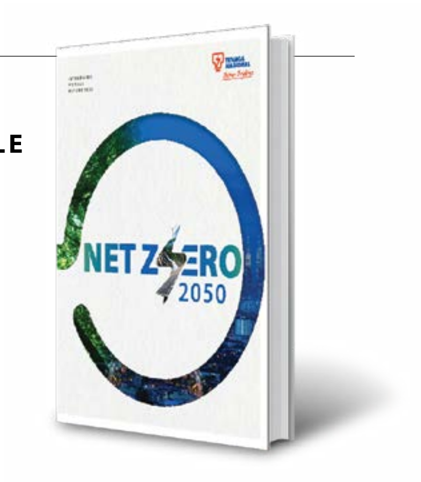
INTEGRATED
ANNUAL REPORT
2021

TENAGA NASIONAL
Better. Brighter.

NET ZERO 2050

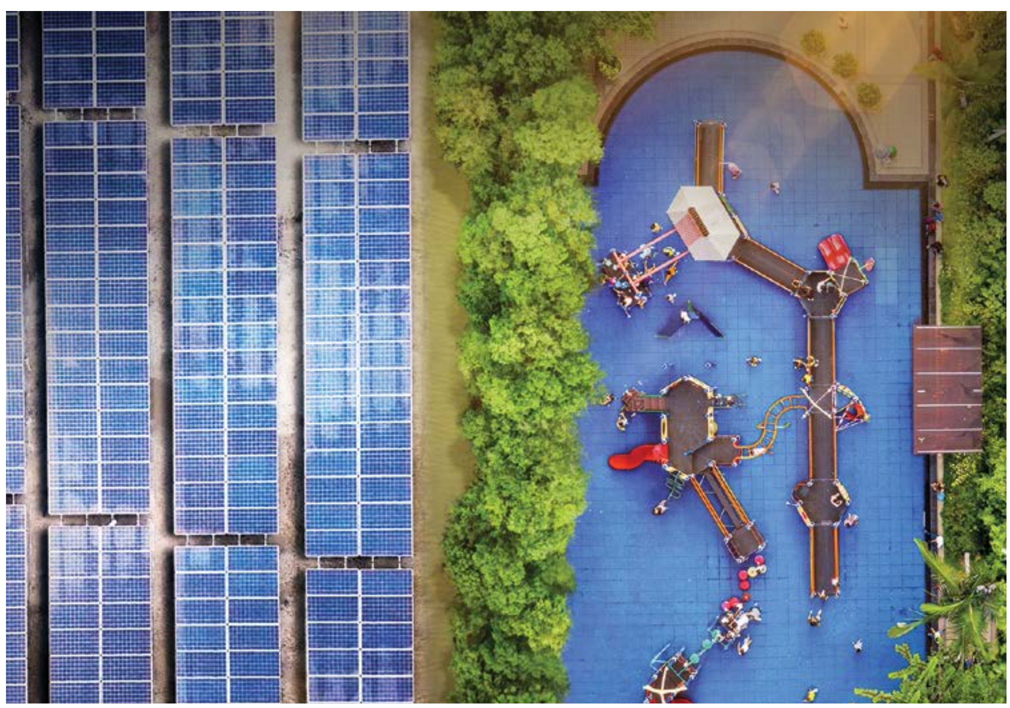
COVER RATIONALE



NET ZERO 2050

The cover for TNB's Integrated Annual Report 2021 is a bold statement of our aspiration to become a net zero company by 2050. Our commitment to this journey is non-negotiable, and we will reach our destination without compromising on our promise to build a better world and brighten lives. Our cover for this year's report feature a stylised relief that represents our pathway towards net zero. As the underlying image shows, we believe we will secure a greener, more sustainable world at our journey's end. This is a restatement of our commitment to sustainability and a reaffirmation of our belief that a greener future is a better future for one and all. Our journey to net zero starts today and ends with a brighter tomorrow.

Scan this QR code to find out more about TNB from our website.



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NAVIGATION ICONS

The following icons are used in this Report to indicate where additional information can be found.

This icons tells you where you can find related information in this Report.

This icon tells you where you can find more information online.

ABOUT THIS REPORT

This Integrated Annual Report provides a comprehensive and balanced account of the activities and prospects of Tenaga Nasional Berhad (TNB) for the fiscal year ended 31 December 2021. It aims to give our stakeholders, including our shareholders, investors and customers, detailed insight into our value creation activities in terms of the value we create, the trade-offs in the capitals that we consume, our past and future operating context, and our plans and prospects going forward.

NET ZERO 2050

In 2021, TNB announced its intent to become a net zero company by 2050. This document discloses the pathway that we will take to get us there, as well as the sustainability and governance initiatives and improvements we have made to set us on our way.

Our Capitals

Our value creation activities consume capitals or resources in order to produce value for intended stakeholders in line with our strategic objectives. These capitals are finite resources, and we make trade-offs between them when deciding to deploy or sustain our reserves of these capitals. TNB's capitals are as detailed below:

Financial Capital
Funds that are available to TNB to implement our value creation activities and comprise our shareholders' equity, borrowings and operational income

Manufactured Capital
Physical assets and infrastructure that are used in the course of our business operations, such as our power plants, transmission and distribution networks, office premises and vehicles

Natural Capital
Renewable and non-renewable natural resources used by TNB to generate electricity such as coal, wind, natural gas, liquefied natural gas, water and sunlight

Intellectual Capital
Intellectual property generated from research and development (R&D) activities, and investments into new technologies and innovations

Human Capital
Our people and talent who are responsible for running all aspects of our operations, from our ground staff at our generation plants to our administrative officers and senior leaders

Social and Relationship Capital
The relationships of trust we have with our stakeholders, and the social approbation created through the reliable and responsible performance of our roles

Materiality

The information disclosed in this document has been deemed material to TNB vis-a-vis our material matters. Material matters are defined as topics that have significant environmental, social, economic and governance impact on us, and as those that facilitate stakeholders assessments of us. Our material matters are derived from a materiality assessment process involving both internal and external stakeholders. For more information about our materiality assessment, please turn to page 133 of this document.

Reporting Framework

The preparation of this integrated annual report was guided by the International Integrated Reporting Council's <IR> Framework. In addition, this report also complies with and is guided by the following:

- the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR);
- the Companies Act 2016;
- the Malaysian Code on Corporate Governance 2021 (MCCG);
- the Corporate Governance Guide (4th Edition) issued by Bursa Malaysia;
- the Malaysian Financial Reporting Standards (MFRS); and
- the International Financial Reporting Standards (IFRS).

Scope and Boundary

This report covers the activities of TNB and its subsidiaries, or "the Group", for the fiscal year ended 31 December 2021 (FY2021). All material information, including quantitative and qualitative data, are reported as at 31 December 2021 unless otherwise stated. In cases where information for FY2021 was not available, the most up-to-date material is provided.

Forward-looking Statements

Our integrated annual report contains forward-looking statements relating to future expectations. These statements are premised on current assumptions and circumstances that are contingent and subject to change. Hence, these forward-looking statements are, by their nature, uncertain and actual results may differ materially from the outcomes expressed or implied by these forward-looking statements.

Targeted Readers

This report intends primarily to provide clarity and information to our stakeholders, specifically our shareholders and investors. Nevertheless, the information contained within this report may likewise be useful to other readers who wish to learn more about our value creation activities and our business operations.

Management Discussion & Analysis

Although we have not included a Management Discussion & Analysis (MD&A) in this report, key components of the MD&A can be found in the following:

Topic	
OVERVIEW OF OUR BUSINESS & OPERATIONS	Pages 6, 18-19 for more information
OUR STRATEGY	Pages 36-55 for more information
DISCUSSION OF OUR FINANCIAL RESULTS AND FINANCIAL POSITION	Pages 23 and 27 for more information
REVIEW OF OPERATING ACTIVITIES	Pages 26-30 for more information
ANTICIPATED OR KNOWN RISKS	Pages 118-124 for more information
OUR PROSPECTS	Pages 25 and 30 for more information

Verification and Approval

Our Board acknowledges its responsibility in ensuring the integrity of this Integrated Report, which in its opinion addresses issues that are material to the Group's ability to create value and fairly presents the integrated performance of TNB.

Feedback

Our integrated annual report is a work in progress, and any feedback or suggestions for improvements in relation to this report is welcome. Please direct all comments to us via email at cosec@tnb.com.my.

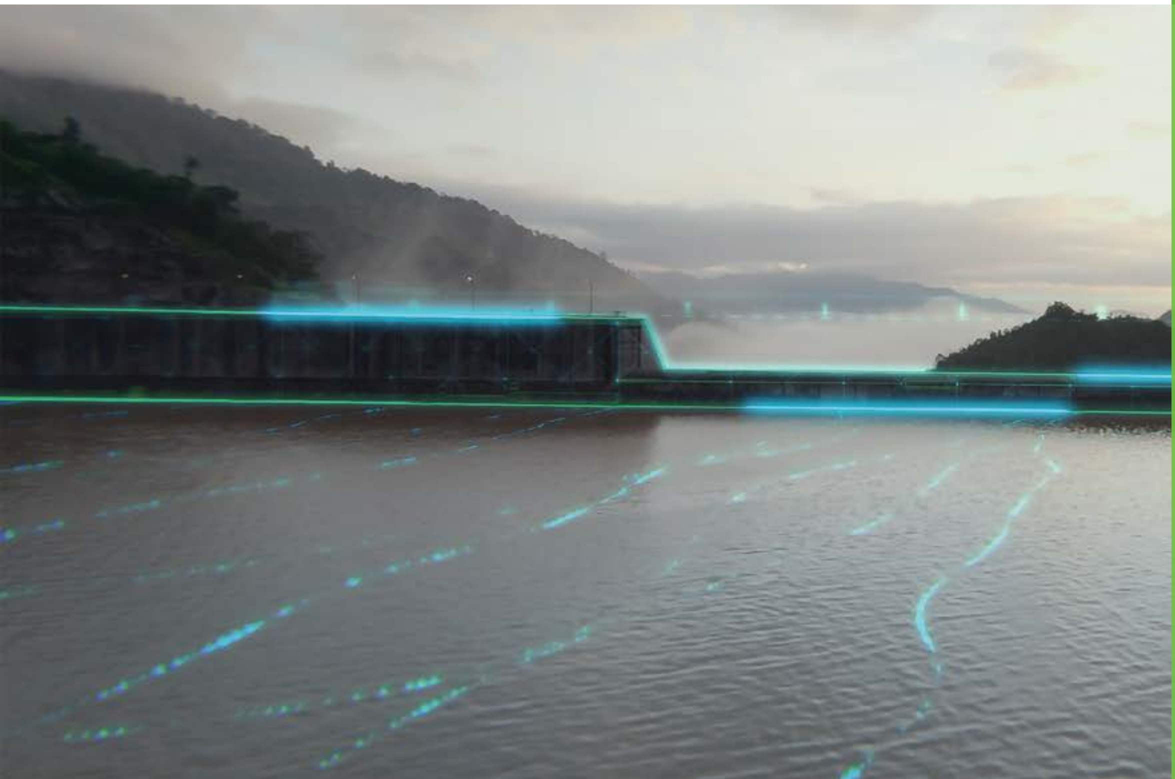
Supplementary Report

Report	Disclosure
Sustainability Report	Our Sustainability Report details the manner in which TNB creates value for our stakeholders, focusing on our environmental, social, economic and governance imperatives.

Reporting Framework

- Global Reporting Initiative (GRI) Standards: Core option
- GRI Electric Utilities Sector Disclosures
- Bursa Malaysia's MMLR
- Bursa Malaysia's Sustainability Reporting Guide 2nd Edition
- Task Force on Climate-related Financial Disclosures (TCFD) framework
- United Nations Sustainable Development Goals (UN SDGs)


A BETTER, BRIGHTER FUTURE RUNS ON GOOD ENERGY.
On our path to Net Zero 2050, we're choosing cleaner and greener energy sources as we take steps to reduce 35% of greenhouse gas (GHG) emission intensity and 50% of our coal capacity by 2035 – creating a sustainable future for generations to come.
Together, let's welcome a brighter tomorrow for all.
NET ZERO 2050
Scan to watch our journey to a brighter world.
THE SPARKS OF TODAY, POWER BRIGHTER TOMORROWS.
TENAGA NASIONAL
Better. Brighter.
Tenaga Nasional Berhad 199001009294 (200866-W)
www.tnb.com.my



Section

01

WE ARE TNB

WE ARE TNB

TENAGA NASIONAL
Better. Brighter.

OUR PURPOSE

Together we brighten lives through innovative and sustainable solutions towards a better world

OUR ASPIRATION

To be a leading provider of sustainable energy solutions in Malaysia and internationally

OUR CORE VALUES AND BEHAVIOURS

Integrity

- We uphold the highest ethical standards and do what is right all the time
- We are fair, honest and transparent - in everything we do
- We always seek to achieve mutual benefit for the country, company and customers

Collaborative

- We trust each other, believe in teamwork, and win together as one company
- We proactively help each other, communicate clearly and provide constructive feedback
- We embrace diversity and inclusivity, and we value outside-in perspectives

Professionalism

- We take full ownership and accountability for our actions
- We consistently demonstrate high performance and productivity
- We are result-focused and carry out our duties with discipline

Mindfulness

- We know who we are, and we stand by our values
- We are empathetic, respectful and compassionate to others and the environment
- We protect the safety and promote the wellbeing of our people and the public

Forward Thinking

- We are bold, challenge the status quo, and encourage agility and innovation
- We commit to ensuring the sustainability of TNB in all aspects
- We make informed decisions and learn from our mistakes

Customer Centricity

- We seek to truly understand customers' needs and always stay a step ahead
- We continue to build trust by delivering on our promises
- We look for unexpected ways to delight our customers

WHO WE SERVE

We have served our industrial, commercial and residential customers in Malaysia for over 70 years.

INDUSTRIAL
Our industrial customers engage in the manufacture of goods and services. Although they make up the smallest segment of our customers, they also account for the majority of our electricity sales.

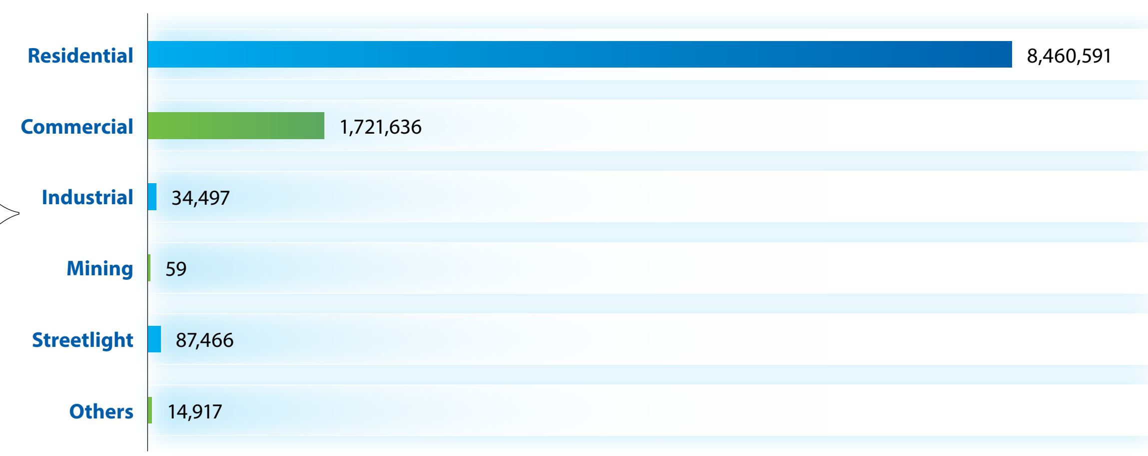
COMMERCIAL
Our commercial customers are our second-largest source of electricity sales, carrying out the business and commercial activities which drive our economy.

RESIDENTIAL
Our residential customers represent the majority of Malaysia's estimated 32.7 million population. As our largest market, they drive us to deliver excellence in our products and services.

OUR CUSTOMERS' PROFILE

BREAKDOWN OF CUSTOMERS
(PENINSULAR MALAYSIA AND SABAH)

Total
10.3 million



OUR INVESTMENT CASE

FINANCIAL HIGHLIGHTS

	GROUP		COMPANY	
Financial Year Ended 31 December	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
PROFITABILITY (RM Million)				
Revenue	**52,629.5**	43,976.0	**48,831.3**	40,758.3
Operating profit	**8,083.0**	7,358.8	**6,969.3**	7,362.3
Profit before taxation and *zakat*	**4,738.3**	4,235.4	**2,334.0**	3,070.5
Net profit attributable to owners of the Company	**3,661.8**	3,592.7	**1,985.3**	2,675.3
KEY BALANCE SHEET DATA (RM Million)				
Property, plant and equipment	**114,105.6**	112,596.1	**72,910.5**	69,528.7
Total assets	**182,600.6**	181,433.3	**180,153.7**	173,180.8
Total borrowings	**51,678.2**	49,452.6	**25,036.3**	22,091.3
Total liabilities	**124,208.2**	123,983.4	**134,752.4**	126,425.8
Share capital	**11,927.6**	11,675.2	**11,927.6**	11,675.2
Shareholders' equity	**58,392.4**	57,449.9	**45,401.3**	46,755.0
SHARE INFORMATION				
Per share (sen):				
- Basic earnings	**64.05**	63.06		
- Diluted earnings	**63.73**	62.79		
Dividend (sen):				
- Interim	**22.00**	22.00		
- Final	**18.00**	18.00		
- Special	**-**	40.00		
Net assets per share attributable to owners of the Company	**988.60**	978.70		
FINANCIAL RATIOS				
Return on assets (%)	**2.6**	2.4		
EBITDA margin (%)	**35.7**	40.9		
Debt-equity (net of cash) ratio	**0.73**	0.63		

KEY HIGHLIGHTS

Unit Demand Growth
1.7%

Return on Assets*
2.6%
* Based on adjusted net profit

CAPEX
RM8,459.4 million

Average Coal Price
USD116.2 per MT

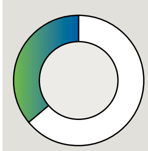
Total Assets
RM182,600.6 million

Total Revenue
RM52,629.5 million

Market Capitalisation
RM53,481.7 million

Net Profit Attributable to Owners of the Company
RM3,661.8 million

Operating Expenses Increase/(Decrease)
RM7,392.0 million

EBITDA Margin

35.7%

* *Based on adjusted net profit excluding foreign exchange (loss)/gain and costs pertaining to the Group's defined benefit plans*

OUR INVESTMENT CASE

GROUP QUARTERLY FINANCIAL PERFORMANCE

	FY2021				
RM MILLION	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
Revenue	**11,478.0**	**12,441.0**	**12,975.4**	**15,735.1**	**52,629.5**
Operating income	**176.7**	**227.3**	**144.4**	**369.7**	**918.1**
Operating profit	**2,327.8**	**2,123.3**	**2,058.9**	**1,573.0**	**8,083.0**
Profit before taxation and *zakat*	**1,477.3**	**1,202.1**	**1,236.9**	**822.0**	**4,738.3**
Profit attributable to owners of the Company	**958.7**	**821.5**	**1,003.8**	**877.8**	**3,661.8**
Earnings per share (sen) – basic	**16.8**	**14.4**	**17.6**	**15.4**	**64.1**
Dividend per share (sen)	**-**	**22.0^**	**-**	**18.0***	**40.0**

	FY2020				
RM MILLION	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
Revenue	11,654.5	10,890.8	11,106.4	10,324.3	43,976.0
Operating income	215.5	130.0	486.7	229.2	1,061.4
Operating profit	2,223.8	1,822.2	1,857.8	1,455.0	7,358.8
Profit before taxation and *zakat*	1,016.4	1,044.7	1,282.7	891.6	4,235.4
Profit attributable to owners of the Company	717.9	653.3	1,009.6	1,211.9	3,592.7
Earnings per share (sen) – basic	12.6	11.5	17.7	21.3	63.1
Dividend per share (sen)	-	22.0^	-	58.0*#	80.0

^ *interim dividend*
* *final dividend*
\# *inclusive a special dividend of 40.0 sens per share*

SIX-YEAR GROUP FINANCIAL SUMMARY

	GROUP					
YEAR/PERIOD ENDED	31.08.2017	31.12.2017 (Restated)	31.08.2018	31.12.2019	31.12.2020	31.12.2021
OPERATING RESULTS (RM Million)[1]						
Revenue	47,416.9	15,692.2	50,392.5	50,939.7	43,976.0	**52,629.5**
Operating profit	9,364.0	3,014.0	6,875.6	8,206.8	7,358.8	**8,083.0**
Profit before taxation and *zakat*	8,281.8	2,843.5	5,046.6	5,477.7	4,235.4	**4,738.3**
Net profit attributable to owners of the Company	6,904.0	2,622.3	3,723.7	4,529.2	3,592.7	**3,661.8**
KEY BALANCE SHEET DATA (RM Million)[2]						
Property, plant and equipment	103,083.7	104,807.6	111,445.5	109,966.0	112,596.1	**114,105.6**
Total assets	142,012.4	144,250.0	153,695.0	178,847.2	181,433.3	**182,600.6**
Total borrowings	38,846.5	41,443.7	47,832.4	45,411.7	49,452.6	**51,678.2**
Total liabilities	84,427.6	86,261.0	94,643.1	119,565.1	123,983.4	**124,208.2**
Share capital	11,124.9	11,199.6	11,446.1	11,446.1	11,675.2	**11,927.6**
Shareholders' equity	57,584.8	57,989.0	59,051.9	59,282.1	57,449.9	**58,392.4**
SHARE INFORMATION						
Per share (sen)						
Basic earnings	122.00	46.32	65.62	79.64	63.06	**64.05**
Diluted earnings	121.52	46.21	65.39	79.64	62.79	**63.73**
Gross dividend	61.00	21.41	53.27	100.00	80.00	**40.00**
Net assets per share attributable to owners of the Company	1,009.2	1,007.2	1,017.0	1,019.6	978.7	**988.6**
Share price as at reporting date (RM)	14.28	15.26	13.60	13.26	10.42	**9.34**
FINANCIAL RATIOS						
Return on assets (%)	5.4	5.3	3.2	2.8	2.4	**2.6**
Return on shareholders' equity (%)	13.3	13.2	8.3	8.5	7.4	**8.0**
Gearing (%)	40.3	41.6	44.8	43.4	46.3	**47.0**
EBITDA margin (%)	32.6	32.3	26.5	36.1	40.9	**35.7**
Effective weighted average cost of funds (%)	4.7	5.0	5.0	5.1	4.9	**4.6**
Interest coverage (%)	10.6	9.5	7.9	5.4	4.9	**5.0**
Currency mix (RM:Foreign)	77:23	79:21	74:26	76:24	75:25	**76:24**
Debt-equity (net of cash) ratio[3]	0.37	0.44	0.50	0.53	0.63	**0.73**

[1] *Amounts for period ending 31 December FY2017 have been restated for the Amendments to MFRS15 which were adopted in FY2018*
[2] *Balances at 31 December 2017 have been restated for the Amendments to MFRS15 which were adopted in FY2018*
[3] *Cash includes financial assets at fair value through profit or loss (FVTPL)*

OUR INVESTMENT CASE

SIX-YEAR GROUP GROWTH SUMMARY

REVENUE
(RM MILLION)

2017	47,417
2017* (Restated)	15,692
2018	50,393
2019	50,940
2020	43,976
2021	**52,630**

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM MILLION)

2017	6,904
2017* (Restated)	2,622
2018	3,724
2019	4,529
2020	3,593
2021	**3,662**

SHAREHOLDERS' EQUITY
(RM MILLION)

2017	57,585
2017* (Restated)	57,989
2018	59,052
2019	59,282
2020	57,450
2021	**58,392**

TOTAL ASSETS
(RM MILLION)

2017	142,012
2017* (Restated)	144,250
2018	153,695
2019	178,847
2020	181,433
2021	**182,601**

TOTAL BORROWINGS
(RM MILLION)

2017	38,847
2017* (Restated)	41,444
2018	47,832
2019	45,412
2020	49,453
2021	**51,678**

RETURN ON ASSETS
(%)

2017	5.4
2017* (Restated)	5.3
2018	3.2
2019	2.8
2020	2.4
2021	**2.6**

GEARING
(%)

2017	40.3
2017* (Restated)	41.6
2018	44.8
2019	43.4
2020	46.3
2021	**47.0**

INTEREST COVERAGE
(%)

2017	10.6
2017* (Restated)	9.5
2018	7.9
2019	5.4
2020	4.9
2021	**5.0**

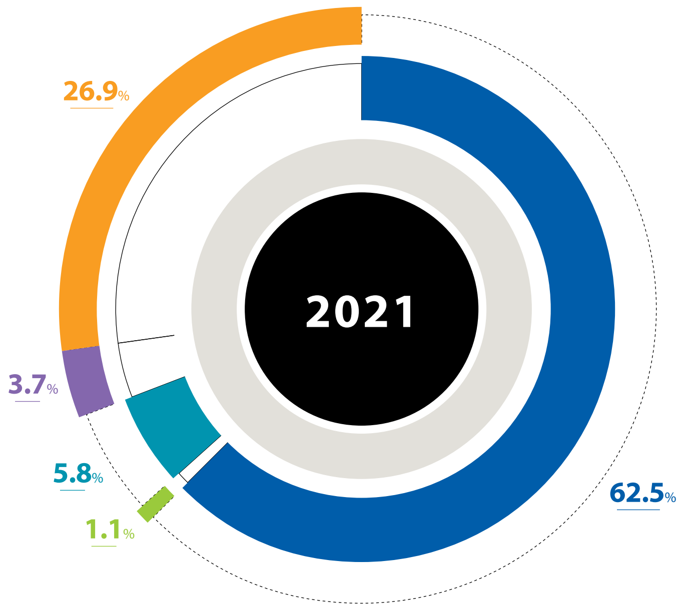
BASIC EPS
(SEN)

2017	122.0
2017* (Restated)	46.3
2018	65.6
2019	79.6
2020	63.1
2021	**64.1**

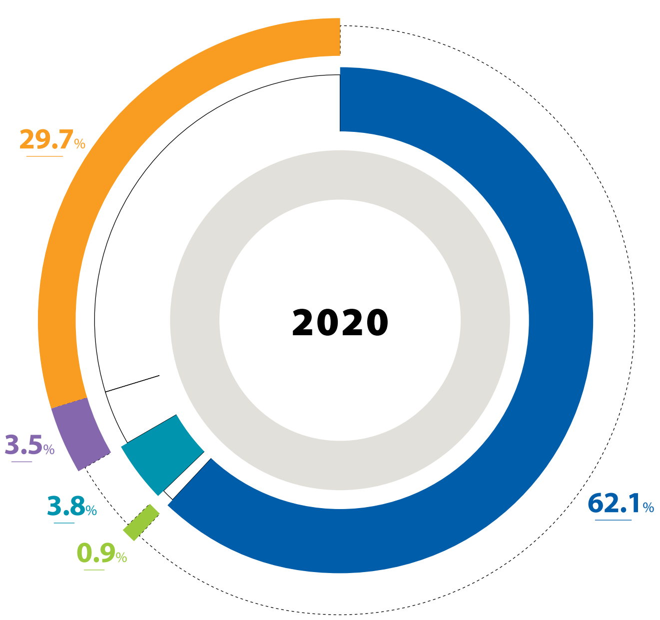
* *Financial Period Ended 31 December 2017*

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

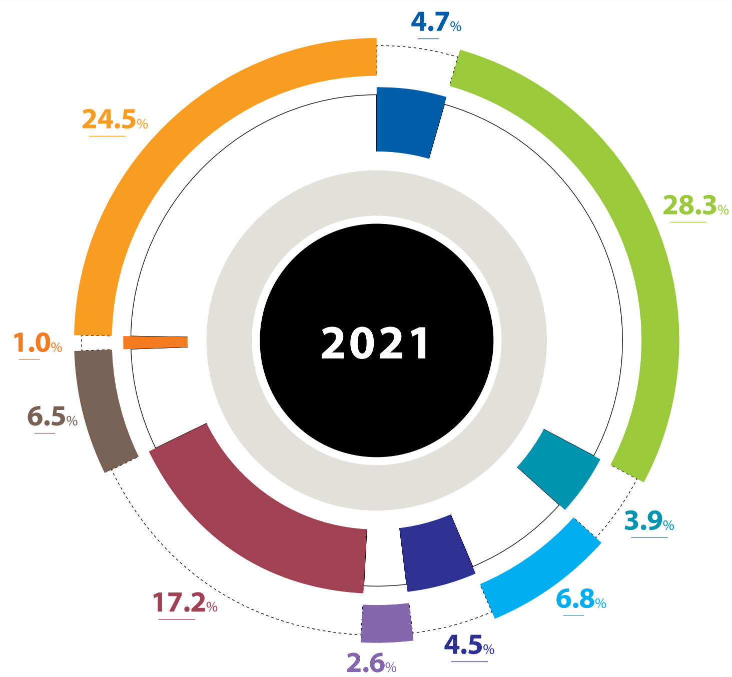
TOTAL ASSETS



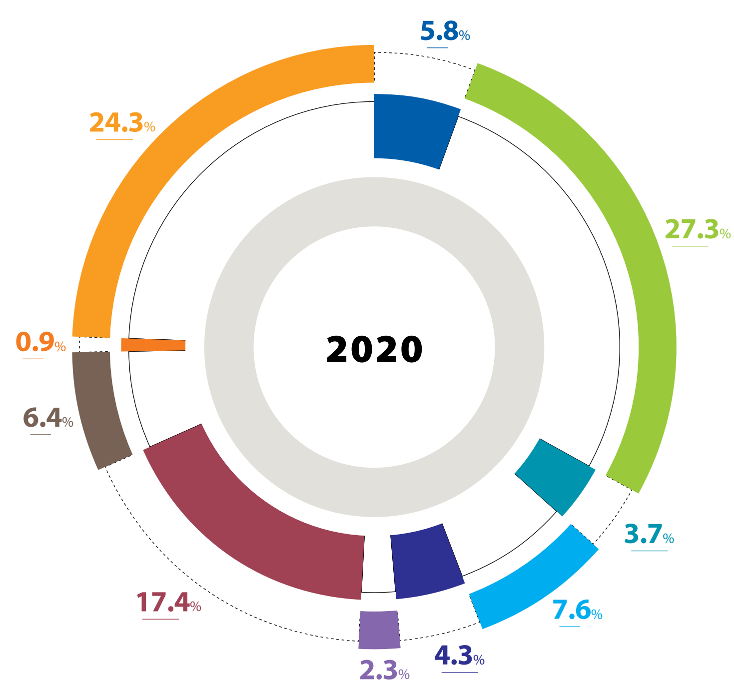
- Property, Plant and Equipment
- Inventories
- Trade and Other Receivables
- Deposits, Bank and Cash Balances
- Other Assets



TOTAL LIABILITIES AND EQUITIES



- Trade and Other Payables
- Total Borrowings
- Consumer Deposits
- Employee Benefits
- Deferred Taxation
- Contract Liabilities
- Other Current and Non Current Liabilities
- Share Capital
- Non-Controlling Interests
- Retained Profits and Reserves

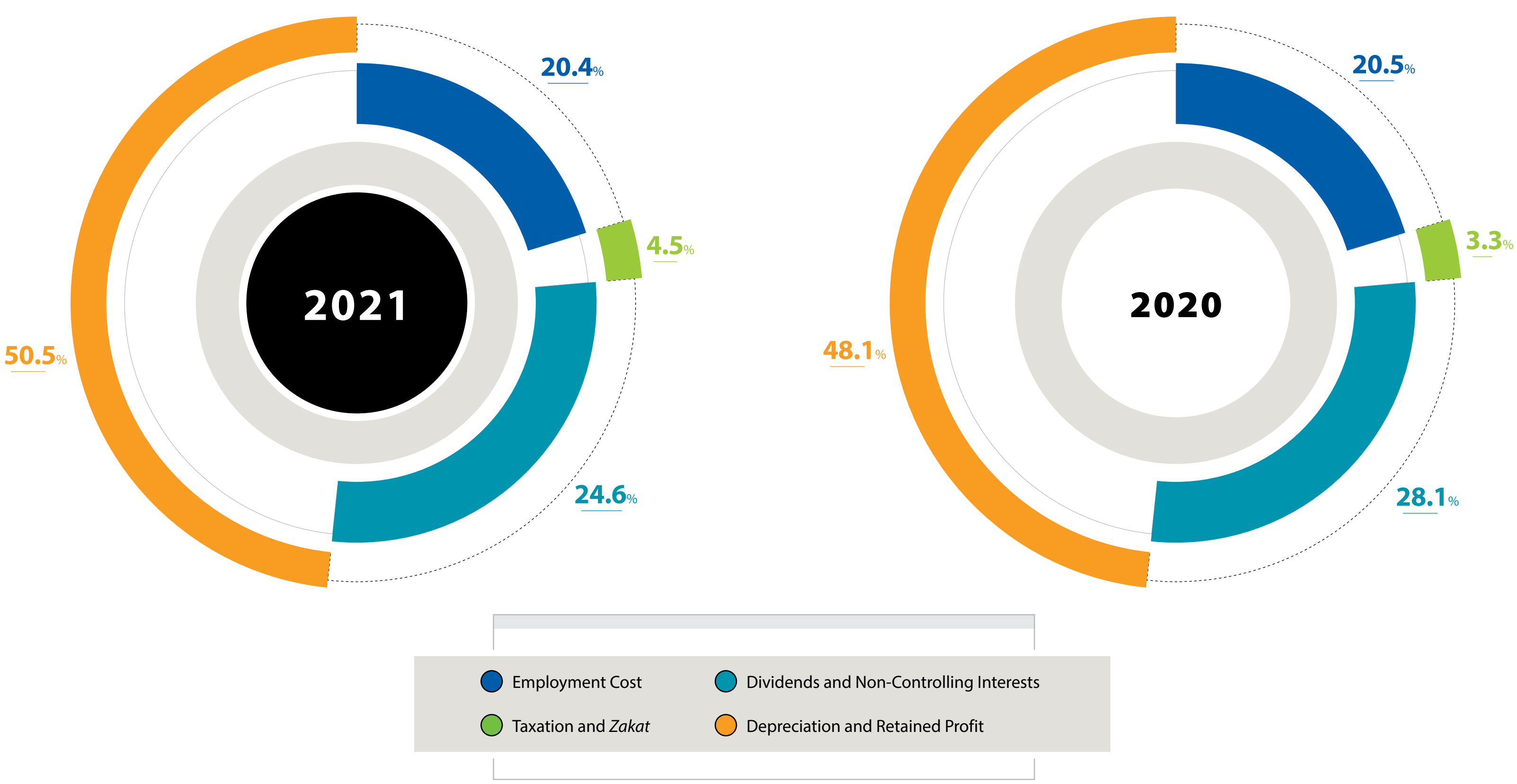


OUR INVESTMENT CASE

STATEMENT OF VALUE ADDED

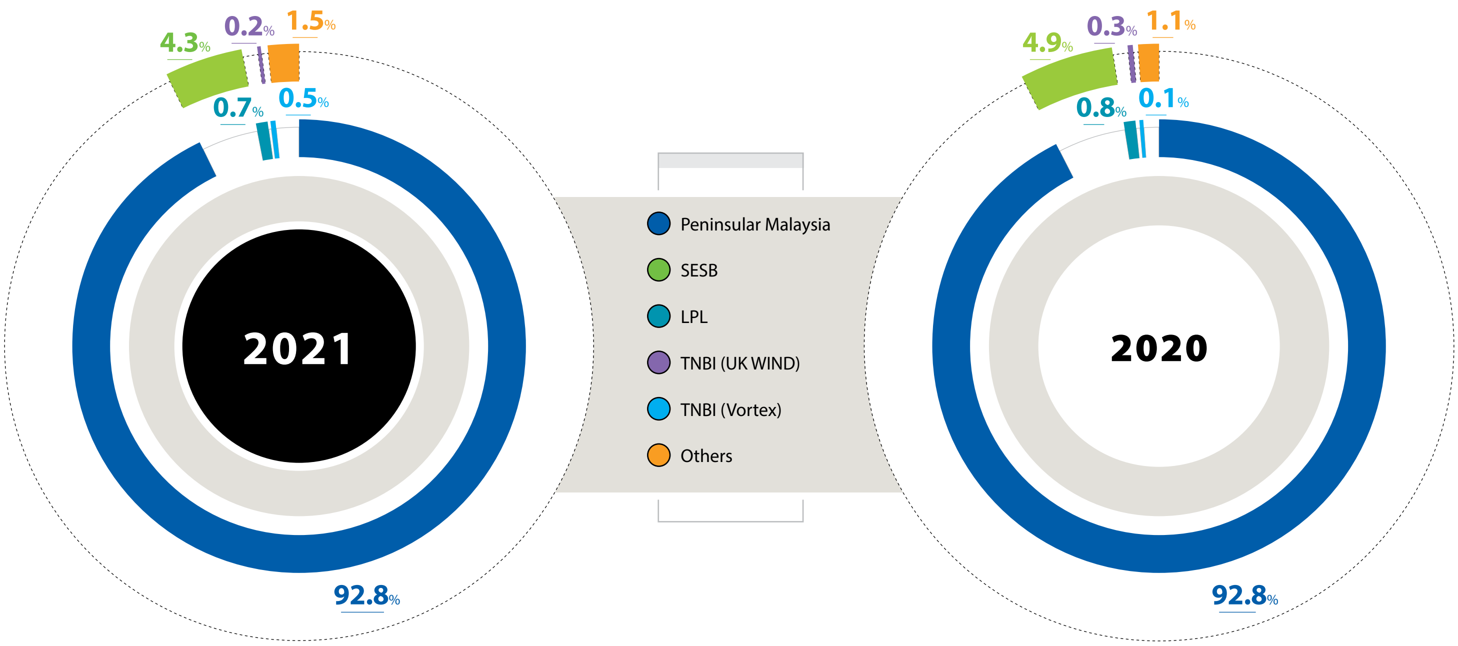
	31.12.2021	31.12.2020
VALUE ADDED (RM Million)		
Revenue	**52,629.5**	43,976.0
Operating expenses excluding staff costs and depreciation	**(29,878.7)**	(22,684.2)
Net loss on impairment of financial instruments	**(940.2)**	(546.2)
Operating income	**918.1**	1,061.4
Finance income	**221.8**	317.7
Finance cost	**(3,793.3)**	(3,668.7)
Fair value changes of financial instruments	**201.8**	124.9
Foreign exchange (loss)/gain	**(168.5)**	26.2
Share of results of associates and joint ventures	**193.5**	76.5
Value added available for distribution	**19,384.0**	18,683.6
DISTRIBUTION (RM Million)		
To employees:		
Employment cost	**3,954.2**	3,825.8
To the Government:		
Taxation and *zakat*	**873.6**	619.0
To shareholders:		
Dividends	**4,568.4**	5,235.8
Non-controlling interests	**202.9**	23.7
To reinvest to the Group:		
Depreciation	**10,691.5**	10,622.4
Retained profit	**(906.6)**	(1,643.1)
Total distributed	**19,384.0**	18,683.6

DISTRIBUTION OF VALUE ADDED



OUR INVESTMENT CASE

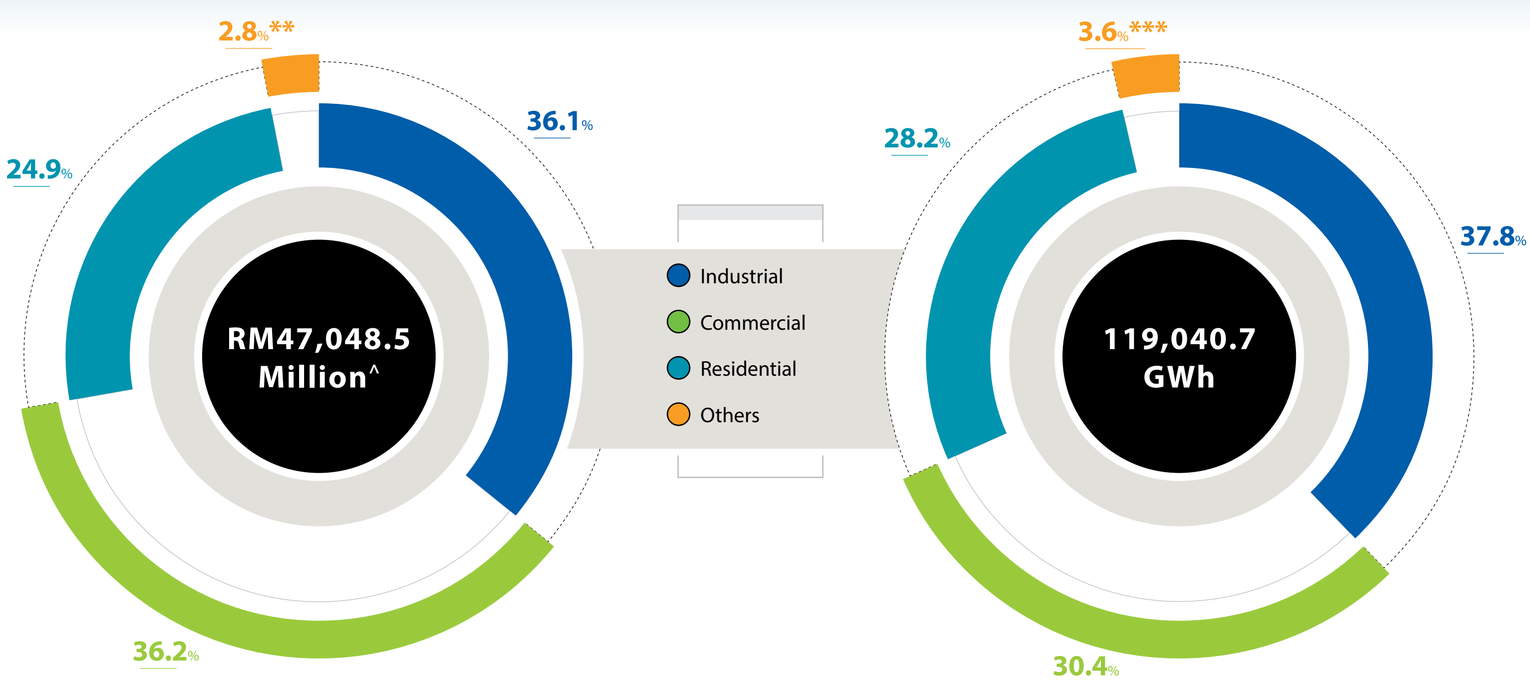
CORE REVENUE



	Peninsular Malaysia	SESB	LPL	TNBI (UK WIND)	TNBI (Vortex)	Others*	Total
	RM Million						
2021	**48,832.0**	**2,257.9**	**368.9**	**103.6**	**264.8**	**802.3**	**52,629.5**
2020	40,825.2	2,160.8	340.0	120.7	39.6	489.7	43,976.0

* *Others include Goods & Services, Construction Contracts*

GROUP SALES OF ELECTRICITY
BY SECTOR



** *Others include Agriculture, Mining, Public Lighting, Accrued Revenue, Sales Discount, EGAT, LPL, TNBI (UK WIND & Vortex) and other regulatory adjustment, Relief Package from Government, SESB Tariff Support Subsidy and Merdeka Incentive*
*** *Others include Agriculture, Mining, Public Lighting, EGAT, LPL, TNBI (UK WIND & Vortex) and Accrued Revenue*
^ *Exclude Imbalance Cost Pass-Through*

OUR INVESTMENT CASE

OUR CREDIT RATINGS

International Rating Agency

Standard & Poor's Ratings Services (S&P)	**BBB+ Stable**
Moody's Investors Services (Moody's)	**A3 Stable**

Local Rating Agency

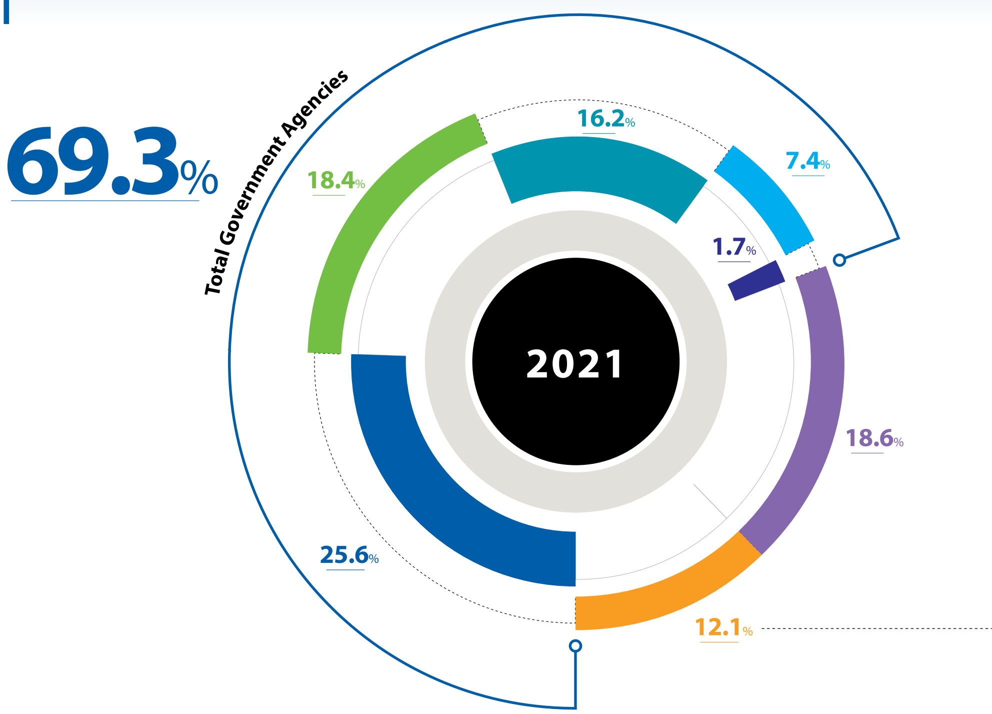
RAM Rating Services Berhad (RAM)	**AAA Stable**
Malaysian Rating Corporation Berhad (MARC)	**AAA$_{IS}$/ AAA Stable**

SHAREHOLDING INFORMATION

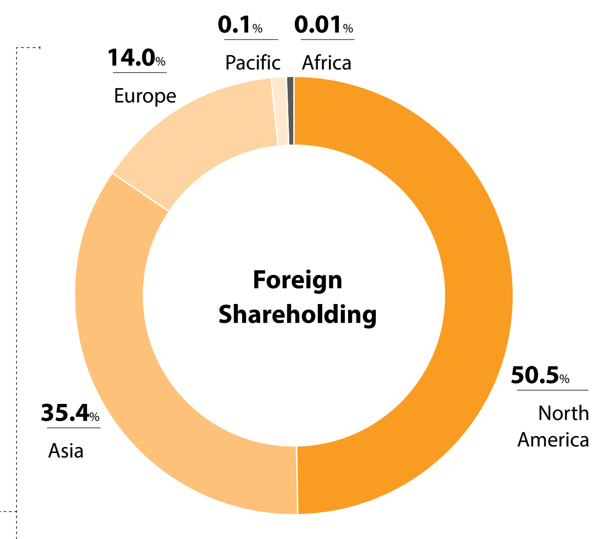
As at 31 December 2021, Khazanah Nasional Berhad remained our largest shareholder with 25.6% of shareholding. Other Government-related agencies cumulatively hold 43.7% with Permodalan Nasional Berhad at 18.4%, Employees Provident Fund at 16.2%, Kumpulan Wang Persaraan at 7.4% and others at 1.7%. The balance of 30.7% are held by other local corporations, Malaysian retail and foreign shareholders.

Based on the geographical spread of our foreign shareholding, the largest shareholding base is North America at 50.5%, followed by our shareholders from Asia (excluding Malaysia) and Europe, which accounted for 35.4% and 14.0% of the shares respectively.

TNB SHAREHOLDING
AS AT 31 DECEMBER 2021



FOREIGN OWNERSHIP BY GEOGRAPHY



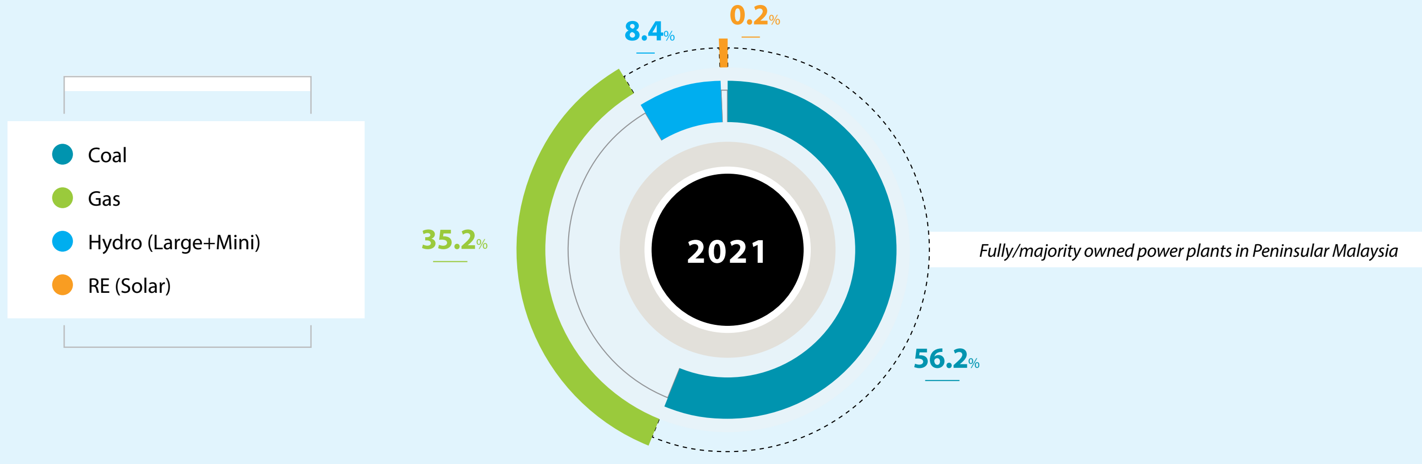
- Khazanah Nasional Berhad
- Permodalan Nasional Berhad*
- Employees Provident Fund Board
- Kumpulan Wang Persaraan (Diperbadankan)
- Other Government Agencies
- Local Corporation & Retail
- Foreign Shareholding

* *Comprises total shareholdings held by trust funds managed by Permodalan Nasional Berhad*

Note: Shareholding structure as at 31st December 2021

Source: Bloomberg, IPREO and IR internal analysis

GENERATION FUEL MIX

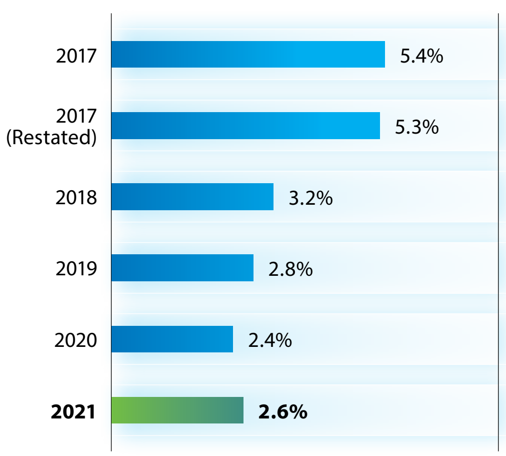


OUR SCORECARD

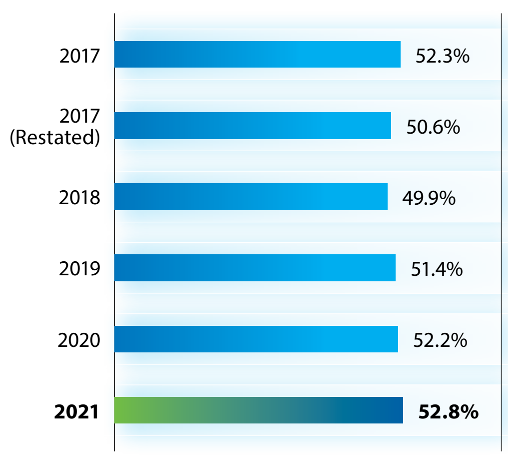
	31.08.2017	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Return on asset	5.4%	5.3%[4]	3.2%	2.8%	2.4%	**2.6%**
Generation market share[1]	52.3%	50.6%	49.9%	51.42%	52.21%	**52.79%**
Customer satisfaction index[3]	81%	N/A[3]	81%	81%	86%	**87%**
Corporate reputation index[3]	81%	N/A[3]	88%	87%	81%	**88%**
Equivalent availability factor[2]	87.13%	85.45%	88.93%	81.77%	87.39%	**82.89%**
Equivalent unplanned outage factor[2]	3.76%	4.84%	3.84%	7.97%	6.65%	**7.85%**
Transmission system minutes[1]	0.23 minute	0.05 minute	0.35 minute	0.27 minute	0.08 minute	**0.09 minute**
System average interruption duration index[1] (SAIDI) minutes/customer/year	50.24	18.05	48.22	48.13	44.95	**45.25**
Transmission losses[1]	1.29%	1.30%	1.43%	1.35%	1.47%	**1.60%**
Distribution losses[1]	6.21%	6.13%	6.39%	6.30%	6.69%	**6.16%**
Employee engagement score	89%	N/A[3]	86%	89%	89%	**85%**

(1) *For Peninsular Malaysia only.*
(2) *All Coal, Gas and Hydro power plants under TNB Power Generation Sdn. Bhd.*
(3) *The respective surveys were not conducted during this four-month Annual Report period.*
(4) *Financial Period Ended 31 December 2017 (Restated).*

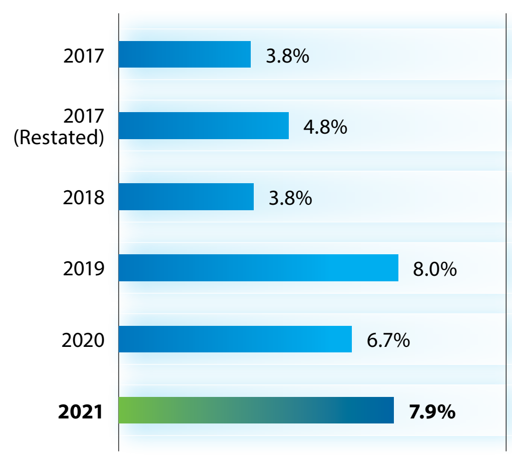
RETURN ON ASSET
(%)



GENERATION MARKET SHARE[1]
(%)



EQUIVALENT UNPLANNED OUTAGE FACTOR
(%)



CORPORATE STRUCTURE

As at 18 March 2022

Tenaga Nasional Berhad

- 100% **TNB POWER GENERATION SDN. BHD.**
  - 100% Integrax Berhad
    - 100% Integrax Maritime Services Sdn. Bhd. *(Formerly known as LBT Two Sdn. Bhd.)* *(Dormant)*
    - 100% Pelabuhan Lumut Sdn. Bhd.
      - 100% Lekir Bulk Terminal Sdn. Bhd.
      - 50% Less 1 Share Lumut Maritime Terminal Sdn. Bhd.
        - 100% LMT Capital Sdn. Bhd. *(Dormant)*
  - 100% TNB Manjung Five Sdn. Bhd.
    - 100% TNB Western Energy Berhad
  - 100% TNB Prai Sdn. Bhd.
    - 100% TNB Northern Energy Berhad
  - 100% TNB Janamanjung Sdn. Bhd.
  - 100% TNB Pasir Gudang Energy Sdn. Bhd.
  - 100% TNB Connaught Bridge Sdn. Bhd.
  - 100% TNB Sepang Solar Sdn. Bhd.
  - 100% TNB Bukit Selambau Solar Sdn. Bhd.
  - 100% TNBPG Hydro Nenggiri Sdn. Bhd.
  - 100% TNBPG Hydro Sungai Perak Sdn. Bhd.
  - 70% Jimah East Power Sdn. Bhd.
  - 70% Southern Power Generation Sdn. Bhd.*
  - 60% Kapar Energy Ventures Sdn. Bhd.
  - 100% TNB Repair and Maintenance Sdn. Bhd.
    - 100% Tenaga WHR 1 Sdn. Bhd.
    - 100% TNB REMACO Pakistan (Private) Limited
    - 100% Trichy Energy Limited *(Dormant)*
    - 100% Trichy Power Limited *(Dormant)*
    - 100% TNB Operations & Maintenance International Ltd.
      - 100% Oasis Parade Sdn. Bhd.
        - 30% Saudi-Malaysia Operation & Maintenance Services Company Limited
        - 10% Alimtiaz Operation & Maintenance Company Limited
    - 50% GMR Tenaga Operations and Maintenance Private Limited
- 100% **TNB RETAIL SDN. BHD.**
  - 100% TNBX Sdn. Bhd.
  - 100% GSPARX Sdn. Bhd.
- 100% **TNB-IT SDN. BHD.**
- 100% **MALAYSIA TRANSFORMER MANUFACTURING SDN. BHD.**
- 100% **TNB GLOBAL VENTURES CAPITAL BERHAD**
- 100% **TNB FUEL SERVICES SDN. BHD.**
- 100% **TNB GLOBAL CAPTIVE (L) LTD.**
- 100% **REV PROPERTY HOLDINGS SDN. BHD.**
  - 100% REV Horizon Sdn. Bhd.
- 100% **TNB INTEGRATED LEARNING SOLUTION SDN. BHD.**
- 100% **ALLO TECHNOLOGY SDN. BHD.**
- 100% **TNB RESEARCH SDN. BHD.**
  - 100% TNB Labs Sdn. Bhd.
  - 40% Gunung Tenaga Sdn. Bhd.
- 100% **TNB ENGINEERING CORPORATION SDN. BHD.**
  - 100% TNEC Construction Sdn. Bhd. *(Dormant)*
  - 100% Bangsar Energy Systems Sdn. Bhd.
    - 70% Selesa Energy Systems Sdn. Bhd. *(Dormant)*
  - 100% TNEC Operations and Maintenance Sdn. Bhd. *(Dormant)*
    - 51% Tomest Energy Management Sdn. Bhd. *(In Members' Voluntary Winding Up)*
  - 77% Airport Cooling Energy Supply Sdn. Bhd.
  - 70% Cooling Energy Supply Sdn. Bhd.
  - 49% Abraj Cooling L.L.C
- 100% **TNB RENEWABLES SDN. BHD.**
  - 100% TNB Bukit Selambau Solar Dua Sdn. Bhd.
  - 49% SD Plantation TNB Renewables Sdn. Bhd. *(Formerly known as SD Plantation TNBES Renewable Energy Sdn. Bhd.)*
- 100% **UNIVERSITI TENAGA NASIONAL SDN. BHD.**
  - 100% UNITEN R & D Sdn. Bhd.
  - Yayasan Canselor Universiti Tenaga Nasional

* *TNB and its wholly owned subsidiary, TNB Power Generation Sdn. Bhd., own 70% of Southern Power Generation Sdn. Bhd.*

** *GVO Wind Limited, Bluemerang Capital Limited and Vantage Solar Investments S.A.R.L. Group of Companies are detailed out on pages 222-229 of this Integrated Annual Report.*

Legend: Subsidiaries · Associates · Joint Ventures · Simple Investments · Trust Foundations

- 100% **TNB TOPAZ ENERGY SDN. BHD.**
- 100% **TNB ENERGY SERVICES SDN. BHD.**
  - 100% Tenaga E Mobility Solutions Sdn. Bhd.
  - 70% Maevi Sdn. Bhd.
  - 49% Metrosphere Hydro Tersat Sdn. Bhd.
  - 40% FTJ Bio Power Sdn. Bhd.
  - 20% Jana Landfill Sdn. Bhd.
- 100% **POWER AND ENERGY INTERNATIONAL (MAURITIUS) LTD.**
  - 100% Independent Power International Ltd.
    - 20% Malaysian Shoaiba Consortium Sdn. Bhd.
      - 50% Saudi-Malaysia Water & Electricity Co. Ltd.
  - 30% GMR Energy Limited
- 100% **TNB INTERNATIONAL SDN. BHD.**
  - 100% Vantage RE Ltd.
    - 100% Tenaga Wind Ventures UK Ltd.
      - 100% GVO Wind Limited**
      - 100% Bluemerang Capital Limited**
    - 55% Vantage Solar Investments S.A.R.L.**
      - 100% Vantage Solar UK4 Limited

- 100% **TNB VENTURES SDN. BHD.**
  - 76% Tenaga Cable Industries Sdn. Bhd.
- 83% **SABAH ELECTRICITY SDN. BHD.**
  - 100% Elopura Power Sdn. Bhd. *(Dormant)*
- 100% **ARUNA SERVICIOS INTEGRALES S.L.U.**
  - 100% Global Power Enerjî Sanayî Ve Tîcaret Anonîm Şîrketî
    - 30% Gama Enerji Anonîm Şîrketî
- 60% **TENAGA SWITCHGEAR SDN. BHD.**
  - 60% TSG Ormazabal Sdn. Bhd.
  - 95% PT. Tenaga Nusa Bakti *(Dormant)*
  - 34% Tenaga Middle East Electric Contracting L.L.C. *(Dormant)*

ASSOCIATES

- 49% **FIBRECOMM NETWORK (M) SDN. BHD.**
- 20% **TEKNOLOGI TENAGA PERLIS CONSORTIUM SDN. BHD.**
- 20% **GB3 SDN. BHD.**
- 25% **JIMAH ENERGY VENTURES HOLDINGS SDN. BHD.**
  - 100% Jimah Energy Ventures Sdn. Bhd.

