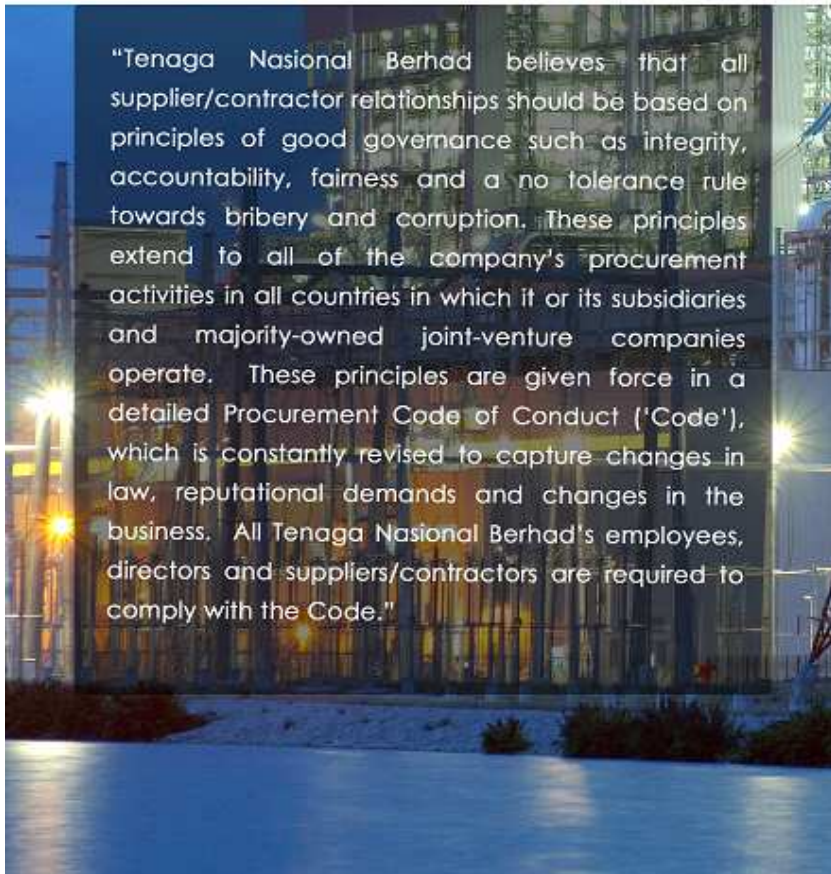




PROCUREMENT CODE OF CONDUCT

"Tenaga Nasional Berhad believes that all supplier/contractor relationships should be based on principles of good governance such as integrity, accountability, fairness and a no tolerance rule towards bribery and corruption. These principles extend to all of the company's procurement activities in all countries in which it or its subsidiaries and majority-owned joint-venture companies operate. These principles are given force in a detailed Procurement Code of Conduct ('Code'), which is constantly revised to capture changes in law, reputational demands and changes in the business. All Tenaga Nasional Berhad's employees, directors and suppliers/contractors are required to comply with the Code."



Glossary	4
Preamble	7
Breach of Code	8
Principles of the Code	9
Application of the Code	15

AUTHORISED REPRESENTATIVES OF TNB

The Procurement Department, Internal Audit Department, Internal Affairs Department and Security Department

BRIBE

Money, gifts, favour or promise to person in position of trust, to influence judgment or conduct

CORRUPTION

Offences as defined by the Anti-Corruption Act 1997

CONFLICTS OF INTEREST

Refers to a situation when an individual has competing professional or personal obligations or personal or financial interests that would make it difficult for the individual to fulfil his or her duties fairly

DIRECTORS

Members of the Board of Directors of TNB, including members of the Board of Directors of Subsidiaries and Joint-Venture Companies

EMPLOYEES

All TNB's employees, including TNB personnel that are seconded or assigned to other companies or organisations

EMPLOYEES SECONDED TO TNB

Personnel from other organisations seconded to TNB

GIFTS

Something freely transferred by one person to another

GRATUITY

Something given voluntarily or beyond obligation usually in return for or in anticipation of some service

JOINT-VENTURE COMPANIES

All joint-venture companies, which are, directly or indirectly, Majority-owned by Tenaga Nasional Berhad

KICKBACK/COMMISSION

Payment in cash or in kind received in return for influence or control over a business transaction

MAJORITY-OWNED

Owens more than 50% of voting stock

OFFICIAL AUTHORITIES

The Anti Corruption Agency, the Police and the Companies Commission of Malaysia

PROCUREMENT PROCESSES

Total procurement processes including product planning, requisition, supplier selection, contract management and supplier evaluation

SUBSIDIARIES

All companies which are, directly or indirectly, majority-owned by Tenaga Nasional Berhad

SUPERVISING OFFICER

Head of Division, Head of Department or any selected and elected employees by the Head of Departments to provide advice on matters pertaining to the Code

SUPPLIERS/CONTRACTORS

Entities that have provided or potentially will provide goods or services (products) to TNB

TNB

Tenaga Nasional Berhad, its Subsidiaries and its Joint-Venture Companies



Good corporate governance is being introduced throughout the world as a business imperative offering competitive advantage. At TNB, our stakeholders, Directors and Employees prefer to do business with enterprises that uphold the principles of good corporate governance, namely integrity, transparency, independence, accountability, fairness, and social responsibility.

