are properly briefed on issues arising at Board Meetings;

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The roles of Chairman and the President/Chief Executive Officer (P/CEO) are separated and clearly defined in the Board Charter. This segregation ensures a healthy balance of power for independent decision-making and greater capacity for management supervision by the Board. The separate roles and responsibilities of the Chairman and P/CEO are provided in the Board Charter, which is available on TNB's website: https://www.tnb.com.my/about-tnb/board-charter/</p> <p>For the year under review, the positions of Chairman and P/CEO are held by two (2) different individuals. The Chairman of TNB, Tan Sri Leo Moggie, continues to lead and guide the Board, ensuring that it maintains the highest standard of governance. 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>In addition to managing the Company's operations and implementing Group strategies and policies as agreed by the Board, the P/CEO establishes, review strategies and plays a key role in instilling the Company's culture and standards, which include appropriate corporate governance practices throughout the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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. Attendance and minutes of all board and committee meetings are properly recorded and kept at the Company Secretary's Office. This includes the process and proceedings of the General Meetings of the Company. The Company Secretary ensures that deliberations at Board and Committee Meetings are well documented and subsequently communicated to the relevant Management personnel for appropriate actions.</p> <p>The Company Secretary will facilitate and 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 as such 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.</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>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 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>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>There were a number of induction sessions arranged by the Company Secretary's Office between the Directors with the respective Top Management during the Financial Year under review to better assist them in understanding the Company's core businesses and its whole operation of which the details are on page 127 of the Integrated Annual Report.</p> <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 129 of the Integrated Annual Report.</p> <p>The Board Members have unlimited access to the professional advice and services of the Company Secretary.</p>
Explanation for departure	<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>	
Measure	<div></div>
Timeframe	<div></div> <div></div>

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.

Application	:	Applied
Explanation on application of the practice	:	<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 Board Breakout Session, pre-Board meetings and Annual General Meeting, with dates for the year circulated to the Board in 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, President/Chief Executive Officer and Company Secretary at the pre-Board meeting. Copies of the agenda and Board papers are circulated to Board Members electronically and in hard copies at least five (5) working days prior to the meetings. This permits prior review by the Directors and if necessary, the provision of further information for deliberation at the meeting to ensure informed decision-making. Any Director may request matters to be included in the agenda.</p> <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 unanimously or by consensus. 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>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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: https://www.tnb.com.my/about-tnb/board-charter/</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">• The division of responsibilities between the Chairman and President/Chief Executive Officer;• The respective roles, responsibilities and authorities of the Board, its Committees and Management;• Reserved Matters of the Board; and• Board level policies and practices. <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, the Board had reviewed and revised its Board Charter on 28 September 2017.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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 3.1

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.

Application	:	Applied
Explanation on application of the practice	:	<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.</p>

	<p>The Procurement & Supply Chain Policy and Procedures provides a set of general policy and procedures as guidance in executing procurement within TNB. The Policy and Procedures enables TNB to obtain the best value in procurement, adopt leading business practice, advance TNB's business priorities, add value to customers and uphold good corporate governance.</p> <p>TNB's Code of Ethics and Procurement Code of Conduct are available at their respective sections on TNB's website: https://www.tnb.com.my/about-tnb/board-charter/</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 TNB Corporate Integrity Management System (TCIMS) Handbook to strengthen its integrity values.</p> <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 by the Deputy Minister of Energy, Science, Technology, Environment and Climate Change (MESTECC), Isnaraissah Munirah Majilis, in conjunction with TNB's Integrity Day 2018, which was held on 20 December 2018, at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur.</p> <p>The TCIMS Handbook, 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 & 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"> • Bring TNB up to international standards of integrity infrastructure • Impact corruption costs • Improve Company culture <p>The implementation of TCIMS Handbook assures that TNB has adequate procedures, that prevent and safeguard the Company from bribery related offences.</p>
Explanation for departure	:

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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.