JOINT VENTURE

- 50% **SEATRAC SDN. BHD.** *(Dormant)*

SIMPLE INVESTMENTS

- 20% **PERUSAHAAN OTOMOBIL ELEKTRIK (MALAYSIA) SDN. BHD.** *(In Winding Up by the Court)*
- 10% **LABUAN REINSURANCE (L) LTD.**
- 7.8% **FEDERAL POWER SDN. BHD.** *(Under Judicial Management)*

TRUST FOUNDATIONS

YAYASAN TENAGA NASIONAL

RETIREMENT BENEFIT TRUST FUND

DORMANT COMPANIES

- 100% **TNB CAPITAL (L) LTD.** *(In Members' Voluntary Winding Up)*
- 100% **TNB RISK MANAGEMENT SDN. BHD.**
- 100% **TNB HIDRO SDN. BHD.**
- 100% **TNB TRANSMISSION NETWORK SDN. BHD.**
- 100% **TNB GENERATION SDN. BHD.**
- 100% **TNB DISTRIBUTION SDN. BHD.** *(In Members' Voluntary Winding Up)*
- 100% **TNB ENGINEERS SDN. BHD.**
- 100% **TNB PROPERTIES SDN. BHD.**
  - 100% TNP Construction Sdn. Bhd.
  - 40% KM - Metro TNB Properties Sdn. Bhd.
- 100% **ORION MISSION SDN. BHD.** *(In Members' Voluntary Winding Up)*
  - 100% Lahad Datu Holdings Sdn. Bhd. *(In Members' Voluntary Winding Up)*
    - 100% Lahad Datu Energy Sdn. Bhd. *(In Members' Voluntary Winding Up)*
  - 50% Eastern Sabah Power Consortium Sdn. Bhd. *(In Members' Voluntary Winding Up)*
- 70% **SEPANG POWER SDN. BHD.** *(In Members' Voluntary Winding Up)*

MANJUNG ISLAND ENERGY BERHAD
(Subsidiary as defined by MFRS 10, 11 and 12)

OUR INTERNATIONAL FOOTPRINT

UNITED KINGDOM

POWER PLANT

TENAGA WIND VENTURES UK LTD
(100% Equity)

Capacity:
26.6MW

VANTAGE SOLAR
INVESTMENTS S.A.R.L.
(55% Equity)

Capacity:
365MW

BLYTH OFFSHORE DEMONSTRATOR LIMITED
(49% Equity)

Capacity:
41.5MW

ENERGY SOURCE:

TOTAL CAPACITY:
433.1MW

KUWAIT

POWER PLANT

SABIYA POWER GENERATION &
WATER DISTILLATION PLANT

Capacity:
252MW

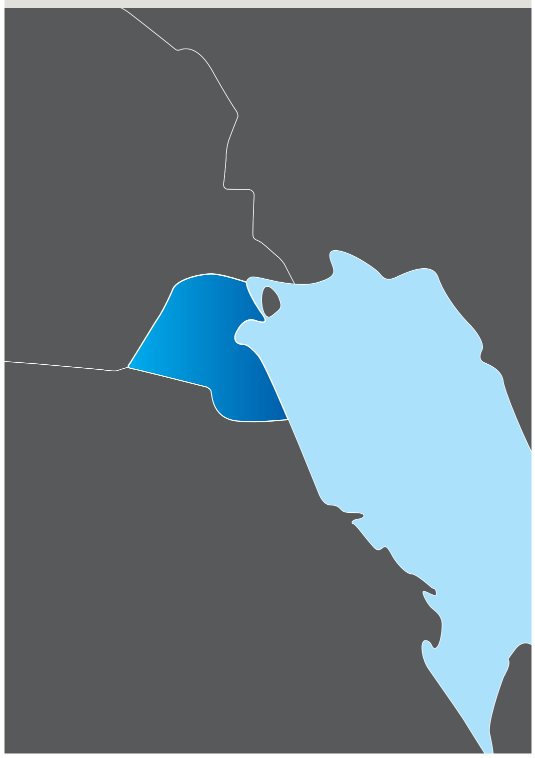
DOHA WEST POWER GENERATION
AND WATER DISTILLATION PLANT

Total Capacity:
170MW

OPERATIONS & MANAGEMENT SERVICES

Maintenance Services Agreement
Mechanical Works
DOHA WEST PLANT

Instrumentation & Control Systems
SHUWAIAKH POWER PLANT
DOHA WEST PLANT



ENERGY SOURCE:

TOTAL CAPACITY:
422MW

TURKEY

POWER PLANT

GAMA ENERJI A.S.
(30% Equity)

Capacity:
1,134.1MW

ENERGY SOURCE:

TOTAL CAPACITY:
1,134.1MW

Legend: Wind | Solar | Natural Gas | Distillate | Hydro | Fuel Oil | Coal

SAUDI ARABIA

POWER PLANT

SHUAIBAH INDEPENDENT WATER & POWER PROJECT (IWPP)
(6% Equity)

Capacity:
1,190MW

WATER DESALINATION ASSETS

Total Capacity:
1,039,000 m³/day

ENERGY SOURCE:

TOTAL CAPACITY:
1,190MW

INDIA

POWER PLANT

GMR ENERGY LTD
(30% Equity)

Capacity:
2,064MW

ENERGY SOURCE:

TOTAL CAPACITY:
2,064MW

PAKISTAN

POWER PLANT

LIBERTY POWER LTD
(Wholly-owned)

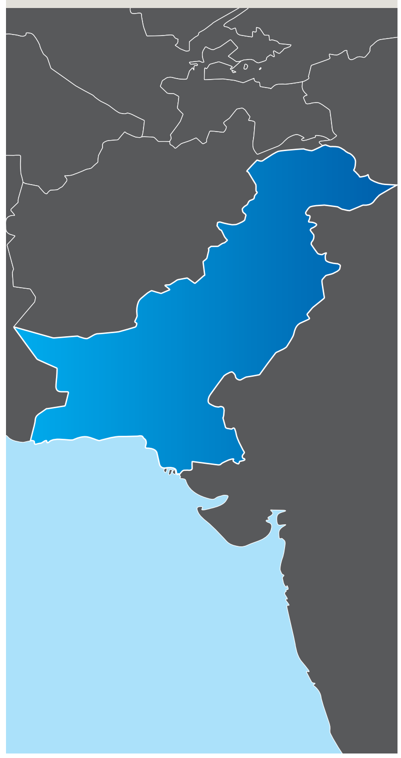
Capacity:
235MW

(Divested as at 30th November 2021)

OPERATIONS & MANAGEMENT SERVICES

- TNB REMACO & BALLOKI POWER PLANT NATIONAL POWER PARK MANAGEMENT COMPANY LIMITED
- Balloki Power Plant

Capacity:
1,223MW



ENERGY SOURCE:

TOTAL CAPACITY:
1,458MW

CAMBODIA

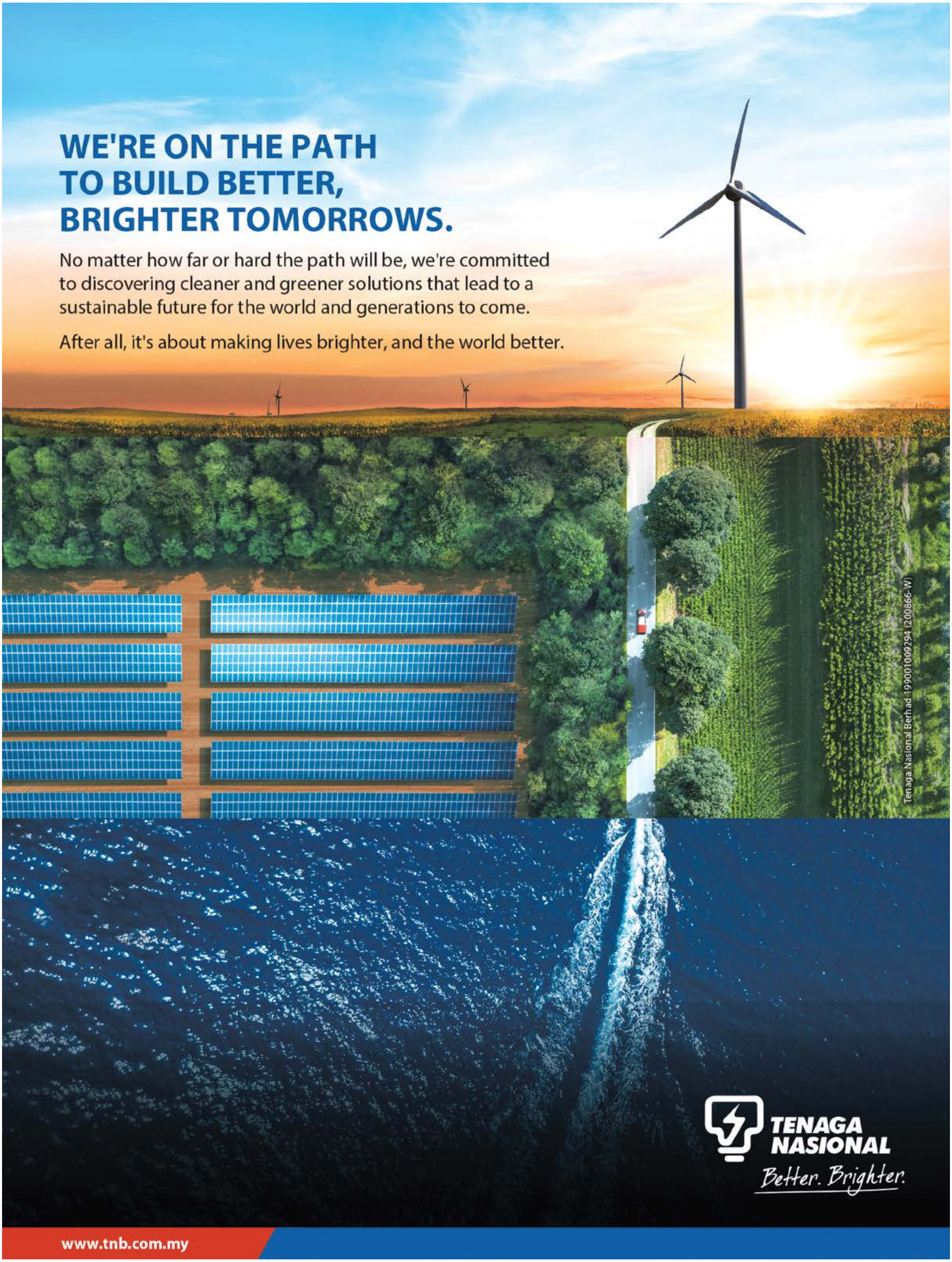
Capacity:
400MW

MANN & Wartsila Engines

Technical Advisory
for EDC HFO Plant

ENERGY SOURCE:

TOTAL CAPACITY:
400MW


WE'RE ON THE PATH TO BUILD BETTER, BRIGHTER TOMORROWS.
No matter how far or hard the path will be, we're committed to discovering cleaner and greener solutions that lead to a sustainable future for the world and generations to come.
After all, it's about making lives brighter, and the world better.
Tenaga Nasional Berhad 199001009294 (200866-W)
TENAGA NASIONAL
Better. Brighter.
www.tnb.com.my

Section

02

FROM OUR LEADERSHIP

CHAIRMAN'S LETTER TO SHAREHOLDERS

LEADING THE WAY FOR VALUE CREATION AND PRESERVATION THROUGH GOOD GOVERNANCE

Dear Stakeholders

The continuation of the COVID-19 pandemic in 2021 brought about adverse operating conditions which threatened the lives and livelihoods of all Malaysians as well as the economic well-being of thousands of businesses and industries throughout the country.

DATO' SRI HASAN BIN ARIFIN
CHAIRMAN

CHAIRMAN'S LETTER TO SHAREHOLDERS

"I would like to take this opportunity to urge all of us associated with TNB to redouble our efforts during this difficult time to better demonstrate the value we create for all Malaysians."

During this difficult time, Tenaga Nasional Berhad (TNB) continued to deliver on our role as the country's national power provider and ensured access to reliable and affordable power, keeping the lights on for all Malaysians. I am pleased to report that we have passed this challenge with flying colours and credit must go to our staff who have shown the utmost dedication this past year to TNB's vision and mission.

Indeed, this is a point that I would like to stress to all our stakeholders. Just as TNB has a responsibility to the rakyat, so do we as directors, officers and staff have a responsibility to TNB to ensure that the company meets all its commitments and aspirations to provide sustainable and reliable energy to the nation. Our obligation and fiduciary duties are therefore owed to the company, which, likewise, has a duty to both the country and to you, our shareholders. It is for this reason that we must demand that the highest standards of corporate governance be observed throughout the entire TNB organisation—from the Chairman of the Board to our ground staff responsible for our operations.

I would like to take this opportunity to urge all of us associated with TNB to redouble our efforts during this difficult time to better demonstrate the value we create for all Malaysians.

FINANCIAL PERFORMANCE REVIEW

Electricity demand in Peninsula Malaysia grew 1.2% year-on-year (yoy) driven by higher consumption by both residential and industrial customers. TNB's subsidiary companies also registered higher contributions in terms of the sale of goods and services as the lifting of MCO in 2021 enabled more businesses to operate. Profit After Tax (PAT) for the year reflected this positive development, growing 6.9% yoy to RM3.86 billion from RM3.62 billion a year ago.

After taking all our commitments into consideration, the Board is pleased to announce that we have declared a final single-tier dividend of 18.0 sen per share. This, in addition to our interim dividend paid on 15 October 2021, brings our total dividend payout for the year to 40.0 sen per share, or RM2.29 billion, which is equivalent to 52.8% of our Profit After Tax and Minority Interests (PATAMI) for the year. This falls within the prescribed range of our dividend policy of paying out between 30% and 60% of PATAMI, and reflects our continued commitment of creating value for our shareholders.

EASING THE BURDEN OF THE RAKYAT

While we had successfully delivered on our commitments this past year, we cannot overlook the fact that the COVID-19 pandemic had extracted a high cost from the rakyat and businesses. The suspension of economic activities and health impact of COVID-19 meant that many Malaysians found themselves in financial distress even as the pandemic continued to stretch thin our country's medical resources. To help affected households better manage their finances during this troubling time, TNB offered special relief packages including bill discounts and easy payment plans to ensure that they would not be left in the dark because of COVID-19.

Our COVID-19 relief efforts also saw us extending support to the nation's healthcare systems and frontliners who are playing a critical part in helping the country manage the impact of the pandemic. In addition to contributing important supplies such as healthcare and medical equipment, we had deployed mobile generator sets in areas such as temporary control posts to ensure that our frontliners had the power necessary to effectively perform their duties. We are grateful to the efforts and commitments of our frontliners, and are committed to doing what we can to support the work that they do.

The pandemic aside, Malaysia also experienced severe flooding in several states across the nation, which would claim lives and cause damage in the billions of ringgit, as well as displace thousands of Malaysians from their homes. In light of the severity of the floods, the Board and management were unanimous in our decision for TNB to immediately extend assistance to the rakyat, in addition to deploying all resources necessary to ensure the lights stayed on. To that end, TNB mobilised more than 2,000 personnel comprising TNB technical staff including additional work teams from outside the Klang Valley and the 70th Royal Army Engineers Regiment Volunteers to repair TNB assets and grid infrastructure. We also placed 665 sets of generators on standby to provide power in flood-affected areas, as well as free wiring inspections to homes severely affected by the floods.

To achieve our aspiration, TNB strives to provide sustainable and reliable energy for the nation.

PAT
for the year reflected this positive development, growing **6.9%** yoy to **RM3.86 billion** from RM3.62 billion

INTERIM DIVIDEND
brings our total dividend payout for the year to **40.0 sen** per share, or **RM2.29 billion**

CHAIRMAN'S LETTER TO SHAREHOLDERS

HIGHLIGHTS OF THE YEAR

Social

We offered special relief packages including 100% one-off rebates on electricity bills for

148,881 customers

affected by the floods

For the rakyat who were affected by the pandemic and the floods, we offered special relief packages to help lighten their financial load. These packages, including a 100% one-off rebate on electricity bills for 148,881 customers affected by the floods, provided financial relief and protected these customers from the possibility of power cuts. In addition, TNB extended a one-off RM15 million rebate to flood-affected customers who faced particular hardship due to the severity of the flood damage. Finally, we also made financial contributions to the State Governments of Terengganu and Kelantan in assistance of their flood relief work.

It fills me with great pride to report that TNB staff, in addition to the efforts above, had volunteered and made personal contributions to help with both COVID-19 and flood relief efforts. Collectively, TNB and our staff, the latter primarily through the Tabung Warga TNB Prihatin, raised more than RM4 million for the less fortunate affected by the pandemic and the floods. It is this type of dedication and mindfulness that goes above and beyond the call of duty which truly demonstrates the value that we, as an organisation, aspire to create for our stakeholders.

Dato' Sri Hassan bin Arifin and Datuk Ir. Baharin bin Din watering the plants as a symbolic act of TNB's commitment to sustainability, during the townhall session.

Environment

Malaysia updated its Nationally Determined Contribution (NDC) in August 2021, stating its intention to unconditionally **reduce economy-wide carbon intensity (against gross domestic product [GDP]) of**

45%

by 2030 compared to 2005 level.

FOCUSING ON SUSTAINABILITY

The floods that occurred in December 2021 had a devastating impact on lives and livelihoods, but what may be of greater concern is the likelihood of its recurrence. Experts have warned that there will be an increase in the number of climate catastrophes as a result of climate change, and the growing number of climate disasters in recent years is proof positive of that. Indeed, the world was reminded of the urgency of the situation at the United Nations' Climate Change Conference (COP26), which was held in Glasgow in November 2021. At the end of the conference, almost 200 countries including Malaysia, signed a climate change pact which promises accelerated action to reduce greenhouse gas (GHG) emissions.

The Malaysian Government had stepped up its climate change commitments—to not only work towards becoming a carbon neutral nation by as early as 2050, but also intends to reduce its economy-wide carbon intensity (against GDP) of 45% in 2030 compared to 2005 level. This target is an increase of 10% from the previous submission to the United Nations Framework Convention on Climate Change (UNFCCC). We applaud the Government's ambitious target, and have pledged our support of this goal by announcing our own net zero emission target that is integral to TNB Sustainability Pathway 2050 (SP2050) - our roadmap which sets out our sustainability commitments and aspiration while simultaneously futureproofing our business.

Under the SP2050, TNB aspires to achive net zero emissions by 2050, as well as to reduce 35% of our emissions intensity and 50% our coal generation capacity by 2035. We will no longer be investing in greenfield coal plants and aspire to be completely coal-free by our 2050 target year. In addition to the environmental aspiration, the SP2050 also integrates the other two pillars of sustainability, namely social and governance to transform TNB into a socially responsible company that exemplifies the highest standards of governance at all levels of our organisation.

CHAIRMAN'S LETTER TO SHAREHOLDERS

TO ACHIEVE NET ZERO EMISSIONS by 2050, as well as to **reduce 35% of our emissions intensity** and **50% of our coal generation capacity** by 2035.

SUPPORT THE DEVELOPMENT OF BRIGHTENING YOUNG MINDS we contributed **RM119.2 million** to **8,272 students**, bringing our total awarded since 1993 to over RM1.3 billion for more than 20,000 recipients.

MALAYSIAN ECONOMY expects to grow between **5.5%** and **6.5% in 2022**, further building on the **3.1% growth** that we saw in **2021**.

I would like to add that the goals of the SP2050 are not new ambitions for TNB. We have long recognised that clean energy in the form of renewables is the way forward for the power generation business, and we have already embarked on our energy transition and grid modernisation plans to support a higher percentage of renewable energy in our grid. Carbon neutrality has always been a part of this plan, but the timeline has been brought forward as TNB actively steps up in response to the clarion call for a better future. TNB is confident that this goal remains achievable, and we have adapted our strategy to ensure that we will attain this target.

In addition to our environmental efforts, TNB has continued to deliver initiatives to enhance our standing as a good social citizen and fulfil our goal of building better and brighter lives. One of our long-term projects is the conservation of the firefly population in several key locations, including Kampung Kuantan, home to one of the largest firefly colonies in Southeast Asia. In FY2021, we contributed RM52,000 in support of these conservation efforts.

TNB also continued to support the development of brightening young minds through Yayasan Tenaga Nasional (YTN), which awards scholarships and convertible loan to students based on merit, enabling them to pursue higher education locally or abroad. In 2021, we contributed RM65.9 million to 1,671 students, bringing our total awarded since 1993 to over RM1.3 billion for over 20,000 recipients. Further complementing our efforts to support education is our My Brighter Future (MyBF) programme. A total of RM53.3 million was contributed to help these students pursue tertiary education and help them secure a better future for their families.

We view these social responsibility projects as an essential part of who we are and what we do at TNB, and they remain important parts of our identity even as we embark on our SP2050 journey. Our approach to sustainability is therefore holistic, and takes into consideration all dimensions of development to create sustained and comprehensive value for all our stakeholders, especially the *rakyat*.

Finally, in the area of governance, we have revised the TNB Group Governance Platform, which is the spine of our management structure, to clearly establish the roles and responsibilities at each level of leadership. This revision extends to the way we approach sustainability, where we have reformed the Group's Sustainability Development Committee as the Sustainability Development Council (SDC) chaired by our President/Chief Executive Officer.

The SDC serves as the strategic platform allowing deliberations of TNB's sustainability direction, and also a platform to monitor and discuss the progress of our sustainability agenda.

OUTLOOK FOR 2022

The coming year will see TNB focused on supporting the Government of Malaysia in rebuilding our nation's economy. Bank Negara Malaysia expects the Malaysian economy to grow between 5.5% and 6.5% in 2022, further building on the 3.1% growth that we saw in 2021. Greater economic activity translates into higher demand for electricity, and we must, as the national power producer, ensure that we deliver reliable and affordable power to all Malaysian users. Our continuing investments will ensure that our existing infrastructure will operate efficiently while moving us up the sustainability pathway to transform TNB into a greener company in the future.

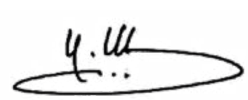
The year will also see us operating under the new Regulatory Period 3 (RP3) under the Incentive-Based Regulation (IBR) Framework which will run from February 2022 to December 2024. Under the RP3, the Government of Malaysia has decided to prioritise the well-being of the rakyat and has maintained the current electricity tariff schedule. This decision is one that is cognisant of the burdens of the rakyat but also recognises the commitments that power producers and distributors have to make to modernise and develop our power ecosystem. I would like to express my thanks to the Government for their continued support of the IBR since 2014 as it remains the best mechanism that balances the needs of both the rakyat and the power sector.

ACKNOWLEDGEMENTS

It fills me with great honour to have been given the opportunity to chair TNB, one of the giants of Malaysian industry. It is with great pride that I accept this role and look forward to a productive year ahead with my fellow Directors. On behalf of the Board, I would like to extend our appreciation to the former Chairman, Dato' Seri Mahdzir bin Khalid, who has left us following his appointment as the Minister of Rural Development. We thank Dato' Seri for his efforts and leadership during his short, but significant time with us.

We would also like to express our thanks to the various stakeholders whom we have worked with during this past year. In particular, we would like to thank the Government and our regulatory bodies, customers, business partners, suppliers and shareholders for their continued support of our mutual cause. Your contributions have been invaluable, particularly in a year that was significantly disrupted by pandemic and flood-related issues. Last but not least, special acknowledgements must go to our TNB staff who have shown true dedication in the face of adversity. I urge you to continue your efforts in 2022 as we will face another year of challenges even as we continue to support the economic recovery of the nation and keep the lights turned on for the rakyat.

Thank you.



DATO' SRI HASAN BIN ARIFIN
Chairman

PRESIDENT/CHIEF EXECUTIVE OFFICER'S REVIEW

CREATING VALUE IN A SUSTAINABLE MANNER THROUGH OUR STRATEGY

Dear Valued Stakeholders,

The financial year ended 31 December 2021 (FY2021), much like the previous year, was dominated by issues related to the COVID-19 pandemic. In contrast to the previous year, Malaysia was better prepared to manage the impact of the virus even as we transitioned our ways of living and working to the new normal.

DATUK IR. BAHARIN BIN DIN
PRESIDENT/CHIEF EXECUTIVE OFFICER

This was aided significantly by the mass rollout of vaccines which encouraged governments globally to reopen their economies and take bolder measures to reverse the pandemic-induced decline, and take steps to strengthen the sustainability of their activities, particularly in the area of climate change.

Malaysia's Electricity Supply Industry (MESI) was similarly affected by the pandemic, with the ebb and flow in economic activity impacting energy sales, as well as the execution of our operations. While electricity demand would recover towards the end of the year, the concerted global recovery translated to a sudden increase in the demand for fuel which, coupled with a bottleneck in supply, saw fuel prices spike. While these factors had contributed to challenging operating conditions, I am pleased to report that TNB had ensured the continuous supply of reliable, secure and affordable power to the nation. In addition, we continued to deliver on our commitments outlined in our Reimagining TNB strategy to make the transition to renewable energy (RE), modernise our grid and strengthen our customer services.

Meanwhile, the Government has also announced ambitious measures to further strengthen and modernise MESI. Under the 12th Malaysia Plan (RMK-12), which has received a record-high allocation of RM400 billion for its initiatives, Malaysia aims to increase its RE capacity to account for 31% of the nation's generating capacity by 2025, as well as provisions outlining the development of green, or low-carbon, mobility, including electric vehicle (EV) adoption in urban settings. At the same time, the Government has also committed itself to become a carbon neutral nation as early as 2050.

We are fully supportive of our government's efforts to put the country on a more sustainable footing, which is aligned with the long-term strategy that we have put in place for TNB. Our hope is that together, we will attain our aspiration, to be a leading provider of sustainable energy solutions while delivering on our purpose to make Malaysian lives better and brighter.

PERFORMANCE HIGHLIGHTS

TNB reported a total revenue of RM52.63 billion for 2021 representing a year-on-year (yoy) increase of 19.7% from RM43.98 billion a year ago. Electricity sales had increased 19.3% yoy to RM51.56 billion from RM43.20 billion for the same period in tandem with the resumption of economic activity in the country, which had led to Gross Domestic Product (GDP) growth of 3.1% for the year. The higher electricity sales figure also includes the RM4.51 billion from the Imbalanced Cost Pass-Through (ICPT) mechanism, which was in an under-recovery position in 2021 owing to higher fuel prices. Meanwhile, the higher cost of fuel had contributed to an increase in operating expenses (OPEX), which grew 19.9% to RM44.52 billion from RM37.13 billion in 2020.

As a result of the factors above, operating profit for 2021 came in at RM8.08 billion, up 9.8% from RM7.36 billion a year ago. Profit After Tax (PAT) grew 6.9% yoy to RM3.86 billion from RM3.62 billion due to the increase in operating profit and the increase in the share of results of associates, as well as accounting gains on the fair value of financial instruments. This was partially offset by higher foreign exchange losses and tax expenses recognised during the year.

In terms of the standards of our operational performance, TNB continued to maintain world-class network standards despite the challenging operating environment. Our power plants continued to operate efficiently and reliably, with the average domestic and international plant availability exceeding 80% while our Transmission System Minutes, a benchmark for the minutes of interruption caused by transmission per year, scored 0.09 minutes. Meanwhile, the System Average Interruption Duration Index (SAIDI) scored 45.25 minutes while our Customer Satisfaction Index came in at 87%. These metrics put us squarely among the best power producers in Southeast Asia, and on par with systems in developed countries.

As for TNB's workplace safety performance, we continued to improve on our safety record with our Loss Time Injury Frequency (LTIF) improving to 1.03 in 2021 from 1.29 in the previous year. While we have done our utmost to reduce work-related fatalities, we unfortunately recorded eight incidences during the year. The loss of these lives is regretted and we resolve to do more in the coming years to prevent injuries towards our goal of zero fatalities.

HIGHLIGHTS OF THE YEAR

Economy

Total Revenue

RM52.63 billion

for 2021 representing a yoy increase of **19.7%** from **RM43.98 billion** a year ago.

Electricity Sales

had increased

19.3%

yoy to **RM51.56 billion** from **RM43.20 billion** for the same period in tandem with the resumption of economic activity in the country, which had led to GDP growth of **3.1%** for the year.

OPEX

which grew

19.9%

to **RM44.52 billion** from RM37.13 billion in 2020

Operating Profit

RM8.08 billion

up **9.8%** from RM7.36 billion a year ago

PAT

grew

6.9%

yoy to **RM3.86 billion** from RM3.62 billion due to the increase in operating profit and the increase in the share of results of associates, as well as accounting gains on the fair value of financial instruments.

PRESIDENT/CHIEF EXECUTIVE OFFICER'S REVIEW

STRATEGY PROGRESS AND UPDATE

Incorporating Sustainability Pathway 2050

In 2021, TNB entered into the second leg of its transformational journey under Reimagining TNB, which remains our primary corporate strategy driving and guiding our organisation forward. Nevertheless, we recognise that sustainability has grown in priority over the last few years, and we have introduced our Sustainability Pathway 2050 (SP2050) plan which establishes our sustainability commitments and aspirations building on our energy transition journey under Reimagining TNB.

SP2050 does not replace Reimagining TNB as our corporate strategy but complements it by setting out our sustainability direction and plans to future-proof our business. It outlines our long-term sustainability goals over the next 30 years, including our aspiration to achieve net zero emissions by 2050. In addition, SP2050 also outlines our intermediate goal of reducing 35% of our emissions intensity and 50% of our coal generation capacity by 2035. This is in addition to our pledge to no longer invest in greenfield coal-fired power plants.

Additional details for SP2050 will be fleshed out in 2022 to chart the long-term plan for the future sustainability of our businesses.

For more information, please refer to Sustainability Statement section, page 130.

Our initiatives are guided by our strategic pillars representing our core business activities described under Reimagining TNB. I am pleased to report that we have delivered on these commitments in 2021, and would like to highlight some of our value creation activities in these areas.

Strategically Pivoting to Green Generation

We continued to invest in our generation sources in 2021 as part of our efforts to address the energy trilemma of security, reliability and sustainability, as well as power affordability. One of our immediate priorities is to increase our RE generating capacity as outlined by Reimagining TNB, and we will do so by expanding both our domestic and international RE holdings.

In 2021, we made significant progress towards this goal after receiving the go-ahead from authorities to proceed with the Nenggiri 300MW Hydroelectric Power Plant. The RM5 billion project, which is expected to be completed and commissioned in 2026, will significantly increase RE in the country. In terms of domestic solar power, our subsidiary, TNB Renewables Sdn Bhd was shortlisted to develop a 50MW block at the Large-Scale Solar 4 @ Mentari (LSS4@Mentari) project alongside 29 other companies. We have also already signed power purchase agreements (PPAs) with some of these shortlisted companies to secure a significant supply of RE into our grid in the coming years.

On the international front, we launched Vantage RE Ltd, a RE investment and asset management company to manage TNB's RE assets in the UK and Europe. Recently, Vantage RE purchased a 49% stake in Blyth Offshore Demonstrator Limited (BODL), marking TNB's maiden entry into the international offshore wind market. BODL currently owns offshore wind assets with total installed capacity of 41.5MW, as well as development rights for a 58.4MW floating offshore wind project. This acquisition is a statement of TNB's intent to expand its international RE portfolio, and also facilitates greater collaboration and knowledge exchange with BODL's majority shareholder, EDF Renewables (EDFR).

Meanwhile, we continued to pare down our investments in non-strategic markets to concentrate our focus in the United Kingdom, Europe and Southeast Asia. To that end, we divested two of our assets in South Asia, namely TNB Liberty Power Limited in Pakistan and our Compulsorily Convertible Debenture (CCD) in GMR Bajoli Holi Hydropower Ltd (GBHH) of India which is an asset under GMR Energy Limited (GEL). We aim to explore more divestment opportunities going forward in order to further streamline our international portfolio.

For more information, please refer to Strategic Review section, page 37.

Future Proofing Our Grid Network

TNB is the owner of the largest electricity transmission and distribution network in Peninsular Malaysia with over 25,000km of circuit lines. Our goal under this pillar is to create a grid that is capable of managing the intermittent and bi-directional flows of RE, while empowering customers to take control of their energy consumption, and allow for more efficient control and oversight via the implementation of digital innovations.

On the customer side, we installed more than 900,000 smart meters, bringing our total to over 1.8 million meters installed as at the end of 2021, surpassing our target of 1.5 million meters. These smart meters facilitate bidirectional transfer of information allowing for the full automation of the billing process and gives customers the capability of monitoring their electricity usage. The granular information provided by smart meters benefits not only our customers, but also enables our operations to identify issues within our grid, as well as consumer habits to better serve them. Our target is to install 9.1 million smart meters nationwide by 2026.

TNB also continued to implement Distribution Automation (DA) systems in sensitive areas including business centres and industrial zones to expedite restoration time in the event of an outage. In 2021, we successfully installed and commissioned 3,520 substations covering an estimated 2.3 million customers. This brings our total DA installation from 2014 onwards to 20,797 distribution substations accounting for 25% of total distribution stations in Peninsular Malaysia.

TNB's investment into its grid in 2021 has resulted in a Smart Grid Index (SGI) score of 67.9, an improvement of 8.6% from the 62.5 scored in 2020. Our target is to raise our SGI to 85 by 2025, and we will do so through the delivery of initiatives such as the installation of smart meters and DA in our grid.

For more information, please refer to Strategic Review section, pages 38-39, 46.

Through the subsidiary, Vantage RE Ltd, TNB recently purchased a 49% stake in BODL, marking a maiden entry into the international offshore wind market.

Bringing Our Customers Along the Energy Transition Journey

We are committed to transforming ourselves into a customer-centric organisation that puts the customer at the heart of everything that we do. In addition to meeting the needs of our customers, our initiatives of this pillar are designed to empower our customers so that they have the knowledge necessary to control their energy consumption and participate in the national energy transition programme.

The initiatives we implemented during the year have yielded positive results with our flagship myTNB web portal and mobile application seeing significant growth numbers. By the end of 2021, the number of registered subscribers on myTNB had grown 30% compared to the previous year, with 5.5 million TNB customers having signed up for the service. The last year also saw TNB form the Malaysia Energy Literacy Programme (MELP) to educate the rakyat on energy issues, such as energy efficiency, sustainability and climate change. Education is crucial as we will need the cooperation of all Malaysians if we are to successfully transition to a greener future. We leveraged various mediums, including webinars, podcasts and videos to expand our reach as widely as possible, and delivered programmes for students in hopes of influencing young minds.

Meanwhile, retail trading of RE picked up in 2021 with total sales of Renewable Energy Certificates (REC) rising to 612,361MWh, from 483,300MWh in the previous year. We also launched a new solution called Green Energy Tariff (GET) scheme with our government, which also allows domestic, commercial and industrial customers to purchase electricity generated from RE sources to reduce their carbon footprints without having to install their own solar solution.

Finally, TNB's wholly-owned subsidiary GSPARX continued to grow the sales of its self-generation solar solutions under the Net Energy Metering (NEM) and Supply Agreement for Renewable Energy (SARE) schemes. Beginning from NEM 2.0 and continuing to NEM 3.0 (NEM Rakyat) launched in 2021, GSPARX registered a total of 951 domestic/residential customers to date, bringing the total capacity to 8.25MWp. Meanwhile, for the commercial, industrial and government segment, GSPARX registers total capacity of 116.61MWp from 204 customers. The commercial and industrial customers would benefit from NEM NOVA and self-consumption schemes while the government segment will enjoy the special NEM GoMEN scheme.

For more information, please refer to Strategic Review, page 41.

HIGHLIGHTS OF THE YEAR

Strategically Pivoting to Green Generation

Vantage RE purchased a

49% **stake**

in BODL, marking TNB's maiden entry into the international offshore wind market.

Future Proofing Our Grid Network

TNB's investment into its grid in 2021 has resulted in a

SGI of

67.9 **score**

an improvement of 8.6%

from the 62.5 scored in 2020

Bringing Our Customers Along the Energy Transition Journey

The number of registered subscribers **on myTNB had grown**

30%

compared to the previous year, **with 5.5 million TNB customers** having signed up for the services

PRESIDENT/CHIEF EXECUTIVE OFFICER'S REVIEW

Putting Sustainability First

TNB has stepped up the delivery of our sustainability initiatives in line with our SP2050 targets. At the same time, Reimagining TNB initiatives complemented the global call to arms to take real and significant action to mitigate the impact of climate change. As mentioned earlier, our overall strategy puts sustainability as one of the core principles in all that we do, from the generation and distribution of electricity to our front-facing customer initiatives.

As part of our efforts to further encourage greater sustainability of our environmental resources, we have stepped up our efforts to help accelerate Malaysia's transition to electric mobility to help in the decarbonisation of the transportation sector. We believe that the decarbonisation effort would require an all-of-government and all-of-society approach to work, and hence in 2021, we have started the ball rolling through the signing of three Memoranda of Understanding (MoU) with several private companies who are keen to explore EV in Malaysia. We have also submitted a white paper on EV to various government ministries.

Dato' Sri Hassan bin Arifin (centre) and Datuk Ir. Baharin bin Din (left) being briefed by the Project Director (PMO Electric Vehicle), Ir. Mohd Junaizee bin Mohd Noor (right), on the latest development of TNB's Electric Mobility Plan.

OUTLOOK FOR 2022

Following a turbulent 2021 where the economic recovery was derailed following a resurgence in COVID-19 cases, 2022 started out with greater optimism as the global community had integrated the pandemic as part and parcel of daily life. However, as at the time of the publishing of this report, political strife has broken out in Eastern Europe and escalated into military action, which is threatening to destabilise the nascent global recovery. As a result of the Russian invasion of Ukraine, the price of commodities has spiked even further, which may have significant ramifications for power producers such as TNB.

Prior to the conflict, the World Bank had indicated that the global economy would expand by 4.1% in 2022, while Bank Negara Malaysia had placed Malaysia's GDP growth at between 5.5% and 6.5%. Factors contributing to the recovery would be the resumption of economic activities and a recovery in domestic demand. However, these projections are now shrouded by uncertainty, and it remains to be seen how much Malaysia's economy and markets will be affected by the fallout from the conflict.

Despite the turmoil, we will continue to deliver initiatives guided by our strategies while remaining focused on enabling the energy transition. Our efforts to evolve our transmission and distribution network into a grid of the future will continue unabated, with the commencement of RP3 for the 3-year period of 2022-2024. On our generation business, we remain highly focused on further expanding our RE capacity, while continuing to optimise our existing generation fleet. In addition, we will be fleshing out initiatives that will drive our SP2050 ambitions, which includes our plans for low-carbon mobility.

Lastly, I would like to add that the IBR is a crucial mechanism that maintains the fine balance between ensuring reliable and affordable power for the rakyat, and the investment needs of the power sector. TNB would like to thank the Government of Malaysia for their consideration and continued support for the IBR, particularly at the current time when the rakyat are still managing the burdens associated with the pandemic and the flooding crisis. Through prudent implementation of the IBR, we are securing the future of a sustainable and effective electric supply industry.

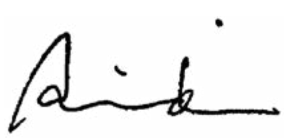
ACKNOWLEDGEMENTS

It gives me great honour to have completed my first full year as the President/Chief Executive Officer of TNB. The past year has been a challenging but exciting time for TNB, especially now that we have set such ambitious goals before us. I would like to take this opportunity to express my thanks to the Board of Directors whose advice and guidance have made our achievements this past year possible. I would also like to extend a very warm welcome to our Chairman, Dato' Sri Hasan Arifin, who joined us in October of last year. I look forward to working together with Dato' Sri in the years to come.

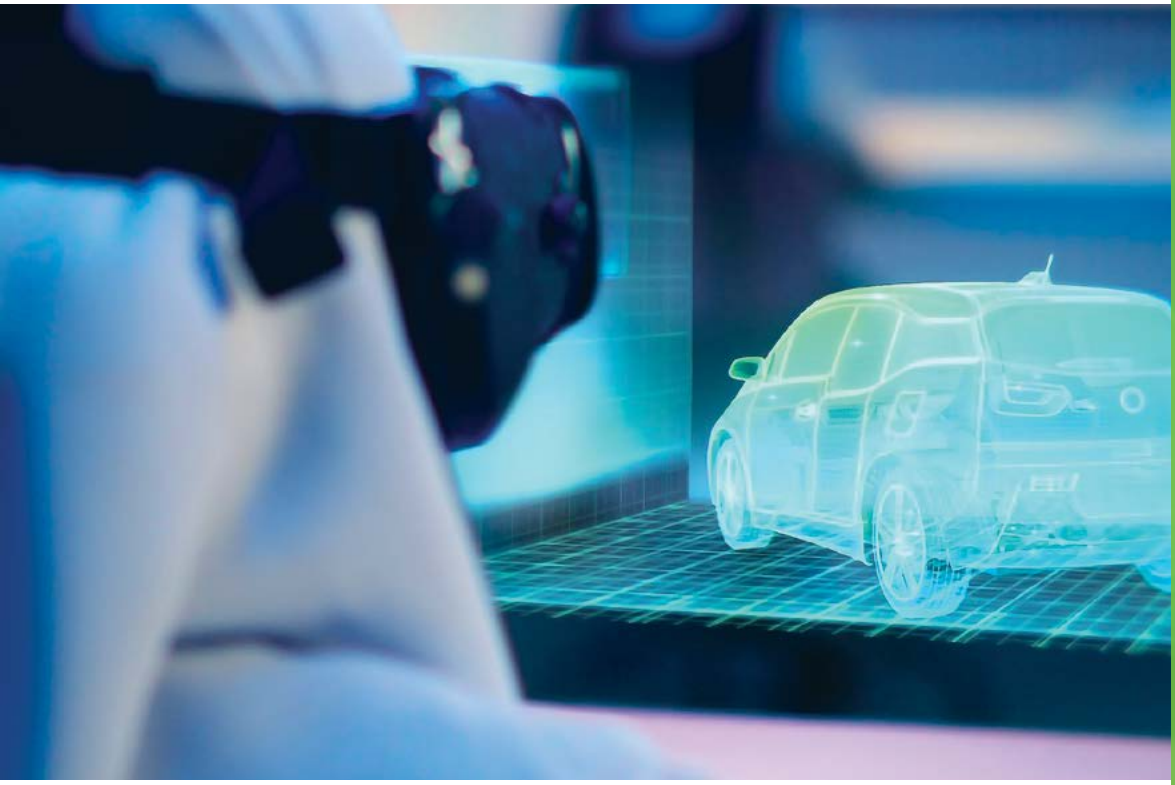
On behalf of TNB's management, I would like to thank the employees of TNB for their continued dedication and sacrifice in achieving our collective purpose and strategic aspiration. The last two years have been particularly challenging ones, and your perseverance and continued efforts are very much appreciated by the entire organisation. The year ahead will come with new challenges and obstacles, and my hope is that we will all pull through it together to make it another successful year for TNB.

Finally, I would like to express my appreciation to all our stakeholders, including our shareholders, industry partners and customers, for your continued support and faith in TNB. It is only through your help and collaborative efforts that we have been able to accomplish all that we have, and I hope that you will continue to stand by us as we embark on the next leg of our strategy to build a greener and more sustainable future. We now stand at a momentous time when our actions today, more than ever, will have a direct impact on the future we leave to the next generation. Let us work together to build a brighter and better future.

Thank you.



DATUK IR. BAHARIN BIN DIN
President/Chief Executive Officer



Section

03

CREATING CONTINUED VALUE

THE MARKET LANDSCAPE

The COVID-19 pandemic had a significant impact on Malaysia's overall economic and sectoral development. The electricity sector had to adapt, reassess and re-strategise its long-term plans to ensure the uninterrupted operation of the power system while supporting national recovery.

Another main focus for the energy sector in 2021 was to support the Government's economic recovery plan, specifically in regard to its efforts to safeguard, restart and reshape the Malaysian economy.

Electricity demand in 2021 grew by 1.2% to 111,858GWh from 2020 owing to the resumption of economic activities. Demand is expected to further grow as the economic recovery intensifies, projected by Bank Negara Malaysia to be around 5.5% to 6.5% in 2022, up from 3.1% in 2021. The following sections discuss some of the major trends that affected the power market landscape in Malaysia.

TNB is committed and thus shares a similar target with the Government's pledge in the 12th Malaysia Plan (12MP), to achieve net zero emissions by 2050.

ENERGY TRANSITION

Growing concerns over climate change and environmental sustainability in 2021 accelerated calls for the transformation of the energy sector to reduce global dependence on fossil fuels for power generation. This was in response to the growing frequency of climate disasters around the world, including in Malaysia, which experienced severe flooding in parts of the country towards the end of the year. While the impact of these climate catastrophes has been devastating, of greater concern is the probability that these climate catastrophes will recur with increased frequency unless steps are taken to stem the environmental degradation.

It is within this context that the world came together in 2021 to take a major step to address the climate crisis. The United Nations' Climate Change Conference (COP26) held in Glasgow from 31 October 2021 to 13 November 2021 saw countries pledging to reduce their greenhouse gas (GHG) emissions through aggressive structural changes, including quitting coal and focusing on the development of electric vehicles. These commitments have significant ramifications for the energy generation business, effectively accelerating energy transition trends to reduce energy-related emissions by transitioning from fossil fuels to renewables to generate power.

The Malaysian Government, in advance of COP26, pledged in its 12th Malaysia Plan to be a carbon neutral country by as early as 2050, and has made a number of commitments to reach that goal, including a commitment to stop building new coal-fired power plants. This ambitious target will accelerate the growth of the green economy and boost energy sustainability in Malaysia. On top of that, the government has indicated that it will announce a new National Energy Policy in 2022 to align the development of the Malaysian energy sector with global energy transition trends to help the country achieve long-term sustainable competitive advantages.

TNB is fully behind the Government's target and we have made a similar commitment to achieve net zero emissions by the same target year. We have outlined our pathway forward towards net zero 2050, and have started to transition our power generation sources from coal towards renewables. By 2035, we expect to reduce the intensity of GHG emissions by 35% and cut our coal-fired generation by 50%. Our efforts in this area will not only support the nation's overall objective but also secure a greener and more sustainable future for all.

We recognise that there are significant hurdles that we will have to overcome along the way, including managing the intermittency of renewables and modernising our power grid to handle the energy transition. The energy transition will affect the entire value chain of our organisation, from power generation to distribution, as well as customers' behaviour in their electricity consumption. We are committed to working together with the Government and enhancing all necessary elements of the electric supply industry to achieve the objectives that we have set for ourselves.

FUTURE-PROOFING MESI

In March 2021, the Minister of Energy and Natural Resources (KeTSA) reaffirmed that a holistic study will be conducted to review the Malaysia Electricity Supply Industry 2.0 (MESI 2.0) Reform initiatives announced in 2019. The review will examine the initiatives of MESI 2.0 while taking into consideration the current operating environment and economic outlook. The Review will ultimately be aimed at future-proofing the industry and prepare MESI for the challenges posed by new disruptive technologies, especially those involving renewable energy sources such as solar. In addition, the Review will also ensure that MESI remains supportive of the rakyat. This is in line with the Government's priorities to revive the country's economy while protecting the well-being and interests of the people.

TNB recognises that the MESI study will be an important step forward in securing Malaysia's long-term prosperity, and have already started preparing ourselves for all possible future reform scenarios. Our Reimagining TNB strategy, which was put in place in 2016, as well our Sustainability Pathway 2050 collectively ensure that we are taking measures to future-proof our business, and that we will successfully complete our energy transition without sacrificing financial sustainability or shareholder value creation in doing so. Our plans are also aimed at charting future growth that is anchored on our commitment to help create a better world.

TNB is fully supportive of MESI's direction to evolve and create new opportunities, as well as its push for the development of innovation and digitalisation. TNB remains steadfast in its commitment to serving the rakyat to create a better world and brighter lives. We look forward to continuing collaborating with KeTSA and MyPOWER to set a future-proofing MESI pathway together.

INCENTIVE BASED REGULATION (IBR)

The IBR was introduced in 2014 to modernise the electricity supply industry in Malaysia. It does so by creating a structured and transparent framework for the setting of tariffs, which secures affordable, reliable and sustainable energy for our customers, while taking into consideration the capital expenditure (CAPEX) and operational expenditure incurred by power owners. Through the IBR, utility companies are accorded the resources to invest and further upgrade their generation and distribution infrastructure without jeopardising the energy security of Malaysians.

The IBR sets a base tariff and an Imbalance Cost Pass-Through (ICPT), which factors in the fluctuation in fuel prices, for a stipulated duration, i.e. the regulatory period. The Second Regulatory Period (RP2) ended in 2020 and was due to be replaced by Regulatory Period 3 (RP3) in 2021. Due to the pandemic, the Government approved a one-year extension to RP2, extending it until 31 December 2021. As a result, the base tariff of 39.45 sen/kWh and the Electricity Tariff Schedule was maintained for the year.

Alongside the base tariff approval in RP2, the Government had also approved TNB's CAPEX of approximately RM7.3 billion for regulated business during the extension.

This covered our spending on several projects, including:

- installing smart meters with an additional 300,000 meters approved for installation in several major cities under the Advanced Metering Infrastructure (AMI) project;
- replacing tools and protective equipment, maintaining live lines and wiring new connection; and
- investing in developing our digital power grid including Distribution Automation, Mobility Solutions, Geographic Information System and Volt-Var Optimisation to improve the reliability of the distribution grid.

Meanwhile, the Government has granted its approval for the RP3 to run from 1 February 2022 until 31 December 2024. With coal prices soaring to a record high in 2021—reaching USD270/MT in October 2021—the average applicable coal price for the July to December 2021 period was higher than the RP2 Extension base price. The ICPT implementation for the January to June 2022 period is therefore expected to be in a surcharge position, and the variation in fuel costs will be addressed by the ICPT mechanism.

TNB submitted recommendations for RP3 in the first quarter of 2021, which detailed our proposal for a fair and reasonable regulatory return, as well as our CAPEX for 2022 which is focused on several key objectives, including:

- maintaining a safe and resilient network and system;
- meeting the growing and changing needs of customers, and
- supporting our energy transition plans.