In this respect, procurement is critical as it plays an important role in our business. An effective procurement function enables TNB to:

- Provide high quality products and services to our customers;
- Be responsive to our customers' needs;
- Be cost effective and efficient in our operations;
- Work more productively with our Suppliers/Contractors; and
- Preserve TNB's good name and reputation.

For TNB's procurement function to be effective, we believe that all participants in our Procurement Processes need to engage in the basic principles of trust, honesty, fairness and transparent behaviour. With this Code, we hope to clarify and institutionalise:

- What is considered to be acceptable business behaviour and by implication, what behaviour is not tolerated by TNB;
- Available channels to communicate or report unethical behaviour; and
- The implications of non-compliance to the Code.

The Code is intended for all those involved in the Procurement Processes of TNB including:

- All Directors;
- All Employees and Employees Seconded to TNB;
- All existing and potential Suppliers/Contractors including their directors and employees.

Breach Of The Code By Employees

Breaches of the Code may result in disciplinary actions being invoked against the Employees concerned in accordance to "Prosedur Tata tertib TNB" or any disciplinary procedures that are currently in force.

Breaches of the Code by Employees Seconded to TNB from the government or other companies may result in disciplinary actions being invoked against the seconded employees in accordance to the rules and procedures of their respective employers.

Breach Of The Code By Directors

For Directors, failure to declare conflicts of interest may result in disciplinary actions in accordance to the Malaysian Companies Act 1965.

Breach Of The Code By Suppliers/Contractors

Suppliers/Contractors who have committed a breach of the Code shall be subjected to the following action:

- Penalties or any contractual or legal remedies under the law;
- Immediate termination of contract;
- Disclosure of nature of breach to TNB;
- Blacklisted by TNB and shall be precluded from tendering for any work in the supply chain for the specified period. The directors of the Company may also be blacklisted.

The Code is guided by eight principles of conduct, which reflects the core beliefs, and values of our organisation (please refer to Table 1).

The Code focuses on three key tenets of ethical conduct:

- Zero tolerance on corruption;
- No conflict of interest; and
- Honest and accurate representation of capabilities

Table 1: Key principles of the Code

Honesty and fairness	➔	Parties shall conduct all procurement and business dealings with honesty and fairness.
Accountability and transparency	➔	The process for awarding contracts shall be open, transparent, and must be made on good justifiable grounds.
Declaration of interest	➔	Parties shall declare potential conflicts of interest.
Compliance of law	➔	Parties shall comply with all legal obligations including laws of Malaysia and contractual obligations.
Anti-competitive practices	➔	Parties shall not engage in procurement practices that are anti-competitive.
Unfair advantage	➔	Parties shall not engage in procurement practices that result in unfair advantages.
Parties' commitment	➔	Parties shall not submit tenders without firm intention, conviction and/or capacity to proceed with a contract.
Good co-operation	➔	Parties shall endeavour to maintain business relationships based on open and good communication, respect, trust and adopt a non-adversarial approach to dispute resolution.

Our Policy On Corruption

It is entrenched in the law of the country that all forms of Corruption are illegal. Therefore all Employees, Employees Seconded to TNB, Directors and Suppliers/Contractors shall not engage in such practices. It is TNB's policy that all Employees, Employees Seconded to TNB, Directors and Suppliers/Contractors conduct their work/business in accordance with the following ethical standards:

Suppliers/Contractors Ethical Standards:

- Not to offer money, goods or services, to any of Employees, Employees Seconded to TNB, Directors or any official as consideration for their decision, opinion, recommendation, vote or other exercise of discretion;
- Not to offer, give, agree or promise to give, in any manner, gratuity to Employees, Employees Seconded to TNB and Directors.



In the event that Employees or Directors commit any of the above acts, the Suppliers/ Contractors shall report such acts to the Authorised Representatives of TNB and in the case of Directors, to the Official Authorities.