Application	:	Applied
Explanation on application of the practice	:	<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">• to detect and address unacceptable conduct;• to provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to TNB; and• to protect people who report unacceptable conduct in good faith. <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 the TNB Corporate Integrity Management System (TCIMS) Handbook.</p> <p>The objectives for the TCIMS are:</p> <ul style="list-style-type: none">• to bring the Company up to international standards of integrity infrastructure;• impact corruption costs; and• improve Company culture.

	<p>The Handbook also covers five (5) TCIMS policies which are:</p> <ul style="list-style-type: none"> • Anti Bribery Policy; • Gifts, Hospitality and Related Benefits Policy; • Conflicts of Interest Policy; • Whistleblowing Policy; and • Integrity Pact and Committee Integrity Pledges Policy. <p>The followings channels are available in TNB for whistle blowing or any complaints:</p> <ul style="list-style-type: none"> • toll-free line at 1-800-888-862 • whistle blowing information system via wbis.tnb.com.my • email to norainicd.integrity@tnb.com.my 	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>At the issuance of this CG Report, TNB Board currently consists of ten (10) members as follows:</p> <ul style="list-style-type: none">(a) one (1) Executive Director(b) four (4) Non-Independent Non-Executive Directors(c) five (5) Independent Non-Executive Directors. <p>The Independent Directors make up half of the Board, as recommended by the Malaysian Code on Corporate Governance 2017, while their number exceeds the minimum as prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR).</p> <p>Clause 63(2) of the Company's Constitution specifies that the Board may appoint a new Director either to fill a casual vacancy or to add to the existing Directors while the Clause 20(2) of the Company's Constitution states that the Minister of Finance Incorporated (MoF Inc.), being the Special Shareholder of TNB has the right to appoint up to six (6) Directors. The Clause 53(1) of the Company's Constitution provides that the Company must have at least two (2) Directors but not more than 12 Directors.</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 the Board Nomination and Remuneration Committee (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 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>For the Financial Year under review, the Board has considered the independence of each Independent Non-Executive Director in office and has concluded that each Independent Non-Executive Director had 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>The Board also concurs that the continuous contributions of the Directors are beneficial to the Board and the Company as a whole. The BNRC shall assess the independence of Independent Non-Executive Directors annually. The independence status of Independent Non-Executive Directors standing for re-election is disclosed in the Notice of the 29th Annual General Meeting.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

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	:		

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<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 Malaysian Code on Corporate Governance 2017.</p> <p>Currently, none of the Company's Independent Non-Executive Directors has served the Board for more than nine (9) years. Their length of tenure is set out in the Board Balance and Composition on page 99 and A Committed Board on pages 100-109 of the Integrated Annual Report, respectively.</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.

Application :	Applied																																																							
Explanation on application of the practice :	<p>The Board in this regard is to make appointments based on merit with the over-riding objective of ensuring that the Board maintains the correct balance of skills, experience, length of service and knowledge of the Group to successfully deliver the Group’s strategy. 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, four (4) women are on Board, namely Gee Siew Yoong, Noraini binti Che Dan, Juniwati Rahmat Hussin and Ong Ai Lin representing 44% of the Board, a slight increase compared to the previous Financial Period.</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>2</td><td>1</td><td>1</td><td>1</td><td>7</td><td>4</td><td>5</td></tr></table> <p>The Top Management (including President/Chief Executive Officer):</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>13</td><td>-</td><td>-</td><td>1</td><td>9</td><td>3</td><td>12</td><td>1</td></tr></table>								RACE/ETHNICITY			AGE GROUP			GENDER		Bumiputera	Chinese	Indian	40-49 years	50-59 years	60 years and above	Male	Female	6	2	1	1	1	7	4	5	RACE/ETHNICITY			AGE GROUP			GENDER		Bumiputera	Chinese	Indian	40-49 years	50-59 years	60 years and above	Male	Female	13	-	-	1	9	3	12	1
RACE/ETHNICITY			AGE GROUP			GENDER																																																		
Bumiputera	Chinese	Indian	40-49 years	50-59 years	60 years and above	Male	Female																																																	
6	2	1	1	1	7	4	5																																																	
RACE/ETHNICITY			AGE GROUP			GENDER																																																		
Bumiputera	Chinese	Indian	40-49 years	50-59 years	60 years and above	Male	Female																																																	
13	-	-	1	9	3	12	1																																																	