Our CAPEX proposal for our energy transition projects will ensure that TNB has the resources to perform the necessary upgrades to our system, in line with the Government's push to drive the development of renewable energy in the country. This is detailed in its Malaysia Renewable Energy Roadmap (MyRER) launched on 30 December 2021 to further decarbonise the electricity sector. Other items earmarked under our CAPEX proposal will ensure that the system remains robust and reliable for continuous and undisrupted supply of electricity to our customers.

OUR VALUE CREATION MODEL

OUR STRATEGY

FUTURE GENERATION SOURCES

Top Priorities
- Growing TNB's renewable capacity
- Expansion of capacity into selected international strategic markets with strong growth prospects
- Improving performance of existing generation fleet

Please refer to pages 36-37 for more information

GRID OF THE FUTURE

Top Priorities
- Upgrading existing network infrastructure into a smart, automated and digitally-enabled network
- Optimising network's productivity, efficiency and reliability
- Leveraging innovation in the network to transform customer experience

Please refer to pages 38-39 for more information

WINNING THE CUSTOMER

Top Priorities
- Enhance experience through all customer journeys for service, interaction and communication channels
- Growth through innovation of new solutions and service offerings
- Strengthen digital presence via digital solutions, interactions and enterprise

Please refer to pages 40-41 for more information

FUTURE PROOF REGULATIONS

Top Priorities
- Working together with key stakeholders towards a stable and sustainable regulatory landscape

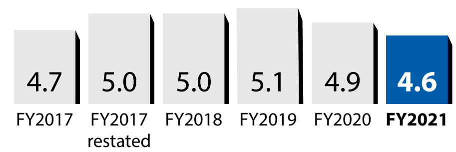
Please refer to pages 42-43 for more information

OUR CAPITALS

Financial Capital

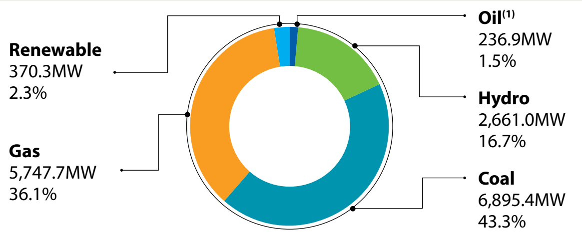
Shareholders' Funds	Total Borrowings
RM **58,392.4** million	RM **51,678.2** million

Effective Weighted Average Cost of Funds (%)



Please refer to pages 44-45 for more information

Manufactured Capital



Equity MW of generating capacity of both domestic and international plants

778,514.23 Circuit kilometres of transmission and distribution line[2]

95,665 Primary and secondary substations[2]

103,968 Primary and secondary transformers[2]

Please refer to pages 46-47 for more information

Natural Capital Fuel Use[3]

COAL	GAS	OIL [1]
451,081.43 TJ	218,739.12 TJ	6,225.62 TJ

Please refer to pages 48-49 for more information

Intellectual Capital

- Research and Development
- Operational and service innovations
- Technology and business model innovations

Please refer to pages 50-51 for more information

Human Capital

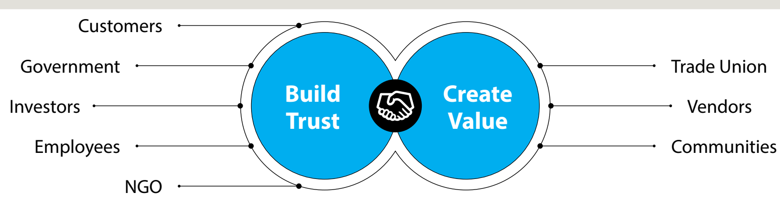
Employees
34,938
TNB GROUP

RM65.53 million
in investment into learning and development

- **Reward structures** linked to performance and value drivers
- **An experienced and diverse executive team** and **a strong board**
- **A transformed workforce**

Please refer to pages 52-53 for more information

Social and Relationship Capital



Please refer to pages 54-55 for more information

VALUES CREATED AND THEIR IMPACT

Economic

Capital Providers

Shareholders Total dividends	Lenders Financial Cost
RM4,568.4 million	**RM3,793.3** million

Fuel and Other Operating Costs

Fuel cost
RM15,225.40
million

Other Operating Costs
RM29,609.40
million

Please refer to pages 144-146 for more information

Community

11
Adopted Schools

1,699
Graduates

30,000
Primary Students Assisted

Please refer to pages 173-178 for more information

Customers

Total Energy Units Sold[4]:
117,214.54GWh

Customer Accounts:

Peninsular Malaysia	**9.66** million
Sabah	**0.66** million

Please refer to pages 147-149 for more information

Environment

Greenhouse Gas (GHG) Emissions Intensity[5]

2020	2021
0.57 tCO_2e/MWh	**0.55** tCO_2e/MWh

GHG Emissions Mitigated[5]

2020	2021
5.99* million tCO_2e	**7.96** million tCO_2e

* *Data updated after third party verification*

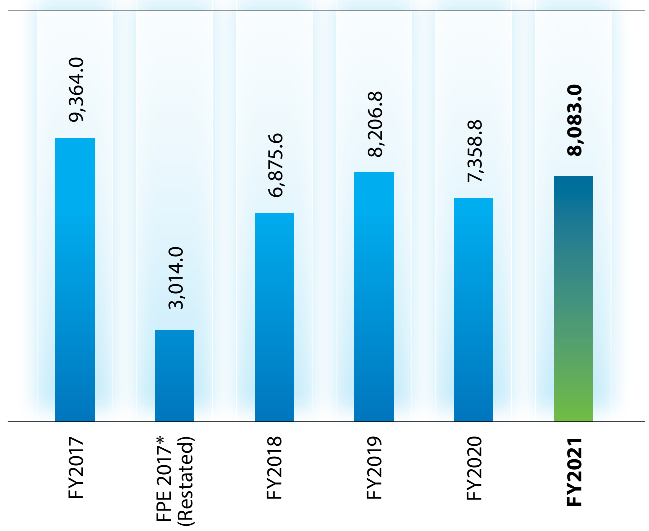
Please refer to pages 48-49 for more information

GHG emissions mitigated due to TNB's use of
(1) Renewables (2) Energy Efficiency
(3) Low-carbon generation (4) Tree planting

OUTCOMES

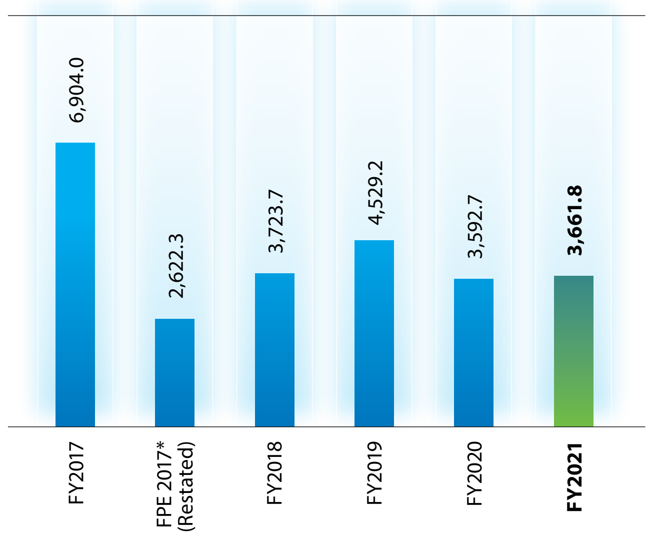
OPERATING PROFIT

RM8,083.0 mil



NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM3,661.8 mil



Notes:
(1) Oil refers to petroleum-based fuel (inclusive of diesel, oil and distillates).
(2) For operations in Peninsular Malaysia and Sabah.
(3) From power plants in which TNB has controlling stake for period FY2021.
(4) From domestic power plants which TNB has invested in and has power purchasing agreements for domestic customers.
(5) For TNB operations in Peninsular Malaysia only for the period of FY2021.
** Financial Period Ended 31 December 2017*

STRATEGIC REVIEW

FUTURE GENERATION SOURCES

The development of future generation sources is critical for the transition to greener and more sustainable power.

While energy transition is inevitable, it must nevertheless be managed carefully to ensure that it addresses the trilemma of energy security, reliability and sustainability while remaining affordable to the rakyat.

OVERVIEW

In 2021, TNB produced a total of 108,633.54GWh of which 92,538.31GWh was generated from coal and gas sources, 7,458.22GWh from hydro sources and 1,163.85GWh from solar and wind sources. Total renewable energy (RE) made up 7.94% of the total sent out in 2021. We remain committed to our goal of having RE make up 40% of our total capacity mix by 2025, and to that end, we are continuing with our efforts to increase our investment into RE generation by exploring new markets and technologies (e.g., offshore wind).

Type	Number of power plants	Total installed capacity (MW)	Equity Capacity (MW)	Electricity sent out (GWh)	Capacity under development (MW)
	2021	2021	2021	2021	
Wholly owned					
Coal	2	4,080.00	4,080.00	26,134.39	-
Gas	7	3,929.43	3,929.43	22,326.41	-
Non-carbon	94	2,664.46	2,664.46	7,118.97	-
Others	-	-	-	-	-
Majority owned					
Coal	2	3,600.00	2,360.00	20,007.08	-
Gas	3	2,137.83	1,449.19	8,057.33	-
Non-carbon	30	437.13	260.62	711.92	-
Others	49	199.36	165.46	518.34	-
Minority owned					
Coal	3	1,650.00	455.37	11,063.63	350
Gas	2	1,265.40	369.09	4,949.47	-
Non-carbon	14	326.80	106.26	791.17	1,380
Others	1	1,190.00	71.40	6,954.82	-

DEVELOPMENT HIGHLIGHTS

Prioritising Green Investments Globally

Restructuring Entities to Enhance Performance	Vantage RE Ltd was launched in July 2021 with the aim of owning, operating and managing TNB's portfolio of RE assets in the UK and Europe. In addition, TNB's International Asset Group was restructured into the New Energy Division (NED) to drive TNB's RE growth and establish strategic partnerships with leading global RE players. NED oversees both Vantage RE as well as TNB Renewables, the latter of which is focused on growing our RE footprint in the domestic and Southeast Asian markets.
Increasing Our RE Capacity	We added 42MW into our international RE portfolio through two strategic acquisitions by our wholly-owned subsidiary, Vantage RE. The first transaction was the purchase of a 500kW single wind turbine in the United Kingdom (UK) in May 2021 while a second transaction in October 2021 saw Vantage RE acquire a 49% stake in an offshore wind company, Blyth Offshore Demonstrator Limited (BODL) from EDF Renewables. The BODL transaction added 41.5MW of offshore wind assets, along with further development rights for a floating offshore wind project of up to 58.4MW in the UK.
Streamlining our Portfolio	TNB divested its non-core and low-performing investments in 2021 as part of a portfolio restructuring exercise. In August 2021, we divested our entire holding of compulsory convertible debentures (CCD) in GMR Bajoli Holi held by our wholly-owned subsidiary, TNB Topaz Energy Sdn Bhd. We also completed the divestment of our entire 100% stake in TNB Power Daharki Ltd, which owns and operates a 235MW combined-cycle gas turbine power plant through its wholly-owned subsidiary TNB Liberty Power Limited (LPL), to AsiaPak Investments Limited. The two divestments are consistent with our strategy to monetise our assets in India and Pakistan, and refocus our investments in key strategic markets.

Expanding Local Generation

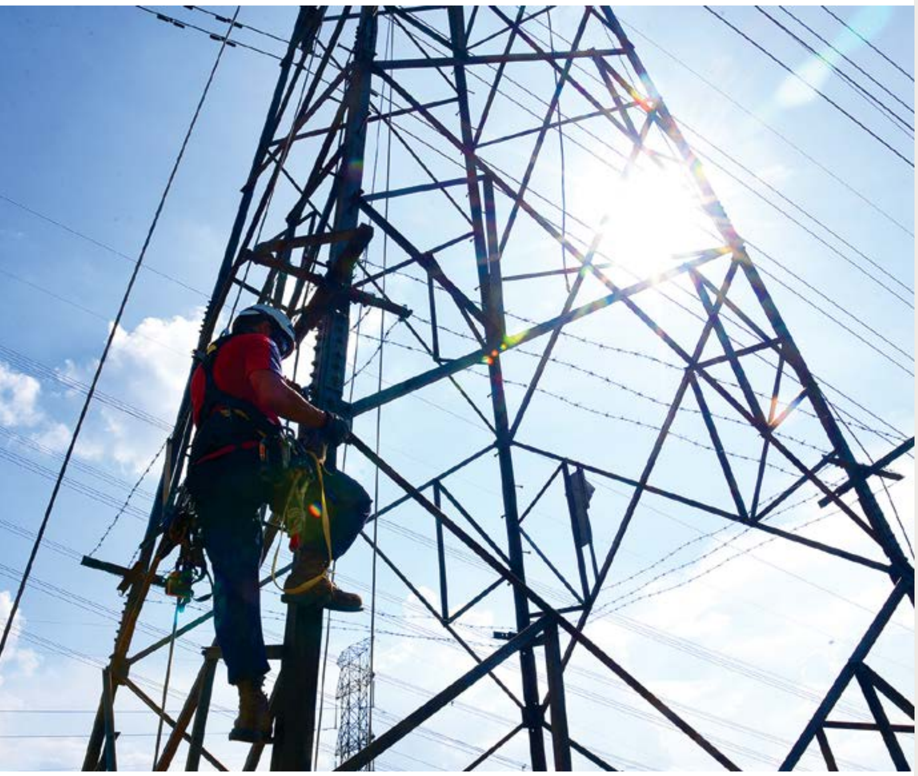
Award-Winning Power Plant Commissioned	Southern Power Generation Sdn Bhd's Track 4A Power Plant in Pasir Gudang, Johor was commissioned in 2021, increasing our total generating capacity by 1,440MW. Track 4A is the first commercial power plant to be equipped with twin GE 9HA.02 gas turbines—one of the world's largest and most efficient power-generating models—making the power station a first-of-its-kind, featuring advanced technology integration balancing climate awareness, energy affordability, and reliability. The combination of performance, efficiency and environmental sustainability led to Track 4A being awarded the Plant of the Year by trade publication POWER magazine.
Enhancing the Sustainability of Our Plants	Jimah East Power (JEP) won the Clean Coal Technology Utilisation for Large Power Generation category at the ASEAN Energy Awards 2021 organised by the ASEAN Centre of Energy. The award recognises best practices of cleaner and sustainable coal use and the transition towards a more sustainable and lower carbon emission. JEP boasts two ultra-supercritical plants, which makes power generation from coal more efficient.
Nenggiri Hydroelectric Project Progress	The RM5 billion Nenggiri Hydroelectric Project in Kelantan was given the go-ahead by the State Government to commence work in 2021. When completed in 2027, Nenggiri will have a maximum generating capacity of 300MW and become an important contributor to the nation's aim of increasing its RE capacity. The Nenggiri dam will also help mitigate floods and function as a water reservoir in the state of Kelantan, while its construction will have a net positive impact on the socio-economy of the state and country.

OUTLOOK

In terms of our local generation capabilities, we will continue to focus our efforts on maintaining reliability excellence to achieve high availability and reliability of our key assets. In practical terms, this means meeting all obligations stipulated under the Power Purchase Agreement while ensuring that our assets perform at optimal levels. We will also be on the lookout to grow our asset base and expand our services in several key areas, including asset-light services, clean and green plant-ups and repowering opportunities, while exploring new business ventures. Finally, we will also continue with our plant turnaround programme and implement initiatives to further uplift productivity.

On the international front, we will continue to look for opportunities to grow our RE portfolio while simultaneously exploring new classes of energy transition-related investments, including energy storage. In terms of our target markets, we will continue to focus on key strategic markets where we already have a presence, such as the UK. Nonetheless, we are not restricting ourselves to only investing in those markets, as we recognise that there may be opportunities in other markets and countries with growing global interest in RE from both the supply and demand sides.

GRID OF THE FUTURE



A smart and modern grid is essential in supporting energy transition and enabling the secure, reliable and efficient transport of renewable energy.

Additionally, our fully-automated modern grid also empowers our customers to better manage their power usage, as well as facilitate new transmission models such as peer-to-peer energy trading.

OVERVIEW

The National Grid in Peninsular Malaysia and Sabah connects over 10.32 million homes and businesses and is connected to Thailand's EGAT grid system in the north, and to Singapore Power's grid system in the south. Our grid assets are managed by two of our core divisions: namely Grid and Distribution, which manage the transmission network and distribution network respectively. In Sabah and Labuan, the energy infrastructure is overseen by Sabah Electricity Sdn Bhd (SESB), in which TNB holds an 80% stake. SESB is responsible for meeting the growing demand for electricity by exploring new innovations in generation, transmission and distribution.

GRID STATISTICS

	Transmission Lines	Transmission Substations	Electricity Transmitted	Peak Demand
Peninsular	25,185.69 Circuit-km	472 Substations	124,065GWh	18,585MWh
Sabah	3,153 Circuit-km	49 Substations	6,525.85GWh	1,003MWh

	Distribution Lines	Distribution Substations	Electricity Distributed
Peninsular	723,134km	86,468 Substations	111,858GWh
Sabah	27,042km	8,676 Substations	6,093.29GWh

DEVELOPMENT HIGHLIGHTS

Transmission Network

The Grid division remained steadfast in its effort to build a Grid of the Future (GoTF) by continuing to invest prudently into grid modernisation and grid intelligence through digitalisation. In 2021, we successfully deployed 10 high-impact GoTF projects to enhance the overall performance of our grid. These are:

- **Automatic Fault Analysis**
- **Grid Digital Intelligence Infrastructure**
- **Asset Performance Management System**
- **Centralised Tripping Information System**
- **Grid Project Management System**
- **Asset Investment Planning Management System**
- **GPS Tracker**
- **Smart Glass**
- **Air-conditioning Optimisation**
- **Security System Optimisation**

Meanwhile, we are making progress towards integrating energy industry best practices by establishing strategic partnerships and collaborations with key partners, such as CIGRE (International Council on Large Electric Systems) and Elia, a Belgian transmission system operator. In addition, a tripartite collaboration between Grid, Grid System Operator and Distribution Network to boost demand-side management through Conservation Voltage Reduction (CVR) commenced with the first phase being successfully implemented at PMU Permas Jaya in October 2021. We also successfully integrated Variable Shunt Reactors into our high voltage transmission systems to help stabilise the voltage during load variations.

Distribution Network

We strive to excel in our role as the Operator of Network, Facilitator of Energy Transition and Enabler of Customer Empowerment. The Smart Utility 2025 (SU2025) Masterplan was established in 2021 to serve as an integrated roadmap for Distribution Network Division. Under Smart Utility (SU2025) Masterplan, five target state capabilities have been defined:

1. Resource Optimisation
2. Connected and Smart Workforce
3. Self-Healing Grid
4. Energy Efficiency
5. Empowered Customers

In 2021, we continued our efforts to modernise our distribution network via several major projects as part of the RP2 extension. These include the implementation of our Advanced Metering Infrastructure (AMI), Distribution Automation (DA), Smart Work & Asset Total Solutions (SWATS), and Geographic Information System (GIS). AMI surpassed the RP2 target of installing 1.5 million smart meters after installing over 1.8 million by the end of 2021. As for DA, we successfully installed DA systems on 3,520 substations in 2021, bringing the total number of installations to 20,797 distribution substations. Meanwhile, medium voltage GIS data production has been completed for all states in Peninsular Malaysia, while SWATS has established 30 projects for various departments nationwide.

Paving the ESG Journey

Building a GoTF should not be at the expense of the environment and society, and we have taken steps to ensure that our activities have a positive impact on ESG. The following table provides a summary of our ESG initiatives related to our grid.

Environment:
- Digitalise our grid through the implementation of SU25 initiatives
- Refurbish mini hydro and solar hybrid stations
- Carry out flood analysis and risk assessments on our distribution network assets
- Replace existing HPSV streetlights with LED to save on power usage
- Build Malaysia's first SF6 gas recycling center to sustainably manage its disposal

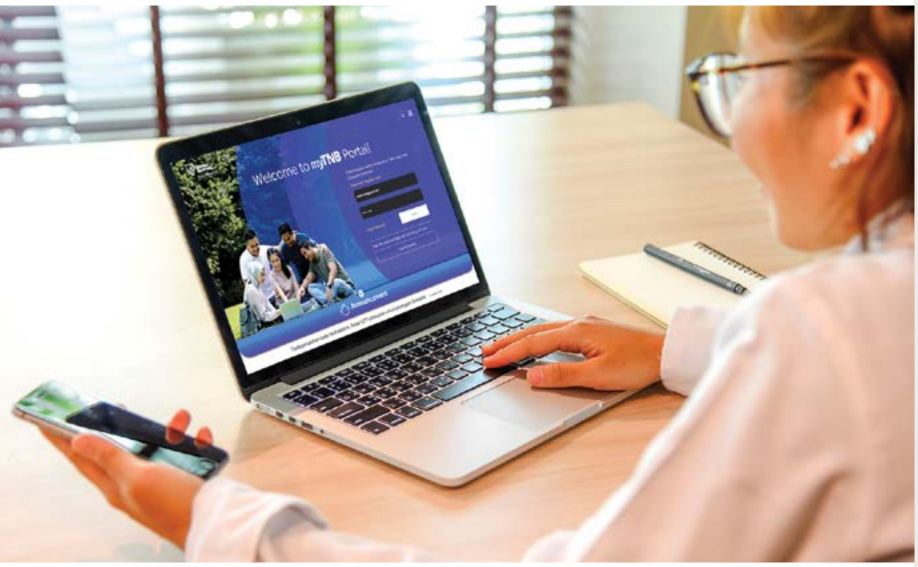
Social:
- Implement Nampak, Dengar dan Rasa Selamat (NDRS) initiative and adopt ISO 45001:2018 (Grid and Distribution Network) to improve worker safety
- Uplift workforce capability through our Grid and Distribution Network Academies and Engineering Centre
- Brighten up rural areas by installation of streetlights under the Lampu Jalan Kampung programme
- Facilitate Bekalan Elektrik Luar Bandar to electrify kampungs and Orang Asli settlements

Governance:
- Attain strong financial performance
- Implement loss management initiatives
- Implement SAIDI 50 initiatives

OUTLOOK

As part of RP3, we will be investing around RM20 billion in CAPEX on our transmission and distribution grid. The investments will help us to maintain a safe and resilient network that is capable of meeting the evolving needs of our customers and supporting the energy transition. In addition, we will continue to work towards our target Smart Grid Index (SGI) score of 85 by 2025 through the implementation of new technology and digital solutions in our grid. We will also step up our efforts in managing the ESG risks on our assets, and incorporate enhanced ESG measures and ways of working in our operations.

WINNING THE CUSTOMER



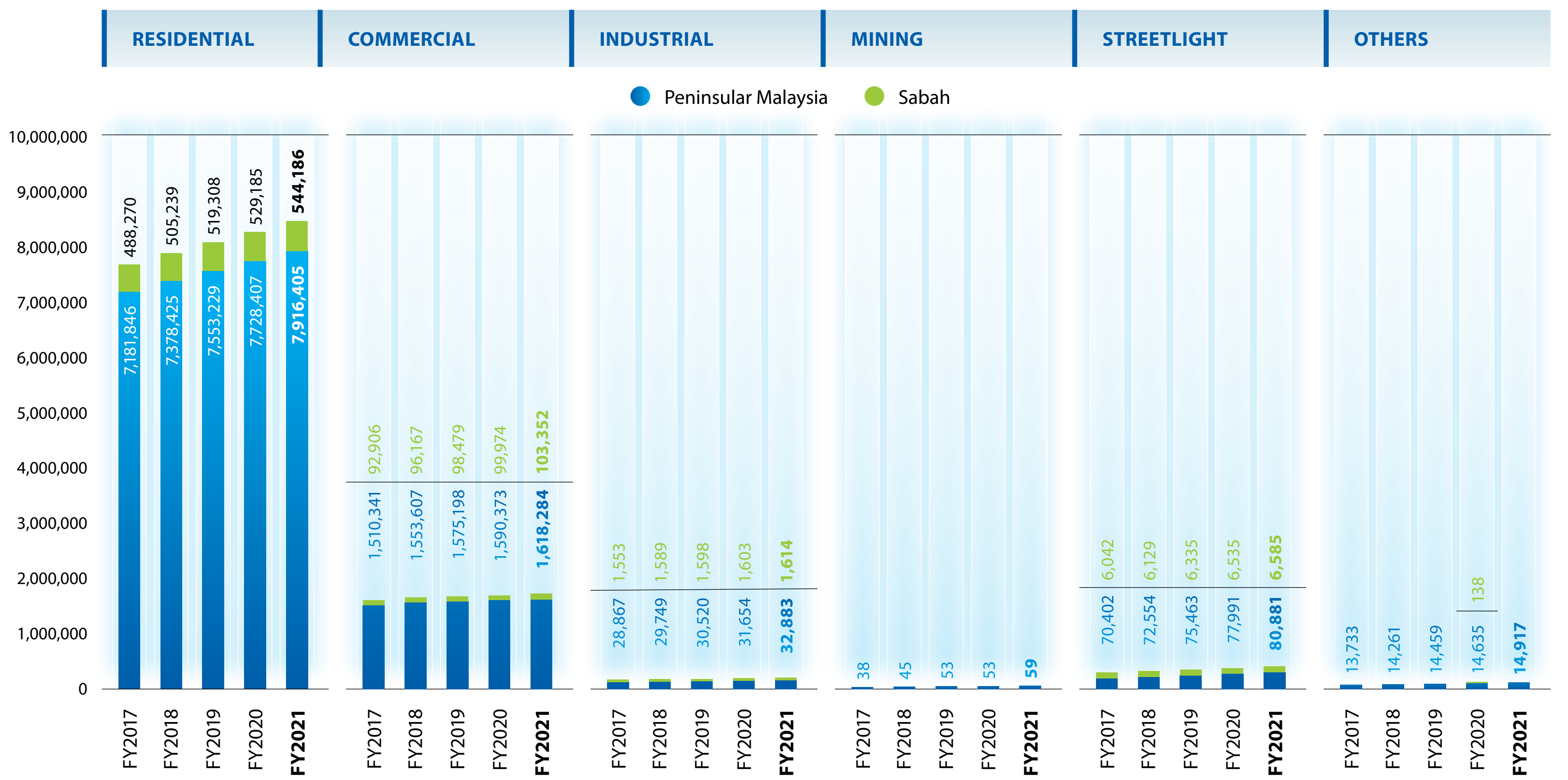
TNB is committed to offering superior customer experiences and empowering customers through innovative solutions and consistent engagements.

This is critical for the long-term sustainability of our business, as well as in seeking the cooperation of our customers in implementing the energy transition. Our ultimate aim is to become the energy retailer of choice, and we will do so by offering unique value propositions to our customers, building a world-class team with the right culture and DNA, and creating value for our shareholders.

OVERVIEW

2021 saw TNB's Retail Division deliver exceptional customer experience to over 9.6 million customers via various interaction channels, including our online media, our customer careline and through our physical Kedai Tenaga. Initiatives were implemented to empower our customers through the delivery of innovative solutions aimed at helping them take greater control over their energy consumption habits and their monthly energy spend. Our Customer Satisfaction Index (CSI) hit a new high of 8.7 in 2021, while our various customer engagement channels individually received high approval ratings.

BREAKDOWN OF CUSTOMERS ACROSS DIFFERENT SEGMENTS IN MALAYSIA



DEVELOPMENT HIGHLIGHTS

Continuous Improvement of Customer Experience and Engagement

The Retail Division reported a record CSI for 2021 of 8.7, with customers reporting greater satisfaction in three main areas, namely service levels at TNB's self-service kiosk, the reliability and quality of electricity supply and the performance of the myTNB mobile app. Our initiatives to communicate energy efficiency was also well received by our customer base and scored 8.5 on the EE CSI. At the same time, all of TNB's customer experience channels received uniformly high feedback from customers, scoring over 92% on the Customer Experience Index (CEI) from four touchpoints. Specific achievements contributing to the higher CEI scores include:

- Implementing our Virtual Queue Management System at Kedai Tenaga to expedite service time
- Achieving service delivery times of GSL:99.9% and MSL:99.9% in line with regulatory requirements
- Ensuring that 99% of our customers received timely and prompt bills

Concurrently, Retail Division also arranged targeted engagement sessions in 2021 to improve communication with stakeholders yielding highest Regulatory Relationship Strength Index (RRSI) of 95% in 2021.

Embracing Digitalisation

Digital is the way of the future and TNB is actively integrating digital solutions throughout the value chain. In 2021, we increased the number of myTNB users by 30%, increasing the total to 5.5 million TNB customers and saw a substantial reactivation of dormant accounts. Additionally, we recorded over four million payment transactions made through myTNB.

In 2021, Retail launched the Digital Billing pilot in Melaka, with the aim to encourage customers to subscribe for paperless bills. Concurrently, we also launched a pilot for the Energy Budget feature on myTNB to help customers better monitor their electricity usage.

Growth of Non-Regulated Business

TNB's non-regulated business continues to grow in 2021 as residential and commercial customers showed greater awareness and interest in energy efficiency and smart energy solutions. Achievements in 2021 include the record sales of 612,361MW of Renewable Energy Certificates (REC), a positive indicator of the growing interest in clean energy. In addition, we have also seen uptake in the customer demand for smart energy solutions including:

- Smart home devices for residential customers
- Energy monitoring systems for commercial and industrial customers
- Capacitor bank solutions for customers with low power factors

TNB's wholly-owned subsidiary Sdn Bhd (GSPARX) which is the point-of-sale for our solar rooftop panels saw increased demand for self-generation solutions under the Net Energy Metering (NEM) scheme, registering secured projects of 116.3MWp in 2021.

GSPARX had also entered into a collaborative agreement with Universiti Tun Hussein Onn Malaysia (UTHM) on R&D and knowledge sharing in the field of solar energy. As part of the collaboration, GSPARX completed the solar installation of a 6.9MWp at UTHM's main campus, making it the single largest solar installation at a public institution of higher learning. We are also working together with the Ministry of Energy and Natural Resources (KeTSA) to install more solar PV solutions on government buildings through pilot projects consisting of government agencies, local councils and schools.

In support of the Government's Jalinan Digital Negara (JENDELA) initiative, our subsidiary Allo Technology Sdn Bhd. (Allo) continued to make good progress in bridging the digital divide and empower Malaysians in underserved areas in Perak, Melaka, Kedah, Penang, Selangor, Kuala Lumpur and Johor.

Through the Open Access model, Allo has struck strategic collaborations with seven Retail Service Providers namely Maxis, Astro, Digi, Celcom, U Mobile, Freshtel and Redtone, allowing them to expand their reach beyond urban areas.

Meanwhile, another of our subsidiary, TNB Engineering Corporation Sdn Bhd (TNEC) which is involved in the sustainable energy sector has commenced the operation and maintenance of the district cooling facility at the KLIA on 1st July 2021 through an incorporation of Cooling Energy Supply Sdn. Bhd., a new subsidiary of TNEC, with MAHB's subsidiary Airport Ventures Sdn. Bhd.

Giving Back to the Community

TNB continued to implement community-focused programmes with two objectives in 2021. The first was to give back to the community by helping to alleviate the burdens of the less fortunate rakyat and to make a positive change in marginalised communities. Our second objective was to raise the general level of energy literacy to help Malaysians better understand energy issues and make more informed decisions about electricity use. The following table provides an overview of our community-based initiatives over this past year.

Community ESG Programmes	Energy Literacy Programmes
• Electrified around 30 villages via Projek Bekalan Elektrik Luar Bandar • Provided one-month rebates to over 148,881 customers affected by the floods in Kuala Lumpur, Selangor, Pahang, Johor, Negeri Sembilan, Melaka, Kelantan and Terengganu • Collaborated with certified contractors to conduct free wiring inspection for more than 1,000 B40 flash flood victims • Executed rewiring and electrification initiative for 278 houses of indigenous people	• 34 energy efficiency (EE) Awareness Programmes for 45,290 participants nationwide • Held the 'Pertandingan Kesedaran Kecekapan Tenaga Elektrik Di Rumah, Zero Karbon dan Kelestarian Alam Sekitar' in collaboration with Kelab Duta Rimba to foster energy literacy in the younger generation. • Online videos on Kempen Kesedaran Pengguna Bijak Tenaga as well as EE advocacy programmes on local radio stations that helped us communicate our energy efficiency messaging to a wider audience.

OUTLOOK

Retail Division's initiatives going forward will be guided by five identified retail roles:

- **Principal Energy Provider:** As the default energy supplier, we will ensure continuity of supply, delivering efficient and effective products and services to all customers
- **Preferred Retailer:** We aim to be the preferred retailer providing a reliable supply of energy to a selected pool of large key industrial and commercial customers, and support their activities by providing premium and personal customer service
- **Digital Retailer:** We will deploy connected data solutions to engage and provide value-added services to our customers and enhance their experience with TNB
- **Gentailer:** We operate at both ends of the retail value chain through the ownership of RE generation assets and through retailing the generated energy which allows us to hedge against the market
- **Solutions Innovator:** We will develop and offer tailored customer solutions based on our values, and develop innovative solutions and services to improve business growth

Our aim in developing these roles is to attain commercially sustainable and scalable returns for our regulated business, as well as new and recurring revenue from the market for our non-regulated business. Our approach will take differentiated approaches to better market ourselves to the various customer segments, and will see the development of innovative digital solutions to further grow our footprint.

STRATEGIC REVIEW

FUTURE PROOF REGULATIONS

TNB operates in the highly regulated electricity supply industry governed by rules and regulations issued by the Government and other regulatory authorities.

As changes in regulations may have a significant impact on the way we do business and on the sustainability of our enterprise, it is imperative that we engage and collaborate with the regulatory authorities to keep up to date on new or proposed changes to the regulatory environment, and to help guide and steer the development of the industry. TNB also works closely with the Government to develop strategies and solutions towards reducing the nation's carbon emissions via energy transition, primarily in the energy sector, but also in the transportation sector through electric vehicle (EV) adoption. In addition to our initiatives to boost renewable energy (RE) generation capacity, we also work together with the Government to grow the EV sector in Malaysia.

OVERVIEW

Despite the continuing disruptions arising from the COVID-19 pandemic, TNB continued to work proactively together with the Government and regulatory authorities in 2021 to develop new solutions for the electricity supply industry. This included working on policy changes that will have long-term impact on the industry, e.g. policies on RE and EV, as well as on initiatives that will have an impact in the short and medium term, specifically on the implementation of Regulatory Period 3 (RP3) that runs from February 2022 to December 2024.

DEVELOPMENT HIGHLIGHTS

Imbalance Cost Pass Through (ICPT) Updates

The Government maintained the ICPT rebate of 2.0 sen/kWh throughout 2021 in view of the overall reduction in actual power generation cost leading up to June 2021 for all customers, including residential customers with monthly consumption of less than 300kWh. The balance or excess from total ICPT savings for the period was channelled to the Kumpulan Wang Industri Elektrik (KWIE) which is responsible for ensuring the stability of the electricity tariff. Funds from KWIE were therefore deployed following the spike in fuel prices in the second half of 2021, with coal prices exceeding USD200 per tonne, causing fuel and generation cost to increase by RM1.67 billion.

While the spike in fuel prices would typically send the ICPT into a surcharge position, the Government decided to maintain the tariff rate and the 2.0 sen/kWh rebate for residential customers for the first half of 2022. This decision was made in view of the challenges posed by the pandemic and severe flooding in several states at the end of the year which had substantial financial implications for a large segment of society. A total of RM715 million has been allocated from KWIE to maintain the rebate and absorb the ICPT surcharge. Commercial and industrial users, however, will be imposed a surcharge of 3.7 sen/kWh to reflect the increased generation cost.

Leading Malaysia's Energy Transition

TNB made a firm commitment to accelerate and support the nation's energy transition programme with the launch of our Sustainability Pathway 2050 (SP2050) plan. SP2050 lays out our aim to achieve net zero emissions by 2050 in line with Malaysia's green aspirations, and also our plans to future-proof our business by focusing on the development of green and clean energy. In fulfilment of these commitments, TNB will accelerate our efforts to increase the proportion of RE in our installed capacity, as well as develop new solutions that will help the nation reduce its carbon footprint. As part of our journey towards SP2050, we have pledged to no longer invest in greenfield coal-fired power plants, and reduce our emissions intensity and coal generation capacity to 35% and 50%, respectively by 2035.

ASEAN Connections

One of the key takeaways from the United Nations' Climate Change Conference of the Parties (COP26) held in 2021 was the need for greater collaboration between countries to increase RE adoption and allow for greater collaboration in the transmission of power. TNB had already taken a first step in greater regional collaboration as a participant of the Lao PDR-Thailand-Malaysia Power Integration Project (LTM-PIP), ASEAN's first multilateral energy trading platform, through which Malaysia purchases electricity from Lao PDR via Thailand's existing transmission grid. In 2021, TNB imported 0.89GWh of hydro energy from Lao PDR through the LTM-PIP.

Enhancing Malaysia's RE Sector

There has been a renewed urgency over the past few years to accelerate the development of RE as worries over climate change continue to grow. TNB has likewise accelerated its efforts to develop the sector, further encouraged by the Government's aspiration to reach net zero status as early as 2050. Key developments in 2021 are as follows:

- Under the 12th Malaysia Plan (RMKe-12), the Government has committed to increase RE to account for 31% of total installed capacity by 2025. The nation has also committed to reduce its GHG emission intensity—as a ratio of Gross Domestic Product (GDP)—by 45% by 2030, relative to its 2005 levels. It also seeks to become a carbon neutral country as early as 2050.
- KeTSA launched the Malaysia Renewable Energy Roadmap (MyRER) which seeks to further decarbonise the Malaysian energy supply industry by 2035. Under MyRER, emissions intensity, as a ratio of GDP, is expected to further reduce to 60% while RE share of generation capacity will increase to 41% by 2035.
- KeTSA introduced the new Net Energy Metering 3.0 programme (NEM 3.0) for the installation of rooftop solar panels. The quota allocated for NEM 3.0 is 800MW, which has been divided into three categories:
  - NEM Rakyat (100MW) for residential customers,
  - NEM Gomen (100MW) for government buildings, and
  - NEM NOVA (600MW) for commercial and industrial customers.
- The Energy Commission shortlisted 30 companies in 2021 for the development of the Large Scale Solar 4@MEnTARI project (LSS4), with a capacity of 823.06MW out of the offered capacity of 1,000MW. Our wholly-owned subsidiary TNB Renewable Sdn Bhd was shortlisted for a 50MW block for LSS4.

New Enhanced Dispatch Agreement+ (NEDA+)

NEDA is an industry initiative spearheaded by the Energy Commission to improve the efficiency of Malaysia's power generation sector. Launched in June 2017, NEDA enables eligible power generators without long-term power purchase agreements (PPAs) or service level agreements (SLAs), to sell electricity to the grid. Participation in NEDA is also open to power plants with existing PPAs and SLAs. In 2021, the Commission launched NEDA+ to increase participation by introducing new criteria for participation, including:

- Introducing Solar Power Producer as a new participant category for Large Scale Solar 3@Mentari (LSS3) generators.
- Setting new bidding periods, bidding mechanisms and settlement principle where generators are paid at the actual System Marginal Price (SMP) as opposed to at the bid price in line with international best practices.

As at the end of 2021, five generators with a total registered capacity of 101.3MW had signed up to NEDA+.

Promoting EV Adoption

While the decarbonisation of the energy sector is crucial for the energy transition, it is just as important to decarbonise other sectors, including the transportation sector, to ensure a holistic approach to the nation's green aspirations. In focusing on the emissions of the transportation sector, TNB has intensified its efforts to accelerate EV adoption and to advance the sector in 2021.

As part of our efforts to foster a more holistic approach to EV development, TNB issued an invitation to other stakeholders to work together with us to develop the sector at the CEO Action Network Roundtable on Low Carbon Mobility in July 2021. Stressing the importance of an all-of-society approach for decarbonisation to work, our approach also places emphasis on the future economic value of developing local EV expertise. Since then, we have signed MoUs with several industry stakeholders, including Sime Darby Auto Bavaria Sdn. Bhd, SOCAR Mobility (M) Sdn. Bhd. and DHL Express (M) Sdn. Bhd., stating our intention to collaborate together on promoting EV adoption.

In addition, we had submitted a white paper on EV to various government ministries in 2021, to kick-start discussions on accelerating EV adoption and EV industry growth.

OUTLOOK

The Government has approved the commencement of RP3 under IBR beginning 1 February 2022, that will run until 31 December 2024. We managed to secure a fair Weighted Average Cost of Capital (WACC) and sufficient expenditure allowance for the next three years. We believed that the allowed capital expenditure for RP3 is set to bring significant economic benefits towards stimulating the nation's economic recovery, and we will do our utmost to properly utilise the allowance towards the benefit of the nation.

We will also continue working with various stakeholders, including the Government, to facilitate the roll-out of EV-friendly policies in line with the Government's plans highlighted in RMK-12 and the Low Carbon Mobility Blueprint 2021-2030 announced by the Ministry of Environment and Water. We believe that the Government has recognised the importance of green mobility, as seen from the launch of its Low Carbon Mobility Blueprint in 2021, and TNB is committed to nurturing this budding industry. As the largest utility in Peninsular Malaysia, we recognise our crucial role as a catalyst for EV adoption, especially through the provision of EV charging infrastructure.

We remain confident that we can stay ahead in navigating key challenges including the risks posed by climate change and the pandemic, while continuing our efforts to ensure energy reliability and balancing energy affordability and sustainability, in addressing the Energy Trilemma.

FINANCIAL CAPITAL

We make use of financial capital in almost all aspects of our activities aimed at creating value for our stakeholders, including our shareholders.

Overview

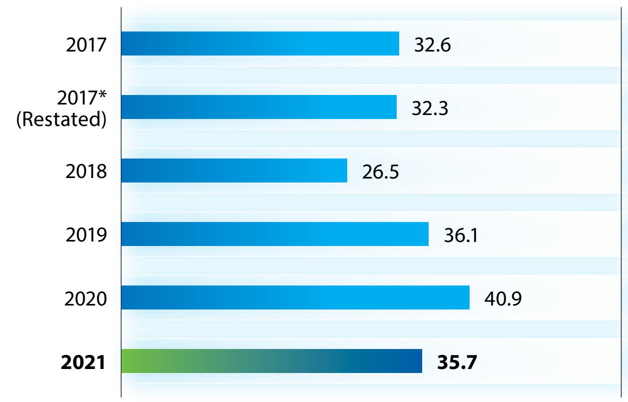
TNB Group's revenue increased 19.7% year-on-year (yoy) to RM52.63 billion from RM43.98 billion in 2020. The higher revenue was due to higher electricity sales, which was in turn driven by higher consumption recorded for both residential and industrial customers, and the upward Imbalance Cost Pass-Through (ICPT) adjustment due to higher fuel prices. Total electricity sales had risen 19.3% yoy to RM51.56 billion in tandem with the resumption of economic activity, while the ICPT surcharge totalled RM4.51 billion as compared against an adjustment of RM3.03 billion in 2020.

Profit attributable to the owners of the Company increased 1.9% yoy to RM3.66 billion from RM3.59 billion a year ago, while the Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) rose 4.4% to RM18.77 billion from RM17.98 billion during the same period. However, EBITDA margin had moderated slightly, to 35.7% from 40.9% the previous year, due mainly to higher operating expenses and impairments booked over the course of the year.

TNB Group's Profit After Tax (PAT) for 2021 came in at RM3.86 billion, up 6.9% yoy from RM3.62 billion in the previous year. The higher PAT is due to the higher operating profit, the increase in share of results of associates, and accounting gains on the fair value of financial instruments. This was partly offset by higher foreign exchange losses and tax expenses during the current year.

2021 Highlights

EBITDA MARGIN
(%)



* *Financial Period Ended 31 December 2017*

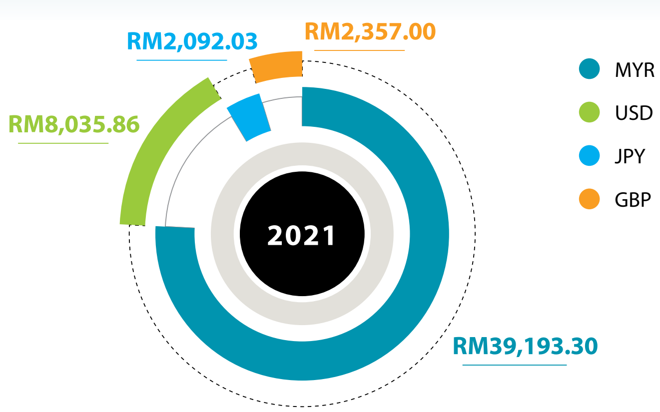
Borrowings

Our financial standing continues to be validated by the strong credit ratings assigned by both local and international rating agencies: AAA/Stable by RAM Ratings, A3 Stable by Moody's, BBB+ Stable by S&P and AAA/Stable by MARC. The health of our credit ratings has enabled us to raise funds via local and international capital markets, banks and other financial institutions. Our foreign exchange (forex) and interest rate exposures continue to be governed by TNB's Treasury Policy, which protects the Group's profit from material adverse movements due to rate fluctuations. We continue to manage our short-term forex exposures through hedging a minimum of 50% of known foreign currency exposure for up to a 12-month period through forward exchange contracts and natural hedges.

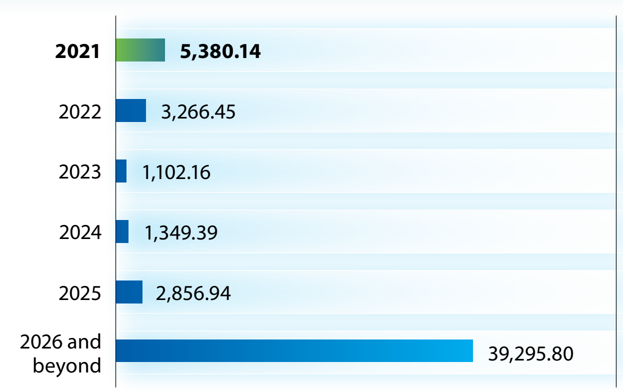
Credit rating as of	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
S&P	BBB+/Stable	BBB+/Stable	BBB+/Stable	BBB+/Stable	BBB+/Stable
Moody's	A3/Stable	A3/Stable	A3/Stable	A3/Stable	A3/Stable
RAM	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
MARC	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable

2021 Highlights

BORROWINGS CURRENCY MIX
(RM MILLION)



DEBT MATURITY PROFILE
(RM MILLION)

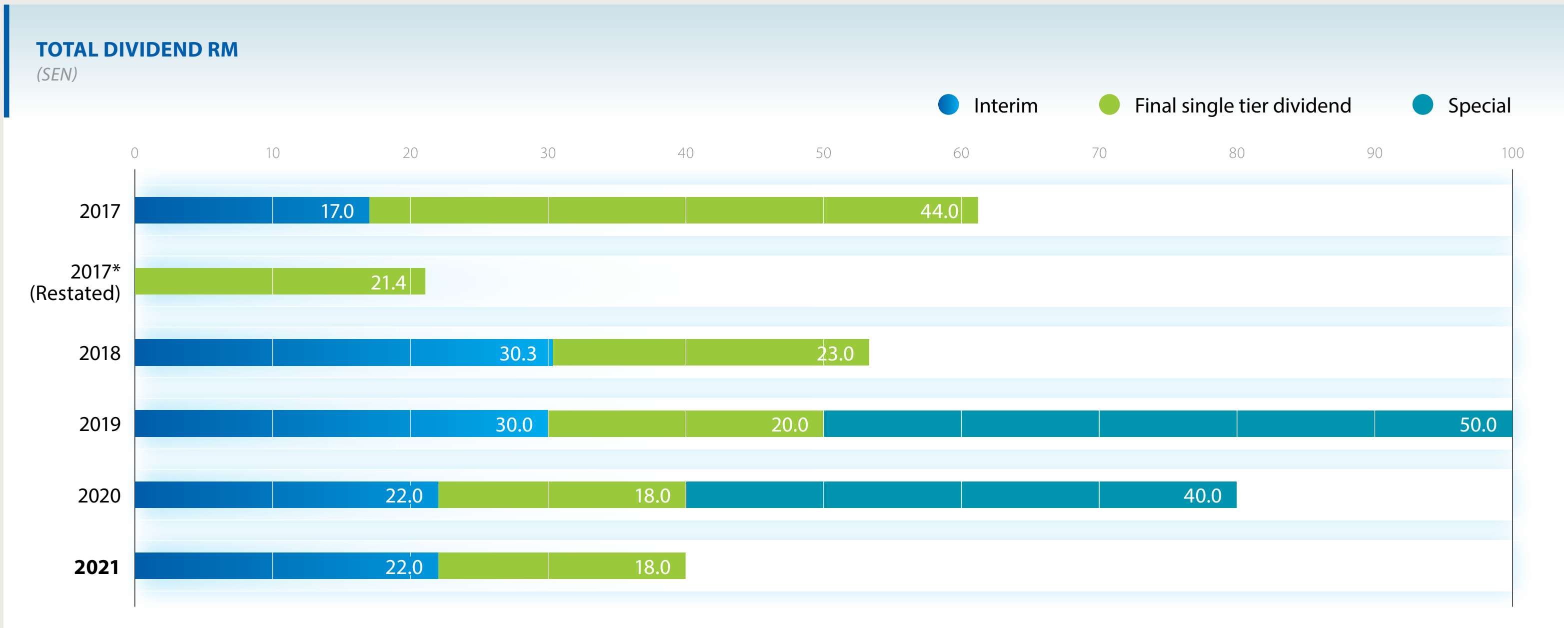


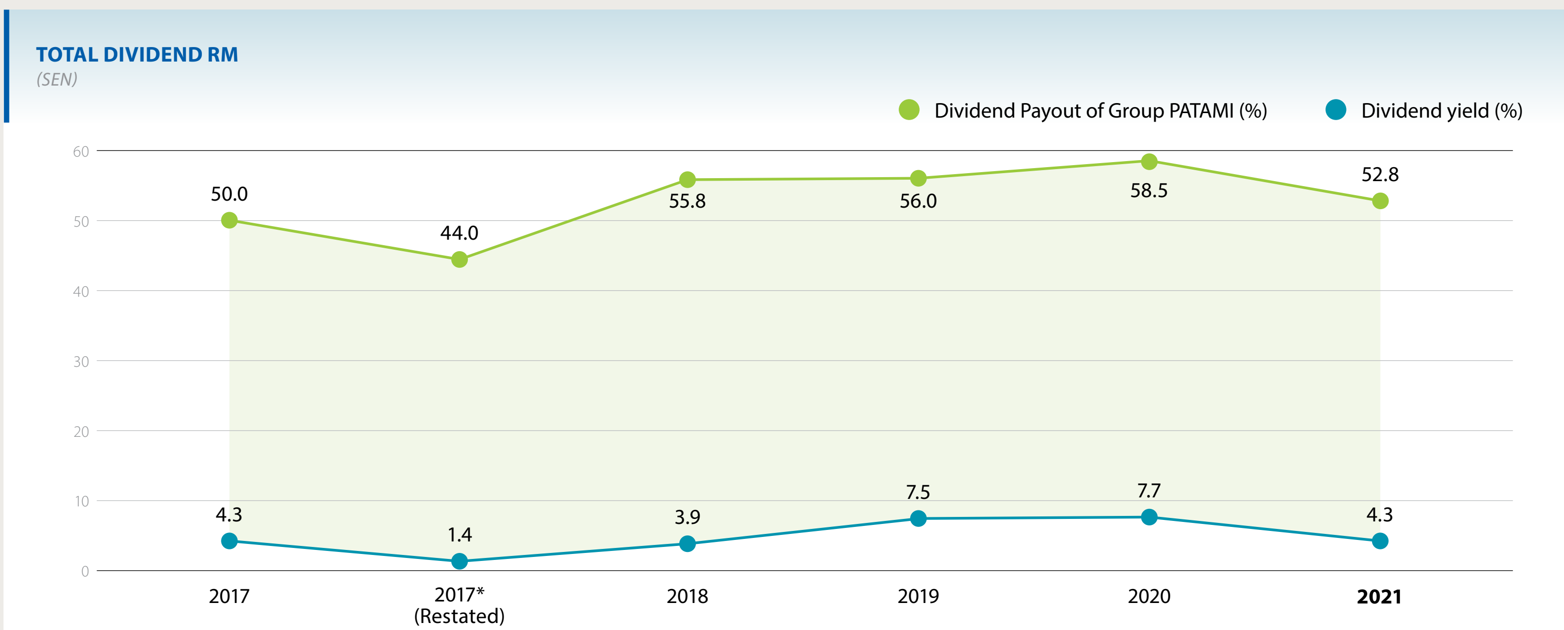
Dividend Policy

TNB's Board of Directors approved a total dividend payout of RM2.29 billion for FY2021. This comprises a final dividend of 18.0 sen per share and an interim dividend of 22.0 sen per share, which brings total dividend payout to 40.0 sen per share, as compared against 80.0 sen per share in FY2020. Our dividend payment for the year translates to 52.8% of the Group's Adjusted Profit after Tax and Minority Interests (PATAMI) excluding extraordinary, non-recurring items of RM4.34 billion.

With this dividend payment, our payout ratio remains within the higher tier of our 30% to 60% dividend policy for the fifth year running, which is in line with our commitment to create greater value for our shareholders. We adhere to the Companies Act 2016 and apply prudent financial risk management by assessing the Group's solvency and ability to settle short-term loan obligations in deciding on the quantum of our dividend payment. The Board believes that TNB's dividend payment record strikes the right balance between rewarding our shareholders and ensuring that our operations remain sustainable.

2021 Highlights





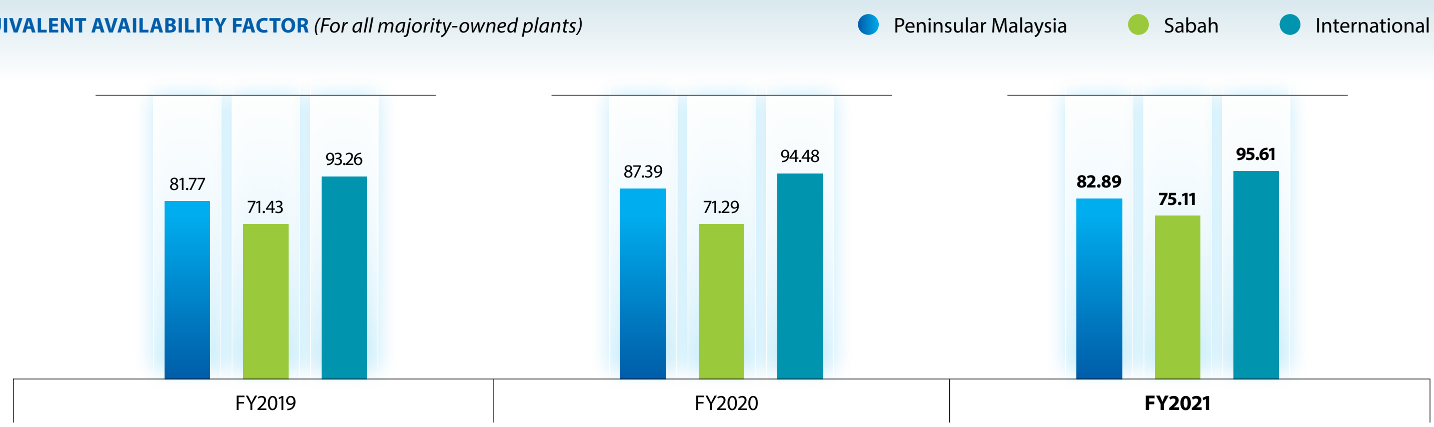
MANUFACTURED CAPITAL

Our manufactured capital comprises power and non-power related assets that have both direct and indirect impact on our operations to provide efficient, reliable and safe electricity.