Employees, Employees Seconded to TNB and Directors Ethical Standards:

DO'S	DONT'S
Choose Suppliers/Contractors based on merits and compliance with TNB's procurement requirements.	Engage in activities that compromise the Supplier/ Contractor selection process.
Be on the alert and report any suspected non-compliance of the Code by Suppliers/Contractors, Employees and Employees Seconded to TNB or Directors.	Engage in corrupt practices, accept or give bribes, kickbacks or gratuity.
Report any non-compliance by Suppliers/Contractors, Employees and Employees Seconded to TNB or Directors to Authorised Representatives of TNB or the Official Authorities.	Not to release any Suppliers/Contractors business information, e.g., proposed rates, winning bid information to any parties.
Maintain and observe the highest ethical standards when dealing with a customer and Supplier/Contractor.	

Our Position On Conflicts Of Interest

Employees, Employees Seconded to TNB and Directors must exercise sound judgment and avoid Conflicts of Interest.

If an Employee or Employee Seconded to TNB has, or potentially will have, conflict of interest with Suppliers/Contractors, the individual must immediately notify such conflict to his or her Supervising Officer. The Supervising Officer shall decide whether the individual should recuse himself or herself from the procurement process and seek alternatives. In the case where the Supervising Officer is potentially in conflict of interest, the individual must notify a higher authority Supervising Officer or as a last resort, the Internal Affairs, Internal Audit or Security Departments of TNB.

If a Director has or potentially will have Conflicts of Interest, the Director should immediately notify such conflicts to the Chairman of TNB's Board of Directors and/or excuse himself or herself from the procurement process.



Representations From Suppliers/Contractors

Suppliers/Contractors must declare in writing to TNB that:

- They will comply with all legislations, regulations and statutory requirements relating to the provision of the products/services to TNB;
- They are not related (e.g., common shareholders, Board members, senior management) to any of the other Suppliers/Contractors participating in the same bid;
- They will not conspire or collude with other Suppliers/Contractors or agents when participating in a bid;
- They are duly authorised/certified provider of the products/services and shall not, expressly or impliedly hold themselves out to be an agent/representative of a third party service provider for similar products/services;
- They will at all times supply products that are certified to be of merchantable and satisfactory quality;
- They possess and utilise the necessary capabilities, equipments and suitable place of business to perform their obligations;
- They shall not totally subcontract the works/services;
- They shall maintain the highest standards of integrity and quality of work at all times.

If the Suppliers/Contractors are companies with Bumiputera status, the Suppliers/Contractors undertake that:

- The majority (at least 51%) of shareholding/equity are Bumiputera;
- The majority (at least 51%) of their employees are Bumiputeras;
- Key positions in the Suppliers' /Contractors' organization, such as the Chief Executive Officer, the Chief Operating Officer, the Managing Director, the General Manager or the Chief Financial Officer or any other such person responsible for finance are held by Bumiputeras; and/or
- All other guidelines that determine a company's qualification for Bumiputera status are complied with.



Employees, Employees Seconded to TNB, Directors and Suppliers/Contractors including their employees and directors, shall adhere to the Code at all times.

Requirements From Employees, Employees Seconded to TNB And Directors

All Employees, Employees Seconded to TNB and Directors are accountable and responsible in complying with the detail and spirit of the Code. In fulfilling these responsibilities each Employee, Employee Seconded to TNB and Director must:

- Read, understand and internalise the Code;
- Participate in training and educational programmes/events required for his/her job;
- Obtain guidance for resolving a business practice or compliance concern if he/she is uncertain about how to proceed in a situation;
- Report possible violations of the Code;
- Cooperate fully in any investigation which may be conducted by TNB's Procurement Department, Internal Audit Department, Internal Affairs Department and Security Department; and
- Make a commitment to conduct TNB's business with integrity, in compliance with the Code as well as applicable company policies, laws and regulatory requirements.

Requirements From Suppliers/Contractors

All current and potential Suppliers/Contractors must adhere to the principles and policies prescribed in the Code. In fulfilling these responsibilities, Supplier/Contractor, their employees and representatives must:

- Read, understand and internalise the Code;
- Comply with the Code;
- Report possible violations of the Code by informing Authorised Representatives of TNB; and
- Cooperate fully in any investigation or audit by Authorised Representatives of TNB with regards to compliance to this Code.

TNB will only deal with Suppliers/Contractors who adapt and adhere to the Code and/or any other policy or code of conduct that aims to promote similar principles as the Code. In this respect, TNB will monitor the performance of its Suppliers/Contractors and will take necessary action when there is non-compliance or breaches of the Code.

To ensure the compliance of the Code, Suppliers/Contractors must:

- Maintain all accurate and complete documentations to support compliance;
- Provide Authorised Representatives of TNB with complete and unrestricted access to relevant records, upon TNB's request;
- Allow Authorised Representatives of TNB to conduct confidential interviews with their management, directors and employees individually;
- Allow Authorised Representatives of TNB to conduct site visits to the Suppliers'/Contractors' locations in any manner; and
- Respond promptly to inquiries from Authorised Representatives of TNB regarding implementation of the Code.