	The profiles of the Board and Top Management indicating their diverse qualifications/experience and expertise are on pages 100-109 and 110-117 of the Integrated Annual Report, respectively.	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board believes that the appointments of the existing Directors were guided by their skills, experience, competency and wealth of knowledge while taking into consideration gender diversity.</p> <p>The Board strongly supports the Government's target of having 30% women's participation on boards of public companies in Malaysia.</p> <p>During the Financial Year under review, four (4) women on Board, namely Gee Siew Yoong, Noraini binti Che Dan, Juniwati Rahmat Hussin and Ong Ai Lin representing 44% of the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 Minister of Finance Incorporated (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/Board Nomination and Remuneration Committee (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">(i) personal integrity/reputation(ii) relevant educational background(iii) skills, knowledge, experience, expertise in line with the Company's strategy/business operation/industry(iv) diversity in terms of age, gender and background(v) current directorships of companies held [as prescribed to Paragraph 15.06 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR)].(vi) director's independence(vii) existing commitments(viii) potential conflict of interest/risk.

	<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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (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>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board Nomination and Remuneration Committee (BNRC) is chaired by Juniwati Rahmat Hussin, an Independent Non-Executive Director with effect from 1 August 2018.</p> <p>She is well supported by three (3) members,^[HbH1] which includes Noraini binti Che Dan a Senior Independent Non-Executive Director.</p> <p>The membership of BNRC during the Financial Year under review is on page 125 of the Integrated Annual Report.</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

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.

Application	:	Applied
Explanation on application of the practice	:	<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>In 2018, the Board, with the assistance of Board Nomination and Remuneration Committee (BNRC), had undertaken a formal and extensive Board Evaluation Assessment (BEA) of its own performance, its Committees and Individual Directors, for the period from 1 January 2018 to 31 December 2018.</p> <p>The BEA questionnaires towards an Effective Board covered the following parameters:</p> <ul style="list-style-type: none">(i) Responsibility and Conduct (Business Strategy governance and Implementation, Risk management & Integrity & Implementation of strategies and policies)(ii) Process and Administration (Board and Committee Charters, Agenda and frequency of meetings & Sufficient information availability and on a timely basis)(iii) Composition (Diversity, Competencies of the Members & Board and Committee compositions) <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>2018 BEA RESULTS</u></p> <p>Based on the 2018 BEA results, the effectiveness of both the Chairman and President/Chief Executive Officer (P/CEO) are reflective of the Board's confidence in both Chairman and P/CEO, where there is strong leadership helping the Company.</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. The Board also has identified some areas of improvements for the effectiveness of its operation of which among others in managing the regulatory outcome and industry reformation, the Company's restructuring and the succession planning of Board & Top Management.</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 2018 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>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, with the assistance of the Board Nomination and Remuneration Committee (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 and of the Executive Director and the 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">(i) Alignment with strategy and business objectives(ii) Alignment with shareholders' interest(iii) Long-term success of the Company(iv) Consistency and transparency(v) Reward performance with competitive remuneration(vi) Alignment with market/industry practice(vii) Support Company values <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 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 Annual General Meeting. 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.</p> <p>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.</p> <p>The existing remuneration by the Board, was last reviewed on 31 January 2013.</p> <p>In 2018, the Board 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.</p> <p>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 are considered.</p> <p>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 1-2 years' time to ensure its market competitiveness, as recommended by WTW.</p> <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 the approval and 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 page 130 of the Integrated Annual Report.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Nomination and Remuneration Committee (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.</p> <p>The remuneration policy aim 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 Annual General Meeting (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 29th AGM on the Non-Executive Directors' remuneration through three (3) separate resolutions as follows:</p> <p>(a) Ordinary Resolution 8 on the payment of Non-Executive Directors' fees of RM2,057,419.35 for the Financial Year ended 31 December 2018;</p> <p>(b) Ordinary Resolution 9 on the payment of Non-Executive Directors' fees from 1 January 2019 until the next AGM of the Company:</p> <ul style="list-style-type: none"> (i) Director's fee of RM30,000.00 per month for the Non-Executive Chairman; (ii) Director's fee of RM20,000.00 per month for each Non-Executive Directors. <p>(c) Ordinary Resolution 10 on the payment of benefits to the Non-Executive Directors (excluding Non-Executive Directors' fees) amounting to RM2,258,100.00 from the 29th AGM until the next AGM of the Company.</p> <p>At the 28th AGM of the Company held on 15 May 2018, the benefits payable to the NEDs of the Company from the 28th AGM until the 29th AGM of the Company ("12 months") was approved for an amount of RM2,272,600.00. The utilisation of this approved amount as at 31 December 2018 is RM755,897.46.</p> <p>Based on the schedule of meetings in the first quarter of 2019, an amount of RM517,164.97 is expected to be utilised for payment of meeting allowance and other benefits to the NEDs. Hence, the expected total utilised amount would be approximately 56% of the approved amount.</p> <p>The disclosure on BNRC is provided on page 126, whilst the disclosure on the Directors Remuneration is provided on page 131 of the Integrated Annual Report. The BNRC Terms of Reference is available on TNB's website: https://www.tnb.com.my/about-tnb/board-charter/</p>
--	---