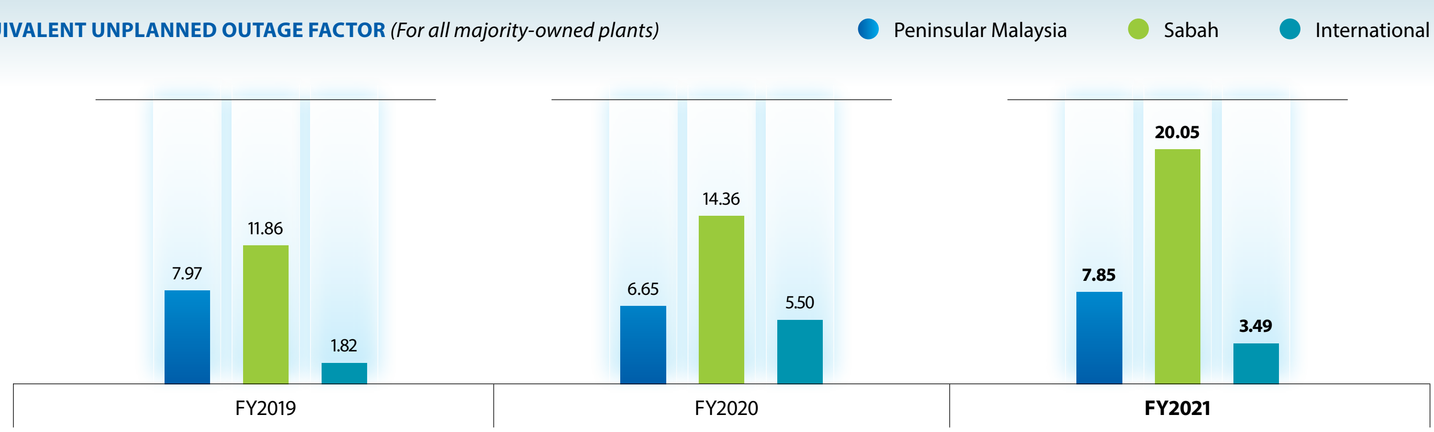
Asset	Activities and Achievements in 2021	Focus in 2022
Power Generation Assets **Thermal generation plants:** • 7 coal fired plants • 12 gas fired plants • 50 oil, diesel & solar hybrid **Non-carbon plants:** • 20 Large hydro • 118 renewable energy (mini hydro, solar & wind)	• Maintained a high Equivalent Availability Factor (EAF) for our domestic power plants (82.9%) . • Received Letter of Notification (LoN) from the Kelantan State Government on tariffs of the 300MW Nenggiri hydroelectric plant, which is ready to kick off in 2022. • TNB Renewables Sdn Bhd shortlisted for 50MW block at Large Scale Solar 4 @ Mentari (LSS4). • Agreement from the Energy Commission to commence the Hydro Life Extension Programme on the Kenyir hydroelectric plant. • Launched Vantage RE Ltd in July 2021 to own, operate and manage our RE portfolio in the UK and Europe. • Embarked on strategic partnership with Électricité de France (EDF) following the purchase of 49% stake in Blyth Offshore Demonstrator Limited (BODL) from EDF Renewables (EDFR) through Vantage RE Ltd. • Streamlined international holdings through the divestment of investments in Liberty Power Limited in Pakistan and GMR Bajoli Holi Hydropower Private Ltd in India.	• Pursue generation business growth opportunities through: - Energy-related service offerings - New asset plant-ups leveraging existing capabilities and latest technologies - Asset renewals through repowering, refurbishing or repurposing of existing asset portfolio • Develop domestic business and operational excellence by scaling up plant turnaround programme and productivity uplift measures implementation. • Explore growth levers such as digital power plant technology, energy efficiency, operation and maintenance improvement. • Establish a RE platform in Southeast Asia.
Power Network Assets • 28,338.69 km of transmission network • 521 transmission substations • 750,175.54 circuit km of distribution network • 95,144 distribution substations	• Domestic networks performed at world-class levels with transmission system minutes at 0.09 minutes and System Average Interruption Duration Index (SAIDI) at 45.25 minutes per customer. • Increased the Smart Utility Framework score for our Distribution Network by 30% to 2.4. • Increased our Smart Grid Index score for 2021 to 67.9 from 62.5 in the previous year. • Completed RM6.9 billion worth of domestic network enhancements including: - Distribution automation (DA) systems at 3,520 substations, bringing overall total to 20,797 distribution substations covering 25% of all substations in Peninsula Malaysia, benefiting 2.3 million rakyat - Bringing the total of smart meter installations to over 1.8 million, surpassing the 1.5 million target set for RP2 • Completed medium voltage Geographic Information System (GIS) data production for all states in Peninsular Malaysia and Low Voltage data production in Cheras and Putrajaya/Cyberjaya, as well as rolling out new functions for GIS. • Completed installation of replacement LED street lights at all 41 approved cities, as well as 25,000 units through the Lampu Jalan Kampung programme. • Obtained SIRIM ISO certifications for Distribution Network, ISO 45001:2018 (Occupational Health and Safety Standard) and ISO 55001:2014 (Asset Management).	• Investing around RM 20.1 billion into the transmission and distribution network over the Regulatory Period 3 period (2022 - 2024). • Installation of an additional 600,000 smart meters as part of TNB's nationwide Advanced Metering Infrastructure (AMI) programme in 2022. • Implement DA at around 3,496 distribution substations to further reduce restoration time during outages in 2022. • Adopt more digital technologies into both grid and distribution networks.
Non-Power Assets • 11.23 million sq ft of office and operational work space (Total of 5,696 premises) • 21,556.74 km of fibre optic network • 4,878 vehicles	• Connected a total of 174,341 premises in the states of Melaka, Perak, Kedah, Penang, Selangor, Kuala Lumpur and Johor to the Jalinan Digital Negara (JENDELA) national high-speed broadband project. • Signed three Memoranda of Understanding with Sime Motors, SOCAR and DHL, to collaborate together on promoting electric vehicle (EV) adoption and developing EV infrastructure. • Completed the digitisation of 14,603 parcels of TNB lands to improve effectiveness of regulatory & compliance management.	• Explore options to further electrify TNB's vehicle fleet in line with our low-carbon mobility aspirations. • Meet JENDELA target of hooking up an additional 32,374 premises in Johor and 1,780 premises in Penang. • Explore the development of EV fast charging station infrastructure along PLUS highways.

2021 Highlights

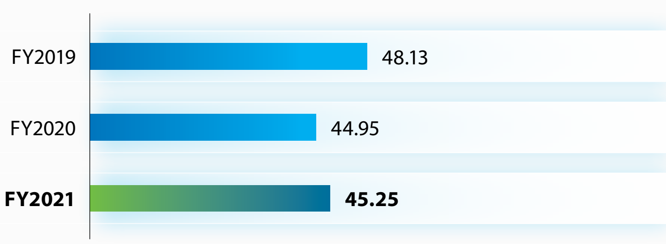
EQUIVALENT AVAILABILITY FACTOR *(For all majority-owned plants)*



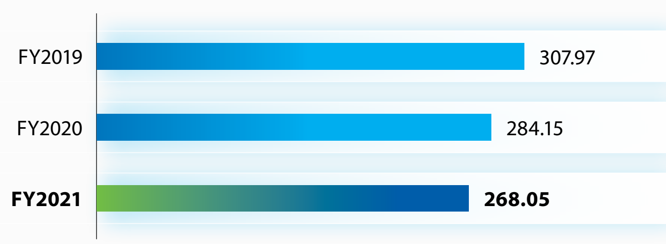
EQUIVALENT UNPLANNED OUTAGE FACTOR *(For all majority-owned plants)*



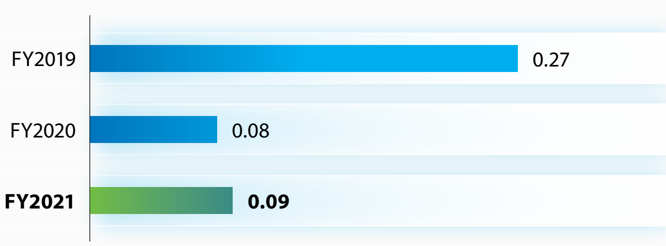
SAIDI - PENINSULAR MALAYSIA



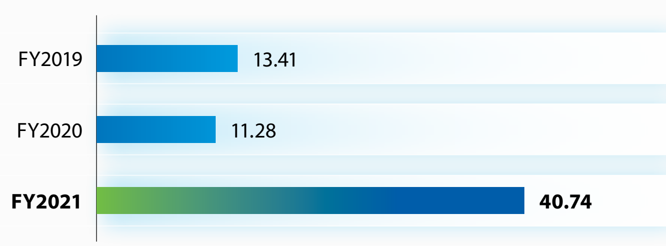
SAIDI - SABAH



SYSTEM MINUTES - PENINSULAR MALAYSIA



SYSTEM MINUTES - SABAH



NATURAL CAPITAL

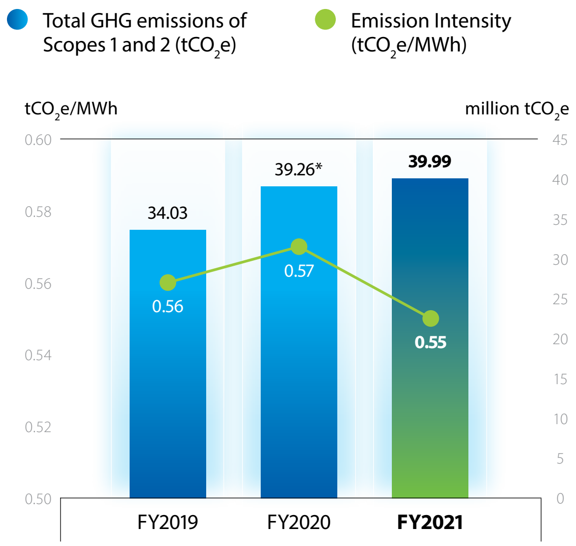
TNB is focused on minimising its environmental footprint given the increasing relevance and severity of global issues related to pollution and climate change, and in order to protect our country's natural biodiversity.

Approach	Activities and Achievements in 2021	Focus in 2022
Protect natural heritage through biodiversity-enhancing programmes	• Developed a Sustainable Catchment Management Community for the Sg. Perak Hydro Scheme with the Orang Asli (Jahai Tribe) at Kg. Sungai Tiang, Royal Belum National Park. The scheme aims to protect and conserve fish species, sustain fish resources and enhance the livelihood of the local community through the development of conservation eco-tourism.	• Deliver on commitments to the indigenous Orang Asli communities in Nenggiri, Kelantan via socioeconomic initiatives, e.g., by electrifying and improving connectivity in their villages. • Develop the appropriate compensation and provide assistance to Orang Asli communities who will be impacted by the Nenggiri project, i.e. the 1,115 Orang Asli from 257 families currently residing in Pos Tohoi, Pos Pulat and Kampung Kuala Wias who will be relocated to two new sites in Kuala Yai and Ladang Sungai Terah.
Protect the environment through proper effluents and waste management	• Several TNB divisions, including TNB Power Generation Sdn. Bhd. received the ISO14001:2015 certification in 2021. The certification provides validation to the divisions that their Environmental Management System meets internationally agreed standards and controls their environmental issues in a holistic manner. • TNB's Environmental Policy was reviewed and endorsed by our President/Chief Executive Officer in July 2021 to reflect the changes in environmental management requirements and emerging issues. • Issued our Polychlorinated Biphenyls (PCB) Management Guidelines in 2021 with the aim of phasing out PCB usage in transformers by 2025 as part of our efforts to reduce our environmental impact.	• Introduce a new module for scheduled waste management in our online eHSE system.
Adoption of sustainable business practices across our value chain	• Greenhouse gases (GHG) emissions intensity moderated slightly to 0.55 compared to 0.57 in FY2020. Total GHG emissions mitigation increased substantially to 7.96 million tCO_2e from 5.99 million tCO_2e as a result of low-carbon generation, RE, EE solutions and tree planting programme. • 8,622.07GWh of clean energy generated through TNB's hydro and non-carbon generation facilities, representing a significant increase from the 4,821GWh of clean energy generated in FY2020. • Grid Division adopted a Green Code of Conduct (GGCC) to focus on GHG reduction, deforestation control and pollutant management initiatives. • Distribution Network adopted various ESG measures in 2021 and enhanced their effort to factor in climate change risks to their operational assets through the utilisation of Flood Analysis & Risk Assessments.	• Conduct research on climate risk, and mitigation & adaptation measures for thermal and hydro power plants in line with the aim of reducing our GHG emissions and further enhancing sustainability related strategy. • Develop a sustainability framework for TNB Power Generation Sdn. Bhd. to mitigate its material impact and develop a more focused roadmap addressing the generating company's sustainability issues.
Contributing to a low-carbon world	• Increased total renewable energy (RE) generation capacity from solar, wind, hydro and mini-hydro to 3,428.4MW • Secured closed sales of 40MWp behind-the-meter solar photovoltaic (solar PV), bring the total amount to 116MWp in FY2021. • Accelerated the take up of the Net Energy Metering (NEM) 3.0 Programme and recorded the following sales numbers: - NEM NOVA - 231 commercial and industrial customers - NEM RAKYAT - 2,121 residential customers - NEM GOMEN - 12 government buildings	• Focus on expanding our RE footprint while reducing our carbon footprint through initiatives guided by Reimagining TNB and SP2050. • Accelerate development and adoption of TNB's Ways of Working Sustainably (WoWS), which is a major component of SP2050. WoWS emphasises the need for TNB to transition towards a more sustainable work culture through five areas: Green Office Practices, Culture and Values, Improving Operations and Fleet Management, Energy Efficiency, and Natural Resource Consumption.

NATURAL CAPITAL

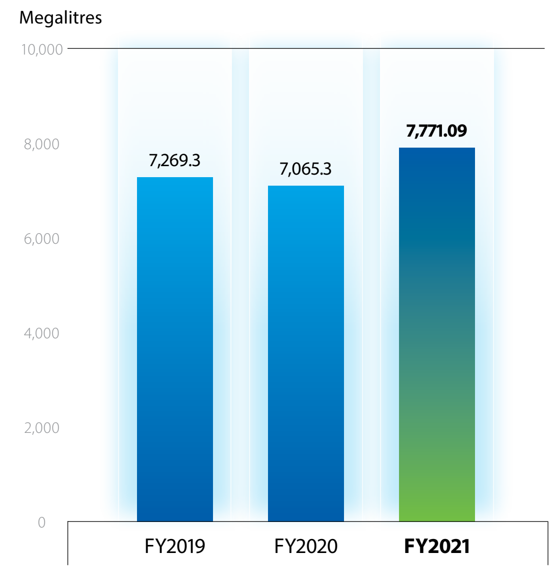
2021 Highlights

TNB'S GHG EMISSIONS



* *Data updated after third party verification.*

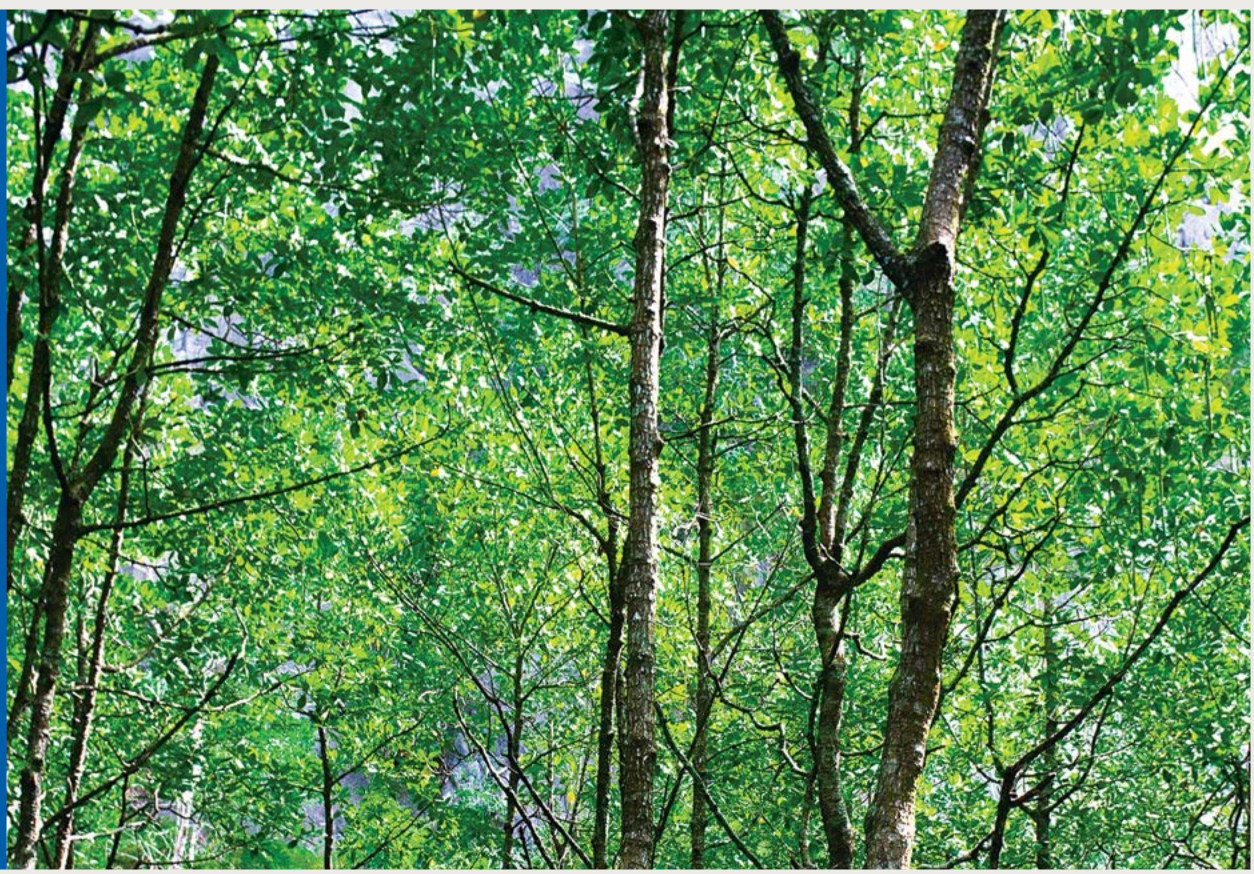
TOTAL WATER CONSUMPTION ACROSS ALL TNB OPERATIONS



7.96

million tCO_2e

OF GHG EMISSIONS MITIGATED IN 2021



INTELLECTUAL CAPITAL

TNB's efforts to effect the energy transition, future-proof our business and attain greater sustainability requires the further development of intellectual capital to support our operational and technology needs.

Approach	Activities and Achievements in 2021	Focus in 2022
Investments into new technology for the energy sector	• Invested RM93.2 million into research and development (R&D) in 2021 to develop new technologies and R&D programmes, including: - Carbon Capture and Utilisation R&D programme to develop solutions that can capture CO_2 emissions from power plants and convert it into value-added products - Sustainable CO_2 Utilisation System Using Renewable Energy Technology (CURE) to capture CO_2 from flue gas streams - Development of hydro turbine online efficiency monitoring using vent shaft flow measurement method - Development of a Smart Grid Demonstration Portal that supports Virtual Energy Manager applications using cloud-computing and Internet-of-Things (IoT) technologies to be used in Melaka • Established the TNB Technology Council to streamline and better manage the Group's R&D efforts, including managing and monitoring the funding for R&D.	• Allocate around RM150 million to fund R&D into new emerging technologies that support our current business and future business areas including Decarbonisation, Renewable Energy, Energy Storage, Electric Mobility, Smart Cities and Digitalisation.
Innovations to optimise operations, enhance asset management and reduce costs	• Launched seven key corporate digital initiatives, including: - Established a Center of Excellence for Application Programming Interface (API) - Deployed 16 Robotic Process Automation (RPA) to efficiently execute digital routine tasks, such as purchase order transactions, etc. - Leveraged data analytics for various applications, e.g., load profile analysis - Established a holistic telecommunication strategy framework - Continuous improvement of TNB's cybersecurity posture, resulting in zero disruption to supply and operations caused by cyber attacks - Established a robust and secure cloud architecture to prepare for migration to cloud platforms - Published Enterprise Data Governance guidelines to strengthen TNB's data governance • Facilitated increased enterprise use of remote working tools in response to disruptions caused by the pandemic. This is guided by WoWL and includes the deployment of technology tools such as Virtual Private Networking tools, Tenaga App Space and collaboration platforms, e.g. Cisco Webex, TNB MyCloud and Enterprise Content Management. For 2021 Cisco Webex usage, there was a 429% increased in Webex sessions and 399% in Webex attendees as compared to 2020.	• Expanding the scope and depth of the seven key digital and and data analytics initiatives across the organisation - Leverage data analytics for more applications across TNB's value chain, such as underground cable prediction for our Distribution Network - Develop an enterprise employee application to support WoWL
Investments into potential business models and technology to create new revenue sources	• Made good progress in the TNBR-Korean Consortium Virtual Power Plant (VPP) joint research programme, which started in 2018. The programme explores the VPP software technology platform and application, and its associated business model via the demonstration of aggregated Energy Storage System (ESS) functions. The project also explores joint Engineering, Procurement, Construction and Commissioning (EPCC) development between TNB and the Korean Consortium to optimise ESS and VPP business models. • Established a Program Management Office to drive the delivery of TNB's EV strategy, which involves working with strategic partners to establish EV infrastructure across the country.	• Exploring other possible collaborations with parties including the Government, car manufacturers, fleet companies and highway operators to strengthen Malaysia's EV ecosystem. • Explore new business models for energy storage solutions.

INTELLECTUAL CAPITAL

Helping Drive the Nation Towards Electric Mobility

TNB is committed to help accelerate the adoption of electric mobility in Malaysia, in line with our government's effort to decarbonise the transportation and logistics sector. In 2021, we established TNB's Electric Vehicle Program Management Office in July 2021, which reports directly to TNB's EV Council. The EV Council is chaired by our President/Chief Executive Officer and most members of TNB's top management sit as council members to ensure that EV initiatives and plans are executed in line with our overall strategy. Additionally, we presented a white paper on EV to seven Government ministries to stimulate greater interest in the sector and accelerate the pace of development.

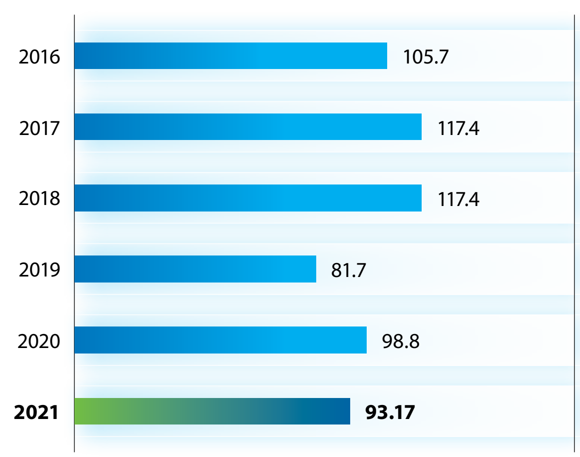
TNB was also invited to sit as a permanent member of the EV National Task Force by MITI, putting us in a strong position to steer and guide the development of the industry. We also worked closely with the government and regulators to establish a Malaysian EV charging standard. Meanwhile, we have started exploring various options to boost EV adoption within our organisation. Measures under consideration include fleet transitions as well as ecosystem and infrastructure development.

We recognise that a collaborative approach is necessary for the industry to flourish and have signed a number of Memoranda of Understanding with various partners, including Sime Darby Motors, SoCAR and DHL, to collaborate on EV development. EV adoption is also being championed by the Zero Emission Vehicle Association (ZEVA), a new association formed by TNB that is open to all parties interested in the green vehicle space.

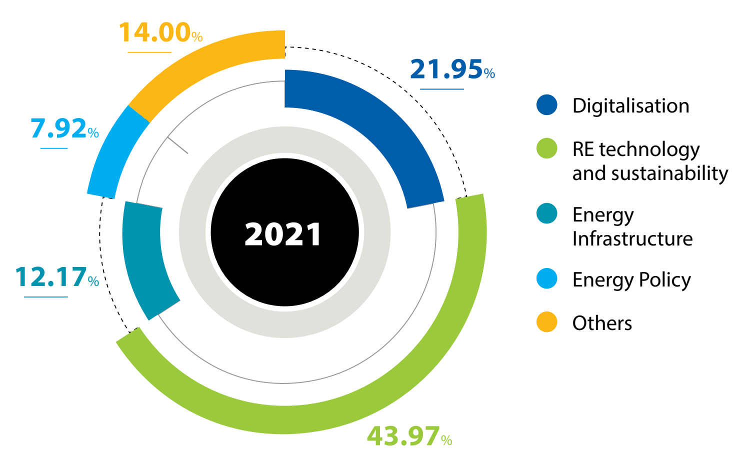
We expect to see greater development in the EV space as interest in the industry takes off, and we are committed to working with any partners who are capable of innovating or introducing new products and services that can further accelerate the pace of development.

2021 Highlights

R&D INVESTMENT
(RM MILLION)



BREAKDOWN OF R&D PROJECTS BY RESEARCH AREA



HUMAN CAPITAL

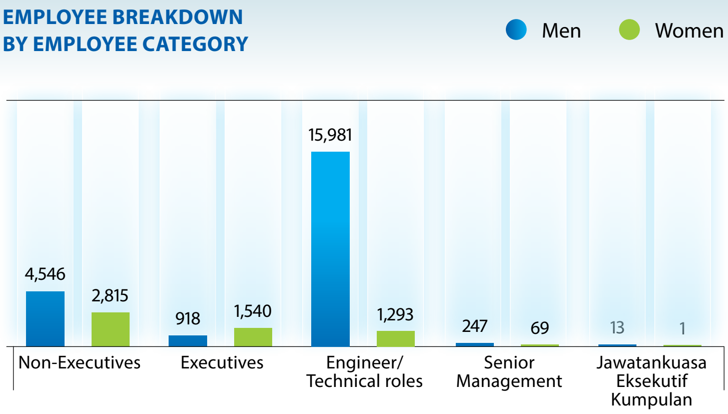
Our people are key enablers in all of TNB's value creation activities, and we place great emphasis on recruiting, retaining and developing them. We also seek to create a safe and empowering work environment that enables them to realise their potential.

Management Approach	Activities and Achievements in 2021	Outlook
Human Resource Management		
Implementing initiatives under TNB's Five-year HR Blueprint (2020-2025)	• Planned and executed 19 collective outcomes driven by Seven Cluster Champions and 19 Squads under our People Catalyst initiative focusing on addressing seven areas: - HR Capability & Workforce Strategy, - Digital & Data Analytics, - Culture & Change Management, - People Performance Excellence, - Learning & Development, - Talent Management, and - People Mobility. • In 2021, the average progress of the 19 collective outcomes came in at 70%. • Introduced an Agile Management Model to foster greater cross-collaboration across functions while maximising resource utilisation.	• In 2022, we will continue our efforts to build existing human resource (HR) workforce community capabilities via HR Academy, HR Learning Journey and Coaching & Mentoring initiatives. • We will also continue to anchor on Phase 2 of our HR Blueprint, which is focused on the theme of Driving Excellence and Catalysing Growth. This phase will see the deployment of HR targeted strategies and intervention to grow a sustainable mindset, build commercial and business acumen, develop a lean and agile organisation, and effect differentiated and outcome-based performance.
Towards Reimagining Culture	• Continue to deliver culture initiatives in the following areas: - Leadership Role Modelling - Communication & Engagement - Developing Talent and Skills	• Define and drive overall culture alignment in TNB. • Reinvent the Performance Management System to reshape and reinforce workforce behaviour change.
Safe and Healthy Work Environment		
Response to COVID-19 pandemic	• Implemented protocols to monitor employees who tested positive for COVID-19. • Personal protective equipment were made available to TNB employees, with priority given to frontliners. • Implemented work-from-home arrangements, where applicable. • Provided counselling services for employees facing mental health challenges and personal struggles. • Established and launched the Employee Self Health Declaration portal to monitor our people's well- being. • Established TNB Covid Vaccine Management Task Force in June 2021 as the coordinating committee to support the implementation of the COVID-19 immunisation programme for TNB employees nationwide. • 99% of TNB employees fully vaccinated by the end of December 2021. • Established the *Tabung Warga TNB Prihatin* (TWTP) fund which collected a total of RM4,036,675 for rakyat affected by the pandemic and the floods.	• Adjust policies and procedures in accordance with government position and standard operating procedures as the COVID-19 pandemic transitions to the endemic phase.
HR Digitalisation	• Rolled out the HR Governance eLearning Module to all of TNB's people-related operating divisions. • Increased EDG Data Maturity Assessment Score to 3.2 from 2.9 in 2020.	• Strengthen digital workforce capabilities and HR infrastructure to facilitate TNB's digital adoption journey. • Incorporate more digital learning solutions in TNB Integrated Learning Solutions Sdn Bhd and Universiti Tenaga Nasional.
Creation of Safety Culture	• Improved our HSE Culture level with respect to the Safety Culture Ladder and Safety Culture Assessment (SCA) score, by raising our score to 4.02 from 3.80 in FY2019. • Conducted 12 Safety Cultures Values Activation & Spiritual Hour sessions online to inculcate safety values in our employees. • Initiated group-based HSE recognition platforms i.e NDRS League and Best Safety Health Committee to motivate high HSE performance amongst TNB divisions, departments and subsidiaries.	• Continue to enhance Health and Safety procedures and measures to reduce fatalities and accidents.

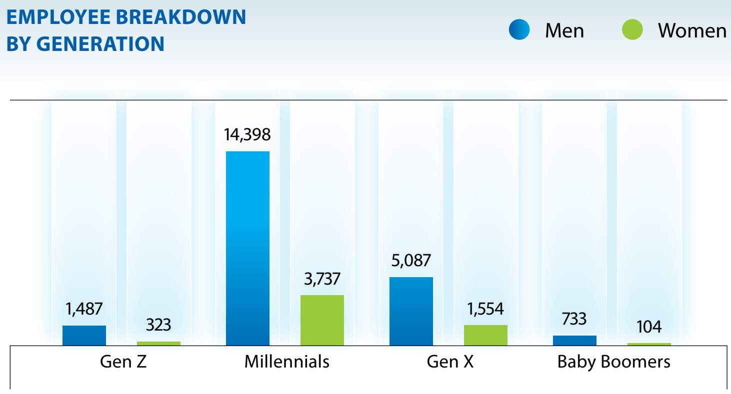
Management Approach	Activities and Achievements in 2021	Outlook
Safe and Healthy Work Environment (Cont'd.)		
Employee Health and Wellness	• Conducted 146 engagement sessions under our Total Wellness Programme. • Won first place for the Most Active Employer - Ruby Category in the Activ@ Work Challenge organised by Pertubuhan Keselamatan Sosial (PERKESO).	• Enhance employee usage of TNB's BookDoc app by establishing group-wide employee wellness challenges through the app. • Provide health education to employees through the Health Talk webinar series - Conduct basic health screening for TNB employees at various TNB stations - Launch the MQuit Smoking (Stop Smoking Program) for TNB employees in collaboration with The Ministry of Health
Talent Management and Development		
Training and Development	• Received Bronze for Best Organisational Upskilling & Reskilling at the Employee Experience Awards 2021 and selected as winner for the Above 1,000 Employees category at the LinkedIn Talents Award 2021. • Invested RM65.53 million into our employees' learning and development, with total training hours for the year coming up to 639,040 training hours. • Collaborated with ILSAS to develop subject matter experts in TNB's core business areas through Division Academies. • Enrolled 918 staff in upskilling and reskilling programmes in 2021. • FY2021, TNB invested RM9,842,820.76 to provide employment opportunities to 4,760 individuals and train 2,576 individuals under the Reskilling Malaysia Programme. Since the inception of this programme in October 2020, TNB has cumulatively invested RM10,723,220.76 to provide employment opportunities to 5,202 individuals and trained 3,018 individuals.	• Enhance learning and development framework and the competency model framework for TNB staff. • Enhance digitally-enabled learning to make delivery of training more efficient and accessible.

2021 Highlights

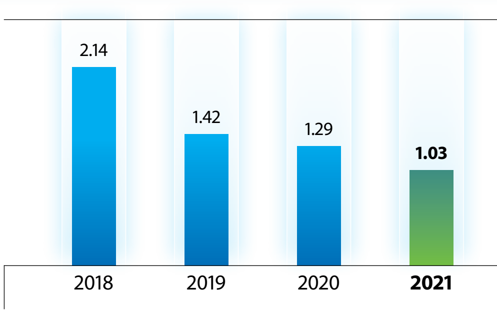
EMPLOYEE BREAKDOWN BY EMPLOYEE CATEGORY



EMPLOYEE BREAKDOWN BY GENERATION

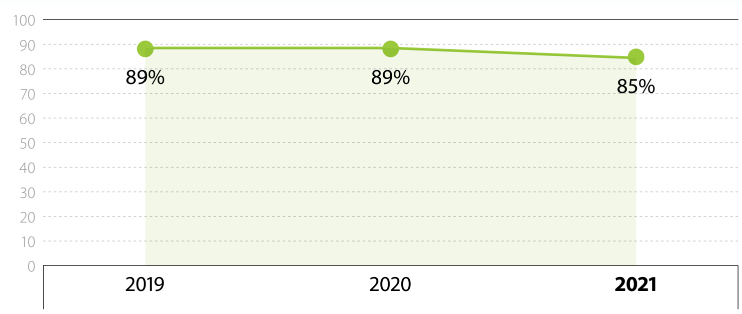


ANNUAL LOST TIME INJURY FREQUENCY RATE



LTIF by business activities
Generation – **0.54**
Grid – **0.69**
Distribution – **0.62**
Retail – **4.25**

EMPLOYEE ENGAGEMENT



SOCIAL AND RELATIONSHIP CAPITAL

TNB values all our many stakeholders and conducts regular engagements with them to better understand their needs and build meaningful relationships of trust.

Approach	Activities and Achievements in 2021	Outlook
Investors		
Provide the investment community with clear, transparent and holistic picture of the Group's performance and prospects **Continuously create long-term value for shareholders**	• Conducted quarterly analyst briefings and one-on-one/group engagements numbering 612 sessions with members of the investment fraternity	• Continue to proactively engage the investment community to address any areas of interests with regards to the Group's performance and strategy moving forward.
Employee Trade Unions/Associations		
Maintain harmonious relationship with employee Unions/Associations and engage leaders in syndications, meetings/ discussions and information sharing	• Several engagement sessions were carried out between Management and the Unions/Associations in the year 2021 to solicit their input and understand their concerns prior to key management decisions: 1. Formulation of policy on Prohibition of Working Under the Influence of Alcohol and Drugs. 2. Terms and conditions for the absorption of contract employees into permanent employment. 3. TNB Sustainability Pathway 2050. 4. Terms and conditions on flexible working arrangement under Tenaga Way of Working (WoWL). 5. Relocation of employees to Platinum Building. 6. Establishment of Warga TNB Prihatin Fund.	• Continue to maintain good industrial relations climate in the Company with harmonious relationship between Management and Employees
Customers		
Forge meaningful relationships via increased focus towards customer's choice and literacy, quality customer service, innovative solutions and effective communication and engagement	• Delivered Digital Billing and new Bill Redesign solution to customers in Melaka to encourage customers to go paperless and view bills anytime anywhere via myTNB. • Introduced Energy Budget feature in myTNB for selected customers to notify them when their energy usage nears or exceeds their monthly budget. • Developed the Malaysia Energy Literacy Programme (MELP) to educate Malaysians on energy issues, such as energy efficiency, sustainability and climate change. • Upgraded physical and digital infrastructure of our Kedai Tenaga to improve customer service. • Total customer satisfaction index increased to 8.7 in 2021 from 8.5 in the previous year.	• Incubate and scale innovative digital solutions to accelerate digital customer experience and business values.
Vendors and Suppliers		
We support local businesses when and where possible to spur the local economy	• 97.9% of net total procurement spend was on local vendors or contractors. • 22% increase in net total procurement spend on Bumiputera vendors as compared against the previous year. • Conducted vendor initiatives aimed at improving visibility of vendor performance scores, develop local content framework, promote high-performing vendors, inculcate a safety culture and improve data management of 3,000 active vendors.	• Develop a transparent connecting platform to build relationships between vendors and purchasers and real-time triggering vendor performance status to receive immediate updates on vendor performance. • Develop Corporate Strategy for Relationship Framework to sustain vendor relationships. • Build supplier incentive mechanism system framework.

SOCIAL AND RELATIONSHIP CAPITAL

Approach	Activities and Achievements in 2021	Outlook
Community		
Ensure Malaysians in rural and remote areas have access to electricity **Contribute to higher standard of living by ensuring Malaysians have proper homes to live in** **Uplift marginalised communities through education**	• Electrified 30 villages via the Rural Electrification Programme. • Completed Phase 10 of the Village Street Lighting Programme with 29,487 street lights installed in 2021. • Contributed RM2 million to the National Food Basket Programme in collaboration with Yayasan Kebajikan Negara. • Contributed RM3.05 million and provided 144 new and refurbished homes to less fortunate Malaysians under TNB's Home for the Needy Programme. • Allocated RM1.56 million for our Better Brighter Shelter Programme, which provides accommodations for family members of patients from rural areas who have travelled to cities in search of medical treatment. • Awarded RM6.81 million in education funding to 1,768 recipients to further develop their education at Universiti Tenaga Nasional. • In FY2021, Yayasan Tenaga Nasional provided a total of RM119.2 million to 8,271 recipients through financial aid for scholarship, convertible loan and My Brighter Future programme. • Contributed RM3 million in clothing and school bags to students under Ceria ke Sekolah Programme. • Contributed RM5 million benefitting 3,253 students from 40 schools throughout Malaysia under the Government's CERDIK initiative. • Contributed RM315,000 to 11 schools adopted under the PINTAR School adoption programme.	• As part of TNB SP2050, TNB has set a target to channel 1% of its profit after tax towards environmental and community-related programs. • Continue to look for opportunities to give back to the communities that we are serving.

2021 Highlights

OUR SOCIAL CIRCLE

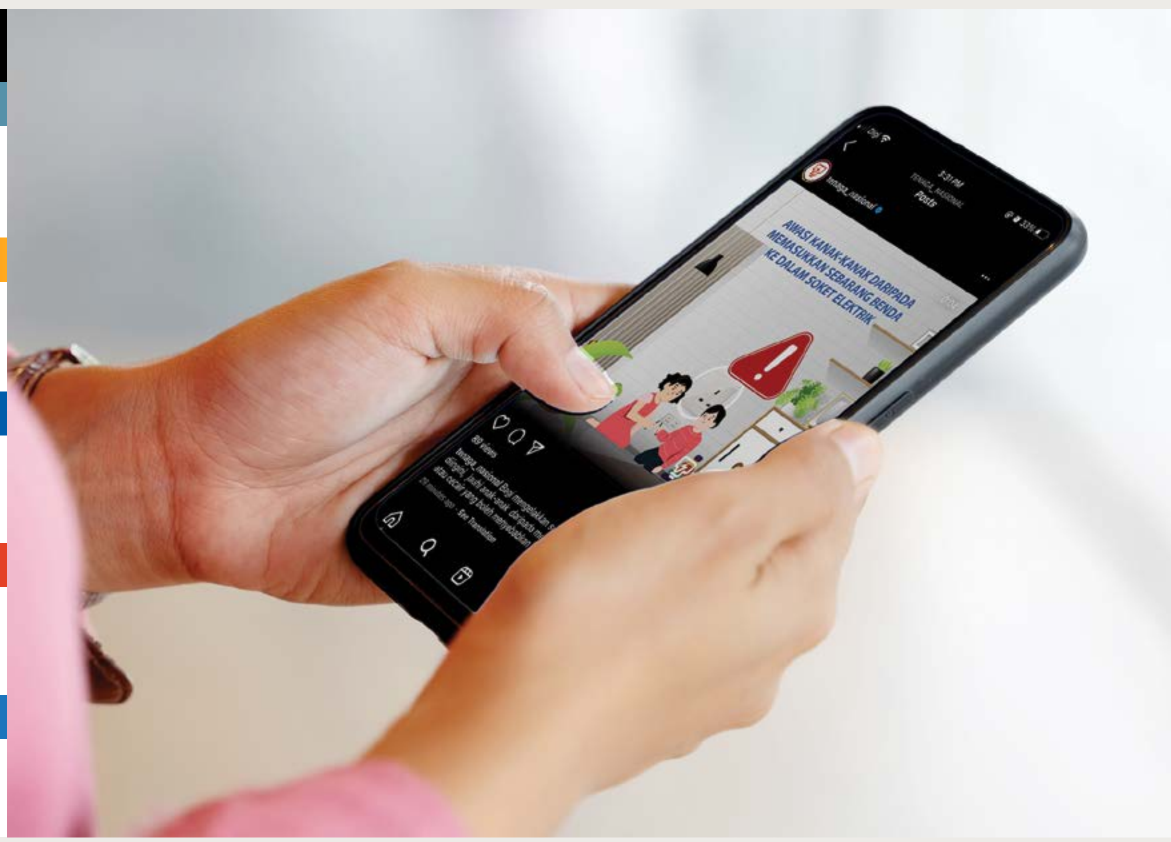
TNB Twitter
30,274 followers

TNB Instagram
50,892 followers

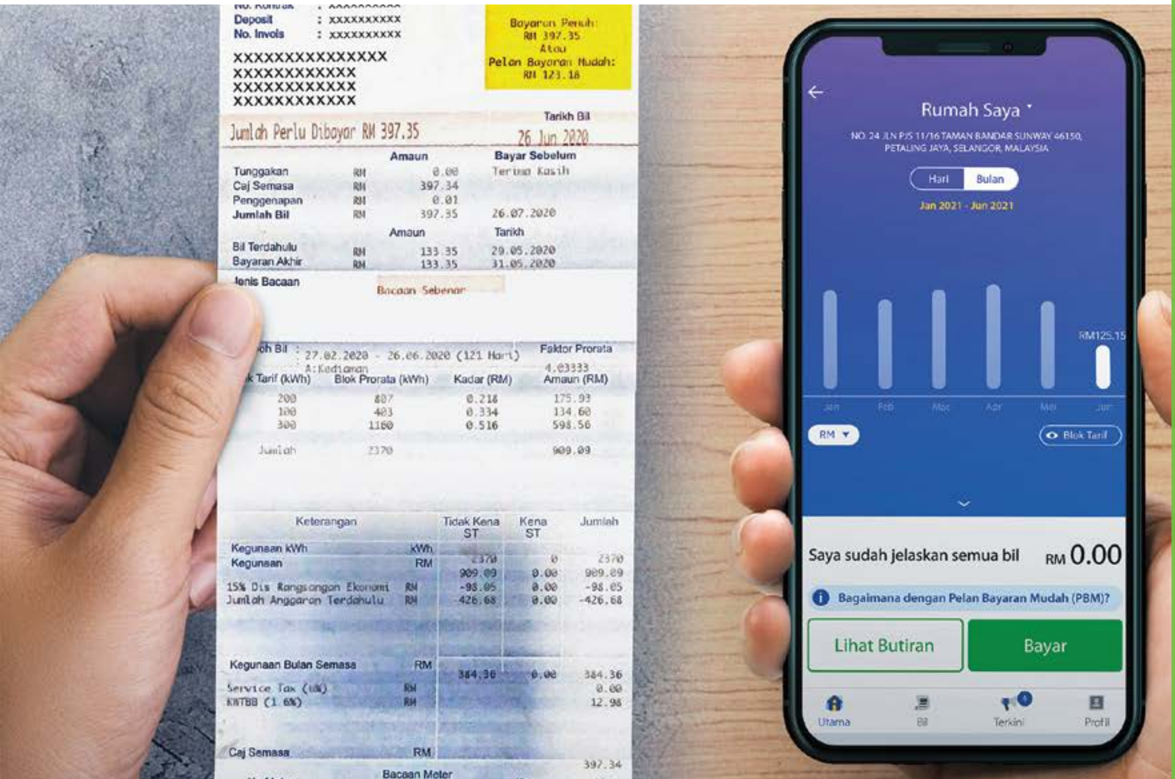
TNB CareLine Facebook
406,308 followers

TNB YouTube
77,000 subscribers

TNB LinkedIn
232,032 followers




WITH NATURE'S GOOD ENERGY, WE OPEN UP A PATH OF ENDLESS POSSIBILITIES.
We're choosing to harness good energy from the sun, wind and water to light up homes and brighten lives. Together with nature, we're working towards generating 8,300MW of renewable energy by 2025.
Together, let's welcome a brighter tomorrow for all.
NET ZERO 2050
Scan to watch our journey to a brighter world.
THE SPARKS OF TODAY, POWER BRIGHTER TOMORROWS.
TENAGA NASIONAL
Better. Brighter.
Tenaga Nasional Berhad 199001009294 (200866-W)
www.tnb.com.my



Section

04

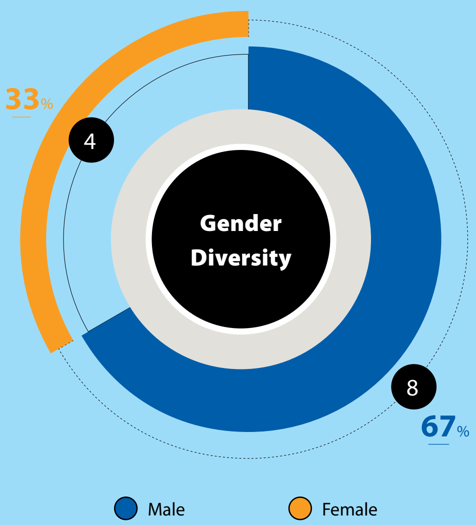
CREATING VALUE THROUGH STRONG GOVERNANCE

OUR BOARD AT A GLANCE

OUR

Leadership

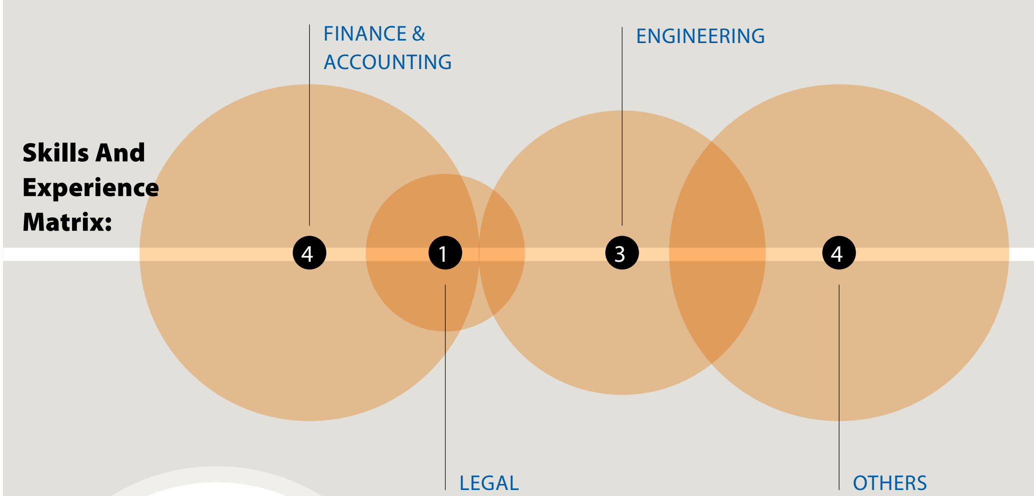
Our Directors have vast experience and diverse skills, enabling the Board to provide informed counsel, rigorous oversight and critical analyses in leading integrated thinking in the Group.



Board Committees

- ● Chairman of Respective Committee
- A Board Audit Committee
- F Board Finance and Investment Committee
- T Board Tender Committee
- NR Board Nomination and Remuneration Committee
- R Board Risk Committee
- L Board Long Term Incentive Plan Committee
- I Board Integrity Committee

Note:
The above information disclosed represents the number of Directors, excluding Alternate Director.