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 7.1

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 2018 are on page 131 of the Integrated Annual Report.	
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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company has opted not to disclose the components of the remuneration of its Top Management as it may be unfavourable to the Company due to talent pinching and the Company would like to ensure employee retention efforts are safeguard. The Company is also of the view that such disclosure maybe disadvantageous to the Company's business interest and is concerned about the individual security (including their family members) given the sensitive nature of such information.</p>
		<p>Alternative Practice:</p> <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 is tabled at the Board Nomination and Remuneration Committee (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 President/Chief Executive Officer 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. BNRC submits its recommendations to the Board for appropriate rewards based on the individual achievements in the year and their contribution to the Company.</p>

	During the Financial Year under review, no changes was made to the existing remuneration for Top Management, which was last reviewed in January 2016.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	The Company will continue to monitor the market practice in respect of such disclosure.
Timeframe	:	Others
		This will be reviewed periodically.

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>During the Financial Year under review the Board Audit Committee (BAC) consists exclusively of Independent Non-Executive Directors.</p> <p>Noraini binti Che Dan, the Senior Independent Non-Executive Director (SID) of the Company chairs the BAC and she is not the Chairman of the Board.</p> <p>She is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. Tan Sri Leo Moggie is the Chairman of TNB Board.</p> <p>She is the Chairman of BAC with effect from 23 January 2017, while she is an Independent Non-Executive Director. She was recently re-designated as SID on 28 February 2019.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<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 Board Audit Committee (BAC) is clearly stated in the TNB External Auditor Policy [Section 5.0 – Conflict of Interest].</p> <p>TNB 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>	
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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board/ Board Audit Committee (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 Auditor's 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 Auditor.</p> <p>The policy covers Selection and Appointment, Independence, Conflict of Interest, Non-Audit Services, Rotation of Audit Partner (applies to lead audit engagement partner), Annual Reporting, Annual Assessment and Audit Fees.</p> <p>The policy will be reviewed subject to changes in regulations and best practices.</p> <p>For the Financial Year under review, the Board/BAC are satisfied with the quality of service, adequacy of resources provided, communication, interaction skills and independence, objectivity and professionalism demonstrated by the External Auditors in carrying out their functions. 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 Auditor to TNB and the Group on a quarterly basis.</p> <p>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 AGM 2019</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

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.

Application	:	Adopted															
Explanation on adoption of the practice	:	<p>The Board Audit Committee (BAC) consists exclusively of Independent Non-Executive Directors. By the end of Financial Year 2018, the composition of BAC is as follows:</p> <table><tr><th>No.</th><th>Member</th><th>Designation</th></tr><tr><td>(i)</td><td>Noraini binti Che Dan (Chairman)</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>(ii)</td><td>Gee Siew Yoong</td><td>Independent Non-Executive Director</td></tr><tr><td>(iii)</td><td>Gopala Krishnan K.Sundaram</td><td>Independent Non-Executive Director</td></tr><tr><td>(iv)</td><td>Ong Ai Lin</td><td>Independent Non-Executive Director</td></tr></table> <p>The detail list of membership of BAC for the Financial Year under review is on page 132 of the Integrated Annual Report.</p> <p>The BAC Terms of Reference is available on TNB's website: https://www.tnb.com.my/about-tnb/board-charter/</p>	No.	Member	Designation	(i)	Noraini binti Che Dan (Chairman)	Senior Independent Non-Executive Director	(ii)	Gee Siew Yoong	Independent Non-Executive Director	(iii)	Gopala Krishnan K.Sundaram	Independent Non-Executive Director	(iv)	Ong Ai Lin	Independent Non-Executive Director
No.	Member	Designation															
(i)	Noraini binti Che Dan (Chairman)	Senior Independent Non-Executive Director															
(ii)	Gee Siew Yoong	Independent Non-Executive Director															
(iii)	Gopala Krishnan K.Sundaram	Independent Non-Executive Director															
(iv)	Ong Ai Lin	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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Audit Committee (BAC) consists exclusively of Independent Non-Executive Directors. The composition of BAC is on page 132 of the Integrated Annual Report.</p> <p>Noraini binti Che Dan 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. Noraini binti Che Dan chairs the BAC.</p> <p>The qualifications, skills, experience and expertise varies among the BAC members of whom are from diverse fraternities such as legal, accountancy, finance and audit . With their knowledge/vast experience, they are not only capable to understand the matters under the BAC's purview but also be able to provide sound advice to the Board in term of financial reporting, internal and external audit reports as well as other matters to be considered by BAC.</p> <p>The BAC members are expected to devote sufficient time to update their knowledge and enhance their skills via appropriate continuing education programs, to enable continuous active participation during deliberations. Details of Directors' training including the BAC members for the Financial Year under review are on page 128 of the Integrated Annual Report.</p> <p>Based on the outcome of Board Evaluation Assessment (BEA) 2018, the respective Board Committees including BAC in average has 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>

	In conclusion, the Board is satisfied with the BAC's existing composition and is of the view that, with BAC's current mix of skills, knowledge, experience and strength, the Board and BAC are able to discharge their duties effectively.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is committed to maintain a sound and robust risk management framework and internal control system.</p> <p>The Risk Management Framework was designed in alignment with ISO 31000:2009 'Risk Management - Principles and Guidelines' and it provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Group. TNB's risk management objective is to integrate risk management best practices, in accordance to international standards, into the culture, processes and structures of the Group for informed decision-making to achieve business objectives.</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>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The features of the TNB Risk Management Framework are mandate and commitment, risk management policy and process, monitoring, review and reporting, as well as communication and continual improvement. A centralised Risk Management Department led by the Chief Risk Officer is responsible for the effective implementation of the TNB Risk Management Framework to create and protect value.</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 short-term business plans and established policies.</p> <p>The Group applies the five-step Risk Management Process to systematically assess its risks and these are recorded and monitored through the TNB Risk Information System (TRIS), an online real-time tool and database.</p> <p>Risk maturity assessments are carried out by the Risk Management Department with the objective of assessing the risk culture and effective implementation of the risk management framework in the Group.</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 Chief Risk Officer and Chief Internal Auditor, detailing relevant risks and internal controls to manage risk.</p> <p>Further details are provided in the Statement of Risk Management and Internal Control on pages 144 of the Integrated Annual Report.</p>