BOARD OF DIRECTORS' PROFILE

DATO' SRI HASAN BIN ARIFIN

Chairman, Non-Independent Non-Executive Director
Appointed Director by the Minister of Finance (Incorporated) (MOF Inc.), the Special Shareholder of TNB

Nationality / Age / Gender:

Malaysian / 68 / Male

Date of Appointment:

1 October 2021

Year(s) of Directorship:

Less than one (1) year

Board Committee(s):

Nil

Board meetings attended in the Financial Year:

4 / 4 (since appointment date)

Academic/Professional Qualification(s):

- Bachelor of Economics, Universiti Malaya, Malaysia
- Attended Management Course at Asian Institute of Management, Manila, Philippines

Skills, Experience and Expertise:

- Chairman of Pengurusan Aset Air Berhad (2020 - 2021)
- Member of the Malaysian Parliament representing Rompin (2015 - Present)
- Chairman of Public Accounts Committee (PAC) (2015 - 2018)
- Board of Directors, UDA Holdings Berhad (2010 - 2015)
- Deputy Chief Minister of Pahang (1995 - 1999) and since then, he had been involved in the field of water management. He was also involved in planning for provision of water supply to Federal Land Development Authority (FELDA) Negeri Pahang and its rural areas. In addition to that, he also initiated crucial studies for water supply from Pahang to Negeri Sembilan and Selangor as well as on Non-Revenue Water in Pahang
- Chairman of Lembaga Pembangunan Wilayah Pahang Tenggara (DARA) (1995 - 1998)
- Board of Directors, FELDA (1991 - 1995)
- Chairman of Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang (LKPP) (1990 - 1999)

Other Directorship(s):

Listed Issuer:
- Nil

Public Company:
- Nil

BOARD OF DIRECTORS' PROFILE

DATUK IR. BAHARIN BIN DIN

President/Chief Executive Officer, Non-Independent Executive Director
Appointed Director by MOF Inc., the Special Shareholder of TNB

Nationality / Age / Gender:

Malaysian / 58 / Male

Date of Appointment:

1 March 2021

Year(s) of Directorship:

One (1) year

Date of Last Re-Election:

10 May 2021

Board Committee(s):

Attends Board Committees' Meetings (By Invitation)

Board meetings attended in the Financial Year:

17 / 17 (since appointment date)

Academic/Professional Qualification(s):

- Master of Business Administration - joint MBA programme between Universiti Tenaga Nasional, Malaysia and Bond University, Australia
- Bachelor of Science (Electrical Engineering), Syracuse University, New York, United States of America
- Certified Professional Engineer of Board of Engineers (BEM), Malaysia
- Member of Institution of Engineers, Malaysia
- Qualified Competent Engineer (up to 33kV)
- Qualified Service Engineer (up to 33kV)

Skills, Experience and Expertise:

- President/Chief Executive Officer, TNB (2021 - Present)
- Chief Distribution Network Officer, TNB (2018 - 2021)
- Vice President (Distribution), TNB (2012 - 2018)
- Senior General Manager (Customer Service & Metering), Distribution Division, TNB (2011 - 2012)
- Managing Director, Sabah Electricity Sdn. Bhd. (2007 - 2011)
- Seconded to the Ministry of Energy, Green Technology and Water (KeTTHA), for two (2) and a half years, where he served as the Deputy Director for the Electrical Inspectorate Department in Sabah. He then became the Director for the Electrical Inspectorate Department in Pahang
- Built his career in TNB during which he had served in various engineering and managerial positions within the Company, including Business Development, Network Maintenance, Network Planning, Construction Services, Metering Service and Engineering Services

Other Directorship(s):

Listed Issuer:
- Nil

Public Company:
- Nil

DATUK SERI ASRI BIN HAMIDIN @ HAMIDON

Non-Independent Non-Executive Director
Appointed Director by MOF Inc., the Special Shareholder of TNB

Nationality / Age / Gender:

Malaysian / 56 / Male

Date of Appointment:

1 July 2020

Year(s) of Directorship:

One (1) year

Date of Last Re-Election:

10 May 2021

Board Committee(s):

T NR L

Board meetings attended in the Financial Year:

13 / 20

Academic/Professional Qualification(s):

- Master of Economics, Hiroshima University, Japan
- Bachelor of Economics (Hons.), Universiti Malaya, Malaysia
- Diploma in Public Administration, National Institute of Public Administration, Malaysia
- Completed Harvard Premier Business Management Programme

Skills, Experience and Expertise:

- Secretary General of Treasury, Ministry of Finance (2020 - Present)
- Prior to his current position, he had served in various capacities within Ministry of Finance:
  - Deputy Secretary General (Policy) (2019 - 2020)
  - Deputy Secretary General (Investment) (2018 - 2019)
  - Under-Secretary, Government Investment Companies Division (2015 - 2018)
  - Deputy Secretary, Government Investment Companies Division (2012 - 2015)
  - Senior Assistant Secretary (2006 - 2012)
- Assistant Director, Anti-Corruption Agency (1998 - 2005)
- Assistant Director, Economic Planning Unit, Prime Minister's Department (1994 - 1998)

Other Directorship(s):

Listed Issuer:
- Nil

Public Companies:
- Aset Tanah Nasional Berhad
- DanaInfra Nasional Berhad
- Digital Nasional Berhad
- GovCo Holdings Berhad
- 1Malaysia Development Berhad

BOARD OF DIRECTORS' PROFILE

DATUK AMRAN HAFIZ BIN AFFIFUDIN

Non-Independent Non-Executive Director
Appointed Director by Khazanah Nasional Berhad, the Major Shareholder of TNB

Nationality / Age / Gender:

Malaysian / 47 / Male

Date of Appointment:

22 June 2017

Year(s) of Directorship:

Four (4) years

Date of Last Re-Election:

30 June 2020

Board Committee(s):

F NR L I

Board meetings attended in the Financial Year:

19 / 20

Academic/Professional Qualification(s):

- Bachelor of Science in Commerce (Majoring in Accounting and Finance), the McIntire School of Commerce, University of Virginia, Charlottesville, United States of America
- Attended executive/professional courses at Harvard Business School and London Business School

Skills, Experience and Expertise:

- Executive Director, Investments, Head Energy, Iskandar, Leisure & Tourism, Khazanah Nasional Berhad (2022 - Present)
- Executive Director, Head, Energy & Infrastructure, Khazanah Nasional Berhad (2020 - 2021)
- Executive Director, Investments, Khazanah Nasional Berhad (2018 - 2020)
- Director, Investments, Khazanah Nasional Berhad (2013 - 2018)
- Senior Vice President, Investments (Property/Healthcare), Khazanah Nasional Berhad (2011 - 2013)
- Investment Manager, Ethos Capital Sdn. Bhd. (2009 - 2011)
- Principal Consultant/Advisor, Nusa Capital Sdn. Bhd. (2006 - 2009)
- Director, Juwana Group of Companies (2005 - 2006)
- Senior Vice President, Namirah Ventures Pte. Ltd. (2000 - 2005)
- Analyst, Equities Investment, Petroliam Nasional Berhad (PETRONAS) (1998 - 2000)
- Corporate Finance Executive, Group Finance Division, PETRONAS (1997 - 1998)

Other Directorship(s):

Listed Issuer:
- Nil

Public Company:
- Iskandar Investment Berhad

JUNIWATI RAHMAT HUSSIN

Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 63 / Female

Date of Appointment:

1 June 2017

Year(s) of Directorship:

Four (4) years

Date of Last Re-Election:

10 May 2021

Board Committee(s):

A T R I

Board meetings attended in the Financial Year:

19 / 20

Academic/Professional Qualification(s):

- Bachelor of Science (Hons.) in Chemistry, University of Kent, Canterbury, United Kingdom
- Certificate in International Management, GE
- Attended the INSEAD Senior Management Development Programme and Advanced Management Programme
- Attended the HENLEY Business School Advanced Management Programme, United Kingdom

Skills, Experience and Expertise:

- Vice President & Venture Director, Pengerang Integrated Complex and Chief Executive Officer, PETRONAS Refinery and Petrochemical Corporation Sdn. Bhd. (2013 - 2016)
- Vice President, Human Resource Management Division, PETRONAS (2010 - 2012)
- Vice President, Education Division, PETRONAS (2009 - 2010)
- Chief Executive Officer, Malaysian Philharmonic Orchestra & Dewan Filharmonik PETRONAS (2005 - 2009)
- General Manager (Marketing & Trading-Chemicals), MITCO Sdn. Bhd. (2003 - 2005)
- Senior Manager (Marketing & Trading-Chemicals), MITCO Sdn. Bhd. (2001 - 2003)
- Manager, Human Resource Management, PETRONAS (1997 - 2001)
- Manager, Petrochemicals Business Planning Unit, Petrochemical Division and Manager, Business Evaluation Department, Corporate Planning Division, PETRONAS (1994 - 1997)
- Executive (Analyst), Refining & Marketing Planning Unit, PETRONAS (1991 - 1994)
- Executive (Refinery), PETRONAS Penapisan (Melaka) Sdn. Bhd. (1991)
- Production Planner (Refinery), PETRONAS Penapisan (Terengganu) Sdn. Bhd. (1988 - 1990)
- Chemist, Process Engineering & Technical, PETRONAS Penapisan (Terengganu) Sdn. Bhd. (1982 - 1987)
- Chemist, Laboratory Services, PETRONAS (1981 - 1982)
- Throughout her career, she has a wide range of hands-on experience in Refinery Operations, Project Management, Corporate Planning, Human Resource and Marketing & Trading

Other Directorship(s):

Listed Issuer:
- Dialog Group Berhad

Public Company:
- Malaysia Petroleum Resources Corporation

GOPALA KRISHNAN K.SUNDARAM

Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 67 / Male

Date of Appointment:

4 July 2018

Year(s) of Directorship:

Three (3) years

Date of Last Re-Election:

10 May 2021

Board Committee(s):

A F R

Board meetings attended in the Financial Year:

20 / 20

Academic/Professional Qualification(s):

- Bachelor in Law LL.B. (Hons.), Universiti Malaya, Malaysia
- Advocate & Solicitor in the High Court of Malaya

Skills, Experience and Expertise:

- Partner, Abdullah Chan & Co., Advocates & Solicitors (2012 - Present)
- Consultant, Asian Development Bank (2018 - 2021)
- Leading adviser on the Financial Services Act 2013 and Islamic Financial Services Act 2013
- Independent International Consultant, World Bank (2017 - 2018)
- Director, Kuwait Finance House (Malaysia) Berhad (2012 - 2016)
- Held various positions in Bank Negara Malaysia (Central Bank of Malaysia) (1982 - 2012):
  - Project Advisor (2011 - 2012)
  - Assistant Governor (2006 - 2011)
  - Assistant Manager/Deputy Director/Director, Legal Department (1990 - 2006)
  - Senior Executive/Assistant Manager, Secretary's Department (1985 - 1990)
  - Senior Executive, Banking Department (1982 - 1985)

Other Directorship(s):

Listed Issuer:
- Nil

Public Company:
- Nil

ONG AI LIN

Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 66 / Female

Date of Appointment:

1 August 2018

Year(s) of Directorship:

Three (3) years

Date of Last Re-Election:

14 May 2019

Board Committee(s):

R A I

Board meetings attended in the Financial Year:

20 / 20

Academic/Professional Qualification(s):

- Bachelor of Arts (Hons.) in Economics, University of Leeds, United Kingdom
- Associate of Institute of Chartered Accountants in England and Wales (ICAEW)
- Member of Malaysian Institute of Accountants (MIA)
- Member of SIRIM ISO Technical Committee on Information Security
- Past President of Information Systems Audit & Control Association (ISACA), Malaysia

Skills, Experience and Expertise:

- Held various positions in PricewaterhouseCoopers Malaysia:
  - Partner/Senior Executive Director (1993 - 2016)
  - Senior Manager (1991 - 1992)
- Kassim Chan & Co. (DH&S Malaysia) and DH&S Singapore (1986 - 1991)
- Deloitte Haskins & Sells (DH&S), London, United Kingdom (1978 - 1986)

Other Directorship(s):

Listed Issuers:
- IHH Healthcare Berhad
- RHB Bank Berhad

Public Companies:
- FIDE Forum
- RHB Islamic Bank Berhad

DATO' ROSLINA BINTI ZAINAL

Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 59 / Female

Date of Appointment(s):

- 28 April 2020 (Redesignated as Independent Non-Executive Director)
- 15 March 2019 (Non-Independent Non-Executive Director)

Year(s) of Directorship:

Three (3) years

Date of Last Re-Election:

14 May 2019

Board Committee(s):

NR L F T

Board meetings attended in the Financial Year:

20 / 20

Academic/Professional Qualification(s):

- Master of Business Administration, University of New England, New South Wales, Australia
- Bachelor of Electrical Engineering, Lakehead University, Canada

Skills, Experience and Expertise:

- Member of Tan Sri Leo Moggie Distinguished Chair in Energy Informatics, Universiti Tenaga Nasional, Malaysia (UNITEN) (2021 - Present)
- Advocate, 30% Club, Malaysian Chapter (2021 - Present)
- Director, Universiti Teknikal Malaysia Melaka (UTeM) (2019 - 2020)
- Director, Sapura Energy Berhad (2019 - 2020)
- Senior Fellow, Khazanah Research & Investment Strategy, Khazanah Nasional Berhad (2018 - 2019)
- Adjunct Professor, College of Business, Universiti Tenaga Nasional, Malaysia (2016 - 2018)
- Held various positions in TNB:
  - Vice President (Regulatory Economics & Planning) (2015 - 2018)
  - Vice President (Planning) (2009 - 2015)
  - General Manager (VPP/Energy Procurement), Planning Division (2008 - 2009)
- Has served Lembaga Letrik Negara/TNB for 33 years in various divisions such as Distribution, Planning, Business Strategy, Regulations, Transmission and Corporate Planning
- Seconded to Economic Planning Unit of the Prime Minister's Department (1990 - 1992)

Other Directorship(s):

Listed Issuer:
- Malaysia Smelting Corporation Berhad

Public Company:
- Nil

DATO' IR. NAWAWI BIN AHMAD

Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 60 / Male

Date of Appointment:

16 October 2020

Year(s) of Directorship:

One (1) year

Date of Last Re-Election:

10 May 2021

Board Committee(s):

I T NR L

Board meetings attended in the Financial Year:

20 / 20

Academic/Professional Qualification(s):

- Master of Engineering Management, Universiti Tenaga Nasional, Malaysia
- Bachelor of Engineering (Electrical), Universiti Teknologi Malaysia, Malaysia
- Member of Institution of Engineers, Malaysia
- Registered Professional Engineer with Board of Engineers, Malaysia

Skills, Experience and Expertise:

- Chairman, Panorama Sdn. Bhd. [Subsidiary of Langkawi Development Authority (LADA)] (2017 - 2018)
- Chairman, Keretapi Tanah Melayu Berhad (KTMB), Multi Modal and Freight Sdn. Bhd. (MMF) (Subsidiary of KTMB) and KTM Distribution Sdn. Bhd. (Subsidiary of KTMB) (2014 - 2018)
- Chairman, KTMB MMC Cargo Sdn. Bhd. (JV company of KTMB and MMC Corporation Berhad) (2016 - 2018)
- Director, LADA (2010 - 2018)
- Chairman of Advisory Board, Kolej Komuniti Langkawi (2008 - 2018)
- Member of Parliament (P.004 Langkawi) (2013 - 2018)
- Member of State Assembly (N02 Kuah) (2004 - 2013)
- Kedah State Executive Councillor (N02 Kuah) (Energy, Works, Environment & Tourism) (2004 - 2008)
- Senior Engineer, TNB (1984 - 2004)

Other Directorship(s):

Listed Issuer:
- Nil

Public Company:
- Nil

BOARD OF DIRECTORS' PROFILE

DATUK RAWISANDRAN A/L NARAYANAN

Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 58 / Male

Date of Appointment:

16 October 2020

Year(s) of Directorship:

One (1) year

Date of Last Re-Election:

10 May 2021

Board Committee(s):

A R L

Board meetings attended in the Financial Year:

20 / 20

Academic/Professional Qualification(s):

- Professional Diploma in Business Management, Asian Management Development Academy PLT, Malaysia (Oxford Business College, United Kingdom)
- Diploma in Business Management, Asian Management Development Academy PLT, Malaysia (Oxford Business College, United Kingdom)

Skills, Experience and Expertise:

- Director, National Land Finance Co-Operative Society Limited (2021- Present)
- Director (Business Development), C & S Engineering Management Sdn. Bhd. (2010 - Present)
- Secretary of Malaysian Indian Congress (MIC), Selangor (2016 - 2018)
- Senator (2007 - 2010)
- Member of Kajang Municipal Council (2003 - 2008)
- Member of Sepang District Council (1997 - 2003)

Other Directorship(s):

Listed Issuer:

- Nil

Public Company:

- Nil

DATUK LAU BENG WEI

Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 56 / Male

Date of Appointment:

1 December 2021

Year(s) of Directorship:

Less than one (1) year

Board Committee(s):

A F

Board meetings attended in the Financial Year:

1 / 1 (since appointment date)

Academic/Professional Qualification(s):

- Master in Business Administration (Majoring in International Business), Universiti Putra Malaysia, Malaysia
- Bachelor of Electrical Engineering (Majoring in Electrical Power), Universiti Teknologi Malaysia, Malaysia

Skills, Experience and Expertise:

- Director, Synergy Goldtree Sdn. Bhd. (Present)
- Executive Director, Varia Engineering & Services Sdn. Bhd. (1996 - Present)
- Chairman, Lembaga Pelesenan Eksais Wilayah Persekutuan Kuala Lumpur, Dewan Bandaraya Kuala Lumpur (DBKL) (2020 - Present)
- City Advisory Board Member, DBKL (2020 - Present)
- Member, Suruhanjaya Syarikat Malaysia (SSM) (2012 - 2014)
- Executive Director, Royce Pharma Holdings Bhd. (2010 - 2020)
- Director, Focus Dynamic Sdn. Bhd. (2007 - 2010)
- Director, Dream Chorus Sdn. Bhd. (2005 - 2013)
- He started his career in TNB, where he has held various positions within the Company:
  - Regional Head, Transmission Department, TNB (Perak) (2001 - 2003)
  - Senior Engineer, Transmission Maintenance, TNB (Kuala Lumpur) (2000 - 2001)
  - Regional Head, Transmission Department, TNB (Kelantan & part of Terengganu) (1998 - 2000)
  - Primary Equipment Maintenance Engineer, Transmission Maintenance (South 2), TNB (1995 - 1998)
  - Protection Engineer, Meters Protection Department (Southern Region), TNB (Johor) (1990 - 1999)

Other Directorship(s):

Listed Issuer:
- Nil

Public Company:
- Nil

BOARD OF DIRECTORS' PROFILE

DATO' MERINA BINTI ABU TAHIR

Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 56 / Female

Date of Appointment:

1 February 2022

Year(s) of Directorship:

Less than one (1) year

Board Committee(s):

A F NR

Board meetings attended in the Financial Year:

NA

Academic/Professional Qualification(s):

- Fellow Member of Association of Chartered Certified Accountants (ACCA), FCCA (UK)
- Member of Malaysian Institute of Certified Public Accountants (MICPA), CPA
- Member of Malaysian Institute of Accountants (MIA), CA (M)
- Member of ASEAN Chartered Professional Accountant (ASEAN CPA)
- Professional Member of Institute of Internal Auditors Malaysia (IIAM), CMIIA

Skills, Experience and Expertise:

- Director, Lembaga Tabung Haji Property Holdings Ltd Group of Companies (2020 - 2021)
- Chief Financial Officer, Lembaga Tabung Haji (2020 - 2021)
- Malaysia Airlines Berhad/Malaysian Airline System Berhad:
  - Chief Internal Auditor (2011 - 2014, 2015 - 2020)
  - Director, Corporate Services (2014 - 2015)
  - Senior Vice President, Commercial Office (2011)
  - Regional Senior Vice President, Middle East, Africa & South America (MEASA) (2008 - 2011)
  - General Manager, Finance Support Services (2004 - 2007)
- Head, Group Finance, IT & Property, Amanah Capital Partners Berhad (1997 - 2004)
- Sime Darby Berhad:
  - Business Development Manager (1996 - 1997)
  - Finance & Administration Manager, Sime Darby Travel Sdn. Bhd. & Sime Holidays Sdn. Bhd. (1994 - 1996)
  - Assistant Audit Manager (1991 - 1993)
- Audit Semi-Senior, Messrs Price Waterhouse (now known as Messrs PricewaterhouseCoopers) (1991)

Other Directorship(s):

Listed Issuer:

- S P Setia Berhad

Public Company:

- Nil

FAISAL @ PISAL BIN ABDUL GHANI

***Alternate Director to Datuk Seri Asri bin Hamidin @ Hamidon**

Nationality / Age / Gender:

Malaysian / 43 / Male

Date of Appointment:

1 March 2022

Year(s) of Directorship:

Less than one (1) year

Board Committee(s):

Nil

Board meetings attended in the Financial Year:

N/A

Academic/Professional Qualification(s):

- Masters in Public Administration, University of Alabama, United States of America
- Bachelor of Business Administration (Finance), Universiti Tenaga Nasional, Malaysia
- Diploma in Public Administration, National Institute of Public Administration, Malaysia

Skills, Experience and Expertise:

- Senior Private Secretary, Office of Secretary General of Treasury, Ministry of Finance (2021 - Present)
- Advisor, World Bank South East Asia Group (2019 - 2021)
- Principal Assistant Secretary, Office of Secretary General of Treasury, Ministry of Finance (2018)
- Senior Assistant Secretary, Government Investment MOF Inc. and Privatisation Division, Ministry of Finance (2007 - 2015)
- Assistant Secretary, MOF Inc. Company Coordination Government Investment Companies Division, Privatisation and Public Enterprises, Ministry of Finance (2004 - 2007)

Other Directorship(s):

Listed Issuer:
- Nil

Public Company:
- Nil

Declaration by the Board:
- Family Relationship with any Director and/or Major Shareholder of TNB:
  None of the Directors has any family relationship with any Director and/or Major Shareholder of TNB.
- Conflict of interest with TNB:
  Save as disclosed above, none of the Directors has any conflict of interest with TNB.
- Other than traffic offences, any conviction for offences within the past five (5) years and any public sanction or penalty imposed by the relevant regulatory bodies during the Financial Year under review:
  Other than traffic offences, none of the Directors has been convicted for any offences within the past five (5) years nor has been imposed any public sanction or penalty by the relevant regulatory bodies during the Financial Year under review.

COMPANY SECRETARY'S PROFILE

NORAZNI BINTI MOHD ISA

Company Secretary

Nationality / Age / Gender:

Malaysian / 58 / Female

Date of Appointment:

31 May 2012

Academic/Professional Qualification(s):

- Master of Laws, Universiti Malaya, Malaysia
- Advanced Diploma in Law, (Institut Teknologi MARA), (now Universiti Teknologi MARA), Malaysia
- Diploma in Law, (Institut Teknologi MARA), (now Universiti Teknologi MARA), Malaysia

Skills, Experience and Expertise:

- 32 years of vast experience within TNB where she had served in various positions specifically in legal services, tender & contract management and regulatory management
- Deputy Company Secretary and Joint Company Secretary, TNB (2011 - 2012)
- Head of Tender Management Unit, Procurement Division, TNB (2006 - 2011)
- Manager of Licensing and Compliance Unit, Corporate Communications Department, TNB (2003 - 2006)
- Manager of Contract Management, Procurement Division, TNB (2002 - 2003)
- Legal Executive in Legal Services Department, Company Secretary's Office, TNB (1990 - 2001)

Other Directorship(s):

Listed Issuer:
- Nil

Public Company:
- Nil

Additional Information:

Family Relationship with any Director and/or Major Shareholder of TNB:
- Nil

Conflict of interest with TNB:
- Nil

Other than traffic offences, any conviction for offences within the past five (5) years and any public sanction or penalty imposed by the relevant regulatory bodies during the Financial Year under review:
- Nil

SENIOR MANAGEMENT PROFILE

Nationality / Age / Gender:

Malaysian / 58 / Male

Date of Appointment:

1 March 2021

Management Committee(s):

GEMC GPC GMTC COMPEC IEC

DATUK IR. BAHARIN BIN DIN

President/Chief Executive Officer

Qualification(s):

- Master of Business Administration – joint MBA programme between Universiti Tenaga Nasional, Malaysia and Bond University, Australia
- Bachelor of Science (Electrical Engineering), Syracuse University, New York, United States of America
- Certified Professional Engineer of the Board of Engineers (BEM), Malaysia
- Member of Institution of Engineers, Malaysia
- Qualified Competent Engineer (Up to 33kV)
- Qualified Service Engineer (Up to 33kV)

Working Experience:

- Datuk Ir. Baharin bin Din built his career in TNB serving in various engineering and managerial positions within the Company, including Business Development, Network Maintenance, Network Planning, Construction Services, Metering Service and Engineering Services.
- He was seconded to the Ministry of Energy, Green Technology and Water (KeTTHA), for two (2) and a half years, where he served as the Deputy Director for the Electrical Inspectorate Department in Sabah. He then became the Director for the Electrical Inspectorate Department in Pahang.
- He was the Managing Director of Sabah Electricity Sdn. Bhd. from 2007 to 2011, and was promoted to Senior General Manager (Customer Service & Metering) of TNB in December 2011.
- Datuk Ir. Baharin was made Vice President, Distribution, in January 2012 until July 2018, and was re-designated as Chief Distribution Network Officer from 1 August 2018.
- He was appointed as President/Chief Executive Officer of TNB on 1 March 2021.

Directorships In Public Companies and Listed Issuers:

- Nil

Nationality / Age / Gender:

Malaysian / 61 / Male

Date of Appointment:

1 October 2020

Management Committee(s):

GEMC GPC COMPEC IEC

DATO' NOR AZMAN BIN MUFTI

Managing Director, TNB Power Generation Sdn. Bhd.

Qualification(s):

- Master of Engineering Management, Universiti Tenaga Nasional, Malaysia
- Bachelor of Engineering (Mechanical), University of Strathclyde, Glasgow, Scotland, United Kingdom
- Diploma in Mechanical Engineering, University of Technology, Malaysia

Working Experience:

- Dato' Nor Azman bin Mufti has served for 42 years in TNB, holding various positions in Generation Division portfolios namely Managing Director of TNB REMACO Sdn. Bhd. and Vice President of Energy Ventures Division.
- Prior to the current appointment, he was the Chief Power Generation Officer of Power Generation Division, TNB.
- As the Managing Director of TNB Power Generation Sdn. Bhd., he is responsible for leading and driving GenCo towards new growth, increased efficiencies, business synergies and greater business development.

Directorships In Public Companies and Listed Issuers:

- Nil

SENIOR MANAGEMENT PROFILE

Nationality / Age / Gender:

Malaysian / 60 / Male

Date of Appointment:

1 February 2019

Management Committee(s):

GEMC GPC GMTC

DATUK IR. HUSAINI BIN HUSIN

Chief Grid Officer

Qualification(s):

- Master of Business Administration, Ohio University, United States of America
- Bachelor of Engineering and Applied Science (Electrical Engineering), Sussex University, United Kingdom
- Diploma in Electrical Engineering, Brighton Technical College, United Kingdom

Working Experience:

- Datuk Ir. Husaini bin Husin has served for more than 36 years in TNB, holding various positions in Transmission Division, now known as Grid Division.
- As the Chief Grid Officer of Grid Division, he is responsible for the overall performance of TNB's transmission business, which focuses on transporting electricity, managing the division's assets as well as operating and maintaining transmission network.

Directorships In Public Companies and Listed Issuers:

- Nil

Nationality / Age / Gender:

Malaysian / 58 / Male

Date of Appointment:

1 March 2021

Management Committee(s):

GEMC GPC GMTC

WAN NAZMY BIN WAN MAHMOOD

Chief Distribution Network Officer

Qualification(s):

- Master of Engineering (M.Eng.), Universiti Tenaga Nasional, Malaysia
- Bachelor of Science. Rensselaer Polytechnic Institute, United States of America

Working Experience:

- Wan Nazmy's career in TNB at various engineering and managerial positions began in 1985. These positions include, Assistant Engineer, Assistant District Engineer, District Manager, Principal Engineer, General Manager and Senior General Manager. The various scopes that he has served include Business Development, Network Maintenance and Planning, Construction Services, Engineering Services, Distribution Network Operations and Asset Management.
- He was appointed to lead TNB's Business Global Solutions Division as the Chief Global Business Solutions, prior to his current appointment as the Chief Distribution Network Officer (CDNO).
- Wan Nazmy aspires to take Distribution Network Division to a greater height in its business and operational performance.
- Additionally, aligning with the national agenda of net zero by 2050, for a more sustainable nation, Wan Nazmy is also committed to spearheading Distribution Network towards supporting this agenda by materialising the Division's target for Smart Utility 2025.

Directorships In Public Companies and Listed Issuers:

- Nil

Nationality / Age / Gender:

Malaysian / 56 / Male

Date of Appointment:

1 August 2018

Management Committee(s):

GEMC GPC GMTC IEC

DATUK IR. MEGAT JALALUDDIN BIN MEGAT HASSAN

Chief Retail Officer

Qualification(s):

- Member of Institution of Engineers, Malaysia
- Certified Professional Engineer of the Board of Engineers (BEM), Malaysia
- Bachelor of Engineering (Hons.) (Electrical Engineering), University of Wollongong, Sydney, Australia

Working Experience:

- Datuk Ir. Megat Jalaluddin bin Megat Hassan has served in various positions in TNB.
- Prior to this current position, Datuk Ir. Megat served as the Chief Strategic Officer for six (6) years where he spearheaded corporate and business transformation for the organisation.
- As the Chief Retail Officer of Retail Division in TNB, he is responsible for delivering the aspirational vision for TNB as a leading retail company of the future.
- Among his main tasks are to enable growth of TNB's new retail business covering both core business on the kWh and new products and services beyond energy and to deliver quality customer experience by expanding TNB digital services.

Directorships In Public Companies and Listed Issuers:

- Nil

Nationality / Age / Gender:

Malaysian / 58 / Male

Date of Appointment:

1 August 2018

Management Committee(s):

GEMC GPC GMTC COMPEC IEC

NAZMI BIN OTHMAN

Chief Financial Officer

Qualification(s):

- Certified Public Accountant of Malaysian Institute of Certified Public Accountants (MICPA)
- Certified Public Accountant of Australian Society of Certified Practising Accountants (CPA Australia)
- Member of Malaysian Institute of Accountants (MIA)
- Bachelor of Commerce (Accounting), University of Wollongong, Australia

Working Experience:

- Prior to joining TNB, Nazmi bin Othman served in various positions in other companies such as Island & Peninsular Berhad and MRCB as the Financial Controller of Port Dickson Power Sdn. Bhd., an Independent Power Producer.
- In 1998, he joined TNB and served in various positions before becoming the Chief Investment Management Officer in 2014.
- He was appointed as Chief Financial Officer, Group Finance with effect from 1 August 2018. Some of his tasks include monitoring financial related activities, and advising the CEO and the Board of Directors on key financial decisions.
- He leads Group Finance as an active strategic financial partner in driving TNB's business aspirations, and achieving the Group's objectives. Besides this, he also ensures continuous improvement and review on key financial areas such as finance policies & procedures, system efficiency & processes, strategic financial risks and staff competency.

Directorships In Public Companies and Listed Issuers:

- Nil

SENIOR MANAGEMENT PROFILE

Nationality / Age / Gender:

Malaysian / 65 / Male

Date of Appointment:

1 January 2021

Management Committee(s):

GEMC GPC

DATUK WIRA ROSLAN AB RAHMAN

Chief Regulatory & Stakeholder Management Officer

Qualification(s):

- Bachelor of Science (Hons.) (Electrical Engineering), University of Southampton, United Kingdom

Working Experience:

- Datuk Wira Roslan Ab Rahman joined TNB in 1980 and held various positions within TNB Distributions at district level in Peninsular Malaysia.
- He also led the company's Corporate Services from 2012 to 2020.
- He is currently the Country Coordinator for the Heads of ASEAN Power Utilities/Authorities (HAPUA).
- His latest role will focus on TNB's immediate regulatory objectives and managing our stakeholders towards effective outcomes for our customers.

Directorships In Public Companies and Listed Issuers:

- Nil

Nationality / Age / Gender:

Malaysian / 52 / Male

Date of Appointment:

1 January 2021

Management Committee(s):

GEMC GPC COMPEC IEC

DATUK FAZLUR RAHMAN BIN ZAINUDDIN

Chief Strategy & Ventures Officer

Qualification(s):

- Fellow of Association of Chartered Certified Accountants, United Kingdom
- Member of Malaysian Institute of Accountants

Working Experience:

- Datuk Fazlur Rahman served for four (4) years in public accounting practices with three (3) years in PricewaterhouseCoopers Malaysia, Kuala Lumpur, as a Tax Consultant.
- He later served in Shell Malaysia for a decade in various capacities within the corporate and financial management functions of the company starting from 1995.
- He joined Telekom Malaysia Berhad in 2005 and served in several senior roles with the last position as Vice President – Business Development. He became the Chief Financial Officer of Naza Group in 2010.
- He was appointed TNB's Chief Financial Officer/Vice President, Group Finance in July 2012, where he served for six (6) years.
- Datuk Fazlur was appointed as Chief Strategy & Regulatory Officer with effect from 1 August 2018.
- From 1 January 2021, he holds the position of Chief Strategy and Ventures Officer. In this role, he leads the development and implementation of the long-term strategy for TNB, incorporating the energy transition trends and the Environmental, Social and Corporate Governance (ESG) agenda. His responsibilities also include searching for, identifying and evaluating new business areas to venture into, exploring innovation, guiding TNB Research, a subsidiary of TNB, to research fields relevant to TNB business. In addition, he steers a group of subsidiaries in manufacturing, telco, energy efficiency and service business.

Directorships In Public Companies and Listed Issuers:

- TNB Global Ventures Capital Berhad

Nationality / Age / Gender:

Malaysian / 58 / Male

Date of Appointment:

1 April 2021

Management Committee(s):

GEMC GPC

WAHIZAN BIN ABD RAHMAN

Chief People Officer

Qualification(s):

- Bachelor (Electrical & Electronic), George Washington University, Washington DC, United States of America
- Masters in Business Administration, Universiti Tenaga Nasional, Malaysia

Working Experience:

- Wahizan bin Abd Rahman, began his professional career with TNB in 1987 and has served in various positions for the past 35 years. He started his career at Generation Power Plants before moving to Distribution Division where he had stints at Distribution Engineering Department as well as managing business operation in Kuala Lumpur.
- He was the General Manager for Distribution Putrajaya & Cyberjaya before shifting to TNB Headquarters to continue his career in Human Resource Management.
- His experience in Human Resources include serving as General Manager for Human Resource Planning & Staffing, Senior General Manager for Human Resource Planning & Development and Senior General Manager for Human Resource Strategy and Transformation.
- Prior to his appointment as Chief People Officer, he was the Head for People Strategy & Organisation Effectiveness at Group Human Resource Division.

Directorships In Public Companies and Listed Issuers:

- Nil

Nationality / Age / Gender:

Malaysian / 45 / Male

Date of Appointment:

12 January 2022

Management Committee(s):

GEMC GPC

MOHD ZARIHI MOHD HASHIM

Chief New Energy Officer

Qualification(s):

- M.B.A from INSEAD
- Bachelor of Engineering (Hons) in Electrical and Electronic Engineering from University College London

Working Experience:

- Prior to joining TNB, Zarihi was the Senior Director, Investment and a member of the Investment Committee at Ekuiti Nasional Berhad. His responsibilities extend across various investment lifecycles from deal origination, structuring, valuation, due diligence, operational value creation and investment exit.
- He was also the Vice President, Strategic Investment at Permodalan Nasional Berhad. His role was to maximise total shareholder return from key portfolio companies.
- He also served as the Vice President at Axiata Digital and Axiata Group.
- During his early career, he held various roles in management and I.T consulting with Accenture and A.T. Kearney.
- He was also an engineer at Motorola Semiconductor.

Directorships In Public Companies and Listed Issuers:

- Nil

SENIOR MANAGEMENT PROFILE

Nationality / Age / Gender:

Malaysian / 59 / Male

Date of Appointment:

1 September 2015

Management Committee(s):

GEMC GPC GMTC

DATUK FAZIL BIN IBRAHIM

Chief Information Officer

Qualification(s):

- Master of Business Administration, MBA Ohio University, Athens, United States of America
- Bachelor of Science – BSc. Australian National University, Canberra, Australia, (Operations Management & Computer Science)

Working Experience:

- Datuk Fazil bin Ibrahim started his career with LLN/TNB in 1985, in various roles within the Group, including Corporate Services, Distribution and Human Resource before being promoted to Head of Corporate Systems & Application Support, ICT Division in 2006.
- He held the position of Senior General Manager for ICT Division from 2012 to August 2015 and subsequently was appointed as Chief Information Officer with effect from 1 September 2015.
- He is responsible for TNB's group-wide business information systems & cyber security, technology & digital strategy, delivery of telecommunication & IT infrastructure, major enterprise solutions and other applications.
- He also oversees business continuity planning, coordinating & monitoring of ICT & Digital initiatives within ICT Division, group-wide and with external parties.

Directorships In Public Companies and Listed Issuers:

- Nil

Nationality / Age / Gender:

Malaysian / 55 / Male

Date of Appointment:

1 January 2020

Management Committee(s):

GEMC GPC COMPEC

AMIR MAHMOD BIN ABDULLAH

Chief Procurement Officer

Qualification(s):

- MSc. In Engineering Business Management (Integrated Graduate Development Scheme, IGDS), University of Warwick, United Kingdom/University of Technology, Malaysia
- B.Eng. (Hons) in Electrical & Electronic Engineering, Brighton Polytechnic, United Kingdom
- Post Graduate Diploma In Engineering Business Management (Integrated Manager Development Scheme, IMDS), University of Warwick, United Kingdom/University of Technology, Malaysia
- Other learning exposure and experiences includes attachment at Melbourne Business School (Australia), National University of Singapore and Disney University, Florida, United States of America

Working Experience:

- Amir Mahmod Abdullah started his career in 1988 with LLN/TNB. He has vast years of experiences ranging from Customer Service, Maintenance, Planning, Construction to Head of few Cost and Profit Centers.
- Among the special projects led by him were the development of online application system such as Competency Based Performance Management System, Online Employee Feedback, and Integrated Development of Proton City.
- In 2009, Amir served as Head of TNB Metering and Revenue Management and later, in 2014, he was appointed as the first Programme Director of TNB's Smart Meter under Advanced Metering Infrastructure (AMI) which is part of Connected Grid of the Future.
- In 2016, Amir was assigned to Tenaga Cable Industries Sdn. Bhd. (TNB's Subsidiary) to transform the loss making cable company into a more profitable and sustainable company.
- In 2018, Amir then served as a Program Director of Procurement Hub Functions and was later appointed as Chief Procurement Officer in January 2020.
- Amir was one of the first participants of TNB's Leadership Drive programme, and is now an accredited trainer in several business areas.

Directorships In Public Companies and Listed Issuers:

- Nil

SENIOR MANAGEMENT PROFILE

Nationality / Age / Gender:

Malaysian / 58 / Male

Date of Appointment:

15 November 2021

Management Committee(s):

GEMC GPC GMTC

AHMAD HUSHAIRI BIN IBRAHIM

Chief Global Business Solutions Officer

Qualification(s):

- Bachelor of Science (Electrical Engineering), Syracuse University, New York

Working Experience:

- Ahmad Hushairi bin Ibrahim began his career at TNB in 1986. He has held positions in various divisions including the Distribution Division, ICT Division and in Retail Operations. He was appointed Chief Global Business Solutions Officer in November 2021.
- He was appointed General Manager (Strategy Management and Organisation Development), Distribution Division in 2011 where he was responsible for driving the business plan forward. In 2016, he was appointed Project Director (Billing and Customer Relation Management) in the Distribution Division and Head of retail operations in 2018 and Head of Strategy in the Retail Division in January 2021.

Directorships In Public Companies and Listed Issuers:

- Nil

Nationality / Age / Gender:

Malaysian / 58 / Female

Date of Appointment:

31 May 2012

Management Committee(s):

GEMC GPC

NORAZNI BINTI MOHD ISA

Company Secretary

Her profile is set out in Company Secretary's Profile on page 72 of the Integrated Annual Report.

Additional Information on Our Management Team:

(i) None of the members of our Management Team has any family relationship with any Director and/or Major Shareholder of TNB.
(ii) None of the members of our Management Team has any conflict of interest with TNB.
(iii) None of the members of our Management Team has been convicted of any offences (save for minor traffic offences) within the past five (5) years, nor has been imposed any public sanction or penalty by the relevant regulatory bodies during the Financial Year under review.

MEMBERSHIP KEY

GEMC
Group Executive Management Committee

GPC
Group People Committee

COMPEC
Commodity Procurement Executive Committee

GMTC
Group Management Tender Committee

IEC
Investment Executive Committee

ORGANISATIONAL STRUCTURE

BOARD OF DIRECTORS

Chief Internal Auditor
Chief Risk Officer
Chief Integrity Development Officer

BOARD COMMITTEES

COMPANY SECRETARY

PRESIDENT/CHIEF EXECUTIVE OFFICER

Core Business

MANAGING DIRECTOR
(TNB Power Generation Sdn. Bhd.)

CHIEF GRID OFFICER
(Grid Division)

CHIEF DISTRIBUTION NETWORK OFFICER
(Distribution Network Division)

CHIEF RETAIL OFFICER
(Retail Division)

Non-Core Business

CHIEF FINANCIAL OFFICER
(Group Finance Division)

CHIEF REGULATORY & STAKEHOLDER MANAGEMENT OFFICER
(Regulatory & Stakeholder Management Division)

CHIEF STRATEGY & VENTURES OFFICER
(Strategy & Ventures Division)

CHIEF PEOPLE OFFICER
(Group Human Resource Division)

CHIEF NEW ENERGY OFFICER
(New Energy Division)

CHIEF INFORMATION OFFICER
(Information & Communication Technology Division)

CHIEF PROCUREMENT OFFICER
(Procurement & Supply Chain Division)

CHIEF GLOBAL BUSINESS SOLUTIONS OFFICER
(TNB Global Business Solutions Division)

HEAD (Legal Services)
(Legal Services Department)

HEAD (Corporate Communications)
(Group Corporate Communications Department)

Ring-fenced

Single Buyer
Grid System Operator

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

CLARITY OF PURPOSE, POSITIVE CULTURE AND STRONG GOVERNANCE ENABLES US TO CONTINUE DELIVERING FOR OUR STAKEHOLDERS

Dear Shareholders,

On behalf of the Board, I am pleased to introduce the corporate governance overview for 2021. This, along with our corporate governance report which is available on our corporate website, continues to be the Board's principal method of reporting to shareholders on our governance policies and on our application of the principles of good corporate governance.

Our strong governance framework, culture and values have continued to play a critical part in enabling us to respond to the pandemic and its economic and social impact in conjunction with safeguarding the business imperatives which underpin long-term sustainable value creation. As part of the Nation's critical infrastructure, our work has never been more important, and I am immensely proud of the outstanding work of our employees across the Group, as they adjusted to their home and working lives in ways that would have seemed unimaginable before the pandemic. They have risen to the challenge of supporting the safety of fellow employees and loved ones, whilst continuing to focus on running the business. Working together, they have provided the energy and critical system support services that the country needs to keep the lights on and to power industry and businesses.

COVID-19 and the Board's Response

The Board adapted to the changing ways of operating in response to the pandemic. Deploying online video conferencing, the Board held additional meetings to oversee management's response and understand the impact on employees, customers, suppliers and business partners. These meetings were attended by the Group Executive Management Committee (GEMC), together with key members of senior management as necessary. Each meeting started with a report on our employees, focusing on the measures taken to protect key workers at operational sites, and how the Company was implementing home working arrangements where possible. The report also provided updates on the well-being of employees as they adapted to changes in their lives and working practices. The Board also oversaw the operational response to continuing to deliver the Group's key objectives during the pandemic.

The Board has been kept appraised of the measures being taken and appreciates the open and honest discussions with management and the collegiate response to the pandemic. The way the business has performed during this period is a testament to the strength of the organisational structures and the commitment and hard work of employees at all levels.

ROLE OF THE BOARD AND ITS EFFECTIVENESS

My role as Chairman is to provide leadership to the Board and to provide the right environment to enable each of the Directors, and the Board as a whole, to perform effectively to promote the success of the Company for the benefit of its shareholders and other stakeholders.

It is my view that the Board continues to be highly effective with a good understanding of the Group's opportunities as well as the threats facing the business. This view is supported by the results of this year's Board and Committee performance evaluations, which are reported on pages 93 to 94. The Board keeps under constant review the threats to the future success of the business, the most immediate being the continuing impact of the COVID-19 pandemic. Other risks identified and reviewed are contained in the Statement on Risk Management and Internal Control on pages 118 to 124.

STAKEHOLDER ENGAGEMENT

The Board understands the part the Group can play in creating a more sustainable Malaysia. We are committed to carrying out our business in a responsible way and remain focused on improving the provision of energy services for the benefit of all of our stakeholders.

We engage and consult with employees regularly through employee engagement forums. Such forums provide employees with important and up to date information about key events and give them an opportunity to provide feedback.

We also actively engage with all our stakeholders, including our customers, our communities, our people and our suppliers, as well as with our investors. We are acutely aware that our stakeholders are struggling with the challenges posed by an uncertain future. We commit to maintaining appropriate and regular dialogue to ensure that our strategy and our performance objectives reflect their expectations. Our continuous engagement allows stakeholders to provide feedback on the matters they consider to be important and any issues which they would like to be addressed.

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

BOARD CHANGES

The Board continuously seeks to ensure it has an appropriate mix of diversity, skills, experience and expertise to enable it to discharge its responsibilities effectively and to be well equipped in assisting the Company to navigate the range of opportunities and challenges ahead.

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.

The BNRC is entrusted with the responsibility of assessing and considering the capabilities, commitment and qualities of candidates to be appointed as Board Members as well as Committee members, taking into account the diversity, required mix of skills, background, experience/expertise/knowledge relevant to the Company's business, existing commitment and potential conflict of interest prior to recommending to the Board.

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, 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.

As at the date of this statement, there are 12 members on the Board excluding Alternate Director; one (1) Executive Director and 11 Non-Executive Directors, eight (8) of whom are Independent Directors.

These Independent 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.

The Board have continued to reshape its membership through the right balance of experience, expertise and fresh thinking.

We saw several movements of the Board during the Financial Year under review. Dato' Sri Hasan bin Arifin was appointed as Chairman/Non-Independent Non-Executive Director, with the concurrence of MoF Inc., with effect from 1 October 2021 in place of Dato' Seri Mahdzir bin Khalid upon his appointment as the Minister of Rural Development. Dato' Sri Hasan bin Arifin is an Appointed Director by MoF Inc., representing the interest of TNB's Special Shareholder. He is neither a member of the Board Audit Committee (BAC) nor Board Nomination and Remuneration Committee (BNRC) or other Board Committees in line with the Malaysian Code on Corporate Governance as at 28 April 2021 (MCCG).

With his experience in the corporate sector, the Board believed that he would not only continue the great work of his predecessors but also maintain the practice of good governance, transparency and accountability. His wealth of knowledge would be instrumental in TNB's ongoing transformation initiatives and efforts to recover from the onslaught of COVID-19.

The resignation of Dato' Seri Mahdzir bin Khalid took place with effect from 29 August 2021 and the Board of Directors also would like to express its appreciation to Dato' Seri Mahdzir bin Khalid for his contribution to the Company.

With deep regret we report the demise of Noraini binti Che Dan, Senior Independent Non-Executive Director on 26 August 2021. The Board of Directors would like to place on record their highest gratitude and appreciation for her guidance and immense contribution given by the late Noraini binti Che Dan to the Board during her tenure as a Director. She was the Chairman of BAC and Member of Board Finance and Investment Committee (FIC), Board Risk Committee (BRC), BNRC and Board Long Term Incentive Plan Committee (BLTIP). Her stewardship, integrity and wisdom will be deeply missed.

The Board on 25 November 2021, approved the appointment of Datuk Lau Beng Wei as Independent Non-Executive Director with effect from 1 December 2021. He began his career in TNB and currently the Chairman, Lembaga Pelesenan Eksais Wilayah Persekutuan Kuala Lumpur, Dewan Bandaraya Kuala Lumpur. His understanding and knowledge of the Company's operation and the industry shall facilitate the Board in making effective decision making. Further to that his qualification and experience have fulfilled the gap identified through the Board Skills Matrix, of having a Director with technical experience on Board. He was appointed as Member of BAC and FIC with effect from 1 December 2021.

A new addition to the Board is the appointment of Dato' Merina binti Abu Tahir as Independent Non-Executive Director with effect from 1 February 2022. She was also appointed as Chairman of BAC and Member of FIC and BNRC with effect from 1 February 2022.

She has over 30 years of experience across finance, business development, internal audit, governance/ethics sectors in both local and international companies and had served in several key positions at Malaysian corporates namely Malaysia Airlines Berhad/Malaysian Airline System Berhad, Amanah Capital Partners Berhad and Sime Darby Berhad.

She is a Fellow Member of Association of Chartered Certified Accountants (ACCA), UK and Member of Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants (MIA), ASEAN Chartered Professional Accountant and Institute of Internal Auditors Malaysia. She was past Chairperson of ACCA Malaysia Advisory Committee and past Council member of the MIA.

She sits on the Board of S P Setia Berhad, a listed company in Bursa Malaysia Securities Berhad.

Faisal @ Pisal bin Abdul Ghani was appointed as Alternate Director to Datuk Seri Asri bin Hamidin @ Hamidon on 1 March 2022, in place of Azmin bin Ishak who had ceased office on 10 February 2022.

These new appointments have added to the wealth of experience/expertise we have on the Board.

The Board fulfils Practice 5.2 of MCCG for Large Companies having a majority of Independent Directors, with the number exceeding the minimum requirement as prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR).

The Board/BNRC continuously review the Board Skills Matrix, which serves to identify the skills, knowledge, experience and capabilities desired of the Board to enable it to meet both current and future challenges of the Company. It reflects the appropriate mix of skills, expertise and experience required to address existing and emerging business and governance issues, to enable Directors to effectively review Management's performance.

The Board approved the BNRC's recommendation that in order to strengthen the Board's composition to be more dynamic, the skills and gaps that have been identified as critical and need to be filled are technical experience, international business experience and customer centricity. The Board agreed that all Directors appointed during the Financial Year under review had met the required skills.

The Board believes that it presently has an appropriate balance of skills, experience, knowledge and independence to deliver the Group's strategy, to enable the Non-Executive Directors to effectively challenge the views of Management and to satisfy the requirements of good governance.

CULTURE AND GOVERNANCE

Strong governance is central to our successful management of the Group and it provides the framework for the effective delivery of our strategy, fulfilment of our purpose, the creation of value for all our stakeholders and the ongoing development of our sustainable business.

The Board and Management promote openness and a collaborative culture across the Group. Our people are respected irrespective of their background, are enabled to realise their potential, and contribute to delivering our purpose and strategy. We have always placed, and will continue to place, particular emphasis on the safety and well-being of our people. The Group's response to COVID-19 highlighted the deep-rooted sense of caring at all levels, as the business sought to support employees and wider stakeholders.

Details of how we have applied the Principles that form the MCCG are provided in our Corporate Governance Report. Underpinning our application of the Principles is our compliance with the MCCG's Intended Outcomes; I am pleased to say that, save for Practice 8.2 of MCCG and what has been explained in the Corporate Governance Report, we have generally complied with the MCCG Principles.

DATO' SRI HASAN BIN ARIFIN
Chairman

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

A SOUND GOVERNANCE FRAMEWORK UNDERPINS OUR PURPOSE AND

THE BOARD AND ITS GOVERNANCE FRAMEWORK

The purpose of the Board is to provide leadership and direction to the Group's management within a framework of controls which enable risk to be adequately assessed and managed. The Board is responsible and accountable to shareholders for the sustainable long-term success of the Company.

The Company's governance framework underpins the Company's operations. In addition to the seven (7) Board Committees detailed below, the Board has GEMC which comprises of the Top Management.

Terms of References (TORs) for the Company's BAC and BNRC are available at www.tnb.com.my.

THE BOARD

Key Roles and Responsibilities

- Provides leadership to the Company and direction for Management.
- Has collective responsibility and accountability to shareholders for the long-term success of the Group.
- Reviews the performance of Management and the operating and financial performance of the Group.
- Sets strategy.
- Determines risk appetite.
- Ensures that appropriate risk management and internal control systems are in place.
- Sets the Company's culture, values and behaviours.
- Ensures good governance.
- Deliberate and approve sustainability strategy and pathway while overseeing TNB's implementation and performance on sustainability

Chairman

- Leads the Board.
- Ensures an effective Board, including contribution and challenge from the Directors.
- Ensures that the Group maintains effective communication with its shareholders.

President/CEO

- Has day-to-day responsibility for running the Group's operations.
- Recommends to the Board and implements Group strategy.
- Applies Group policies.
- Promotes TNB's culture and standards.
- Ensures the Directors are properly informed and that sufficient information is provided to the Board to enable the Directors to form appropriate judgements.

The roles of Chairman and President/CEO are held by two (2) separate individuals

Board of Directors	Total Board Meetings Attended for Financial Year 2021	
Dato' Sri Hasan bin Arifin[1]	4/4	100%
Datuk Ir. Baharin bin Din[2]	17/17	100%
Datuk Seri Asri bin Hamidin @ Hamidon	13/20	65%
Datuk Amran Hafiz bin Affifudin[3]	19/20	95%
Juniwati Rahmat Hussin[4]	19/20	95%
Gopala Krishnan K.Sundaram[5]	20/20	100%
Ong Ai Lin	20/20	100%

TNB BOARD COMMITTEES

A – Board Audit Committee (BAC)

Total **23.45** meeting hours

Chairman
Noraini binti Che Dan[11]
Attendance **7/9^** (78%)

Members
Ong Ai Lin
Attendance **13/13** (100%)

Gopala Krishnan K.Sundaram[5]
Attendance **13/13** (100%)

Datuk Rawisandran a/l Narayanan[8]
Attendance **13/13** (100%)

Juniwati Rahmat Hussin[4]
Attendance **10/10*** (100%)

Datuk Lau Beng Wei[9]
Attendance **2/2*** (100%)

Dato' Roslina binti Zainal[6]
Attendance **3/3^** (100%)

Key Roles and Responsibilities

To oversee the integrity of the financial statements in compliance with legal and regulatory requirements and applicable accounting standards.

To assess the effectiveness of the Group's internal control framework as well as internal and external audit functions.

F – Board Finance And Investment Committee (FIC)

Total **27.33** meeting hours

Chairman
Datuk Amran Hafiz bin Affifudin[3]
Attendance **14/14** (100%)

Members
Dato' Roslina binti Zainal[6]
Attendance **14/14** (100%)

Gopala Krishnan K. Sundaram[5]
Attendance **13/13*** (100%)

Datuk Lau Beng Wei[9]
Attendance **1/1*** (100%)

Dato' Ir. Nawawi bin Ahmad[7]
Attendance **1/1^** (100%)

Noraini binti Che Dan[11]
Attendance **6/9^** (67%)

To review and recommend to the Board for approval/ approve investment/divestment proposal recommended by Management balancing strategic, financial and risk and return.

To review and approve investment risks and risk treatment proposed by Management for new investment/ divestment proposals proposed by the Management for investment of value up to RM200.0 million per transaction.

To review and recommend to the Board for approval investment risks and risk treatment proposed by Management for new investment/divestment proposals proposed by the Management for investment of value above RM200.0 million per transaction.

To review, monitor and make recommendations to the Board for approval in matters pertaining to finance, including but not limited to budgets and funding activities.

T – Board Tender Committee (BTC)

Total **17.17** meeting hours

Chairman
Datuk Seri Asri bin Hamidin @ Hamidon
Attendance **5/12** (42%)

Members
Dato' Roslina binti Zainal[6]
Attendance **12/12** (100%)

Juniwati Rahmat Hussin[4]
Attendance **12/12** (100%)

Dato' Ir. Nawawi bin Ahmad[7]
Attendance **10/10*** (100%)

Azmin bin Ishak
Attendance **7/7** (100%)

Datuk Amran Hafiz bin Affifudin[3]
Attendance **2/2^** (100%)

To establish the framework of TNB's Procurement & Supply Chain Policy and Procedures.

To advise the Board regarding the details and implementation of TNB's Procurement & Supply Chain Policy and Procedures framework.

To assist the Board in regulating the compliance of Top Management and Executive Director with TNB's Procurement & Supply Chain Policy and Procedures.

To ensure TNB complies with the applicable laws, regulations, rules and guidelines to achieve best business practices in its procurement of equipment, materials, works and services.

NR – Board Nomination And Remuneration Committee (BNRC)

Total **12.58** meeting hours

Chairman
Juniwati Rahmat Hussin[4]
Attendance **4/5^** (80%)

Dato' Roslina binti Zainal[6]
Attendance **8/8*** (100%)

Members
Datuk Seri Asri bin Hamidin @ Hamidon
Attendance **6/13** (46%)

Datuk Amran Hafiz bin Affifudin[8]
Attendance **13/13** (100%)

Dato' Ir. Nawawi bin Ahmad[7]
Attendance **13/13** (100%)

Azmin bin Ishak
Attendance **7/7** (100%)

Noraini binti Che Dan[11]
Attendance **9/10^** (90%)

To identify and recommend new nominees to the Board, Board Committees and Boards of TNB Group.

To consider/review the Executive Director and Top Management's succession planning.

To review Board's required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

To implement the process formulated by the Board to assess the effectiveness of the Board, Board Committees, Self and Peer.

To determine and recommend to the Board the remuneration packages of Non-Executive Directors/ Executive Directors/Top Management.

To align the Board and Top management reward/ remuneration to Key Performance Indicators (KPIs).

AUDIT AND FINANCIAL GOVERNANCE
- Internal Audit
- External Audit
- Financial Controls

BOARD RESERVED AUTHORITIES

DELEGATED AUTHORITY TO MANAGEMENT

PRESIDENT/CHIEF EXECUTIVE OFFICER (President/CEO)

GROUP EXECUTIVE MANAGEMENT COMMITTEE (GEMC)

APPROVAL COMMITTEES
- **GPC** Group People Committee
- **GMTC** Group Management Tender Committee
- **COMPEC** Commodity Procurement Executive Committee

CONSULTATIVE COUNCILS
- **RC** Regulatory Council
- **TC** Technology Council
- **SDC** Sustainability Development Council

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

SUPPORTS EFFECTIVE DECISION-MAKING AND THE DELIVERY OF OUR STRATEGY

Total Hours of Board Meetings 41.33

Overall Percentage of Board Meetings Attended By Directors 95.57%

Total Hours of Board & Board Committee Meetings 158.62

All Directors have complied with the minimum attendance as stipulated in the MMLR, of which being present not less than 50% of the Board meetings held during the Financial Year.

Senior Independent Non-Executive Director (SID)

- Provides a sounding board for the Chairman.
- Acts, if necessary, as a focal point and intermediary for the other Directors.
- Ensures that any key issues not addressed by the Chairman or the Executive Management are taken up.
- Is available to shareholders should they have concerns.

Non-Executive Directors

- Constructively challenge the Management in all areas.
- Scrutinise Management's performance.
- Help develop proposals on strategy.
- Satisfy themselves on the integrity of financial information and on the effectiveness of financial controls and risk management systems.
- Determine appropriate level of remuneration for Senior Management.

Chief Financial Officer

- Has day-to-day responsibility for the management of the finance function.
- Leads the Group's finance activities, risks and controls.
- Represents TNB externally to stakeholders, shareholders, customers, suppliers, regulatory and Government authorities and the community.

Company Secretary

- Advises the Board on corporate disclosures and compliance with Companies Act 2016, securities regulations and MMLR.
- Together with the Chairman, keeps the effectiveness of the Company's and the Board's governance processes under review.
- Provides advice on corporate governance issues.
- Facilitates the orientation of new Directors and assists the Directors' training and development.

Director	Meetings	Attendance
Dato' Roslina binti Zainal[6]	20/20	100%
Dato' Ir. Nawawi bin Ahmad[7]	20/20	100%
Datuk Rawisandran a/l Narayanan[8]	20/20	100%
Datuk Lau Beng Wei[9]	1/1	100%
Azmin bin Ishak *(Alternate Director to Datuk Seri Asri bin Hamidin @ Hamidon)*	7/7	100%
Datuk Seri Amir Hamzah bin Azizan[10]	4/4	100%
Noraini binti Che Dan[11]	12/14	86%
Dato' Seri Mahdzir bin Khalid[12]	13/14	93%

R — Board Risk Committee (BRC)

Chairman
Ong Ai Lin
Attendance **8/8** (100%)

Members
Juniwati Rahmat Hussin[4]
Attendance **8/8** (100%)

Gopala Krishnan K.Sundaram[5]
Attendance **8/8** (100%)

Datuk Rawisandran a/l Narayanan[8]
Attendance **8/8** (100%)

Noraini binti Che Dan[11]
Attendance **5/6^** (83%)

Total 26.50 meeting hours

To oversee the establishment and implementation of the risk management framework that is embedded into the culture, processes and structures of the Group and is responsive to changes in the business environment.

To approve the Risk Management Framework and policies on behalf of the Board.

To ensure the principles and requirements of managing risk are consistently communicated and adopted throughout the Company.

To inform business strategy based on the impact of identified sustainability risks and opportunities.

To consider sustainability risks as part of the enterprise risk management process.

L — Board Long Term Incentive Plan Committee (BLTIP)

Chairman
Dato' Roslina binti Zainal[6]
Attendance **1/1** (100%)

Members
Datuk Seri Asri bin Hamidin @ Hamidon
Attendance **1/1** (100%)

Datuk Amran Hafiz bin Affifudin[3]
Attendance **1/1** (100%)

Dato' Ir. Nawawi bin Ahmad[7]
Attendance **1/1** (100%)

Datuk Rawisandran a/l Narayanan[8]
Attendance **1/1** (100%)

Total 1.08 meeting hours

To oversee the administration of TNB LTIP and the shares granted (LTIP Shares) subject to the By-Laws.

To approve and determine the manner in which the LTIP Shares are granted and subsequently vested to the selected employees in accordance with the By-Laws, 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.

I — Board Integrity Committee (BIC)

Chairman
Gopala Krishnan K. Sundaram[5]
Attendance **1/1^** (100%)

Dato' Ir. Nawawi bin Ahmad[7]
Attendance **3/3*** (100%)

Members
Ong Ai Lin
Attendance **4/4** (100%)

Juniwati Rahmat Hussin[4]
Attendance **4/4** (100%)

Datuk Amran Hafiz bin Affifudin[3]
Attendance **3/4** (75%)

Total 7.17 meeting hours

To oversee and conduct disciplinary matters for TNB personnel, including acting on the advice of the Management, hearing and deciding on appeals and enforcing disciplinary proceedings against staff convicted of misconduct.

To review and make recommendations to the Board of Directors on steps to be taken to establish a culture of integrity and honesty in all of the Company's business dealings.