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

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Risk Committee (BRC) was established on 5 June 2013 by the Board 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 the 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 a majority of Independent Non-Executive Directors, at least one (1) of whom shall preferably have recent and relevant experience in risk management.</p> <p>In the Financial Year under review, the five (5) BRC members are Independent Non-Executive Directors who have vast experience in fields such as finance, accounting, audit, law, engineering, project management and 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> <p>Further details are provided in the Board Risk Committee Report on pages 136 of the Integrated Annual Report.</p>

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group Internal Audit (GIA) carries out the internal audit function in TNB. GIA reports functionally to the Board Audit Committee (BAC) and administratively to the President/Chief Executive Officer. The BAC oversees and monitors GIA's activities and reviews its performance. The BAC has established the roles & responsibilities of the GIA in the Internal Audit Charter.</p> <p>During the Financial Year under review, GIA issued a total of 196 reports arising from 70 planned audits, three (3) investigation audits, two (2) surprise audits, and 121 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. 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 is available in the BAC Report on pages 132-134 of the Integrated Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
------------------	---	--	--

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.

Application	:	Applied
Explanation on application of the practice	:	<p>TNB's internal audit function comes under the purview of the Group Internal Audit (GIA). GIA supports the Board, through the Board Audit Committee (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 2018, GIA is staffed with 63 auditors with diverse disciplines.</p> <p>Rosli bin Mohd Rose is the Chief Internal Auditor (CIA). He reports functionally to the BAC and administratively to the President/Chief Executive Officer. 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 working as CIA, he has extensive experience in various aspects of operations, such as operation & 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 CIA prepares the Statement of Internal Audit Function on annual basis and amongst others, it includes:-</p> <ul style="list-style-type: none"> ➤ number of resources in the Internal Audit Department, ➤ name and qualification of the Chief Internal Auditor, and ➤ 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. <ul style="list-style-type: none"> • The Chairman of the BAC reviews the Statement of Internal Audit Function. <p>Further information is available in the BAC Report on pages 132-134 of the Integrated Annual Report.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>TNB strives to continuously aim and building 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 includes:</p> <ul style="list-style-type: none">• the disclosure of full and timely information about TNB's activities in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR)• the prompt release of information on TNB's website• announcements to Bursa Malaysia Securities Berhad are immediately made available on TNB's website• all disclosures, including notices of meetings and other shareholders' communications are drafted clearly, in simple language and with conciseness <p>TNB corporate website contains all relevant information of the Company and it is accessible to the public. The Media & 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 & 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 Board Charter, Terms of References and other related corporate information are accessible through the TNB website at www.tnb.com.my.</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>The information communicated to the financial community by Investor Relations (IR) consists mainly of TNB business strategies and directions, regulatory updates, financial and technical performance. IR uses numerous platforms to maintain TNB's engagements with shareholders and stakeholders through Quarterly and Full Year Financial Announcements, Analysts Briefing Presentations, Conference Calls, One-on-One and Group Meetings at Investor Conferences, Non-Deal Roadshows and In-House Meetings.</p> <p>The engagement activities by IR for the Financial Year under review are on page 46 to 48 and 141 of the Integrated Annual Report. The stakeholders are encouraged to channel their concerns to Investor Relations Department at tenaga_ird@tnb.com.my. The contact details of IR are available under Corporate Information on page 52 of the Integrated Annual Report and through the website: https://www.tnb.com.my/contact-us/investor-relations/</p> <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). Information on the Sustainability Statement for the Financial Year under review are on page 66 to 84 of the Integrated Annual Report.</p>
--	--

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

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.