Notes:

1. *Appointed as Chairman w.e.f. 1 October 2021.*
2. *Appointed as President/CEO w.e.f. 1 March 2021.*
3. *Ceased as Member of BTC w.e.f. 25 March 2021.*
4. *Appointed as Member of BAC and ceased as Chairman of BNRC & BLTIP w.e.f. 25 March 2021.*
5. *Appointed as Member of FIC and ceased as Chairman of BIC w.e.f. 25 March 2021.*
6. *Appointed as Chairman of BNRC & BLTIP and ceased as Member of BAC w.e.f. 25 March 2021.*
7. *Appointed as Chairman of BIC & Member of BTC, ceased as Member of FIC w.e.f. 25 March 2021.*
8. *Appointed as Member of BLTIP w.e.f. 25 March 2021.*
9. *Appointed as Director and Member of BAC & FIC w.e.f. 1 December 2021.*
10. *Resigned as President/CEO w.e.f. 28 February 2021.*
11. *Demised and ceased as Chairman of BAC and Member of FIC, BNRC & BRC on 26 August 2021. Following the demise of Chairman of BAC, Gopala Krishnan K.Sundaram and Ong Ai Lin were appointed to chair the BAC meetings. Subsequent to that, Dato' Merina binti Abu Tahir has been appointed as the new Chairman of BAC w.e.f. 1 February 2022.*
12. *Resignation as Chairman w.e.f. 29 August 2021.*

^ *Reflects the number of meetings attended during the time the Director held office/was Chairman/ Member of Committee(s).*

* *Reflects the number of meetings since his/her respective appointment to the Board/relevant Board Committee(s).*

Integrity
Risk Management
Strategy
Sustainability

IEC Investment Executive Committee

ICTGC Information & Communication Technology (ICT) Governance Committee

ESC Energy Supply Committee

EVC Electric Vehicle Council

SMC Smart Meter Council

HSEC Health Safety Environment Council

ISC Integrity Steering Council

PRINCIPLE A:
BOARD LEADERSHIP & EFFECTIVENESS

OPERATIONS OF THE BOARD

Prior to each Board meeting, the Board shall receive the Chairman Reports of each Board Committee on their deliberation and recommendation at each meeting. This ensures that each Director is informed of the decisions made including views/comments raised. The Chairman of each Board Committee shall then table to the Board its report and present the Committee's recommendation for the Board's approval accordingly. This permits the Board to raise any comments/views on all deliberation of the Committees. All deliberations and recommendations must be minuted and approved by each Board Committee and confirmed by the Chairman of each Board Committee at their respective Board Committee meetings. Under the guidance of the Chairman, all matters placed before the Board are discussed openly. Presentations and advice are received frequently from senior executives within the Group and from external advisers to facilitate the decision-making of the Board. In the year under review, the Board has considered a wide range of matters in order to meet its obligations with discussions revolving around strategy, sustainability and operations of the Group, including that of both main operating subsidiaries, financial aspects of the Group and on legal, compliance, governance and risk matters. In compliance with COVID-19 restrictions, Board and Committee meetings were held online/hybrid mode throughout the year. Although this approach presented challenges, it enabled the Group's usual high standards of governance to be maintained.

For more information, please refer to Sustainability Statement section, which can be found on pages 128 to 179 of our Integrated Annual Report (IAR).

BOARD COMPOSITION AND INDEPENDENCE

The Board has reviewed the independence of each Independent Non-Executive Director. None of the Independent Non-Executive Directors who served during the year had any material business or other relationship with the Group, and there were no other matters that were likely to affect their independence of character and judgement as guided by the MMLR. The Board recognises that in view of the characteristics of independence set out in the MCCG, length of service is an important factor when considering the independence of Independent Non-Executive Directors. The Board adopts a policy that limits the tenure of its Independent Non-Executive Directors to nine (9) years without further extension, pursuant to Step Up 5.4 of MCCG. Currently, none of the Independent Non-Executive Directors has served the Board for more than nine (9) years.

OUR GOVERNANCE OF SUSTAINABILITY

Our Adoption of Sustainability Requirements under the MCCG

Practice	Details	Approach	Status of Adoption
4.1	• The Board together with management takes responsibility for the **governance of sustainability** in the Company including setting the Company's sustainability strategy, priorities and targets • Strategic management of material sustainability matters should be driven by senior management	• Enhanced TOR for TNB Group Governance Platform (TGGP) including SDC, GEMC, BRC and BNRC will enable and elevate the Management's responsibility for the governance of sustainability holistically for the Company	• The current structure allows the Board to assess and approve sustainability related strategy, priorities and targets, which will be part of the annual strategy planning process to monitor and review sustainability performances • Senior management are members of SDC where sustainability matters are being discussed
4.2	• The Board ensures that the Company's sustainability strategies, priorities and targets as well as performance are **communicated to its internal and external stakeholders**	• SDC will continue to play its role as a strategic platform to deliberate Company's sustainability direction; which includes sustainability aspiration, plans, commitments, targets and communicate these to both internal and external stakeholders	• Sustainability strategies, priorities and targets are reported annually within the Integrated Annual Report and Sustainability Report • TNB Sustainability Pathway strategy was announced publicly and a few engagements being conducted to communicate with internal and external stakeholders
4.3	• The Board takes appropriate steps to ensure they **stay abreast with and understand sustainability issues**, including climate-related risks relevant to the Company	• The BRC has approved TNB Strategic Risks and Key Risk Indicators (KRI) on sustainability related matters, including climate-related risks and opportunities	• TNB Strategic Risk and KRI on sustainability related matters are in place to ensure the Company stays abreast and understands sustainability issues • As such, the BRC deliberates on sustainability risk and opportunity as part of its agenda during its sittings
4.4	• **Performance evaluations** of the Board and senior management include review on their performance in addressing Company's material sustainability risks and opportunities	• Enhanced Strategic Planning and Performance Cycle process include setting sustainability KPIs and monitoring sustainability performances • The Board, with the assistance of the BNRC, reviews senior management reward/remuneration to KPIs performance including sustainability related indicators	• Performance evaluations of senior management are included in the Strategic Planning and Performance Management (SPPM) • In this framework, TNB's strategy drives its business plan, annual operating plan, budget and performance management process, thus ensures alignment of TNB's strategies to execution and performance management
4.5 (Step Up)	• Board identify a **designated person within management** to provide dedicated focus to manage sustainability strategically	• The Board to designate a senior C-suite to manage sustainability strategically	• President/CEO leads the GEMC whose members comprised of the Top Management from core and non-core businesses, and spearheading the integration of sustainability in the Company

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

SUMMARY OF BOARD ACTIVITIES IN 2021

Board Charter

The Board is guided by its Charter which sets out the Board's roles, powers, duties and functions. The Board at its meeting on 24 February 2022 had approved the review of its Charter. The review was made in accordance with the MCCG, MMLR, Companies Act, 2016, Board current process & procedures, latest respective Board Committees' TOR, applicable rules/regulation and governance best practices.

Matters Deliberated By The Board and Its Committees During The Financial Year Ended 31 December 2021

The Board and its Committees engage in key strategic, governance and oversight activities each year. The list below is not exhaustive of all Key Areas of Focus/ Matters Deliberated by the Board and its Committees throughout the Financial Year, but serves to provide stakeholders with an insight into some of the key matters considered by the Board:

BOARD

- Revenue, Operational and Capital Expenditure Budget for Financial Year 2022
- Approval/Status Update on TNB potential investments/divestment projects
- Approval/Status Update/Issues Raised on Operational matters of TNB and its Group of Companies
- TNB Organisation Structure & Governance Platform
- Quarterly Group Performance
- Audited Financial Statements for Financial Year 2020
- Quarterly Financial Results
- Interim & Final Dividends
- Quarterly Risk Dashboard Report
- Quarterly Report on Non-Audit Services
- Approval of Procurement within its Approving Authority
- TNB Divisions/Departments Risk Profiles & Convergence Initiatives
- Quarterly Report on TNB's Litigation and Arbitration Cases
- Revision to TNB Limits of Authority
- Risk Management & Insurance Update for Financial Year 2021
- Revised TNB Risk Management Framework
- 2021 Integrated Annual Report Statements
- Corporate Governance Report 2021
- Appointment and Resignation of Chairman & Directors
- Board Evaluation Assessment (BEA) for Board of Directors, Board Committees and Self & Peer FY2021 by Independent Expert
- Proposed FY2022 KPIs for President/CEO
- Business Continuity Management & Crisis Response for COVID-19 pandemic
- Non-Executive Directors Remuneration Benchmarking Exercise by Independent Expert
- Notice of 32nd Annual General Meeting (AGM)

F

- Potential Proposals of Local and International Investment, With Focus on Renewable Energy
- Strategic Report of Subsidiary Management Department's Subsidiaries
- Commercialisation of TNB's Real Estate Assets
- Reviewed/Evaluated Investments in Subsidiaries and Associated Companies and Made Appropriate Proposals for any New Investments/ Divestments
- TNB International Investments' Quarterly Performance
- Review of FIC TOR
- Proposed capital structure & financing of TNB wholly owned subsidiaries

T

- Approval of Procurement within its Approving Authority
- Procurement Plan and Strategy
- Procurement Issues
- Procurement Policies and Procedures
- COVID-19 Pandemic Impact on TNB Procurement & Mitigation Plans to ensure the continuity of TNB's Business Operation

L

- Approval on Granting & Vesting of LTIP Shares

I

- Management of Disciplinary Cases
- Quarterly Statistics of Disciplinary Cases
- Governing Body Review ISO 37001: Anti-Bribery Management System
- Semi Annual Reporting to Malaysian Anti-Corruption Commission
- Approval on Amendments to Disciplinary Procedures

A NR R

- Summaries of the activities of BAC, BNRC and BRC are available in their respective reports of this Integrated Annual Report

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

SUMMARY OF BOARD ACTIVITIES IN 2021

Material Matters Reserved for the Board

Formulating, reviewing and approving the Company's strategic business plan

Matters Considered by the Board

The Board plays a pivotal role in reviewing the Company's strategic direction and approving corporate strategic initiatives developed by the Management. The Board deliberates annually 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 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.

A separate and informal session between the Board and Top Management, known as the Board Breakout Session (BBO), is coordinated by the Company Secretary's Office, as and when the need arises. The BBO is a platform for the Board and Management to deliberate and exchange views as well as opinions in formulating strategic plans/issues and to chart the direction of the Group, including the reporting of its progress.

Half-year reviews of the business plan and the budget were conducted whereby comparisons of approved targets against the Company's actual performance were made.

During the Financial Year under review, the Board had several sittings of deliberation, emphasizing on the Environmental, Social & Governance (ESG) way forward for the Company.

The Board had approved TNB Sustainability Pathway with an aspiration to achieve net zero emissions by 2050, in a bold move towards decarbonisation and Renewable Energy (RE).

This new pathway is a clearer manifestation of TNB's sustainability journey which began in 2016 with the launch of the Reimagining TNB strategic plan.

Under the sustainability pathway, TNB aspires to achieve net zero emissions by 2050. This aspiration is underpinned by a commitment to reduce 35% of its emissions intensity as well as 50% of its coal generation capacity by 2035. In addition, TNB has pledged to ensure its revenue from coal generation plants does not exceed 25% of its total revenue.

TNB is dedicated to develop energy storage solutions and is already in discussions with the Government to implement this as an enabler for RE growth. TNB is also committed to accelerate investments in emerging green technologies like green hydrogen, and carbon capture and utilisation (CCU) as soon as it becomes economically viable.

TNB remains committed to the Government's green agenda and Malaysia's commitment to reduce Greenhouse Gas (GHG) emission intensity of gross domestic product (GDP) by 45% by 2030, relative to the 2005 baseline.

TNB's Sustainability Pathway supports the nation's RE plan to increase the share of green energy in its power capacity mix. Our domestic capacity plan is in tandem with the Peninsular Malaysia Generation Development Plan, based on considerations to balance the energy trilemma. The focus of our international business will be to grow our overall RE portfolio and serve as the pathfinder for green technologies which we can eventually adopt in Malaysia.

More information on the Strategic Direction is available in Creating Continued Value on pages 32 to 55 of the Integrated Annual Report.

Based on the evaluation for the Financial Year under review, the Board collectively concurred that it has reviewed the Company's strategic and financial plan as well as monitored its implementation, including the setting of suitable KPIs in achieving the Company's objectives.

Link to Strategy

- Grid of the Future
- Future Proof Regulations
- Future Generation Sources
- Winning the Customer

SUMMARY OF BOARD ACTIVITIES IN 2021

Material Matters Reserved for the Board

Identifying and managing principal risks affecting the Company

Matters Considered by the Board

The Board, through BRC, is responsible for overseeing the effectiveness and adequacy of the Group's risk management framework and to ensure that it forms part of the Group's corporate culture. The BRC's key responsibilities include approving the risk management framework and policies on behalf of the Board and deliberating the Group's strategic and key operating risks as well as ensuring appropriate mitigations are implemented to manage these risks.

During the Financial Year under review, there were eight (8) BRC sittings. The BRC reviewed the Statement on Risk Management and Internal Control, which summarises the risk management practices and internal controls implemented by Management. It also deliberated on KRI that were developed in alignment with BRC's and Management's risk appetite.

The BRC is assisted by the Chief Risk Officer and the Risk Management Department (RMD) in discharging its duties and responsibilities. The RMD is responsible for the effective implementation of TNB Risk Management Framework for informed decision-making. The framework is developed in alignment with ISO 31000:2018.

The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision making for the achievement of the Group's strategic outcomes and long-term objectives.

Based on the evaluation for the Financial Year under review, the Board collectively agreed that it has discharged its roles in identifying principal risks and in ensuring that the Group has put in place an adequate risk management framework to effectively monitor and manage the risks of its operational businesses.

Link to Strategy

- Grid of the Future
- Future Proof Regulations
- Future Generation Sources
- Winning the Customer

Material Matters Reserved for the Board

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

Matters Considered by the Board

The Board is responsible for ensuring that a sound reporting framework of internal controls and regulatory compliance is in place throughout the Company. Based on the evaluation for the Financial Year under review, the Board collectively concurred that it has discharged its roles through the BRC/BAC whereby regular meetings were held in reviewing the effectiveness of the Company's internal control system.

Details of the Company's internal control system and its effectiveness are provided in the Statement on Risk Management and Internal Control in this Integrated Annual Report.

Link to Strategy

- Future Proof Regulations

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

SUMMARY OF BOARD ACTIVITIES IN 2021

Material Matters Reserved for the Board

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

Matters Considered by the Board

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 Management is measured through the Company's and Group's quarterly financial performance. The Board, on a continuous basis, is well informed of the progress of Company's strategic initiatives and critical operational issues as well as the Group's performance based on approved KPIs.

Link to Strategy

- Grid of the Future
- Future Generation Sources
- Winning the Customer

Material Matters Reserved for the Board

Succession Planning

Matters Considered by the Board

The Board, assisted by BNRC, is responsible for developing plans to identify the necessary and desirable competencies and skills of Directors and succession plans to ensure there is appropriate dynamics of skills, experience, expertise and diversity on the Board. In addition, the Board/BNRC also oversee the appointment as well as succession planning of the Top Management.

During the Financial Year under review, there were several new additions to the Board, duly appointed by the BNRC/Board. With the departure of Dato' Seri Mahdzir bin Khalid, Dato' Sri Hasan bin Arifin was appointed as Chairman/ Non-Independent Non-Executive Director, with the concurrence of MoF Inc., with effect from 1 October 2021.

The recent appointments to the Board were Datuk Lau Beng Wei and Dato' Merina binti Abu Tahir, of whom were appointed as Independent Non-Executive Directors with effect from 1 December 2021 and 1 February 2022 respectively.

Faisal @ Pisal bin Abdul Ghani was appointed as Alternate Director to Datuk Seri Asri bin Hamidin @ Hamidon on 1 March 2022, in place of Azmin bin Ishak who had ceased office on 10 February 2022. Their mix of skills, experience, expertise and qualifications 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, whenever necessary.

The Board of Directors would like to place on record their highest gratitude and appreciation for her guidance and immense contribution given by the late Noraini binti Che Dan to the Board during her tenure as a Director. Her dedication and commitment towards the Board will be sorely missed.

During the Financial Year under review, several movements in the Top Management took place. Ahmad Hushairi bin Ibrahim was appointed as Chief Global Business Solutions Officer with effect from 15 November 2021 in place of Mohammad Ariff bin Zainol who retired on 18 January 2022.

Following the resignation of Mohd Shahazwan bin Mohd Harris on 31 August 2021, the New Energy Division is now led by Mohd Zarihi bin Mohd Hashim, the Chief New Energy Officer, who was appointed with effect from 12 January 2022.

These appointment were made through intensive deliberations and also taking into account their qualification/background, working experience/expertise, professionalism aptitude and knowledge of the Company/ industry.

The Board/BNRC deliberated on the succession planning for critical positions in TNB, intended to surface and manage the development of TNB's future leaders.

The Board is satisfied that 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 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.

Based on the evaluation for the Financial Year under review, the Board collectively concurred that succession planning for the President/CEO and Top Management as well as for the Company's future leaders has been appropriately developed.

Link to Strategy

- Winning the Customer

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

SUPPLY OF INFORMATION AND ACCESS TO ADVICE

A Pre-Board meeting is held prior to any Board meeting for the Management to provide the Chairman with insights into the papers that will be deliberated. The agenda of Board meetings is drawn up upon consultation between the Chairman, President/CEO and Company Secretary at the Pre-Board meeting. Copies of the agenda and Board papers are circulated to Board Members via an advanced meeting software which allows the Directors to securely access, read and review Board/Committees Documents and collaborate with Directors and Company Secretary electronically or in hard copies at least five (5) working days prior to the meetings.

Aside Board papers, presentations are provided by the Management to better facilitate the discussion of subject matter. This permits prior review by the Directors and if necessary, further clarification/additional information are sought upon deliberation to achieve informed decision making. The core activities of the Board and its Committees are documented and planned on a forward agenda. A list of matters arising from each meeting is maintained and followed up at subsequent meetings.

The Company Secretary advises the Board on governance matters, ensuring good information flows within the Board, its committees, the GEMC and senior management. The Company Secretary is responsible for ensuring the Board complies with all relevant processes and for assessing compliance with the MMLR, Corporate Disclosure Guidance, the MCCG and the Companies Act 2016. An important part of this is effective collaboration with other parties across all Group functions. Good training, regular discussions on key issues, and support from those in areas of critical operational risk in evaluating areas for change are also imperative.

The Board and each Director are at liberty to obtain external independent or professional advice as deemed appropriate at the Company's expense to assist with its decision making. This includes securing the attendance of external advisers at meetings and seeking required information from any member of the Group's workforce.

DIVERSITY

We explain our work promoting diversity on page 169. The table below shows the gender diversity split on the Board and in the wider workforce as at 31 December 2021:

	Male		Female		Total
Gender	**No.**	**%**	**No.**	**%**	**No.**
*TNB Board (excluding Alternate Director)	8	73%	3	27%	11
Top Management (comprises of GEMC, C-Suite, Senior General Managers)	260	79%	70	21%	330
Senior Managers	613	67%	304	33%	917
Executives	3,174	59%	2,190	41%	5,364
Non-Executives	17,658	85%	3,154	15%	20,812
Total	**21,713**	**79%**	**5,721**	**21%**	**27,434**

* *As at to date, there are 12 members on the Board with an addition of a woman Director, in support of Practice 5.9 of the MCCG.*

RE-ELECTION OF DIRECTORS

Clause 64(1) of the Company's Constitution provides among others, that one-third (1/3) of the Directors at the time being of whom have been longest in office shall retire by rotation at the AGM of the Company and shall be eligible for re-election.

Clause 63(2) of the Company's Constitution provides among others, that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Datuk Amran Hafiz bin Affifudin, Ong Ai Lin and Dato' Roslina binti Zainal are retiring by rotation in accordance with Clause 64(1) of the Company's Constitution and being eligible, have offered themselves for re-election.

In respect of the new appointments to the Board for the Financial Year, Dato' Sri Hasan bin Arifin, Datuk Lau Beng Wei and Dato' Merina binti Abu Tahir shall retire at the forthcoming AGM in accordance with Clause 63(2) of the Company's Constitution, and being eligible, have offered themselves for re-election.

The Board recognises that the Directors' performance are used as basis in recommending their re-election to the shareholders. This, in turn, is determined through their annual evaluation and independence assessment, which are assessed by the BNRC before any recommendation is made to the Board for deliberation and approval.

Based on the annual independence assessment undertaken by the Independent Directors of whom are retiring at the coming AGM, namely Ong Ai Lin, Dato' Roslina binti Zainal and Datuk Lau Beng Wei, the BNRC/Board are satisfied that these Independent Directors have complied with the independence criteria as prescribed by the MMLR and continue to bring independent and objective judgement to the Board.

Dato' Sri Hasan bin Arifin is an Appointed Director by MoF Inc., representing the interest of TNB's Special Shareholder. He was appointed to the Board as Chairman/Non-Independent Non-Executive Director with effect from 1 October 2021 in place of Dato' Seri Mahdzir bin Khalid upon his acceptance of ministerial position as Minister of Rural Development. The Board had approved the appointments of Datuk Lau Beng Wei and Dato' Merina binti Abu Tahir as Independent Non-Executive Directors with effect from 1 December 2021 and 1 February 2022 respectively.

They have exercised the duty of care and diligence as Directors in the best interest of the Company, its shareholders and stakeholders. With the new additions, their expertise/experience shall further strengthen the Board composition and dynamics.

All retiring Directors named above, through the Board Evaluation Assessment including Self and Peer Assessment, have met the performance criteria required of an effective and high-performance Board.

In addition, all retiring Directors have declared that they did not have any existing or potential conflict of interest within or outside the Company that could affect the execution of their roles as Company Directors.

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

Having considered their professionalism, vast experience, material relationship, competency, commitment and individuals' contributions in performing their respective duties, the Board and BNRC are satisfied that all Directors who are standing for re-election at the 32nd AGM have met the Board's expectation by continuously discharging their duties diligently as Company Directors.

With that, upon the BNRC's assessment, the Board resolved to support and recommend the re-election of each Director who is retiring at the upcoming 32nd AGM.

DIRECTORS' DEVELOPMENT AND INDUCTION

To assist the Board in undertaking its responsibilities, a programme of training and development is available to all Directors, with training needs assessed as part of the Board evaluation procedure. The Board programme includes regular presentations from management and informal meetings to build understanding of the business and sector, or in areas recognised as being technically complex. Such training is intended to support a deeper understanding as well as equipping the Non-Executive Directors with insight into how TNB's approach compares with the practices of its peers. All new Directors receive a comprehensive and tailored induction programme, including meetings with Top Management, site visits, and briefings on key operational matters, Board procedures and governance matters.

Dato' Sri Hasan bin Arifin attended his Mandatory Accreditation Programme for Directors of Public Listed Companies (MAP) from 6 December 2021 until 8 December 2021, whilst Datuk Lau Beng Wei attended his MAP from 3 September 2018 until 4 September 2018. Datuk Ir. Baharin bin Din also attended his MAP from 31 March 2021 until 2 April 2021. Dato' Merina binti Abu Tahir had attended the MAP on 15 February 2022 until 17 February 2022. The existing Directors including newly appointed Directors had attended their MAPs as prescribed under Paragraph 15.08 and Practice Note 5 by the MMLR.

The Company Secretary's Office facilitates the Board in organising internal and arranging external programmes, training sessions, briefings, workshops and seminars that are relevant to the Directors. These include the annual Board Development Programme (BDP) which is organised in-house as part of TNB's Board Continuing Development Programme.

BDP 2021 was held virtually in collaboration with Messrs PricewaterhouseCoopers PLT (PwC) on topic "ESG and Financial Reporting Implications". It was held on 11 October 2021, of which was attended by the Board, Top Management, Managing Directors of TNB Group of Companies as well as selected Senior General Managers.

The topic is relevant following the impact of COVID-19 pandemic on the Company/industry and being current economic issue besides providing guidance to the Board to better understand the impact of ESG towards TNB financial reporting.

In addition, a short session was held on 6 October 2021, to update Dato' Sri Hasan bin Arifin, on TNB's operation which was attended by Top Management, led by the President/CEO. The session also was held to extend a warm welcome to TNB's new Chairman and to introduce TNB's Top Management.

As of 18 March 2022, the newly appointed Directors' Induction Programs include:

- TNB Renewables Sdn. Bhd.: Overview Briefing by Managing Director, TNB Renewables Sdn. Bhd.
- Allo Technology Sdn. Bhd.: Overview Briefing by Chief Executive Officer, Allo Technology Sdn. Bhd.
- Yayasan Tenaga Nasional: Overview Briefing by Director, Yayasan Tenaga Nasional
- Strategy & Ventures Division: Overview Briefing by Chief Strategy & Ventures Officer
- ICT Division : Overview Briefing by Chief Information Officer
- Group Human Resource Division: Overview Briefing by Chief People Officer
- Distribution Network Division: Overview Briefing by Chief Distribution Network Officer
- Procurement & Supply Chain Division: Overview Briefing by Chief Procurement Officer
- Group Finance Division: Overview Briefing by Chief Financial Officer
- TNB Global Business Solutions Division: Overview Briefing by Chief Global Business Solutions Officer
- Regulatory & Stakeholder Management Division: Overview Briefing by Chief Regulatory & Stakeholder Management Officer
- TNB Retail Sdn. Bhd. : Overview Briefing by Chief Retail Officer
- TNB Power Generation Sdn. Bhd.: Overview Briefing by Managing Director, TNB Power Generation Sdn. Bhd.
- Grid System Operator Department: An Introduction Briefing by Head Grid System Operator, Grid Division
- Grid Division: Overview Briefing by Chief Grid Officer
- New Energy Division: Overview Briefing by Chief New Energy Officer

During the Financial Year under review, the Directors attended conferences and professional trainings of which among others as follows:

- European Central Bank Legal Conference 2021
- 2022 Ministry of Finance Budget Retreat
- 9th Governance in Procurement Conference 2021: Procurement Digitalisation For The Future
- Achieving the Goals of the 12th Malaysia Plan: What are the Roles for Islamic Finance?
- AMLA: General Guidance for Small Law Firms
- Artificial Intelligence (AI) for Company Directors and Executives
- Balancing Risk Management with Sustainability Commitment: New Expectation of Investment Community
- BDP 2021
- Business Foresight Forum 2021: Transformative Innovation Reshaping Business Realities In Extraordinary Times (BFF 2021)
- Board Committees Overview
- Board Dynamics: What are the Key GRC Requirement
- Board Transformation & Smart Governance Roundtable Programme
- Business Transformation: Drive Sustainable Performance Results
- Climate Change: What Will the Next Decade Bring?
- Climate Change; Reporting and Sustainability Trends: The Inter-Links Towards Addressing Sustainable Development Goals And Climate Change
- Conferencing Future Forward: Next Gen Digital Ecosystem

PRINCIPLE A:
BOARD LEADERSHIP & EFFECTIVENESS

- Compliance Conference 2021: Shifting the Tide Towards Endemic - ML/TF Risks and Challenges
- Constitutional Law Colloquium: Does the Constitution Matter? Lessons from the Malaysian Constitution During Times of Crisis
- Contract & Procurement Fraud
- Cross-Border Registration for VAT. Why, When and How?
- Cultural Diversity in the Boardroom
- Digital Acceleration and Innovation for Business Recovery and Growth
- Directors' Training Programme Transformative Innovation: Reshaping Business Realities in Extraordinary Times
- ESG Risk Management for Enterprise Workshop
- Ethics and Integrity Professionalism and Corporate Dilemma
- FCD Module B: Stakeholder Primacy in a Post-Covid Era
- FCD Module E: Preparing the Board for Digital Disruption
- Global Net-Zero Action 2021 Conference: Transition to A Net-Zero Emissions Economy
- Governance in Audit Forum: Audit Evolving Role in the New Normal
- How to Use "Design Thinking" to Enjoy Digitalization Journey
- IAEE Associations Webinar: Texas' and Other Power Markets After The Big Freeze - Diagnosis and Prognosis
- *Integriti E-Seminar Untuk Ketua Setiausaha dan Setiausaha Kerajaan Negeri*: You Are Integrity Champion
- Khazanah Megatrend Forum 2021: The Innovation of Tomorrow Creating Our New Collective Narrative
- *Konvensyen Rangka Kerja Perubahan Iklim Pertubuhan Bangsa-Bangsa Bersatu*
- Launch of World Bank Report: Non-Performing Loans in EAP: Practices and Lessons in Times of COVID-19
- Leadership For Enterprise Sustainability Asia
- Low Carbon Policy: Carbon Neutral Pathway
- MAP
- MIA Virtual Conference 2021 Series: Corporate Board Leadership Symposium 2021 - Enhancing Governance and Ethics Towards Future Sustainability
- MIA Virtual Conference 2021 Series: Risk Management Conference 2021 - Navigating Challenges in Unprecedented Times
- Paving the Way for Profitability Through Sustainability
- Risk Management Conference 2021
- SIDC's Sustainable and Responsible Investment 2021
- Sustainable Exchange Development Series
- The 3rd New Southern Policy Forum
- The Cooler Earth Sustainability Summit 2021
- The Corporate Governance Landscape In Malaysia: Going Beyond The Rules
- The Updated MCCG
- Transfer Pricing Aspects of Intragroup Loans and Guarantees Webinar
- WIEF-SIDC Powertalk Webinar 2021

Trainings for Company Secretary during the Financial Year under review:

- Beneficial Ownership Framework & General/Practical Issues
- Corporate Board Leadership Symposium 2021
- Paving The Way For Profitability Through Sustainability
- Corruption Risk Management
- The Updated MCCG
- Company Secretary: Assistant, Adviser Or Both?
- MCCG: "What's New And Their Implication To Listed Company, Its Directors And Management"
- Board Transformational & Smart Governance Roundtable Programme
- SSM National Conference 2021: Governing Under New Normal
- BFF 2021
- MAICSA Annual Conference 2021: The New Norm: Managing Disruption - Resilience And Recovery
- Building High Performing Board: Maintain a Governance Framework That Adds Value To The Business And Safeguard The Company's Values

BOARD EVALUATION

The Board recognises that an objective and well-managed board evaluation process can lead to substantial improvement in Board effectiveness, bringing significant benefits to the Company. This is achieved through annual performance evaluations, induction programmes for new Board members and ongoing Board development activities.

In 2021, the Board with the assistance of BNRC, approved the engagement of Willis Towers Watson (WTW) on 1 July 2021, as Independent Expert for Board Evaluation Assessment FY2021 in support of Practice 6.1 of MCCG whereby for Large Companies, the Board engages independent experts at least every three (3) years, to facilitate objective and candid board evaluations. The last assessment carried out by the independent expert was in 2017.

PRINCIPLE A:
BOARD LEADERSHIP & EFFECTIVENESS

2021 BOARD EVALUATION ASSESSMENT RESULTS

The 2021 BEA was conducted by WTW through questionnaires via the WTW Online Survey System. The questionnaires for the 2021 BEA comprised the Board, Board Committees Effectiveness Assessment, Directors and Board Committee members' Self and Peer Assessment (SPA), as well as a 360 Degree Assessment by Top Management. In addition, the Directors also had completed online Saville Wave Assessments to understand their respective and collective stewardship styles and WTW had one-on-one online interview sessions with Directors.

The effectiveness of the Board is assessed in the areas of the Board's responsibilities and composition, meeting process, administration and conduct, interaction and communication with Management and stakeholders and the Board's engagement, as well as the effectiveness of the Chairman and the President/CEO.

The assessment of individual Directors' contribution and performance is conducted based on performance criteria which are incorporated in the Directors' SPA questionnaires. Amongst others are:

- will and ability to critically challenge and ask the right questions;
- confidence to stand up for a point of view and offer advice/guidance;
- character and integrity in dealing with potential conflict of interest situations;
- calibre and personality;
- commitment to serve the Company;
- due diligence and integrity;
- fit and properness;
- independence and objectivity;
- skills and competencies; and
- contribution and performance.

The effectiveness of Board Committees is assessed in terms of structure and processes, accountabilities and responsibilities, as well as the effectiveness of the Chairmen of the respective Board Committees. The SPA for the Board Committee members is similar to the Directors' SPA, which is intended to assess their contribution, performance, calibre and personality in relation to the skills, experience and other qualities they bring to the Board/Board Committees.

The SPA also examines the ability of each Board or Committee member to give input at meetings and to demonstrate a high level of professionalism and integrity in the decision-making process. It also takes into account the ability of each individual member to exercise independent judgement and demonstrate objectivity and clarity of thought on issues during deliberations at meetings, provide logical honest opinion, and offer practical and realistic advice to the discussions. The feedback from the Top Management was also being sought via the 360 Degree Assessment questionnaires. The Management's feedback on the Board's role, and the extent of collaboration between the Board and Management in certain focus areas and in the review/decision-making process are useful for the Board's consideration in enhancing its overall effectiveness.

Based on the 2021 BEA results, each Director scored above a rating of four (4) for the peer evaluation indicating that each Director was generally effective in dispensing his/her responsibilities. Dato' Sri Hasan bin Arifin was rated as an effective Chairman, a good-listener, creating an open and consultative environment whilst effectively delegating responsibilities and is decisive.

It was clear that the effectiveness of both the Chairman and President/CEO is reflective of the Board's confidence in them, indicating strong and effective leadership in steering the Company's direction.

The Board is seen to be effective and ensures the integrity of the Company is aligned to regulatory requirements, internal standards and best practices. The Board is committed to its fiduciary duties and assumes the core responsibilities of reviewing and monitoring the Group's strategic plan, overseeing and evaluating the conduct of the Group's business and establishing sound risk management and internal control frameworks for the Group. The Board recognises the need to continuously strengthen the composition, structure and diversity in line with its strategic direction whilst ensuring the processes enhance the efficiency and effectiveness of the Board and its Committees and will continue to identify improvement opportunities.

Following the recent appointments of Datuk Lau Beng Wei and Dato' Merina binti Abu Tahir, they shall be considered/applicable for the next BEA for the Financial Year ending 31 December 2022.

Responsibility and Conduct	Process and Administration	Composition
• Business Strategy and governance and implementation oversight • Risk management and integrity • Implementation oversight and monitoring of strategies and policies	• Board Charter and Committee TORs • Agenda and frequency of meetings • Sufficient information availability and on a timely basis • Culture and dynamics	• Diversity • Competencies of the Members • Board and Committee compositions

This year's process

Each Director completed the BEA for the Board and its respective Committees including Self and Peer Assessment, 360 Degree Assessment by Top Management, Online Saville Wave Assessment & One-on-one online interveiw sessions with Directors.

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 areas of improvement

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

EXECUTIVE DIRECTOR AND TOP MANAGEMENT REMUNERATION

The remuneration package for the Executive Director is structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. A significant portion of an Executive Director's compensation package has been made variable and is determined by performance during the year against individual KPIs in a scorecard aligned with the corporate objectives as approved by the Board. The Executive Director recuses himself from deliberation and voting on his remuneration at Board meetings.

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.

The key elements of remuneration package for Top Management are structured into three (3) components namely (i) the Base Salary, Fixed Allowances and Benefits (ii) Short Term Incentive (STI) (iii) Long Term Incentive Plan (LTIP).

Appropriate Base Salary needs to be competitive enough to attract and retain the relevant talents, of which is determined by the scope of work, experience and expected performance of a talent. Whereas the fixed allowances are for certain benefits in cash and is not link to base salary.

STI is based on yearly performance and paid as bonuses subjected to the profitability of the Company and the performance of Top Management. Performance is measured based mainly on quantitative targets and their alignment to the values the Company stands for which would be qualitative in nature.

The LTIP is to retain and reward Top Management to see out the growth and business strategy aligning to the long-term success of the Company.

In summary, TNB strongly believes in performance culture and the remuneration policy serves to pay competitively for sustainable performance while being in line with the shareholders' interest.

The Company has opted not to disclose the components of the remuneration of its Top Management as per Practice 8.2 of MCCG, as such disclosure may bring disadvantageous to the Company's business interest. This is further explained in the CG Report.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Non-Executive Directors are remunerated through fixed monthly fees, meeting allowances and benefits-in-kind, inclusive of the reimbursement of utilities bills and business peripherals.

The level of remuneration of Non-Executive Directors reflects the current demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively, as well as the complexity of the Company's operations and the industry. The Non-Executive Directors' remuneration/benefits remain unchanged, since 2013.

The Board on 30 September 2021 engaged WTW to undertake Non-Executive Directors' Remuneration Benchmarking exercise. The review was to conduct a holistic and independent review of the Non-Executive Directors' remuneration and to determine its market competitiveness in Malaysia. The last review was made in 2018. Based on the findings, the structure of Non-Executive Directors' remuneration (including benefits) is generally aligned with the market practice and the existing remuneration is recommended to be retained and reviewed in three (3) years time.

OUR REMUNERATION APPROACH

The Board, through BNRC is to determine an appropriate remuneration policy that aligns remuneration with strategy to drive the long-term success of the Company and ensure that the Company may continue to attract, retain and motivate quality leaders.

The Directors' Remuneration Policy is shaped by the following underlying principles:

PRINCIPLE A:
BOARD LEADERSHIP & EFFECTIVENESS

DISCLOSURE ON DIRECTORS' REMUNERATION

Details of each Director's remuneration for the Financial Year ended 31 December 2021:

		Director's Fees		Meeting Allowances				
Name of Directors	Salary (RM)	Company (RM)	Subsidiaries (RM)	Company (RM)	Subsidiaries (RM)	Emoluments[1] (RM)	Benefits-in-Kind[2] (RM)	Total (RM)
Executive Directors								
Datuk Ir. Baharin bin Din *(Appointed w.e.f. 1 March 2021)*	1,300,000.00	-	-	-	-	976,971.50	87,270.60	2,364,242.10
Datuk Seri Amir Hamzah bin Azizan *(Resigned w.e.f. 28 February 2021)*	300,000.00	-	-	-	-	2,301,152.50	33,655.51	2,634,808.01
Non-Executive Directors								
Dato' Sri Hasan bin Arifin *(Appointed w.e.f. 1 October 2021)*	-	90,000.00	4,032.26[3]	10,000.00	-	-	18,570.45	122,602.71
Datuk Seri Asri bin Hamidin @ Hamidon	-	240,000.00	-	49,500.00	-	-	18,000.00	307,500.00
Datuk Amran Hafiz bin Affifudin	-	240,000.00[4]	-	97,000.00[4]	-	-	29,494.39	366,494.39
Juniwati Rahmat Hussin	-	240,000.00	-	99,000.00	-	-	11,014.95	350,014.95
Gopala Krishnan K.Sundaram	-	240,000.00	-	94,000.00	-	-	30,740.10	364,740.10
Ong Ai Lin	-	240,000.00	-	86,000.00	-	-	54,087.65	380,087.65
Dato' Roslina binti Zainal	-	240,000.00	-	107,000.00	-	-	25,663.20	372,663.20
Dato' Ir. Nawawi bin Ahmad	-	240,000.00	-	85,500.00	-	-	49,527.11	375,027.11
Datuk Rawisandran a/l Narayanan	-	240,000.00	-	75,000.00	-	-	34,553.39	349,553.39
Datuk Lau Beng Wei *(Appointed w.e.f. 1 December 2021)*	-	20,000.00	-	6 ,500.00	-	-	-	26,500.00
Azmin bin Ishak *(Cessation of Office as Alternate Director w.e.f. 10 February 2022)*	-	-	-	35,000.00	-	-	37,818.03	72,818.03
Dato' Seri Mahdzir bin Khalid *(Resigned w.e.f. 29 August 2021)*	-	237,096.77	113,365.59[3]	35,000.00	6,000.00[3]	250,000.00	186,364.47	827,826.83
Noraini binti Che Dan *(Demised on 26 August 2021)*	-	156,774.20	-	70,500.00	-	-	202,448.69	429,722.89
Total	**1,600,000.00**	**2,423,870.97**	**117,397.85**	**850,000.00**	**6,000.00**	**3,528,124.00**	**819,208.54**	**9,344,601.36**

Notes:

1 *Contribution to EPF, Bonus, Car Allowance, Ex-Gratia, Gratuity, LTIP, Cash Leave, Recognition Payment and Leave Passage.*
2 *Utilities Bills, Business Peripherals, Purchase of Handphone, Uniforms, Club Membership, Medical and Travelling Expenses.*
3 *Payment made by respective Subsidiaries.*
4 *Paid to Khazanah Nasional Berhad, in respect of Director's Fees and Meeting Allowances provided for Datuk Amran Hafiz bin Affifudin.*

ENSURING SOUND FINANCIAL MANAGEMENT AND ROBUST CONTROLS

NR BOARD NOMINATION AND REMUNERATION COMMITTEE REPORT

BOARD NOMINATION AND REMUNERATION COMMITTEE

Chairman

Dato' Roslina binti Zainal
Independent Non-Executive Director
(Appointed as Chairman w.e.f. 25 March 2021)

Juniwati Rahmat Hussin
Independent Non-Executive Director
(Ceased as Chairman w.e.f. 25 March 2021)

Members

Datuk Seri Asri bin Hamidin @ Hamidon
Non-Independent Non-Executive Director

Datuk Amran Hafiz bin Affifudin
Non-Independent Non-Executive Director

Dato' Ir. Nawawi bin Ahmad
Independent Non-Executive Director

Dato' Merina binti Abu Tahir
Independent Non-Executive Director
(Appointed as Member w.e.f. 1 February 2022)

Noraini binti Che Dan
Senior Independent Non-Executive Director
(Demised on 26 August 2021)

The Committee last reviewed its TOR in January 2021.

KEY ROLES & RESPONSIBILITIES

For detailed roles & responsibilities of the Committee, please refer page 84.

Key Activities of The Committee

Dato' Roslina binti Zainal chairs the BNRC and she is well supported by four (4) Members.

During the Financial Year under review, the BNRC held 13 meetings. The BNRC's key activities in 2021 included the approval/deliberation of the following:

- Annual Assessment of Independence of Independent Non-Executive Directors;
- BEA of the Board of Directors, its Committees, and each Individual Director;
- Assessment of 'fit and proper' and performance review of Directors for re-appointment/ re-election;
- Recommendation to the Board with regards to Directors who sought re-election at the AGM;
- Assessment of 'fit and proper' of potential candidates for proposed appointment as TNB Non-Executive Directors;
- Review of Board Skills Matrix, upon any appointment of potential candidates to the Board;
- Appointment and Resignation of Chairman;
- Appointment and Resignation of Non-Executive Directors;
- Review of composition of the Board Committees upon appointment/resignation of Directors;
- Fit and proper assessment of potential candidates for Top Management;
- Appointment of Top Management due to establishment of respective Divisions/succession planning;
- Review of composition of the Boards of TNB Group for BNRC approval;
- Review of succession planning of Top Management;
- Assessment and Recommendation to the Board on the promotion and renewal of service contracts of Top Management;
- Review of performance evaluation against assigned KPIs of President/CEO and Top Management;
- Proposed Changes and Alignment of TNB Macro Organisational Structure;
- TNB Notice of 32nd AGM;
- Engagement of Independent Expert for 2021 Board Effectiveness Assessment;
- Engagement of Independent Expert for Non-Executive Directors' Remuneration Benchmarking Exercise;
- TNB Succession Planning Framework;
- Review of BNRC TOR;
- Review of Board Charter.

For the details of meeting attendance of BNRC members, kindly refer to page 84.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

ETHICS, INTEGRITY & TRUST

In 2017, TNB, was one of the first listed corporation to embark on the ISO 37001:2016 Anti Bribery Management System (ABMS) certification. Towards achieving the certification, TNB launched the TNB Corporate Integrity Management System (TCIMS) to drive an integrity-based culture and a high level of compliance with local and international anti-bribery standards. TNB on 15 November 2018 was awarded with the ABMS Certification from SIRIM and further in reinforcing this culture, launched TCIMS Handbook.

TNB has a well-thought-out set of Shared Values made publicly available and communicated to the workforce. First among the TNB Shared Values is Integrity. The three (3) behaviours of Integrity are:

3 BEHAVIOURS OF INTEGRITY

1 **BEHAVIOUR 1**
We uphold highest ethical standards and do what is right, all the time

2 **BEHAVIOUR 2**
We are fair, honest and transparent – in everything we do

3 **BEHAVIOUR 3**
We always seek to achieve mutual benefit for the country, Company and customers

The Handbook covers five (5) TCIMS policies, namely Anti-Bribery Policy, Gifts, Hospitality and Related Benefits Policy; Conflicts of Interest Policy; Whistleblowing Policy; and Integrity Pact and Committee Integrity Pledges Policy.

During the Financial Year under review, surveillance audit by SIRIM was conducted involving Procurement & Supply Chain Division and three (3) wholly owned subsidiaries of TNB, namely Malaysia Transformer Manufacturing Sdn. Bhd., TNB Fuel Services Sdn. Bhd. and Tenaga Cable Industries Sdn. Bhd., Retail Division and TNB Repair and Maintenance Sdn. Bhd. successfully retained the ISO 37001 Anti-Bribery Management System certification by SIRIM.

A number of trainings & awareness sessions were conducted during the Financial Year by the Integrity Department to better equip the Company for the implementation of Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009. These included the following:

- Six (6) sessions of Fraud and Bribery Risk Management Workshops;
- 15,274 staff and 1,579 vendors/business partners/associates participated in the Integrity E-learning.
- All staff are required to sign the integrity pledge and declare their conflict of interest via Employee Self Services On-line System annually;
- ISO 37001 Internal Audit was carried out by 16 divisions/departments.
- TNB Integrity Health Index (IHI) has been established to access and capture relevant information on different attributes and dimensions of Integrity Health status and performance of an Integrity Health system.
- 15,884 staff participated in the IHI survey FY2021 and the score is 79.74%.
- Signing of *Prosedur Tatatertib TNB Edisi Ketujuh* between the Management and the Unions.
- 33 sessions of Integrity roadshows on the Prosedur Tatatertib TNB Edisi Ketujuh, Pengurusan Kewangan & Liabiliti Korporat.
- 16,920 staff attended the online Integrity Roadshows.
- Published 18 Integrity bulletins and articles.

LIMITS OF AUTHORITY

The Limits of Authority outlines principles to govern decision making within the Group, including appropriate escalation and reporting to the Board. The Board has also delegated to the President/CEO, and through the President/CEO to other Executives, responsibility to manage the Company's day-to-day activities. The Limits of Authority encompasses both monetary and non-monetary limits of authority for recommending and approving operational and management decision-making activities prior to its execution. This allows for balanced effective oversight with appropriate empowerment and accountability of the Management.

CODE OF ETHICS

The Board of Directors is guided by a high standard of ethical conduct in accordance with the Code of Ethics for Company Directors as established by the Companies Commission of Malaysia.

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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

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.

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 to enhance and protect the reputation of TNB.

TNB's Procurement Code of Conduct guides TNB's Directors and employees as well as all existing and potential suppliers/ contractors including their directors and employees. TNB believes that all supplier/contractor relationships should be based on principles of good governance such as integrity, accountability, fairness and a zero-tolerance rule towards bribery and corruption. These principles are enforced in the Procurement Code of Conduct, which is constantly revised to reflect changes in regulations, reputational demands and business challenges.

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.

TNB's Code of Ethics and Procurement Code of Conduct are available at their respective sections of the Company's website at www.tnb.com.my.

CONFLICTS OF INTEREST

To foster ethical and independent decision-making, the Company requires Directors with any direct or indirect interest in a proposal or transaction being considered by the Board or its Committees to declare that interest and recuse himself/herself from the deliberations. The affected Director will take no part in the decision-making.

As initiated by Procurement & Supply Chain Division in collaboration with Integrity Department to further strengthen our integrity and transparency in dealing with the Company's procurement activities, at each Board Meeting, each Director shall sign an Integrity Pact, declaring his/her interest involving procurement/matters to be discussed at the Meeting, to prevent corruption, conflict of interest and to maintain confidentiality of information.

WHISTLE BLOWING PROCEDURE

The Whistle Blowing Procedure embodies TNB's commitment to 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.

The objectives of the Whistle Blowing Procedure are as follows:
- 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.

Reporting Channels:
- Online Whistle Blowing Information System (WBIS) - wbis.tnb.com.my
- Email to one (1) of the designated officers by using the Whistle Blowing Complaint Form, available in Malay & English:

NAME	DESIGNATION	E-MAIL ADDRESS
Kalivann Palanivelu	Chief Integrity Development Officer	kalivann.integrity@tnb.com.my
Hasbah binti Hasbullah	Head, Integrity Development & Culture	hasbahh.integrity@tnb.com.my

- Whistle Blowing toll free number: 1-800-888-862

ANTI-BRIBERY POLICY

TNB aims to state its position on bribery and related matters and to establish key pillars in its structure to protect the Company against any form of bribery.

Bribery in all its forms related to TNB's activities is prohibited. It is the responsibility of personnel at all levels to act with integrity. TNB holds a 'No Gifts' policy, although certain exceptions are allowed. Integrity Pledges must be signed by personnel on a regular basis, as well as a Conflict of Interest declaration. Business Associates acting on behalf of the Company shall be managed carefully. Reporting of misconduct by personnel or third parties is expected, with protection provided for all disclosers acting in good faith.

TNB is committed to enforcing its position, with the Integrity Department taking on this role. The TCIMS will be assessed and updated on a regular basis to ensure its effectiveness is maintained.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

A BOARD AUDIT COMMITTEE REPORT

BOARD AUDIT COMMITTEE

Chairman

Dato' Merina binti Abu Tahir
Independent Non-Executive Director
(Appointed as Chairman w.e.f. 1 February 2022)

Noraini binti Che Dan
Senior Independent Non-Executive Director
(Demised on 26 August 2021)

Members

Gopala Krishnan a/l K.Sundaram
Independent Non-Executive Director

Ong Ai Lin
Independent Non-Executive Director

Datuk Rawisandran a/l Narayanan
Independent Non-Executive Director

Juniwati binti Rahmat Hussin
Independent Non-Executive Director
(Appointed as Member w.e.f. 25 March 2021)

Datuk Lau Beng Wei
Independent Non-Executive Director
(Appointed as Member w.e.f. 1 December 2021)

Dato' Roslina binti Zainal
Independent Non-Executive Director
(Ceased as Member w.e.f. 25 March 2021)

KEY ROLES & RESPONSIBILITIES

For detailed roles & responsibilities of the Committee, please refer page 84.

The Board Audit Committee (BAC) was established to assist the Board to carry out their oversight and fiduciary duties and responsibilities.

BAC's objectives, authorities and functions are governed by the Terms of Reference (ToR) which was last reviewed in November 2021. The ToR is accessible on the Company's official website at www.tnb.com.my.

MEMBERSHIP AND MEETINGS

As of 31 December 2021, the BAC comprises five (5) members, all of whom are Independent Non-Executive Directors. This composition is aligned with Paragraph 15.09 (1) (a) and (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR), which states that the Audit Committee must be composed of not fewer than three (3) members and all the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors.

Noraini binti Che Dan had served as the Chairman of BAC up to 26 August 2021. Subsequent to her demise, the existing BAC members i.e. Gopala Krishnan a/l K.Sundaram and Ong Ai Lin have served as the Chairman of BAC. The BAC continues to fulfil the practice stipulated in the Malaysian Code of Corporate Governance (MCCG) 2021, whereby the Chairman of BAC was not the Chairman of TNB Board during the year under review.

The governance practices are further strengthened as the BAC fulfils the requirements of Paragraph 15.09 (1) (c) of MMLR, which requires that at least one (1) member of the committee must be a member of the Malaysian Institute of Accountants (MIA). As of 31 December 2021, one (1) member of the BAC, Ong Ai Lin, is a member of MIA.

The ToR of BAC requires it to meet at least six (6) times a year. During FY2021, 13 BAC meetings were held. Attendance at all meetings met the requisite quorum as stipulated in the BAC ToR. The Company Secretary who is the Secretary to the BAC and the Chief Internal Auditor (CIA) were in attendance during the meetings. The President/Chief Executive Officer and other officers were invited to the meetings to deliberate on matters within their purview.

After each meeting, the BAC Chairman submits a report on matters deliberated to the Board of Directors' meeting for information and attention. Matters reserved for the Board's approval are tabled at the TNB Board meetings. Action sheets are issued by the Company Secretary on the decisions made and actions required. These are circulated to management and relevant parties for their actions.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

MAIN ACTIVITIES OF BAC IN FY2021

Based on the 13 meetings held in FY2021, BAC had carried out the following to effectively discharge its duties and responsibilities as set forth in the BAC ToR:

1. Internal Audit

i. Deliberated the adequacy and effectiveness of internal controls based on the findings and outcome of the audits conducted and reported by Group Internal Audit Department (GIA) during the year. The summary of critical findings was presented and deliberated in BAC meetings and where relevant, BAC requested Management to rectify the internal control system based on recommendations provided by GIA.

ii. Reviewed TNB's quarterly State of Internal Controls (SOIC) on the adequacy, effectiveness and reliability of internal control system based on the overall risks/ areas covered by GIA and issues reported across TNB and its subsidiaries, as well as the status of corrective actions implemented by Management.

iii. BAC took note of TNB's Integrated Assurance Report for FY2020. The assurance report provides information on the organisation's risk coverage and helps identify gaps and overlaps in risks reviewed by the various assurance providers in TNB namely GIA, internal audit function at subsidiary, compliance management functions at divisions, and health and safety function.

iv. Approved GIA's FY2022 Annual Audit Plan and reviewed the methodology applied in preparing a risk-based audit plan to ensure adequacy of audit scope and comprehensive coverage of the Company's activities.

For FY2022, 'thematic auditing' has been introduced, where the audits identified were clustered into general categories based on major concerns of BAC such as safety and health management, financial management, asset management, environmental management, etc. As a result, 132 audits were proposed to be conducted in FY2022 comprising 70 planned audits, 59 follow-up audits, two (2) quality assurance reviews and one (1) Long-Term Incentive Plan (LTIP) review.

The BAC also took cognisance of the resource requirements including staffing, competencies as well as budgetary requirements for successful completion of the audit plan.

v. Approved GIA's revised FY2021 Annual Audit Plan to ensure pertinence in view of changes in business requirements, emerging risks and travel restrictions due to COVID-19 pandemic.

vi. On a quarterly basis, BAC reviewed the effectiveness of GIA through evaluation of its performance and competency, and monitoring the sufficiency of resources, to ensure it has the required expertise and proficiency to discharge its duties.

vii. GIA continued the use of Quality Assurance and Improvement Programme (QAIP) to assess the quality of audit processes against the Standards established in International Professional Practices Framework (IPPF) issued by Institute of Internal Auditors. BAC took note of areas for enhancement identified through internal assessment conducted by a designated quality assurance team for FY2020. In December 2021, BAC deliberated the results of External Quality Assessment Review (in the form of self-assessment independent validation) conducted by an independent external assessor. The results of review indicated GIA's General Conformance to the IPPF Standards and Code of Ethics.

viii. Reviewed GIA's organisational independence declaration for FY2020 to facilitate BAC in making relevant disclosures as required in the MCCG pertaining to independence and objectivity of the internal audit function. GIA discharged its duties objectively and independently through the current reporting arrangement which allows GIA to report functionally to BAC and no conflict of interest situations were reported for FY2020.

ix. BAC took note of GIA's Charter which was reviewed as part of an annual exercise. There were no changes made to the Internal Audit Charter as the existing Charter is deemed adequate and consistent with the IPPF requirements.

x. Reviewed the revised BAC ToR before recommending to Board for approval. The ToR was revised to ensure alignment with MCCG and MMLR requirements, and the current operational practices.

xi. BAC reviewed and endorsed the proposed FY2022 Key Performance Indicators for GIA which were derived based on four (4) Balanced Scorecard perspectives and in alignment with Company's strategic initiatives.

xii. BAC took note of the various data analytics initiatives applied by GIA in performing the audits approved for FY2020 and continuous auditing performed at critical/ high risk areas.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

A BOARD AUDIT COMMITTEE REPORT

2. External Audit

i. Reviewed the overall performance and effectiveness of the external auditor for the period from 1 January 2020 to 31 December 2020.

For this purpose, a survey was coordinated by GIA and assessments on the effectiveness of the external auditor were performed by members of BAC and Management. The assessment focused on four (4) areas namely (i) quality of service, (ii) sufficiency of resources, (iii) communication and interaction, and (iv) independence, objectivity and professional scepticism.

ii. Reviewed audit fees for quarterly review of the unaudited consolidated results and annual statutory audit of TNB and its subsidiaries for Board's approval.

iii. BAC assessed the independence and objectivity of the external auditor by reviewing non-audit services provided by the external auditor to TNB and the Group. The fees for non-audit services carried out by the external auditor were within the threshold set in TNB's Implementation Guideline on Provision of Services by External Auditors.

iv. BAC exercised its rights, as stipulated in the ToR, to hold meetings with the external auditor without the presence of Management, Executive Directors or Non-Independent Directors to enable open discussion with the BAC. This is also in line with the terms stipulated in MMLR issued by Bursa Malaysia Securities Berhad.

In FY2021, two (2) meetings were held with the external auditor without the presence of Management and Executive Director to reinforce independence of the external audit function of the Company.

3. Financial Reporting

BAC reviewed and endorsed the following financial matters before recommending to Board for approval:

i. Quarterly unaudited financial results of the Group and the draft announcements with considerations on key developments during the period, significant accounting matters, and other review matters.

ii. Audited financial statement of the Group and of the Company for the financial year ended 31 December 2020 and agreed that the financial statements were prepared in accordance with the relevant standards and regulatory requirements as to give a true and fair view of the Company's financial performance.

4. Related Party Transactions

In February 2021, BAC reviewed and recommended to the Board to approve the related party/recurrent related party transactions entered into by TNB Group for the year ended 31 December 2020.

5. Annual Reporting

BAC recommended for Board's approval the reports to be incorporated in the Integrated Annual Report 2020 namely (i) BAC Report, (ii) Statement on Internal Audit Function, (iii) Statement of Risk Management and Internal Control, (iv) TNB Sustainability Statement, and (v) Corporate Governance Overview Statement and Corporate Governance Report.

6. Others

i. Reviewed the proposal for granting and vesting of performance shares as well as restricted shares under the LTIP for Board's approval.

ii. Reviewed the proposed guidance for establishment of ToR for subsidiaries' BAC/Board Risk Committee (BRC)/Board Audit and Risk Committee (BARC).

iii. Took note of the proposal on advancing assurance integration between GIA and internal audit functions of subsidiaries within the Company. Subsequently, framework for integrated assurance in TNB was presented for BAC's approval. The main objectives of this effort include ensuring adequate coverage of risks, minimising duplication of work amongst assurance providers, and strengthening, streamlining and standardising assurance activities within TNB.

iv. Discussed on other key operational matters, as follows:

- Summons/ compounds imposed on TNB by regulatory authorities for period from 1 January 2021 to 30 June 2021.
- Credit management matters and strategies, specifically on Collection Strategy for Revenue Protection.
- Status of action plan on ownership of substation land.

DATO' MERINA BINTI ABU TAHIR
Chairman, Board Audit Committee

BOARD RISK COMMITTEE REPORT

BOARD RISK COMMITTEE

Chairman

Ong Ai Lin
Independent Non-Executive Director

Members

Juniwati Rahmat Hussin
Independent Non-Executive Director

Gopala Krishnan K.Sundaram
Independent Non-Executive Director

Datuk Rawisandran a/l Narayanan
Independent Non-Executive Director

Noraini binti Che Dan
Senior Independent Non-Executive Director
(Demised on 26 August 2021)

KEY ROLES & RESPONSIBILITIES

For detailed roles & responsibilities of the Committee, please refer page 85.

The Board Risk Committee (BRC) was established on 5 June 2013 by the Board of Directors (Board) to assist the Board to carry out its responsibilities. The Board, through the BRC, is responsible to oversee the effectiveness and adequacy of the Group's risk management framework and to ensure that it forms part of the Group's corporate culture.

ROLE OF COMMITTEE

The main role 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 that such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives. This is in line with the requirements stated in the Malaysian Code on Corporate Governance and Bursa Malaysia's Main Market Listing Requirements.

KEY RESPONSIBILITIES

The BRC is guided by its Terms of Reference in carrying out these responsibilities:

- Oversee the establishment and implementation of the risk management framework that is embedded into the culture, processes and structures of the Group and is responsive to changes in the business environment.
- Approve the risk management framework and policies on behalf of the Board.
- Ensure that the principles and requirements of managing risk are consistently communicated and adopted throughout the Group.
- Deliberate the Group's strategic risks as well as key operating risks and risk issues through timely and regular reports and ensures the implementation of appropriate systems to manage these risks. It has the authority to direct special investigations, on behalf of the Board, into significant risk management activities, as and when necessary.
- Approve on behalf of the Board, the risk appetite for the strategic risks and key operating risks and ensures that actions are taken in a timely manner when risks are outside tolerable ranges.
- Review the adequacy of and to provide independent assurance to the Board of the effectiveness of the risk management framework implemented in the Group on an annual basis.

HOW THE COMMITTEE OPERATES

The BRC meetings are pre-determined for the following financial year and is thereafter, communicated to the members with the specific meeting agenda prior to each meeting.

In FY 2021, there were seven (7) BRC sittings and one (1) joint sitting with the Board Finance & Investment Committee (FIC). Meetings were held virtually or in a hybrid manner, i.e., in-person and virtually, in view of the COVID-19 pandemic. Prior to the meeting, BRC members were provided with papers approved for tabling and updates of outstanding matters from previous meetings for the members' perusal.

The President/CEO, Chief Risk Officer and Company Secretary, who is also secretary to the BRC, attended the meetings. Other attendees, internal or external, were invited to deliberate on matters within their purview. Action sheets were issued by the Company Secretary on decisions made and action required. These were circulated to Management for their further action. The BRC Chairman Reports were tabled at the Board meetings for notification and/or further deliberation on matters within the purview of the Board.

PRINCIPLE B:
EFFECTIVE AUDIT AND RISK MANAGEMENT

BOARD RISK COMMITTEE REPORT

MAIN ACTIVITIES OF THE BOARD RISK COMMITTEE

Principal activities performed by the BRC in FY2021 are summarised below:
- Approved revisions to the TNB Risk Management Framework and risk governance documents for group-wide implementation.
- Jointly reviewed the Statement of Risk Management and Internal Control with the Board Audit Committee. The statement summarised the risk management practices and internal controls implemented by Management. Assurances from the President/CEO and Chief Financial Officer were given to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.
- Deliberated the Group's strategic and key operational risks and mitigating measures taken to manage the risks. Additional mitigations to strengthen the management of existing and emerging risks were recommended for further action.
- Reviewed and deliberated Key Risk Indicators (KRIs) that were reported quarterly through the TNB Risk Dashboard. Relevant business entities reported the status of action taken to mitigate potential adverse impacts.
- Reviewed reports on risk incidents and deliberated the adequacy and effectiveness of preventive and corrective mitigation.
- Jointly approved with the FIC, the TNB Investment Risk Methodology, including risk parameters and thresholds that are reflective of the Board's risk appetite, for a structured approach in assessing risks related to potential investments.

RISK MANAGEMENT

The BRC is assisted by the Chief Risk Officer and the Risk Management Department (RMD) in discharging its duties and responsibilities.

Risk management and BCM frameworks

Risk management in TNB is governed by the TNB Risk Management Framework that provides a structured and consistent approach to risk management across the Group. The purpose of risk management is to create and protect value and this is exemplified through each element in the TNB Risk Management Framework. The framework is developed in alignment with ISO 31000:2018 Risk Management – Guidelines.

The RMD ensures the relevancy of the TNB risk governance documents for effective implementation of the TNB Risk Management Framework. The risk governance documents are the TNB Risk Management Framework, TNB Risk Management Policy and four guides, i.e., Risk Assessment Process, Risk Review, Risk Report and Key Risk Indicator. These risk governance documents are reviewed annually with the criteria for revision and levels of approving authority clearly stated to ensure the documents are robust, practical for implementation and reflective of the internal and external context.

In addition, the RMD is the custodian of the TNB Business Continuity Management (BCM) Framework that is aligned with ISO 22301:2019 Security And Resilience – Business Continuity Management Systems. The framework provides a structured approach in managing business continuity in the Group that enables prompt, coordinated and effective response to a crisis and maintain continuity of essential activities as well as protecting human life, assets, reputation and the environment. The framework is the focal point of reference for business entities to formulate and implement relevant business continuity strategies tailored to respective business objectives and critical functions.

Risk governance

The TNB Risk Management Structure described in the TNB Risk Management Framework document governs the risk management implementation in the Group. The oversight role is executed by the TNB Board of Directors and BRC, whilst cross-functional risk management matters are deliberated at the Group Risk Management Working Committee (GRMWC) and Subsidiaries Risk Management Working Committee (SRMWC). Both working committees meet quarterly to ensure that the TNB Risk Management Framework is effectively implemented in business entities and sufficient resources are committed for continuous improvement and integration of risk management in business processes.

In addition, the RMD carries out risk governance activities, which are risk maturity assessment, desktop risk assessment and risk reviews, that are planned on a 3-year cycle for comprehensive coverage of all business entities in the Group. In FY2021, the risk maturity of five (5) business entities were assessed and 11 desktop risk assessments were conducted by the RMD. Recommendations for improvement were agreed with the respective business entity to enhance the implementation and integration of risk management in day-to-day operations. Reviews of business entity's risk profile are facilitated by the RMD to ensure alignment to the TNB Risk Management Framework.

PRINCIPLE B:
EFFECTIVE AUDIT AND RISK MANAGEMENT

BCM governance

Oversight of the implementation of the TNB BCM Framework lies with the TNB Corporate BCM Steering Committee, which is chaired by the TNB Crisis Commander appointed by President/CEO. This committee ensures the TNB BCM Framework and its implementation are aligned with strategic objectives and integrated into business processes with adequate resources committed to strengthen preparedness and enhance capabilities.

Preparedness of the corporate crisis command structure is tested through drills. In FY2021, the RMD as the corporate BCM secretariat, carried out two (2) communication drills, one (1) functional drill and one (1) full-scale drill with involvement from President/CEO and C-suites and support from BCM practitioners across the Group. The functional and full-scale drills were conducted virtually, in view of the pandemic. In addition, drills to test preparedness of business entities in crisis scenarios such as floods and dam safety were carried out according to plan and improvements identified from post-mortems were implemented to close gaps.

Monitoring & reporting

Risks that are identified or reviewed by business entities are registered and approved by relevant risk owners in the online and real-time TNB Risk Information System (TRIS). The RMD maintains the TRIS, which functions as a platform for monitoring and reporting. The risk registers in TRIS is accessible for viewing by all employees and additional access rights are assigned to relevant parties. These parties, such as risk owners and risk managers, are responsible to ensure the quality and integrity of the risk information in TRIS.

In FY2021, business entities across the Group submitted two half-year risk reports to the RMD, reporting its risk profile, key mitigations, KRIs, lessons learned from risk events and emerging risks unique to its business. The RMD thereafter collates and reports the TNB Half-Year Risk Reports to management for a holistic perspective of the Group's strategic, operational and emerging risks.

KRIs that provide early warning signals of increasing risk exposures and potential risk events are identified, monitored and reported by business entities. KRIs are developed in alignment with risk appetite of the BRC and management and are monitored and reported quarterly to the BRC, GRMWC and SRMWC. KRIs are reviewed annually to ensure relevancy to current business strategies and risk exposures in the internal and external context.

Training & engagement

Risk management trainings at fundamental and intermediate levels are conducted by the RMD and administered by the TNB Integrated Learning Solution Sdn. Bhd. (ILSAS) to increase the risk competency of employees across the Group. In FY2021, 73 executives completed the risk management fundamentals training and 50 executives for the intermediate level. Additional training and awareness sessions tailored to the needs of TNB business entities were conducted by the RMD and participated by 326 employees. Furthermore, an inaugural risk management training was marketed by ILSAS to external parties and 14 participants from various industries were trained by subject matter experts in RMD.

In FY2021, the RMD organised 30-minute webinars with topics ranging from principles and application of risk management and BCM and lessons learned from past risk events and crisis. 24 webinars were successfully conducted and attended by approximately 1,700 executives, including a session with invited Chief Risk Officers from TM and Malaysian Resources Corporation Berhad (MRCB), sharing their risk and BCM experiences with TNB practitioners.

BCM onboarding sessions were conducted for newly appointed primary or alternate Corporate Crisis Management Team members, as and when necessary, to enhance promptness and effectiveness of response in the event of a group-wide (national) crisis. Additionally, training sessions on the roles and responsibilities of the primary and alternate members of the Corporate Crisis Response Team are held annually. In FY2021, a spokesperson training was provided to the primary Corporate Crisis Management Team members to enhance capabilities in responding to stakeholders during crisis.

The RMD is the secretariat of the Risk Manager and BCM Circles, which are communities of risk and BCM practitioners from across the Group. These Circles collaborate at least quarterly to spearhead risk and BCM initiatives as well as share knowledge and feedback on effective practices and lessons learnt, drawing from their experiences implementing risk management and BCM at respective business entities.

CONCLUSION

The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision making for the achievement of the Group's strategic outcomes and long-term objectives.

This statement was made in accordance with the resolution of the Board of Directors dated 24 February 2022.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

STATEMENT ON INTERNAL AUDIT FUNCTION

TNB's internal audit function, which is under the purview of Group Internal Audit Department (GIA), is established by the Board to provide independent, objective assurance and consulting services designed to add value and improve TNB's operations.

GIA assists TNB to accomplish its business objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

GIA reports directly to the Board Audit Committee (BAC) to preserve its independence and objectivity, and administratively to President/CEO to enable the required stature to fulfil its responsibilities.

GIA is currently headed by Lizah Abd Wahab who is the Chief Internal Auditor (CIA). She joined GIA in 2004 and was appointed as the CIA on 1 April 2021. She holds a Bachelor of Accounting and Finance degree from Manchester Metropolitan University, United Kingdom and a Master of Business Administration from Universiti Tenaga Nasional and Graduate Certificate in Management from the University of Melbourne. Additionally, she is a Certified Internal Auditor and obtained a Certification of Risk Management Assurance from Institute of Internal Auditors (IIA). She brings over 15 years of experience in internal auditing at various areas or functions within TNB.

PRACTICES AND FRAMEWORK

GIA endeavours to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

GIA is guided by the Internal Control Framework of Committee of Sponsoring Organisation of the Treadway Commission (COSO) and Control Objectives for Information and Related Technology (COBIT) in assessing and reporting the adequacy and effectiveness of the design and implementation of the organisation's overall system of internal control, risk management and governance.

Additionally, to effectively manage its functions and perform the audit engagements, GIA adopts the standards and principles outlined in the International Professional Practices Framework (IPPF) issued by IIA, which comprises Core Principles for the Professional Practice of Internal Auditing, International Standards for the Professional Practice of Internal Auditing, Definition of Internal Auditing and Code of Ethics.

SCOPE AND COVERAGE

GIA's responsibilities and scope of internal audit activities are outlined in the Internal Audit Charter which was approved by the BAC. The Internal Audit Charter is reviewed annually to ensure relevance and alignment with the requirements of IPPF.

GIA continues to formulate the annual audit plan using a risk-based approach, taking into consideration TNB's risk profile, strategic objectives, regulatory requirements as well as inputs from BAC and senior management.

Amongst the key areas reviewed during Financial Year (FY) 2021 include:
- Corporate Governance Compliance
- Strategic and Sustainability Initiatives
- Business Continuity Management
- Whistleblowing and Anti-Bribery Management
- Information Technology (IT) and Operational Technology (OT) Security and Governance
- Social Media Management
- Management of Legal Cases
- Billing and Tariff Management
- Operation and Maintenance
- Strategic Asset Planning
- Fuel Management
- Safety Management
- Project Planning and Management
- Procurement, Contract and Vendor Performance Management
- Material Management
- Financial Management
- Human Resource Management
- Integrated Healthcare Management System

Based on the audits carried out in FY2021, amongst the key risks covered are inability to deliver company initiatives and targets, fraud and bribery, accident leading to fatality/injury and property damage, non-compliance with related regulatory requirements and company policies, critical equipment failure causing major blackout, fuel supply disruption, poor performance of appointed contractors/ suppliers, leakages of confidential data, cyber security threat, and revenue leakages.

During FY2021, GIA issued a total of 143 reports arising from 70 planned audits, four (4) ad-hoc audits, ten (10) surprise audits, and 59 follow-up audits. Internal audit reports with significant improvement opportunities were presented to the BAC for deliberation whilst others were reported in the quarterly reporting to BAC.

Subsequently, GIA continuously monitors the implementation of corrective actions and the results are communicated to BAC on a quarterly basis and to management via GIA Online Corrective Actions Monitoring Dashboard (GOCAMD) and Corrective Action League Table (CALT) status reporting on a monthly and quarterly basis respectively.

In view of the COVID-19 pandemic, GIA has adopted flexible audit approaches throughout the year whereby, out of the 70 planned audits, 38 were remote audits and 32 were hybrid audits (mix of on-site and virtual auditing). As for remote audits, meetings and interviews were conducted via secure video conferencing platforms, documents were shared via company email and cloud, and GIA has enhanced the utilisation of data analytics. GIA adjusted to the flexible audit approaches to ensure completion of the approved FY2021 Annual Audit Plan.

In providing value to the Company, the internal auditors' key performance indicator included value creation in terms of cost saving/recovery or business process improvement.

In addition to the audit engagements performed, GIA was also actively involved in strengthening the internal control system in the Company through sharing of best practices and knowledge on internal auditing, risk management and internal controls.

RESOURCES

The internal audit activities in FY2021 were performed in-house by a group of 63 internal auditors with diverse disciplines, as summarised below:

Discipline	No. of Auditors	Percentage (%)
Accounting, Finance and Business	31	49
Engineering	24	38
Quantity Surveying	2	3
System and Data Analyst/ Information Technology	6	10
Total	**63**	**100**

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

The total cost incurred in managing the internal audit function for FY2021 is RM13.8 million, comprising mainly staff costs and audit activities related spending, as follows:

Category	RM (Million)	% of Total Cost
Staff costs	11.75	85
Operating costs	2.05	15
Total	**13.80**	**100**

PROFESSIONAL QUALIFICATION AND CONTINUOUS DEVELOPMENT

GIA continuously encourages auditors to equip themselves with sufficient knowledge and skills to ensure that high level of proficiency and due professional care are demonstrated in fulfilling auditors' responsibilities.

As at 31 December 2021, there are 26 GIA staff with various professional certifications as shown below:

CERTIFICATION	NO. OF CERTIFICATIONS OBTAINED
Certified Internal Auditor (CIA)	13
Certified Information System Auditor (CISA)	4
Certification in Risk Management Assurance (CRMA)	5
Association of Chartered Certified Accountants (ACCA)	4
Chartered Institute of Management Accountants (CIMA)	1
Chartered Accountant (Malaysia)	3
Professional Engineer	2
Professional Technologist	6
CISCO Certified Network Associate (CCNA)	3
Certified COBIT	3
Total	**44***

Note:
* *One (1) staff may have more than 1 certification*

In addition to the above, 30% (19 auditors) are in the midst of pursuing their professional certifications at various levels.

GIA commits to ensure that the level of auditors' skills, knowledge and competencies are maintained as stipulated in the Internal Audit Charter. These are accomplished through the following:

- Involvement of auditors in conferences and trainings in the area of auditing, strategic initiatives, leadership and communication, business acumen, environmental, social and governance (ESG), health, safety and environment (HSE), data analytics, and personal development.
- Conducted sharing and benchmarking sessions with peer Government-Linked Companies (GLCs) e.g. Petronas and Malaysia Airlines to keep abreast with industry best practices.
- Conducted in-house briefing session or knowledge sharing on IIA's Code of Ethics and IPPF to keep auditors updated on the required practices and rules of conduct.
- Promote continuous learning through subscription to online training modules in Gartner website focusing on audit processes, accounting issues, fraud and internal controls practices.

As of 31 December 2021, GIA incurred a total cost of RM304,627 on trainings and conferences. GIA staff have spent an average of 16.5 days per person on internal and external trainings/conferences to enhance their skills, knowledge and competencies.

SUMMARY OF GIA'S ACTIVITIES IN FY2021

The following are the key activities undertaken by GIA in FY2021:

- Provided independent and objective assurance on the adequacy of internal controls implemented to mitigate risk exposures. The reports on audits performed which consist of observations, improvement opportunities, management responses, deadline and person in charge for implementation of corrective actions have been issued to respective auditees, senior management and BAC.
- Presented the TNB's State of Internal Controls to BAC on a quarterly basis and coverage includes the following:
  - Audit completion status against the approved audits
  - Risks reviewed during audits
  - Results of internal control assessment covering areas with critical findings
  - Status of corrective actions including aging for pending actions
- Performed follow-up audits on corrective actions agreed by management to assess if the actions have been implemented adequately and timely.
- Coordinated and attended meetings with Risk Management Department to deliberate on emerging risks and relevant mitigation plans. Coordination meetings were also conducted with the external auditor to discuss on audit scope/issues to ensure adequate coverage or minimise duplication of effort.
- Maintained a Quality Assurance and Improvement Program (QAIP) covering internal and external assessments as required in the IPPF Standards. GIA developed areas for enhancement for continuous improvement of the internal audit activity based on the internal assessment carried out by a dedicated quality assurance team.
- In accordance with IPPF Standard 1312 which states that external assessment must be conducted at least once every five (5) years by a qualified, independent assessor, GIA had appointed an independent external assessor for an External Quality Assessment Review [in the form of Self-Assessment Independent Validation (SAIV)]. GIA obtained Generally Conform to the IPPF Standards and Code of Ethics based on the review.
- Organised GIA's Webinar Series to provide awareness on internal controls. Two (2) webinar sessions were conducted in FY2021 relating to invoicing, and operation and maintenance.
- Showed continuous commitment towards TNB's core values through the contribution to the needful nation through GIA's Corporate Social Responsibility (CSR) program, officewide video and essay competition, and culture gamification session for GIA staff.

LIZAH BINTI ABD WAHAB
Chief Internal Auditor

DATO' MERINA BINTI ABU TAHIR
Chairman, Board Audit Committee

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

BOARD LEADERSHIP OF STAKEHOLDER ENGAGEMENT

We have a well-established programme of engaging with a wide range of stakeholders who are key to the successful delivery of our strategy. These include shareholders, government, regulators, environmental bodies and trade unions. We know that actions taken today will shape the longer-term performance of TNB and determine our impact on the wider world, including our contribution to action on climate change. Such engagement broadens our understanding of the issues we take into account, informs our decision-making and helps to protect the long-term interests of stakeholders.

TNB's Stakeholder Engagement

We are dedicated to building strong relationships with key stakeholder groups. Through meaningful interactions with our stakeholders, we can leverage their insights and address any pressing emerging interests or concerns, keeping us focused on key sustainability matters. Ultimately, this will translate into the strategic management of sustainability in delivering long-term value for our stakeholders.

Our Stakeholder	**CUSTOMERS** Our customers comprise residential and non-residential segments. The non-residential or business customers come from the commercial, industrial customer segments, including Government, Large Businesses, Small & Medium Enterprises (SMEs) and Government.	**GOVERNMENT** The Malaysian Federal and State Governments, parliamentarians, municipal councils and regulators.
Engagement Plaftorm	Customer service outlets Call centre myTNB mobile application and online portal Customer surveys Social media Roadshows Campaigns	Meetings and briefings Site visits Round table sessions One-to-one engagements Outreach programmes Summits/conferences
Areas of Interest or Concern	1. New technologies (e.g. smart meter offerings, smart solutions, solar solutions, platform solutions) 2. Customer experience and service delivery	1. Regulatory and operational compliance 2. Changes in the regulatory framework and electricity supply industry 3. Disaster and cyber security management 4. Nation-building initiatives, including community and capability development 5. Security and reliability of electricity 6. Affordable tariffs 7. Environmental management 8. Giving back to Nation and *Rakyat* 9. Local *Bumiputera* vendor development
Our Response	• Sustainable Infrastructure and Ecosystems, page 144 • Social and Relationship Capital, page 54 • Customer Centricity, page 147 • Our Support in Facing COVID-19, page 141	• Creating Value Through Strong Governance, pages 58-125 • Manufactured Capital, page 46 • Social and Relationship Capital, page 54 • Our Support in Facing COVID-19, page 141 • Natural Capital, page 48 • How We Are Governed, page 131 • Sustainable Infrastructure and Ecosystems, page 144 • Minimising Environmental Impacts, page 162 • Contributing to Community Development, page 173

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Board is responsible for engagement with stakeholders and ensures that appropriate Board time is given to discussing their concerns and that sufficient resources are available for the Group to effectively engage. Internally, divisions across the organisation maintain engagement with key stakeholders, ensuring effective communications channels and mitigation of any concerns. Members of executive management, including Executive Director, provide regular updates to the Board, to ensure awareness and inform discussions. The Board takes these opportunities to assess and challenge management's approach relating to engagement.

Legend: ▲ Daily ■ All the time ● Ongoing ◆ As needed ⬢ Quarterly ◓ Annually ★ Biannually

INVESTORS

Institutional and retail investors, analysts and potential investors with interest.

- ⬢ Financial results announcements
- ◓ Integrated Annual Report and Sustainability Report
- ◓ Investor relations conferences and roadshows
- ● One-to-one and group engagements
- ◓ Annual General Meeting (AGM)

1. International investments plans
2. ESG topics and KPIs
3. Financial sustainability and returns
4. Other non-regulated business plans
5. Impact of energy crisis to TNB with regards to increase in price and availability of supply
6. Updates on Regulatory Period 3 (RP3), regulated business and MESI 2.0
7. TNB GenCo performance

- Strategic Review, pages 36-43
- Financial Capital, page 44
- Manufactured Capital, page 46
- Our Support in Facing COVID-19, page 141
- Natural Capital, page 48
- Human Capital, page 52
- Social and Relationship Capital, page 54
- Sustainable Infrastructure and Ecosystems, page 144
- Customer Centricity, page 147
- Minimising Environmental Impacts, page 162
- Climate Change, page 152
- Employment Management and Growth, page 165
- Emphasis on Health, Safety, and Well-being, page 170

EMPLOYEES

Our 34,938 full-time employees throughout TNB Group. Only full-time employees, excluding contractors.

- ● One-to-one engagements (online-based)
- ● Townhalls
- ● Online portal (intranet), newsletters, emails and TV TNB
- ◓ Employee surveys
- ◆ Social media
- ◆ Corporate Social Responsibility (CSR) events
- ◆ *Turun padang*, brown-bag sessions and other outreach programmes
- ■ Webinars

1. Health and safety of employees
2. Employee well-being and workplace culture
3. Talent and skills development
4. Employee satisfaction
5. Employee engagement on TNB's strategies, policies, and directions
6. TNB's strategies and initiatives

- Our Support in Facing COVID-19, page 141
- Human Capital, page 52
- Social and Relationship Capital, page 54
- Employment Management and Growth, page 165
- Emphasis on Health, Safety, and Well-being, page 170
- Contributing to Community Development, page 173

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

TNB's Stakeholder Engagement

Our Stakeholder	**TRADE UNIONS/ASSOCIATIONS** 3 registered unions and 2 workers associations that cover all categories of employees.	**VENDORS** 3,238 contractors and suppliers.
Engagement Plaftorm	◆ Joint Consultative Council (JCC) ◆ Negotiations for Collective Agreements (CA) ◆ Discussion on issues ◆ Syndication & engagements	◆ Engagement sessions with key suppliers ◆ Training and workshops ◆ TNB Vendor Day ◆ TNB Vendor Portal ◆ Outreach programmes
Areas of Interest or Concern	1. Mitigation & Resolution of issues 2. Employee well-being 3. Employee engagement regarding strategies and initiatives 4. Impact of new policies or policy revision to employees 5. CA Compliance	1. Industry support for business growth through technology and solutions 2. Training and capability development 3. Potential health and safety impacts 4. Procurement processes 5. Fraud and bribery awareness 6. New business opportunities and future developments
Our Response	• How TNB is Addressing A Global Pandemic, page 137 • Human Capital, page 52 • Employment Management and Relations, page 153	• Social and Relationship Capital, page 54 • Human Capital, page 52 • How TNB is Addressing a Global Pandemic, page 137 • Sustainable Infrastructure and Ecosystems, page 144 • Prioritising Health, Safety and Personal Well-Being, page 170

Our Stakeholder Engagement Approach:

- Enhance the understanding of major issues when engaging with government, investors, vendors and NGOs
- Pursue two-way communication with customers and communities
- Align the vision with strategies based on mutual trust with employees and trade unions

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNITIES

Local communities in or near areas where we operate, including those affected by our operations.

- Outreach programmes
- CSR events
- Townhalls
- Dialogue sessions
- Sporting events

1. Potential public facilities and basic infrastructure
2. Full compliance with the legal and regulatory requirements
3. Coordination of drill, ERP, crisis
4. Energy literacy
5. Accessible and reliable supply of electricity
6. Efficiency of services

- Social and Relationship Capital, page 54
- Achieving Our Strategic Ambitions, pages 38-45
- How TNB is Addressing a Global Pandemic, page 137
- Natural Capital, page 48
- Minimising Environmental Impacts, page 147
- Community Investment and Promoting Education, page 162

NON-GOVERNMENTAL ORGANISATIONS (NGOS) AND INTERNATIONAL ASSOCIATIONS

Consumer associations, think thank groups, environmental groups, chamber of commerce and international associations, for example the Heads of ASEAN Power Utilities/Authorities (HAPUA) and Association of the Electricity Supply Industry of East Asia and Western Pacific (AESIEAP)

- One-to-one engagements
- Outreach programmes
- Seminars and knowledge sharing sessions
- Collaboration sessions
- Social media
- Meetings

1. Affordable tariffs
2. Innovation in technology and RE
3. Quality of service
4. Supply reliability
5. Current and planned ESG efforts
6. Energy literacy
7. Environment & Occupational safety/health
8. Full compliance with the legal and regulatory requirements

- Achieving Our Strategic Ambitions, pages 38-45
- Intellectual Capital, page 50
- Natural Capital, page 48
- Social and Relationship Capital, page 54
- Human Capital, page 52
- Sustainable Infrastructure and Ecosystems, page 144
- Minimising Environmental Impacts, page 162
- How TNB is Addressing a Global Pandemic, page 137

Legend: Daily | All the time | Ongoing | As needed | Quarterly | Annually | Biannually

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

ANNUAL GENERAL MEETING

We value and facilitate a direct, two-way dialogue with the shareholders and investors. It is our top priority to provide relevant information to shareholders, listen to and understand their perspectives and respond to their feedback.

Our AGM plays an important role in providing the shareholders with an opportunity to communicate directly with the Chairman and President/CEO about the business, governance, financial performance and prospects. It also provides an opportunity for shareholders to raise questions for the Board, Top Management and the External Auditors on the management and performance of the Company.

The Board ensures that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the AGM. The AGM Notice includes explanatory notes that contain further information on the proposed resolutions. It has been the Company's practice since 2017 as per the MCCG, to issue out the Notice of AGM to the shareholders at least 28 days prior to the meeting.

The COVID-19 pandemic has had a profound impact to our lives and the safety of our shareholders, stakeholders, employees and broader community are key considerations for the Board. Accordingly, TNB hosted its 2nd Virtual AGM, the 31st AGM on 10 May 2021 via Remote Participation and Voting (RPV) at Dewan Seminar, Kompleks Balai Islam An-Nur, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia, the Broadcast Venue. Holding a virtual AGM allows our shareholders with the opportunity to participate in the AGM regardless of their geographical differences.

A dedicated link was created in our website within a stipulated timeframe so as to provide the shareholders with all information they needed to attend the meeting, including our virtual AGM online guide on how to use the online facility.

In line with the Group's commitment in promoting sustainability as well as to achieve greater cost efficiencies, TNB encouraged its shareholders to go paperless and to access the digital copy of TNB's Integrated Annual Report 2021 by downloading it from the Company's website. Aside from that, TNB issued out postcards with QR code to the shareholders, consisting the Notice of 31st AGM, Administrative Details of the 31st AGM, Integrated Annual Report 2020 and Proxy Form to the shareholders, which were also available at the Company's website.

A total of 1,400 shareholders and proxies representing 3,474,831,414 ordinary shares participated online in TNB Fully Virtual 31st AGM as per the Attendance Record issued by TNB Share Registrar. All Directors attended the AGM, including the Chairmen of respective Board Committees. The Engagement Partner of PwC was also in attendance at the AGM to answer shareholders' questions on the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of auditors in the audit process.

Shareholders were provided with similar opportunities online as they would have had attending the AGM in person. They were able to view presentation on the Company's financial and technical/ operational highlights by the President/ CEO, as well as vote and ask questions during the meeting. During the Meeting, the Chairman encouraged the shareholders to post questions to the Board and Management on the proposed resolutions tabled at the AGM. All questions submitted during the meeting were answered by the President/CEO/Chief Financial Officer/Company Secretary accordingly during the meeting.

The 31st AGM was conducted online via BoardRoom's LUMI AGM. Shareholders/ proxies were able to view the live webcast of the AGM proceedings, post questions to the Board/Management and submit their votes in real-time whilst the meeting was in progress. The procedures for RPV facilities were explained in the Administrative Details of 31st AGM issued to the shareholders on 9 April 2021.

All resolutions of 31st AGM were tabled and approved by the shareholders. All resolutions were voted by poll and the results were validated by Boardroom Corporate Services Sdn. Bhd., the independent scrutineer appointed by the Company. The outcomes of poll voting were announced to the market and posted on the Company's website on the same day of the AGM.

The minutes of meeting was made available on TNB's website at www.tnb.com.my no later than 30 business days after the AGM.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

FINANCIAL CALENDAR

Announcements of Consolidated Results

27 May 2021	Unaudited consolidated results for the first (1st) quarter ended 31 March 2021
26 August 2021	Unaudited consolidated results for the second (2nd) quarter ended 30 June 2021
25 November 2021	Unaudited consolidated results for the third (3rd) quarter ended 30 September 2021
24 February 2022	Unaudited consolidated results for the fourth (4th) quarter ended 31 December 2021

Dividends

Interim Single-Tier Dividend of 22.0 sen per ordinary share for the Financial Year ended 31 December 2021

30 September 2021	Entitlement Date
15 October 2021	Payment Date

Final Single-Tier Dividend of 18.0 sen per ordinary share for the Financial Year ended 31 December 2021

31 March 2022	Entitlement Date
15 April 2022	Payment Date

Annual General Meetings

9 April 2021	Notice of Fully Virtual 31st Annual General Meeting and Issuance of Integrated Annual Report and Audited Financial Statements for the Financial Year ended 31 December 2020
10 May 2021	Fully Virtual 31st Annual General Meeting
29 April 2022	Notice of Virtual 32nd Annual General Meeting and Issuance of Integrated Annual Report and Audited Financial Statements for the Financial Year ended 31 December 2021
2 June 2022	Virtual 32nd Annual General Meeting

INVESTOR ENGAGEMENT EFFORTS FOCUSED ON BUILDING CONFIDENCE AND MAINTAINING TRANSPARENT AND STRONG RELATIONSHIP WITH THE INVESTMENT COMMUNITY

The Board recognises the importance of maintaining a purposeful relationship through effective engagements with shareholders. The Investor Relations (IR) team which represents the Senior Management maintains high standards of corporate disclosures and transparency to the investment community. The IR team clearly communicates and disseminates the Company's strategic and financial updates to the investment community. We strive to build confidence and purposeful relationship through timely and transparent communication via various channels:

- Quarterly and Full Year Financial Results Announcements
- Engagement sessions with the investment community through One-on-One/Group Meetings and investor conferences
- AGMs
- IR section in TNB's website
- Bursa filings & Press Releases
- Annual Integrated & Sustainability reports

Consistent and meaningful communication with existing as well as potential investors through various platforms keeps the investment community abreast of our strategic developments, financial performance and other areas of interests. In addition, the IR team regularly communicates on shareholders' feedbacks and other areas of interest to the Senior Management. This encourages two-way information flow that is essential and mutually beneficial to both parties.

Our investor relations' section on TNB's corporate website at www.tnb.com.my offers investment community a dedicated platform for accessing corporate financial information as well as investor presentation. Any queries or concerns regarding the Group can be directed to the Investor Relations team, whose contact details are available on the website.

MEANINGFUL ENGAGEMENTS DESPITE THE PANDEMIC

As working from home (WFH) became a norm in spite of the pandemic, the IR team continues to meaningfully engaged with the investment community through available online platforms. During the year, the number of engagements with analysts and investors was 612 as compared to 586 in 2020 which includes engagements through a planned investor relations programme i.e. investor conferences and corporate days, engagement sessions with the investment community through one-on-one/group meetings, analyst briefing for financial results as well as engagement through other communication platforms.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

IR CALENDAR OF EVENTS FOR FY2021

	Event
6 January 2021	CGS-CIMB 13th Annual Malaysia Virtual Corporate Day
7 January 2021	12th Credit Suisse ASEAN Conference
13 January 2021	CIMB Premier Roundtable Engagement Series (PRES)
26 Febuary 2021	Analyst Briefing 4QFY2020 Quarterly Results Announcement
29 March 2021	JP Morgan Asean Renewable Day
30 March 2021	24th Credit Suisse Asian Investment Conference
6 April 2021	Hong Leong Bursa Stratum on Renewable Energy
22 April 2021	MUFG Malaysia Day
28 April 2021	Maybank - Bursa, ESG In Investing
10 May 2021	31st Annual General Meeting
28 May 2021	Analyst Briefing 1QFY2021 Quarterly Results Announcement
16 June 2021	UBS OneASEAN Virtual Conference
22 June 2021	Affin Hwang RE Conference
23 June 2021	HSBC Asia Credit Conference
8 July 2021	Maybank Invest ASEAN
26 August 2021	Analyst Briefing 2QFY2021 Quarterly Results Announcement
21 October 2021	Nomura Virtual Malaysia Corporate Day 2021
27 October 2021	UBS ESG Corporate Day 2021
26 November 2021	Analyst Briefing 3QFY2021 Quarterly Results Announcement

INVESTMENT COMMUNITY'S FEEDBACK

Based on IR's engagement sessions with the investment community, the key areas of interest includes:

- Impact of COVID-19 and MCO on energy consumption in Malaysia
- Business strategy and performance
- Environmental, Social and Governance (ESG) and sustainability pathway
  - Commitment to achieve net zero by 2050
  - Renewable Energy growth opportunities
  - Phasing out coal capacity roadmap
- Regulatory development – RP3 progress
- Development on Internal Reorganisation
- Earnings and dividend prospects
- Electric Vehicle space ventures

BUILDING LONG-TERM SHAREHOLDER VALUE

In 2021, TNB Board of Directors has approved a final single tier dividend of 18.0 sen per share, raising the single tier dividend total to 40.0 sen per share. This translates to a dividend payout ratio of 52.8% from the Group's Adjusted PATAMI.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

ANALYST COVERAGE

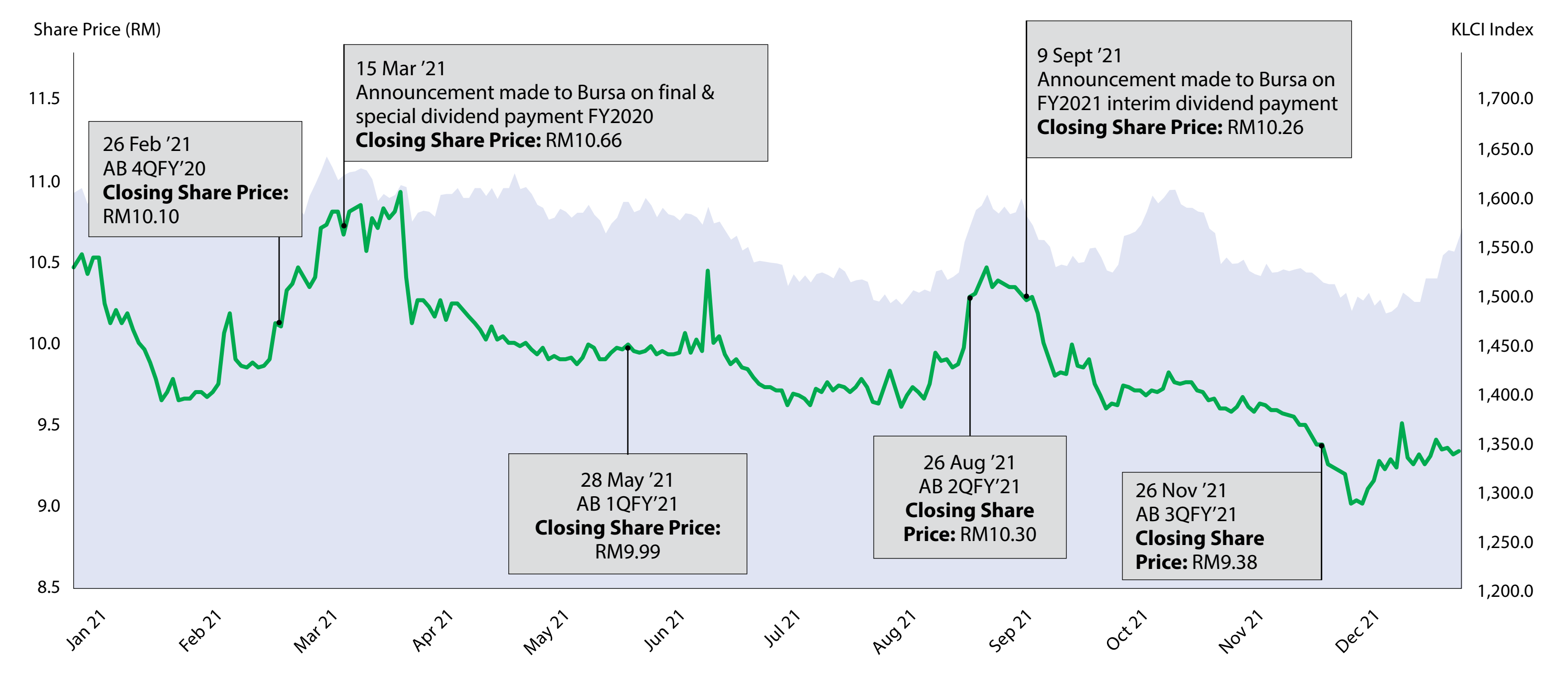
As one of the largest companies by market capitalisation on Bursa Malaysia, we have a wide analyst coverage totaling of 21 sell-side research analysts covering the stock of which 38% being the coverage from foreign research houses. We maintain a focused relationship with all our analysts for fair demonstration of the company to the market generally.

RESEARCH ANALYSTS/ RESEARCH HOUSES

Affin Hwang Investment Bank	AmInvestment Bank	Bank of America	CGS-CIMB Securities	Citi Research	CLSA
Credit Suisse	Hong Leong Investment Bank			J.P. Morgan	KAF-Seagroatt & Campbell Securities
Kenanga Investment Bank	Macquarie Capital Securities	Maybank Investment Bank	MIDF Amanah Investment Bank	Morgan Stanley Research	Nomura
Public Investment Bank	RHB	TA Securities	UBS Global Research	UOB KayHian Securities	BofA Securities

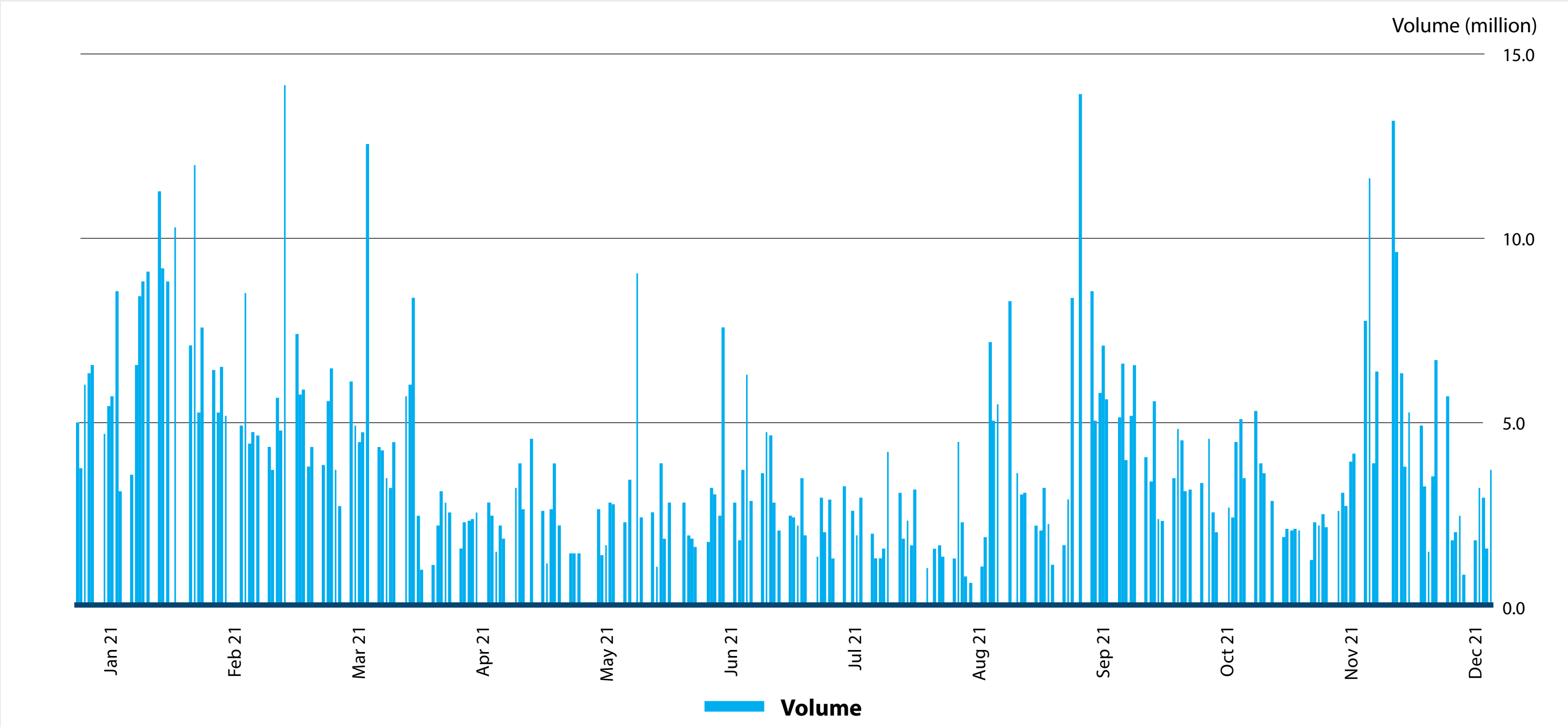
SHARE PRICE PERFORMANCE

TNB SHARE PRICE, FBM KLCI INDEX AND VOLUME TRADED IN FY2021



Note: AB = Analyst Briefing Results Announcement

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS



SHAREHOLDER INFORMATION

As at 31 December 2021, Khazanah Nasional Berhad remained as our largest shareholder, with 25.6% of shareholding. Other Government related agencies cumulatively hold 43.7% with Permodalan Nasional Berhad at 18.4%, Employees Provident Fund at 16.2%, Kumpulan Wang Persaraan (Diperbadankan) at 7.4% while others at 1.7%. The balance of 30.7% are held by other local corporations, Malaysian retail and foreign shareholders.

Based on the geographical spread of our foreign shareholding, the largest shareholding base is North America at 50.5%, followed by our shareholders from Asia (excluding Malaysia) and Europe, which accounted for 35.4% and 14.0% of the shares respectively.

Please refer to page 14 for more information.

RELATIONSHIP WITH EXTERNAL AUDITORS

The Board maintains a transparent and professional relationship with the External Auditors, with the BAC responsible for recommending the appointment or removal of the External Auditors, the approval of their remuneration and the terms of their engagement to the Board.

The Board and the BAC are responsible for reviewing, assessing and monitoring the performance, suitability and independence of External Auditors. The Board has set a policy on External Auditors which stipulates the guidelines and procedures for the Board and the BAC to assess and monitor the performance and independence of the External Auditors.

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.

The appointed Audit Partner by the External Auditors is subject to rotation once every five (5) financial years.

The External Auditors can also be engaged to perform non-audit services provided such services do not impair either in fact or appearance, the auditors' objectivity, judgment or independence. The External Auditors are required to provide their written assurance of meeting the independence requirements for each non-audit service undertaken by them for TNB Group.

The prohibition of non-audit services is based on three (3) basic principles, namely that the External Auditors cannot function in the role of Management; cannot audit their own work; and cannot serve in an advocacy role of TNB Group.

The External Auditors shall observe and comply with the By-Laws of MIA in relation to the provision of non-audit services and, if necessary, apply safeguards as stipulated in the By-Laws of MIA.

The Board through BAC, at its meeting on 24 February 2022 had approved the review of External Auditors Policy in accordance with Practice 9.2 of the MCCG, whereby the BAC has a policy that requires a former partner of the External Auditors of TNB, to observe a cooling-off period of at least three (3) years before being appointed as a member of BAC. Apart from that, the said review also is in line with the inclusion of Guidance 9.3 of the MCCG, of which the annual assessment of External Auditors should also consider information presented in the Annual Transparency Report of the audit firm.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The BAC assists the Board in assessing whether the independence of External Auditors has been maintained, having regard to any non-audit related services. The BAC considered the provision of non-audit fees by the External Auditors for the non-audit services provided to the Group and the Company during the Financial Year and concluded that the provision of these fees does not compromise or impair the External Auditors' independence or objectivity.

The Auditors' Remuneration including Non-Audit Fees for the Company and the Group for the Financial Year ended 31 December 2021 is as follows:

	Group RM 'Million	Company RM 'Million
Statutory Audit	**5.3**	1.2
Audit Related Services	**1.5**	1.5
Total	**6.8**	2.7
Non-Audit Services:		
- Tax Related Services	**0.4**	0.0
- Other Non-Audit Services	**1.6**	0.2
Total	**2.0**	0.2

The Non-Audit Fees did not exceed 50% of the Audit Fees for the Financial Year under review, in line with TNB's External Auditors Policy.

All services were procured competitively in accordance with TNB's Procurement & Supply Chain Policy and Procedures and External Auditors Policy. Non-audit services can be offered by the External Auditors of the Group if there are clear efficiencies and value added benefits to the Group.

Based on the External Auditors Assessment Results for the Financial Year 2021, overall, the Company was highly satisfied/satisfied by 96%, an increment of 4.4% compared to the previous Financial Year, with the services provided by PwC in term of quality, sufficiency of resources, communication and interaction and independence, objectivity and professional skepticism. All comments made shall be forwarded to PwC in order to further improve their services.

With that, the Board/BAC are satisfied with the quality of service, sufficiency of resources, communication and interaction and independence, objectivity and professional skepticism demonstrated by PwC in carrying out its duties as External Auditors.

Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at the AGM.

INSIDER TRADING

The Directors and Top Management of TNB are prohibited from trading in securities or any kind of price-sensitive information and knowledge which have not been publicly announced, in accordance with the MMLR and relevant provisions of the Capital Markets & Services Act 2007. Notices on the closed period for trading in TNB's securities are circulated on a quarterly basis in advance of each closed period, to Directors and Top Management who are deemed to be privy to any price-sensitive information and related actions.

PROMOTING SUSTAINABILITY

The Board recognises that the Company's stakeholders are increasingly interested in understanding its approach and performance in embedding sustainability in the organisation.

For this Financial Year, TNB has published a Sustainability Statement which discloses TNB's efforts and initiatives in managing its material economic, environmental and social risks and opportunities. The reporting is guided by the Global Reporting Initiative (GRI) standard. The Sustainability Statement is on pages 128 to 179 of the Integrated Annual Report.

RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR UNDER REVIEW

The Board is fully accountable for ensuring the Audited Financial Statements are prepared in accordance with the Companies Act 2016 and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the Group's state of affairs and of the profit or loss and cash flow as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable approved accounting standards in Malaysia have been complied with and reasonable and prudent judgements and estimates have been made. The Audited Financial Statements are also prepared on a going concern basis as the Board has a reasonable expectation, after having made enquiries, that the Group has adequate resources to continue its operational existence for the foreseeable future.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires a listed issuer to ensure that its board of directors makes a statement in its annual report about the state of risk management and internal control of the listed issuer as a group. Accordingly, the TNB Board of Directors (Board) is pleased to provide the following statement that has been prepared and jointly endorsed by the Board Risk Committee and Board Audit Committee, for purposes of disclosure, in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Malaysia Securities Berhad.

This Statement outlines the nature and scope of the risk management and internal control systems within TNB Group during the year under review. The scope of this disclosure excludes associated companies and joint ventures.

The Board affirms its overall responsibility for the adequacy and effectiveness of the Group's risk management and internal control systems. These systems are designed to manage rather than eliminate risks and therefore provide reasonable rather than absolute assurance against material losses, misstatements or other significantly adverse consequences.

COVID-19 PANDEMIC

The COVID-19 pandemic had tested the robustness of the Group's risk management and internal control systems. The Board and Management continue to be committed towards ensuring availability and reliability of electricity supply to the nation whilst safeguarding the safety and health of employees and their families in these challenging times.

Despite the risk exposures and various challenges the pandemic had imposed on operations and employees, the Group continues to remain resilient in delivering essential services to customers in a productive and efficient manner. The crisis response team led by the Chief People Officer as the crisis commander continues to be activated since March 2020 to provide governance and guidance on new ways of working, expedite vaccinations for employees and communicate assurances and latest developments as well as providing assistance to employees and their families affected by COVID-19. Decisions are escalated to the management committee chaired by the President/Chief Executive Officer for group-wide implementation.

BOARD & MANAGEMENT COMMITTEES

Board and Management continues to ensure the adequacy and effectiveness of the Group's risk management and internal control systems through various committees executing its responsibilities as stipulated in the terms of reference.

The following Board Committees were established to play the oversight role in promoting governance, transparency and accountability:

Board Audit Committee	Board Risk Committee
Board Tender Committee	Board Integrity Committee
Board Nomination & Remuneration Committee	Board Finance & Investment Committee
Board Long Term Incentive Plan Committee	

Subsequently, the following Management Committees are in place to implement and execute the Group's risk management and internal control systems for the achievement of short- and long-term business objectives. The Sustainability Development Council, Electric Vehicle Steering Council and the Technology Council are established to lead in the sustainability and electric vehicle initiatives in line with the TNB Sustainability Pathway.