Application	:	Applied	
Explanation on application of the practice	:	<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 <IR> Framework.</p> <p>The impact and contributions of TNB's business to the six (6) capitals of value creation as described in the <IR> Framework are presented in the Integrated Annual Report in an integrated manner.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>In line with the recommendation of Malaysian Code on Corporate Governance (MCCG) 2017, the Notice for the 28th Annual General Meeting (AGM) of the Company, was dispatched to the shareholders at least 28 days before the AGM , well in advance of the 21-day requirement of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (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 distributes an Administrative Details together with the Notice of AGM to furnish the shareholders with information pertaining the AGM including the eligibility of the shareholders, their rights to appoint proxies and information as to who may count as proxy.</p> <p>The explanatory notes to the Notice of the 28th AGM dated 17 April 2018 contained details of each resolution to be tabled i.e. re-election/retirement of Directors, Non-Executive Directors' fees and payment of benefits Directors' remuneration comprising the Directors' fees and benefits, appointment of Auditors and Proposed Renewal of Share Buy-Back Authority, to enable the shareholders to make informed decisions when exercising their voting rights.</p> <p>The notices were also published in two (2) local English newspapers and a one (1) Bahasa Melayu newspaper.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors attend the Annual General Meeting (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 28th AGM, all eight (8) Directors including the Chairmen of the Board Audit Committee (BAC), Board Nomination and Remuneration Committee (BNRC) and Board Risk Committee (BRC) were present in person to engage directly with the shareholders.</p> <p>The Chairman/Alternate Chairman of each committee will respond to any questions addressed to them (if any) at general meetings.</p> <p>At the 28th AGM, President/Chief Executive Officer (P/CEO) had presented on TNB's key highlights, Business Strategy and Direction and financial highlights for 2018.</p> <p>The Chairman also invited the shareholders and provide ample time for them to raise questions pertaining to the Company's performance, including to receive any 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 CFO at the AGM.</p> <p>To further facilitate the engagement between the Directors and shareholders, TNB's Investors Relation Team had also collected questions from the shareholders before they enter the Meeting venue, of which were addressed during the Meeting.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<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 Annual General Malaysia (AGM) by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) (voting by poll). The Company has leveraged on technology to facilitate the poll voting via electronic method (e-polling) for the first time on all resolutions proposed at its 26th Annual General Meeting (AGM) held on 15 December 2016. Electronic voting were 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 28th AGM held on 15 May 2018 was conducted via e-polling. TNB had appointed Symphony Share Registrars Sdn. Bhd. now known as Boardroom Share Registrar Sdn. Bhd. and Symphony Corporatehouse Sdn. Bhd. now known as Boardroom Business Solutions Sdn. Bhd. as the Poll Administrator and Independent Scrutineers respectively to conduct the e-polling process and 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 explained the e-polling procedures at the AGM before the e-polling takes place. At the 28th AGM, TNB provided 20 e-polling kiosks where the shareholders/proxies were directed to cast their votes.</p>

	<p>Upon verification of the poll results by Symphony Corporatehouse Sdn. Bhd. now known as 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 Malaysia Securities Berhad on the same day to notify all shareholders and the Minutes of the 28th 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 locations which was easily accessible and familiar to most shareholders of the Company. Previously, TNB holds it AGM at the Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, Kuala Lumpur. Due to current renovation works in progress at TNB, the 28th AGM of the Company was held at Putra World Trade Centre (PWTC) in Kuala Lumpur, the same venue for at least two (2) past AGMs.</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 to facilitate voting in absentia; and remote shareholders' participation at General Meetings.</p> <p>Alternative Practice:</p> <p>The Shareholders are entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at general meetings.</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>Measure</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>
<p>Timeframe</p>	<p>: Others</p>
	<p>Not applicable</p>

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.

[Click here to enter text.](#)