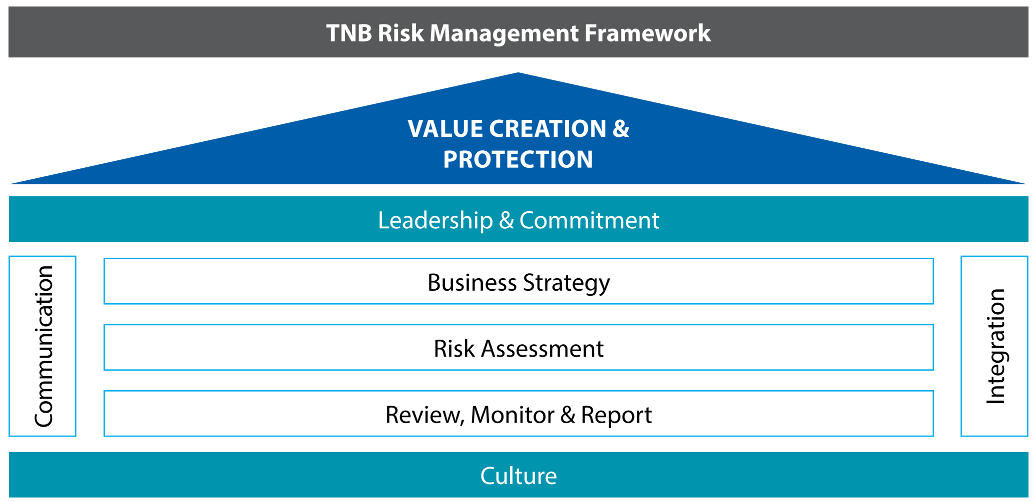
- Group Executive Management Committee
- Group People Committee
- Group Management Tender Committee
- Commodity Procurement Executive Committee
- Investment Executive Committee
- Energy Supply Committee
- Information & Communication Technology Governance Committee
- Regulatory Council
- Sustainability Development Council
- Technology Council
- Electric Vehicle Council
- Smart Meter Council
- Health, Safety and Environment Council
- Integrity Council

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

Risk management in TNB is governed by the TNB Risk Management Framework, which adopts the principles and guidelines set out in ISO 31000:2018, 'Risk Management – Guidelines'. The framework was approved by the Board Risk Committee (BRC) in January 2019 with the latest revision approved by the BRC in the year under review. This framework provides a structured and consistent approach for risk management implementation across the Group. The purpose of risk management is to create and protect value and this is exemplified through each element in the TNB Risk Management Framework.



The implementation of the TNB Risk Management Framework is documented through the TNB risk governance documents, comprising of the TNB Risk Management Framework, TNB Risk Management Policy and four guides, which are the Risk Assessment Process, Risk Review, Risk Report and Key Risk Indicator. The TNB Risk Management Framework document describes the criteria and frequency of revision of these risk governance documents and the levels of approving authority to ensure the documents are robust, practical for implementation and reflective of the internal and external context.

TNB Risk Governance Documents

TNB Risk Management Framework Document
Structured and consistent risk approach to risk management

TNB Risk Management Policy
Statement declaring TNB's commitment and approach on risk management

TNB Risk Assessment Process Guide
Structured and standardised risk assessment methodology

Risk Review Guide
Structured Risk Review methodology

Risk Report Guide
Structured and standardised risk reporting template

Key Risk Indicator Guide
Structured and standardised methodology to identify, monitor and report KRI

RISK MANAGEMENT POLICY

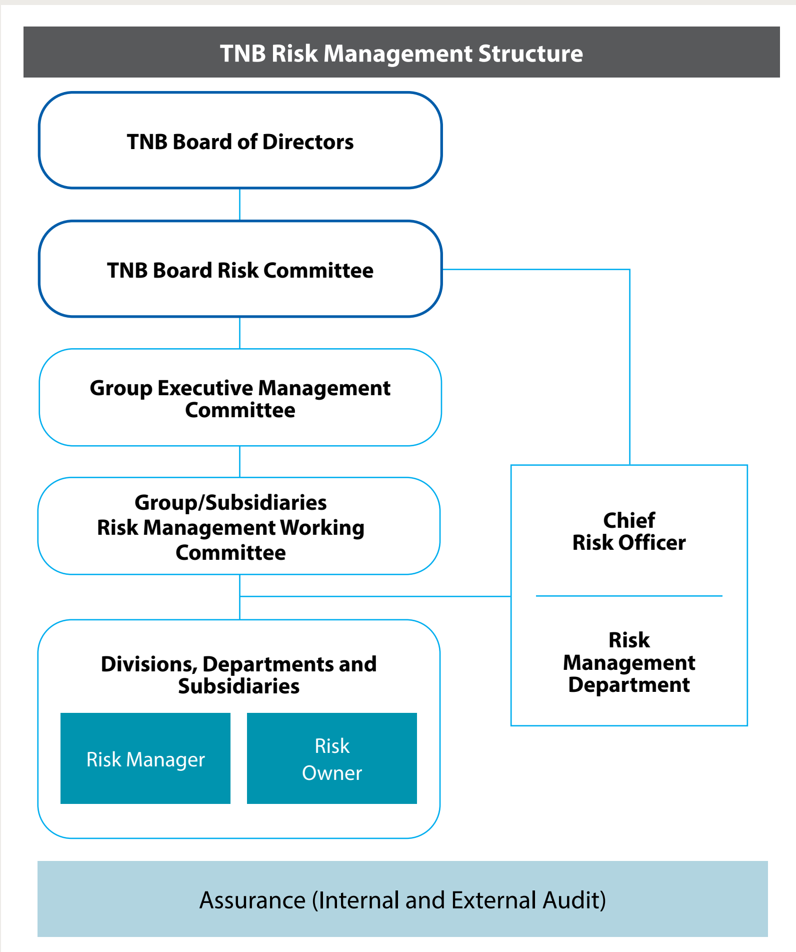
The TNB Risk Management Policy is a statement of the overall intention and direction of the Group on risk management. It describes the commitment of the Group to assess risks in alignment to business objectives, integrating risk management in all decision-making processes, anticipating potential risks in response to changes in the internal and external environments and ensuring that risk information is communicated through a clear and robust monitoring and reporting structure.

The policy emphasises on the role of all TNB employees, who are responsible and accountable to manage risks related to their actions and decisions by taking all reasonable care to minimise loss, maximise opportunity and ensure TNB's reputation is upheld.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

LEADERSHIP AND COMMITMENT

The TNB Risk Management Structure depicts the leadership and commitment of Board and Management in the escalation and cascading of risk information across all levels.



The establishment of the BRC reaffirms the Board's commitment to ensure that the Group has in place a sound and robust enterprise risk management framework and that such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives. The BRC is supported by Management through the Group Executive Management Committee chaired by the President/Chief Executive Officer, the cross-functional Group Risk Management Working Committee (GRMWC) and Subsidiaries Risk Management Working Committee (SRMWC), as well as the Risk Management Department led by the Chief Risk Officer. Assurances are provided to the Board and Management through internal and external audits.

In the year under review, the BRC convened seven (7) sittings to deliberate risk issues and key risk indicators as well as to review the effectiveness of appropriate systems to manage risks. Business entities provided assurances to the BRC of their risk management and internal controls, assisting the Board in its decision-making, especially in the management of potential risks that may prevent the Group from achieving its strategies.

In addition, a joint BRC and Board Finance & Investment Committee meeting was held in the year under review to deliberate and approve an investment risk methodology, including risk parameters and thresholds that are reflective of the Board's risk appetite. The investment risk methodology provides a structured approach and adds rigour to the process of assessing risks related to potential investments. This methodology forms an integral part of TNB's growth strategy and expansion into non-regulated businesses.

RISK ASSESSMENT PROCESS

TNB business entities are guided by the TNB Risk Assessment Process that provides a structured approach to identify, analyse, evaluate and treat risks. TNB business entities apply the process in a systematic, iterative and collaborative manner, drawing on the knowledge and views of stakeholders to develop their respective risk profiles.

The TNB Risk Assessment Process was applied in the assessment of the TNB Strategic Risks that may prevent the Group from achieving its Reimagining TNB strategies, taking into account internal and external factors. Eleven (11) TNB Strategic Risks were identified and approved by the BRC in the year under review, which are as follows:

Category	No.	Risk
External	**1.**	**Catastrophic disruptions from external factors** TNB business entities are exposed to unpredictable external events that could catastrophically impact business operations, profitability and reputation. Examples of external factors are cybersecurity attack, large-scale environmental disaster, pandemic or economic trade war.
Sustainability	**2.**	**Inability to keep pace with global Environment, Social & Governance (ESG) frameworks** It is vital that TNB aligns itself to global ESG commitments and frameworks to fulfill its purpose to brighten lives through innovative and sustainable solutions towards a better world. Failure to do so could erode market confidence, adversely affect employee morale and damage TNB's brand and reputation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Category	No.	Risk
Market	3.	**Drop in electricity demand** A sustained downward trend of electricity demand in the country would severely affect revenue and profitability, sustainability of key operations and increase the risk of stranded assets across the electricity supply chain.
	4.	**Unable to be competitive & sustainable in non-regulated businesses (international & domestic)** As TNB continues to diversify its business into non-regulated segments, both domestically and internationally, it is exposed to markets that are highly competitive and challenging to overcome the common barriers to entry.
Customer	5.	**Inability to be the electricity provider of choice** TNB would not achieve its aspiration to be the leading provider of sustainable energy solutions in Malaysia if it does not increase and retain the trust and confidence of Malaysians. Failure to do so could give rise to increasing stakeholders discontent, which may precipitate the opening up of the entire electricity supply chain, including the network and retail segments.
Financial / Strategy	6.	**Ineffective capital allocation to maximise value creation** TNB could be at risk of missed opportunities, reduced financial profits and decreased market confidence resulting from biased or ineffective capital allocation decisions. Capital allocation decisions are to be made judiciously, systematically and data-driven to reduce risk, maximise value and give fair returns to providers of capital.
Capabilities	7.	**Gaps in workforce capabilities to deliver Reimagining TNB strategy** It is critical for TNB to focus on developing and deploying new institutional capabilities and increasing workforce diversity in terms of skill sets and exposure in order to achieve the Reimagining TNB strategies, especially in diversifying into new businesses, domestically and internationally.
	8.	**Failure to ingrain TNB culture in employees' behaviour in supporting Reimagining TNB strategy** Culture moulds the direction, beliefs and shared values that shapes employees' perception, behaviour and understanding. Failure to enliven the TNB core values in day-to-day decision-making and processes may result in decreased productivity, fraud or bribery, silo mentality, etc.
Regulatory	9.	**Unfavourable energy transition & climate change policies & regulations** The Reimagining TNB strategies and targets are anchored on the domestic energy transition and climate change policies and regulations. Unfavourable changes to these policies such as changes to the domestic Renewable Energy (RE) targets and legislations, increased severity of non-compliance penalties for carbon emission or imposition of new regulations on carbon pricing and energy efficiency, may impede the achievement of TNB's energy transition strategies and targets.
	10.	**Unfavourable Incentive Based Regulation (IBR) regime implementation & outcome** The performance of TNB's regulated businesses are dependent on the consistent and effective implementation of the IBR framework and related Regulatory Implementation Guidelines (RIGs). TNB's financial position may be adversely impacted should there be unfavourable decisions on key regulated policies such as the Imbalanced Cost Pass-Through (ICPT) and Annual Regulatory Adjustment.
	11.	**Regulatory Uncertainty** Due to the nature of TNB's business, it is susceptible to decisions by regulatory stakeholders at the federal and state levels. Business operations may be delayed or encumbered due to measures and decisions in relation to investment and divestment, use of natural resources, right of way, etc.

REVIEW, MONITOR AND REPORT

Consequent to the TNB Risk Assessment Process, risks identified by business entities are registered and monitored through the TNB Risk Information System (TRIS), an online real-time tool and risk database that is accessible by all employees. Risks are reviewed annually by business entities with participation and eventual approval from the risk owners.

Half-year risk reports are submitted by business entities to the Risk Management Department for consolidation. Group-wide consolidated half-year risk reports, which include reports of emerging risks, are deliberated and endorsed by the GRMWC for onward internal dissemination.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In the year under review, the Risk Management Department assessed the risk maturity of five (5) business entities with the objective of assessing the effectiveness of the implementation of the TNB Risk Management Framework. In addition, Desktop Risk Assessments, which were initiated in the previous year in view of travelling and movement constraints during the pandemic, had continued and eleven (11) Desktop Risk Assessments were conducted by the Risk Management Department to assess the comprehensiveness of the application of the TNB Risk Assessment Process by business entities.

KEY RISK INDICATORS

Key Risk Indicators (KRIs) that provide early warning of increasing risk exposures and potential risk events have been developed by business entities. These KRIs are developed in consideration of the risk appetite of the BRC and Management. The status of KRIs are reported quarterly to the BRC, GRMWC and SRMWC and mitigating measures are deliberated to address related risk(s) from escalating beyond tolerable levels.

The KRIs escalated and reported to the BRC monitor risks that would impact five (5) areas, which are operations, financial standing, regulatory, reputation and international investment. Other operational KRIs that are deliberated by the GRMWC and SRMWC enable inter-business collaboration to mitigate risks from a group-wide perspective.

The KRIs are reviewed annually for relevancy and adequacy, taking into account short- and long-term business objectives and changes in the internal and external environments.

COMMUNICATION & INTEGRATION

Business entities regularly communicate with internal and external stakeholders with up-to-date risk information and timely feedback is collated for continual improvement. It is the role of the business entity to ensure risk management forms part of, and not separate from, its objectives, governance, leadership and commitment, operations and performance management.

In light of the pandemic, the Risk Management Department continued to engage and communicate with approximately 1,700 executives through 24 webinars (twice monthly) in the year under review. These 30-minute webinars aim to strengthen employees' risk-thinking mindset through practical applications of the TNB Risk Management and TNB Business Continuity Management frameworks. Moreover, videos of TNB C-Suites communicating their tone from the top and emphasising the benefits of effective risk management were produced in the year under review. These videos are uploaded into TNB Livewire for easy viewing and download and are showcased at relevant platforms such as webinars and risk review workshops. Continuous efforts are ongoing to reach out to employees at all levels to integrate risk management into daily operations.

CULTURE

In the year under review, the risk culture described in the TNB Risk Management Framework was reviewed for consistent application of the six (6) TNB core values and behaviours that were launched in the previous year. The application of these core values and behaviours were described in a risk management context to provide clear guidance and communicate the expected behaviour of employees in building a sustainable risk culture.

INTERNAL CONTROL

GROUP POLICIES AND PROCEDURES

Group-wide policies and procedures have been approved by the Board and Management to ensure ethics and internal control principles and mechanisms are embedded in business operations. These policies and procedures are consistently reviewed for relevance and effectiveness.

Among others, the Group policies and procedures in place are:

- TNB Code of Ethics
- TNB Ethics & Integrity Policy
- TNB Risk Management Policy
- TNB Confidentiality Policy
- TNB Asset Management Policy
- TNB Limits of Authority
- TNB Procurement and Supply Chain Policy and Procedures
- TNB ICT Security Policy and ICT Codes of Practice
- TNB Safety & Health Policy
- TNB Environmental Policy
- TNB Security Policy
- TNB Communication Policy
- TNB Personal Data Protection Policy
- TNB Disciplinary Procedures
- TNB Group Financial Policies and Procedures
- TNB Group Human Resource circulars and guidelines

FINANCIAL AND OPERATIONAL CONTROL FRAMEWORK

TNB Group Financial Policies and Procedures (GFPP) serves as a compulsory source of reference for the Group in conducting its operations to manage associated risks. The Group has acted in accordance with generally accepted accounting principles and the Malaysian Financial Reporting Standards. Periodic reviews of actual performance versus budgets, targets, and performance in prior periods for key functions and major initiatives are carried out and appropriate mitigating and follow-up actions are taken.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board Audit Committee (BAC) reviews the Group's quarterly financial performance together with Management and these are subsequently reported to the Board. The quarterly reviews enable the BAC to deliberate and assess the Group's financial results and operational performance.

TNB continues to proactively engage with relevant stakeholders for smooth implementation of the IBR framework and ICPT mechanism. The performance of the regulated business is meticulously monitored through the IBR performance indicators and dashboards. These are reported regularly to relevant decision-making committees to ensure effective implementation of the IBR framework as well as to the Energy Commission in compliance with the IBR guidelines.

The procedures for critical functions and key activities are documented, communicated to employees and periodically reviewed. Relevant business entities have been consistently maintaining its certification in ISO 9001, ISO 14001, ISO 27001, ISO 37001, ISO 45001 and ISO 55001. Internal audits are conducted to ensure compliance with relevant standards and procedures.

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT CYCLE

A holistic strategic planning process is integral in providing focus and alignment between aspiration, strategies, performance management and the desired strategic outcomes. The Strategic Planning and Performance Management (SPPM) cycle approved by the Board depicts a 5-part cycle that integrates the capital and budget allocation process with the performance management cycle. It includes the identification of strategy driven Key Performance Indicators (KPI) based on long-term business plans and annual operating plans, which are thereafter cascaded to all levels of employees. The strategy driven KPI methodology is derived from the Balanced Scorecard concept that focuses on performance measures from four perspectives, which are financial, customer, internal process and learning and growth.

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

Job descriptions and responsibilities of approved positions are clearly defined and communicated through the internal online platform, People Matters. Workforce requirement planning is carried out and led by Group Human Resource, mirroring the budget planning cycle with the aim of optimising staffing levels and increasing productivity. Employee training needs are regularly assessed and various programmes are in place to address competency gaps.

The TNB Total Wellness Programme that is aimed at educating and influencing employees towards a healthy lifestyle and work-life balance continues to be implemented through the "Vibrant Living – Healthier. Together" initiative. This initiative focuses on six (6) scopes, which are a healthy diet, no smoking/vaping, active lifestyle, weight management, basic health screening and mental wellbeing. Weekly "Wellness Wednesday" health talks and awareness sessions conducted online are open to all employees with the aim of increasing awareness on common health issues and encouraging healthier habits.

TNB DIGITAL STRATEGY

The TNB Digital Strategy was established to lay the necessary digital foundations and direction in supporting the Reimagining TNB strategies. The digital strategy is implemented through five (5) streams; first, identifying the digital vision and value levers for ten key business entities. Second, developing a clear plan on attracting and developing the right digital talent and for culture change; third, enhancing digital architecture readiness that supports business imperatives; fourth, establishing a digital operating model, factory and skills hub to host critical in-demand skills and fifth, building a governance and value realisation framework.

MANAGEMENT INFORMATION SYSTEMS

Leveraging on information and communication technology is vital in promoting effective and efficient business operations as well as timely and accurate communication with internal and external stakeholders.

Examples of key information systems utilised by the Group for that purpose are:

- Enterprise Resource Management System (ERMS)
- Enterprise Human Resources Management System (EHRMS)
- Supervisory Control and Data Acquisition System (SCADA)
- TNB Outage Management Systems (TOMS)
- Billing Customer Relation Management (BCRM)
- Employee Self Service (ESS)

Super User Privilege Management and Governance, Risk and Compliance systems have been implemented to control and govern access to core systems and servers. This is to ensure that access to critical information systems and confidential information is adequately monitored and controlled. Annual disaster recovery tests are carried out at the data centres and ICT security assessments are regularly carried out on systems at the business entities. In addition, various enhancements are implemented to strengthen cyber security for Information Technology and Operational Technology systems. In the event of system failure, various mitigations are in place to minimise disruption to operations.

PERSONAL DATA PROTECTION

TNB is committed to safeguard customers' privacy rights and personal data. TNB was an active contributor in the development of The Personal Data Protection Code of Practice for The Utilities Sector (Electricity), which serves as a guide for the processing and handling of customers' personal data. The code of practice is aligned with the Personal Data Protection Act 2010 (Section 23) (PDPA), which protects personal information of an individual being processed for commercial transaction purposes. The Legal Services Department is committed to consistently educate and communicate the requirements of the PDPA and the Code of Practice across the Group to heighten awareness and compliance as well as enhance controls.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

TNB CORPORATE INTEGRITY MANAGEMENT SYSTEM

The TNB Corporate Integrity Management System (TCIMS) is in place to improve the integrity culture in the Group, reduce the impact of corruption or mismanagement and position TNB at par internationally through a strategic and structured integrity management system. TNB is certified with ISO 37001:2016 Anti-Bribery Management Systems and has put in place a management system designed to help prevent, detect and respond to bribery and comply with anti-bribery laws and voluntary commitments applicable to its activities. Annually, TNB employees complete the Integrity Pledge and Conflict of Interest declarations via the Employee Self Service system.

In addition, with the launch of the latest edition of the TNB Disciplinary Procedures, 33 training and awareness sessions were conducted and attended by approximately 16,920 employees. These sessions highlighted changes in the TNB Disciplinary Procedures and exposed employees to the corporate liability provision for bribery and corruption under Section 17A of the MACC Act 2009 as well as advisory on prudent spending and financial management. The sessions were conducted in collaboration with the Malaysian Anti-Corruption Commission (MACC) and the Credit Counselling and Debt Management Agency (AKPK).

TENAGA SAFETY CULTURE

The Tenaga Safety Culture programme aims to inculcate safety as part of the everyday working culture, transforming it from a mere compliance activity. It is based on four core behaviours, which are 'Assess', 'Comply', 'Intervene' and 'Actively Caring'. Various initiatives are implemented to instill these core behaviours in each employee, including a spiritual approach to align good safety practices with religious teachings. With the convenience of a mobile application called HSE Wallet that was developed in-house, employees are encouraged to proactively observe and report unsafe acts or conditions as potential incidents and notices, compounds or lawsuits.

In the year under review, the Nampak, Dengar & Rasa Selamat (NDRS) programme was launched to reinforce strong safety culture values in all employees. The NDRS programme encourages employees to be sensitive to their surroundings, evaluate potential health and safety risks, comply with safety requirements and take proactive action to prevent risks from materialising. The NDRS framework includes three elements, which are engineering, education and enforcement, and is supported by a consequence management process that rewards safe behaviour and practices and penalises non-compliance.

CUSTOMER EXPERIENCE

With attention to customer centricity, a variety of channels, utilising the "Click, Call, Come Over" framework, is made available to customers. The framework covers a wide range of touch points that enable quality solutions, services and continuous interaction options to enhance customer experience. A systematic approach is in place for timely resolution of feedback such as service requests, complaints, comments, enquiries and concerns. In addition, the myTNB web portal and mobile application are available to customers to manage their electricity account(s) in one location. myTNB allows customers to make express payment of electricity bills without needing to log in. With the increased use of digital platforms during the pandemic, there has been a significant increase in the number of registered users in myTNB to approximately 5.5 million users from 1.0 million users in 2019, where customers are empowered with greater flexibility and information to manage electricity usage.

BUSINESS CONTINUITY MANAGEMENT

The TNB Business Continuity Management (BCM) Framework was developed in alignment with ISO 22301:2019 Security And Resilience – Business Continuity Management Systems. The framework provides a structured approach in managing business continuity in the Group that enables prompt, coordinated and effective response to a crisis while maintaining continuity of essential activities as well as protecting human life, assets, reputation and the environment. The framework is the focal point of reference for business entities to formulate and implement business continuity strategies tailored to their respective business objectives and critical functions.

The preparedness and effectiveness of the corporate crisis command structure, of which President/Chief Executive Officer and TNB C-Suites are members, is tested annually through drills. In the year under review, a total of four (4) drills were carried out; two (2) being communication drills, one (1) functional drill and one (1) full-scale drill conducted virtually. Improvements identified in drill post-mortems are implemented to enhance capabilities and readiness.

The TNB BCM framework and continuity strategies at corporate and business entity levels have proven crucial in the management of the pandemic and flood crisis that affected the country in the year under review. In preparation of the anticipated monsoon season, drills with flood scenarios were conducted at state and regional levels with collaboration from relevant business entities to enhance coordination and resiliency.

CONCLUSION

The Board has obtained assurances from the President / Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. Where weaknesses have been identified, steps to rectify them have been put in place.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement for inclusion into the annual report, is adequate and effective to safeguard shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 24 February 2022.

ADDITIONAL COMPLIANCE INFORMATION

(1) UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

Utilisation of Proceeds Raised from Corporate Proposals by the Company during the Financial Year under review:

A Multicurrency Sukuk Issuance Programme of USD2.5 billion (Or its Equivalent In Other Currencies) by TNB Global Ventures Capital Berhad with TNB as the Obligor	
First issuance on 10 October 2016	USD750.0 million
Total utilisation of proceeds as at 31 December 2021	USD717.1 million
Balance of proceeds as at 31 December 2021	USD32.9 million
Second issuance on 1 November 2018	USD750.0 million
Total utilisation of proceeds as at 31 December 2021	USD592.2 million
Balance of proceeds as at 31 December 2021	USD157.8 million

Establishment of Sukuk Wakalah Programme of up to RM5.0 billion by TNB	
First issuance on 3 August 2017	RM2.0 billion
Second issuance on 29 August 2018	RM3.0 billion
Utilisation of proceeds as at 31 December 2021	Utilised to finance TNB's capital expenditure, investment, general corporate purposes, working capital requirements and settlement of fees and expenses related to the sukuk programme
Balance of proceeds as at 31 December 2021	- Nil -

Establishment of Sukuk Wakalah Programme of up to RM10.0 billion by TNB	
Second issuance on 25 November 2021	RM3.0 billion
Total utilisation of proceeds as at 31 December 2021	RM2.5 billion
Balance of proceeds as at 31 December 2021	RM500.0 million

(2) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its Subsidiaries involving the interest of the Directors or Major Shareholders, either still subsisting at the end of the Financial Year or, if not then subsisting, entered into since the end of the previous Financial Year.

(3) RELATED PARTY TRANSACTIONS

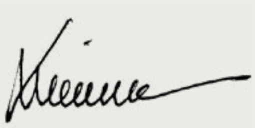
The Group has established appropriate procedures to ensure it complies with the MMLR with regards to related party transactions. All related party transactions are reviewed by the Group Internal Audit Department, following which a Group-Wide Report is submitted to BAC on quarterly basis for monitoring purposes. The Group did not seek any mandate of its shareholders pertaining to related party transactions during the Financial Year under review.

STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2021

(Pursuant to paragraph 15.25 of the MMLR)

The Board has reviewed, deliberated and approved this Statement. The Board is pleased to report to its shareholders that to the best of its knowledge, the Company has complied with and shall remain committed to attaining the highest possible standards of corporate governance through the continuous adoption of the principles and best practices of the MCCG and all other applicable laws, save as disclosed above.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 February 2022.



DATO' MERINA BINTI ABU TAHIR
Independent Non-Executive Director


WE'RE FINDING NEW WAYS TO PUT GOOD ENERGY INTO HOMES AND HEARTS.
By committing 1% of our Profit After Tax, we're uplifting the lives of communities in need by putting aid in the right places. Making lives better, and our future brighter.
Together, let's welcome a brighter tomorrow for all.
NET ZERO 2050
Tenaga Nasional Berhad 199001009294 (200866-W)
Scan to watch our journey to a brighter world.
THE SPARKS OF TODAY, POWER BRIGHTER TOMORROWS.
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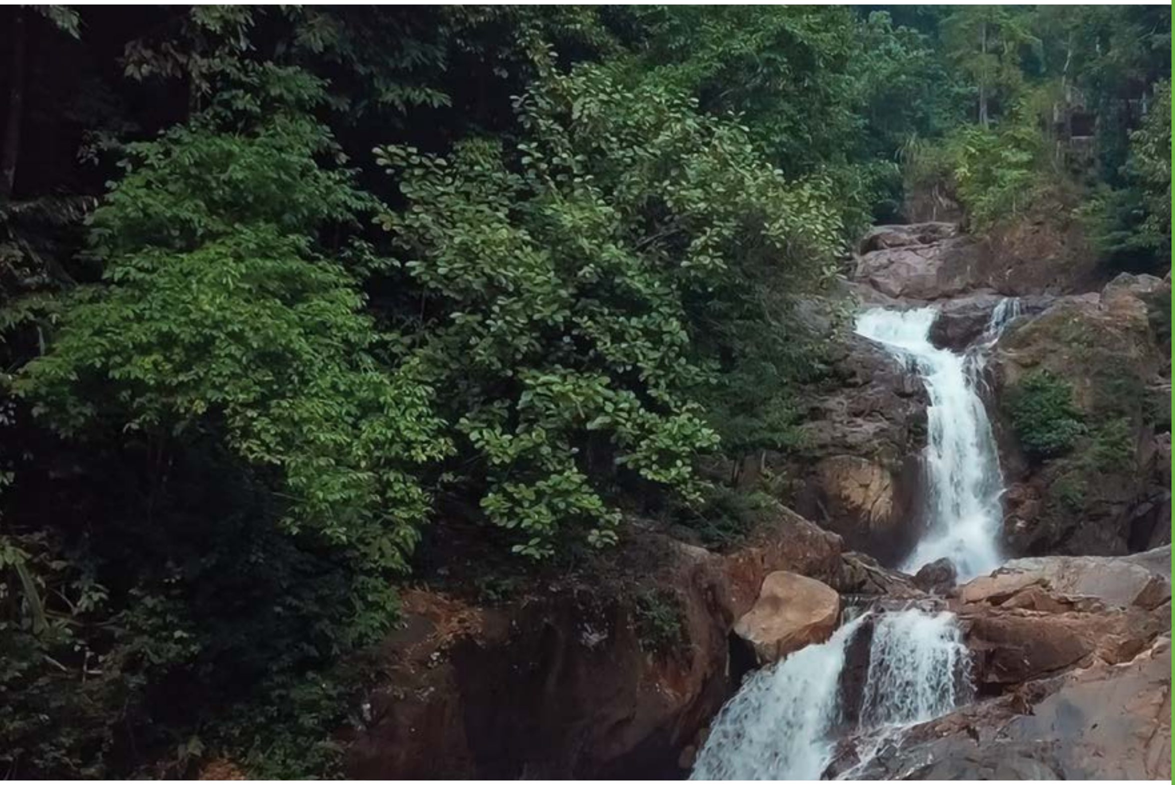


Section

05

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

FY2021 has been an unprecedented year for the nation - as Malaysia continued its battle against the COVID-19 pandemic by ramping up on vaccination rates and trying to adapt to the new normal, we were hit by one of our worst floods since 2015. During this period, we remained steadfast in our commitment to support the community in the immediate term, whilst tackling the challenges of energy transition to drive sustainable growth that will create value for all stakeholders in the mid-to-long-term. The path towards sustainability is an important and exciting journey which seeks to power a brighter future for all. With the launch of our Sustainability Pathway and bold aspiration to achieve net zero by 2050, we stepped up our efforts and established numerous sustainability targets through a roadmap which is reinforced through group-wide discipline and creative stewardship that will transform how TNB will deliver efficient, secure, clean and affordable energy across all our operations.

As one of the utilities in the ASEAN region to commit to net zero by 2050, we now focus our efforts in electrification, digitalisation, and decarbonisation driving measurable value across our sustainability pillars – governance, economic, environmental and social. In this Sustainability Statement (Statement), we share our sustainability performance for the financial year ended 31st December 2021 (FY2021), including our strategies and targets moving forward.

Reporting Framework, Scope and Boundaries

Our Statement continues to integrate the elements of Bursa Malaysia's Main Market Listing Requirements (MMLR) and other local and global frameworks and benchmarks in our disclosure:

- **Bursa Malaysia Sustainability Reporting Guide (2nd Edition)**
- **Global Reporting Initiative (GRI) Standards: Core Option**
- **GRI Electric Utilities Sector Disclosures**
- **Task Force on Climate-related Financial Disclosures (TCFD) framework**
- **United Nations Sustainable Development Goals (UN SDGs)**

The scope and boundary of sustainability disclosures have been expanded to include all our subsidiaries (TNB Group). Where information is unavailable, we will cover our core and non-core business operations in Peninsular Malaysia under the purview of TNB divisions (TNB Company). Unless otherwise stated, this Statement excludes joint ventures and supplier activities.

External assurance was not sought for this Statement. Nevertheless, we aspire to continue our journey in adopting best practices by seeking external assurance for our future sustainability disclosures.

Our Statement contains data from the full financial year of FY2021 from 1st January 2021 to 31st December 2021. Where data for FY2021 is not available, the most recent data is provided. More information will be disclosed in our upcoming Sustainability Report 2021.

ABOUT THIS STATEMENT

We have enhanced our Statement to better illustrate our sustainability performance and initiatives against our commitments and targets. The key enhancements are as follows:

Section in this Statement	Key enhancements
Sustainability at TNB	• Established TNB's Sustainability Pathway 2050 (SP2050) outlining a clear roadmap with decadal targets and key environmental, social and governance & economic (ESG) metrics to guide our sustainability journey for the next 30 years. • Expanded our UN SDG Contributions from four (4) to eight (8) SDGs. • Disclosed our ESG Ratings performance. • Enhanced governance structure across the Board and Executive level to spearhead TNB's sustainability strategy across the Group.
Environmental Sustainability	• Conducted strategic engagements with key internal and external stakeholders to address concerns and obtain buy-ins on new targets and aspirations. • Enhanced our TCFD disclosure in line with our efforts in developing SP2050.
Empowering our People and Nurturing Talent	• Highlighted our newly introduced TNB Ways of Working Sustainably (WoWS) as part of our shift towards a more sustainable work culture.
Brighter Community	• Highlighted TNB's engagement and efforts towards the indigenous community, critically balancing sustainable growth and socioeconomic benefits.

Sustainability Performance Highlights for FY2021

Economic

Equivalent Availability Factor (EAF)
82.89%
Performance for wholly and majority owned power plants in Peninsular Malaysia

System Availability
99.79%

Customer Satisfaction Index
87%

Spent on Procurement
98%
on local suppliers

Environmental

Total renewable energy capacity
3,441.62MW
For domestic (including Sabah) and international

GHG Emissions Mitigated
7.96 million tCO_2e
For TNB operations in Peninsular Malaysia

GHG Emissions Intensity
0.55 tCO_2e/MWh
For TNB operations in Peninsular Malaysia

Waste Generation
47,829 tonnes

Social

Total contribution to community development programmes
RM39.57 million
*The above figure excludes investments in employee training and development

Lost Time Injury Frequency (LTIF) rate
1.03

Fatalities*
8
*2 are TNB employees and 6 TNB contractors.

Learning and Development Investment
RM65.53 million

Employee Engagement Score (EES)
85%

SUSTAINABILITY AT TNB

TNB's Sustainability Strategy

Our sustainability strategy is rooted in our Sustainability Pillars, as well as our corporate strategy, Reimagining TNB 2025 (RT). We continue to broaden our contributions to the UN SDGs. This year, we have expanded our SDG contributions with the inclusion of four (4) additional SDGs, which are SDG3-Good Health and Well-being, SDG4-Quality Education, SDG9-Industry, Innovation and Infrastructure, and SDG10-Reduced Inequalities. We hope the alignment of our strategic priorities will enable us to increase value creation for our stakeholders and the nation.

Sustainability Pillars

Governance
Marks our commitment, driven by our Board to reinforce ethical business practices and forward-looking culture under the theme **"Strong Leadership and Governing Responsibly"**.

Economic
Defines our continued aspiration to provide reliable and efficient energy in the local and international Energy Supply Industry (ESI) for a better and brighter future under the theme **"Building the Nation"**.

Environmental
Defines our commitment to minimise our environmental impacts and address climate change risks and opportunities towards achieving net zero by 2050 under the theme **"Environmental Sustainability"**.

Social
Revolves around how we empower our employees under the theme **"Empowering Our People and Nurturing Talent"** and Invest in community development under the theme **"Brighter Community"**.

TNB's Integrated Strategy

Reimagining TNB

Future Generation Sources
Outlines our strategies in relation to renewable and low-carbon sources of energy as stakeholders gravitate towards decarbonisation to mitigate climate change.

Grid of the Future (GOTF)
Envisions the grid of the future as being fully automated and digitalised, that empowers self-generation and greater energy efficiency among consumers.

Winning the Customer
Relates to our commitment to not only provide reliable supply of electricity but to become a customer-centric organisation which offers meaningful customers' experience by meeting all our customers' energy-related needs along with the best service delivery.

Future Proof Regulations
Demonstrates how we protect the interests of all relevant stakeholders to ensure sustainability of the system.

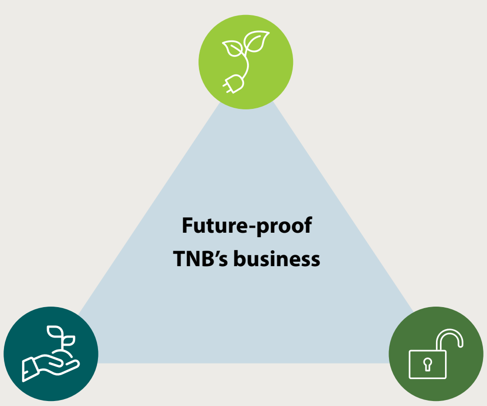
In enhancing our corporate strategy, RT, we launched our SP2050 which further outlines our bold aspiration to achieve net zero emissions and be coal free by 2050.

TNB Sustainability Pathway 2050

Targets

1. **Aspire to achieve net zero and coal free by 2050, with 35% emission intensity reduction by 2035**
2. **Aspire to achieve zero fatalities and LTIF rate <1.0**
3. **Commit to 1% profit-after-tax (PAT) towards environmental and community-related programmes**

Strategic Pillars



Invest in Low Emission & Green Technologies
- Invest in research and development (R&D) and greener alternative new energy sources
- Reduce or eliminate emissions from the current generation fleet

Evolve the Grid and Grow Renewables
- Expand renewable assets within Malaysia, ASEAN and Europe
- Expand Grid & Distribution to enable increased demand and lower energy losses

Unlock New Energy Revenue Streams
- Grow the kWh & beyond kWh business
- Grow unregulated business to meet evolving customer energy demands — including Electric Mobility

Strong Leadership and Governing Responsibly

Governance Structure

A strong sustainability governance and leadership structure are vital to spearhead our sustainability agenda and provide us with clear and definitive guidance to achieve our ambitious net zero aspiration. Our sustainability governance is an expansion of TNB's Governance Model that is aligned with the principles of the Malaysian Code on Corporate Governance (MCCG).

In FY2021, TNB Group Governance Platform, which is the framework of TNB management committees and sub-committees was revised to delineate clear roles and responsibilities at each level of leadership, enabling seamless decision making and implementation of sustainability across the organisation. The previously known Sustainability Development Committee is now reformed to be the Sustainability Development Council (SDC) with the following objectives:

Serve as a strategic platform to deliberate the Group's sustainability direction, which includes sustainability aspiration, plans, commitments and targets covering ESG

Become a platform to monitor and discuss progress of sustainability plans, including the development and implementation of TNB's sustainability agenda

Become a strategic platform to discuss on engagement, communication and knowledge-sharing initiatives that can enhance sustainability development and awareness

The SDC which is chaired by TNB's Chief Executive Officer (CEO) and comprises TNB's senior management team, had convened twice in FY2021. Commencing in FY2022, the SDC will meet every two (2) months to discuss relevant sustainability matters. The SDC will escalate the group strategic direction for sustainability to other relevant committees and/ or the Board of Directors for approval when necessary.

In FY2021, the SDC had discussed on the following:

SP2050 comprises our net zero emission aspiration, commitment towards health and safety, and serving the *rakyat* for a Better Brighter Future

Review of relevance of TNB's material matters and materiality matrix

Addressing the interests and concerns of external and internal stakeholders

Our Sustainability Governance Structure

TNB Board of Directors

TNB's Board will deliberate and approve TNB's sustainability strategy and pathway while overseeing its implementation and performance

Chief Executive Officer (CEO)

Group Executive Management Committee (GEMC)

GEMC will review and endorse sustainability strategy prior to Board presentation

Sustainability Development Council (SDC)

The SDC is responsible for discussing direction related to sustainability strategy, including climate change policy positions taken by the Group

Report sustainability performance to SDC periodically

Group Function and Business Units

- Implementation of sustainability strategy and initiatives
- Manage sustainability related risks and opportunity

Report sustainability performance to Corporate Strategy & Sustainability Department

Corporate Strategy & Sustainability Department

Ensures overall strategic planning, target setting, and sustainability initiatives are tracked and reported through comprehensive performance reporting, and are aligned to long-term sustainability roadmaps

SUSTAINABILITY AT TNB

Strong Leadership and Governing Responsibly

Remuneration policies

The Board, with the assistance of the BNRC, reviews the overall remuneration policy of the Non-Executive Directors, Executive Director and top management. The remuneration policy aims to attract, retain and motivate Directors and top management who will create sustainable value and generate returns for the Company. Their remuneration packages are structured to link rewards to corporate and individual performance to reflect the contributions towards the Group's achievements for the year.

In FY2021, TNB embarked on a phased approach to link remuneration to key sustainability KPIs to ensure accountability from the different levels of management and steer the Group's sustainability performance. Moving into FY2022, we will cascade our ESG KPIs to the senior management team as follows:

- TNB ESG rating score
- Zero fatalities and LTIF rate <1.0
- Installed RE capacity

For more information, please refer to Board Leadership and Effectiveness section, pages 86 to 96.

Upholding a Strong Sense of Integrity

We uphold high standards of integrity across the Group. Our efforts go beyond compliance to create a culture of excellence and integrity which has been embedded as a Core Value under TNB Reimagining Culture:

Three (3) Core value behaviors

Uphold the highest ethical standards and do what is right, all the time	Fair, honest and transparent - in everything we do	Always seek to achieve mutual benefit for the country, company and customers

Key highlights and initiatives for FY2021:

Key Initiatives	Our Performance in FY2021
Zero-tolerance rule	• The zero-tolerance rule towards bribery and corruption continued to be observed and enforced. The avenue to report suspicious and unethical conduct is outlined in our Whistleblowing Procedure.
TNB Corporate Integrity Management System (TCIMS) and Anti Bribery Management System (ABMS) Implementation (ISO 37001 Certified)	• We conducted six (6) Fraud & Bribery Management Workshops. • We facilitated three (3) ABMS implementation consultation sessions. • We held two (2) ABMS Internal Auditor Refresher courses.
Annual Integrity Pledge and Integrity E-Learning Module	• All employees are required to sign the annual Integrity Pledge, declare any conflict of interest, and complete the Integrity E-Learning Module. In FY2021, The Integrity E-learning module was also rolled out to all active vendors, and was completed by 1,579 vendors.
Collaboration with the Malaysian Anti-Corruption Commission (MACC)	• We engaged *Bahagian Pendidikan Masyarakat* (PenMas) from the Malaysian Anti-Corruption Commission (MACC) to strengthen bilateral cooperation between MACC and TNB by conducting awareness training on bribery and corporate liability for TNB employees. The training intends to inculcate and institutionalise integrity in the company.
Integrity Engagement Programme (IEP)	• This programme was aimed to disseminate information and updates on the *Prosedur Tatatertib Edisi Ketujuh*, create awareness amongst staff on the importance of complying to Section 17A of the MACC Act 2009, and spread awareness on financial management. In FY2021, we conducted: • Two (2) sessions of TNB Integrity Coordinator's Workshop. • One (1) session of Mediation Process Training. • One (1) session of *Taklimat Integriti & Seksyen 17A Akta Suruhanjaya Pencegahan Rasuah Malaysia* (SPRM) for our vendors. • Two (2) Awareness Videos for our vendors and for *Perubahan dalam Prosedur Tatatertib Edisi Ketujuh*, 2021. • 33 sessions of Integrity roadshows on the *Prosedur Tatatertib TNB Edisi Ketujuh, Pengurusan Kewangan & Liabiliti Korporat*.
TNB Integrity Health Index	• We introduced the Integrity Health Index (IHI) survey and developed the IHI Dashboard in FY2021.

Moving forward, we intend to review our Code of Ethics and develop Organisational Anti-Corruption Plan. To further reinforce the institutionalisation of integrity in TNB, our management has incorporated the Integrity Health Index (IHI) as part of their Key Performance Indicator in FY2022. The objective of IHI is to measure and capture relevant information on different attributes and dimensions of integrity health status and performance of the company's integrity health system.

For more information, please refer to Ethics, Integrity & Trust, pages 98 to 99.

SUSTAINABILITY AT TNB

What Matters Most

TNB's material sustainability matters reflect key topics that represents our most significant impacts on the economy, environment, and people, including human rights. With an in-depth understanding of our material matters, we can better define our strategies and resource allocation plans, thereby positioning TNB to implement meaningful actions and anticipate sustainability challenges.

Our determination of material matters begins with listening to and communicating with our diverse set of stakeholders to understand their concern. Thereafter, we bring these considerations into our materiality processes.

To see how we engage with our stakeholders, please refer to Creating Value through Strong Governance, pages 108 to 111.

A comprehensive materiality assessment was conducted in FY2020 involving key internal stakeholders' inputs and syndication with external stakeholders to develop our materiality matrix. This year, we reviewed our materiality matrix with our top management and SDC to ensure continuous relevance and alignment to TNB's strategies, industry developments, emerging risks and opportunities, and stakeholder concerns.

The materiality review was conducted through the following process:

Identification

The existing material sustainability matters of TNB were reviewed based on the following:

Internal factors:
Strategic direction and sustainability strategy of the Group as well as identification of interests and concerns through stakeholder engagements.

External factors:
Bursa's Sustainability Reporting Guide (2nd Edition) and the GRI Standards, industry trends, leading practices from peer benchmarking, and media reviews.

As a result, a refreshed list of potential sustainability matters was defined.

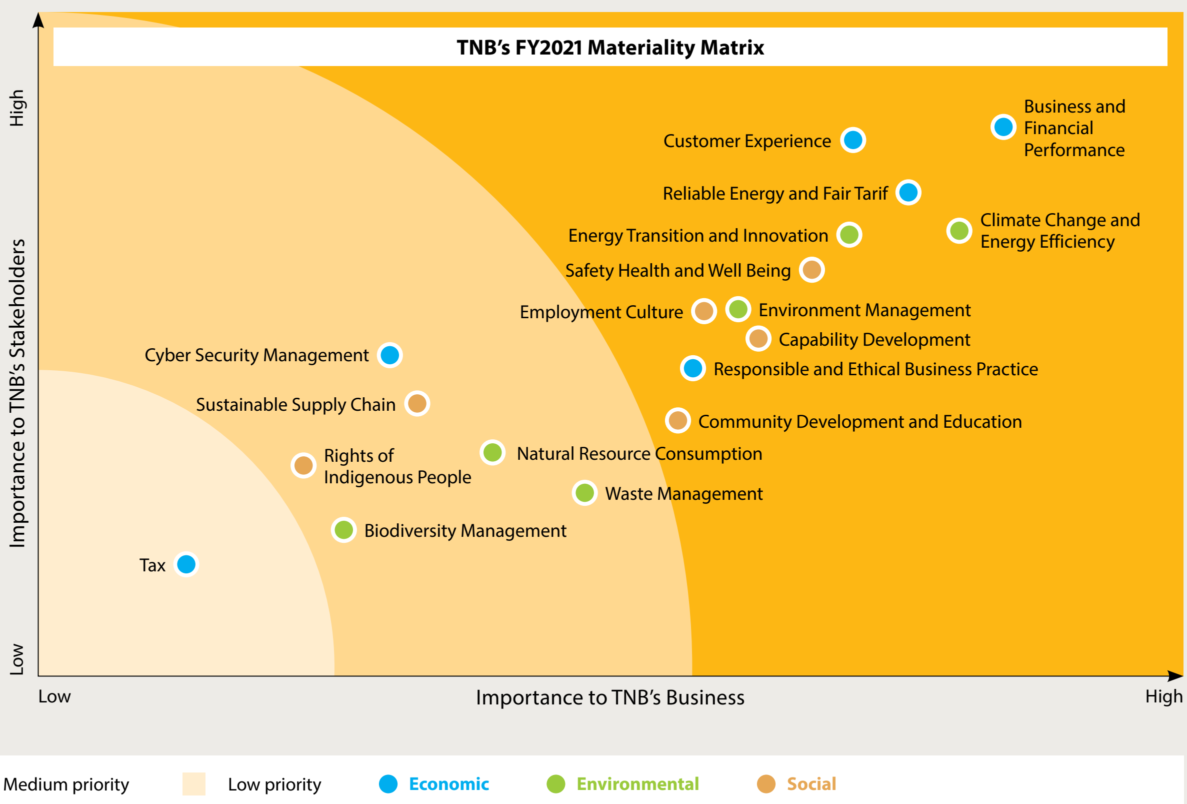
Prioritisation

We reviewed the priority of each material sustainability matter based on the level of importance to the business and its impact on the economy, environment, and people.

Validation

The key stakeholder groups and material matters were reviewed and validated with the Senior Management, SDC and the Board of Directors.

For FY2021, we retained the position and priority of 17 out of 18 material matters identified in the previous year. The key change during the year was the repositioning of one material matter - "Rights of Indigenous People" which was shifted from low priority to medium priority to reflect our increased engagement with indigenous communities.



SUSTAINABILITY AT TNB

What Matters Most

We have mapped the 18 prioritised material matters for FY2021 to our corporate strategy, direct and indirect contributions to the UN SDGs, and our 11 strategic risks.

For more information on TNB's risk management, please refer to the Statement on Risk Management and Internal Control section, pages 118 to 122.

RT Pillars
RT Enabler

Legend: Future Generation Sources | Grid of the Future | Winning the Customer | Future proof Regulations

Sustainability Pillar	Material Matter	Link to Strategic Risks	Link to RT and UN SDGs
GOVERNANCE Strong Leadership and Governing Responsibly • Reinforce ethical and safe business culture	**Responsible and Ethical Business Practices** Ensuring robust corporate governance in TNB	• Inability to keep pace with global ESG frameworks • Unfavourable energy transition and climate change policies and regulations • Unfavourable Incentive Based Regulation (IBR) regime implementation & outcome • Ineffective capital allocation to maximise value creation • Failure to ingrain TNB culture in employees' behaviour in supporting Reimagining TNB strategy • Regulatory uncertainty	8 DECENT WORK AND ECONOMIC GROWTH
ECONOMIC Building the Nation • Provide reliable and efficient energy for customers • Supply electricity domestically and internationally	**Business and Financial Performance** Measures taken to achieve business and financial growth	• Catastrophic disruptions from external factors • Inability to keep pace with global ESG frameworks • Unfavourable energy transition and climate change policies and regulations • Unfavourable IBR regime implementation & outcome • Drop in electricity demand • Unable to be competitive & sustainable in non-regulated businesses (international & domestic) • Inability to be the electricity provider of choice • Ineffective capital allocation to maximise value creation • Regulatory uncertainty	8 DECENT WORK AND ECONOMIC GROWTH
	Reliable Energy and Fair Tariffs Ensuring the availability, affordability and reliability of electricity in the short, medium and long-term, including in the event of emergencies and crises	• Catastrophic disruptions from external factors • Inability to keep pace with global ESG frameworks • Unfavourable energy transition and climate change policies and regulations • Unfavourable IBR regime implementation & outcome • Drop in electricity demand • Inability to be the electricity provider of choice • Ineffective capital allocation to maximise value creation	7 AFFORDABLE AND CLEAN ENERGY

SUSTAINABILITY AT TNB

Legend: Capital Allocation and Value Creation; Corporate and Organisation Structure; Digital and Data Analytics; Culture, Capabilities and performance management

Sustainability Pillar	Material Matter	Link to Strategic Risks	Link to RT and UN SDGs
ECONOMIC	**Customer Experience** Providing exceptional customer experience by exceeding their expectations and empowering them to become prosumers, while ensuring data security	• Catastrophic disruptions from external factors • Unfavourable IBR regime implementation & outcome • Drop in electricity demand • Unable to be competitive & sustainable in non-regulated businesses (international & domestic) • Inability to be the electricity provider of choice • Failure to ingrain TNB culture in employees' behaviour in supporting RT strategy	7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS
	Cyber Security Management Safeguarding digital systems from cyber security risks, threats and attacks	• Catastrophic disruptions from external factors • Inability to be the electricity provider of choice	8 DECENT WORK AND ECONOMIC GROWTH
	Sustainable Supply Chain Engaging in sustainable supply chain practices and strengthening the local energy ecosystem	• Catastrophic disruptions from external factors • Drop in electricity demand • Unable to be competitive & sustainable in non-regulated businesses (international & domestic) • Inability to be the electricity provider of choice	8 DECENT WORK AND ECONOMIC GROWTH; 17 PARTNERSHIPS FOR THE GOALS
	Tax Contributing to government revenue through transparent tax practices	• Unfavourable energy transition and climate change policies and regulations • Unfavourable IBR regime implementation & outcome • Ineffective capital allocation to maximise value creation • Regulatory uncertainty	16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS

SUSTAINABILITY AT TNB

What Matters Most

We have mapped the 18 prioritised material matters for FY2021 to our corporate strategy, direct and indirect contributions to the UN SDGs, and our 11 strategic risks.

RT Pillars
RT Enabler

Legend: Future Generation Sources | Grid of the Future | Winning the Customer | Future proof Regulations

Sustainability Pillar	Material Matter	Link to Strategic Risks	Link to RT and UN SDGs
ENVIRONMENTAL Environmental Sustainability • Support transition to a low-carbon economy • Minimise environmental impact	**Energy Transition and Innovation** Contributing to the national RE target and driving innovation to anticipate changing trends and build business resilience	• Inability to keep pace with global ESG frameworks • Unfavourable energy transition and climate change policies and regulations • Unfavourable IBR regime implementation & outcome • Drop in electricity demand • Unable to be competitive & sustainable in non-regulated businesses (international & domestic) • Inability to be the electricity provider of choice • Ineffective capital allocation to maximise value creation	7 Affordable and Clean Energy 8 Decent Work and Economic Growth 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production 13 Climate Action
	Environmental Management Ensuring compliance and effective management of environmental impacts	• Inability to keep pace with global ESG frameworks • Unfavourable energy transition and climate change policies and regulations • Unfavourable IBR regime implementation & outcome • Regulatory uncertainty	3 Good Health and Well-Being 6 Clean Water and Sanitation 8 Decent Work and Economic Growth
	Climate Change & Energy Efficiency Efforts to address climate change impacts and manage greenhouse gas (GHG) emissions	• Inability to keep pace with global ESG frameworks • Unfavourable energy transition and climate change policies and regulations • Drop in electricity demand • Inability to be the electricity provider of choice	7 Affordable and Clean Energy 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production 13 Climate Action
	Natural Resource Consumption Responsible consumption of natural resources including fuel and water	• Catastrophic disruptions from external factors • Inability to keep pace with global ESG frameworks • Unfavourable energy transition and climate change policies and regulations • Unfavourable IBR regime implementation & outcome	3 Good Health and Well-Being 6 Clean Water and Sanitation 8 Decent Work and Economic Growth 12 Responsible Consumption and Production
	Waste Management Effective management of waste from business operations	• Catastrophic disruptions from external factors • Inability to keep pace with global ESG frameworks • Unfavourable energy transition and climate change policies and regulations • Unfavourable IBR regime implementation & outcome	3 Good Health and Well-Being 6 Clean Water and Sanitation 8 Decent Work and Economic Growth 12 Responsible Consumption and Production 14 Life Below Water 15 Life on Land
	Biodiversity Management Pursuing environmental conservation efforts and safeguarding biodiversity in our areas of operation	• Inability to keep pace with global ESG frameworks • Unfavourable IBR regime implementation & outcome	8 Decent Work and Economic Growth 14 Life Below Water 15 Life on Land

Legend: Capital Allocation and Value Creation; Corporate and Organisation Structure; Digital and Data Analytics; Culture, Capabilities and performance management

Sustainability Pillar	Material Matter	Link to Strategic Risks	Link to RT and UN SDGs
SOCIAL Empowering our People and Nurturing Talent • Foster a favourable working environment that boosts employee morale and development • Protect safety, health and well-being of our employees Brighter Community • Enrich the lives of communities by driving socioeconomic upliftment	**Safety, Health and Well-being** Promoting a working culture that upholds high standards of occupational health and safety, and protects employee welfare	• Catastrophic disruptions from external factors • Inability to keep pace with global ESG frameworks • Unfavourable IBR regime implementation & outcome • Inability to be the electricity provider of choice • Gaps in workforce capabilities to deliver RT strategy • Failure to ingrain TNB culture in employee's behaviour in supporting RT strategy	3 Good Health and Well-Being 8 Decent Work and Economic Growth 11 Sustainable Cities and Communities 17 Partnerships for the Goals
	Capability Development Development of technical and leadership skills for a future ready workforce	• Unfavourable energy transition and climate change policies and regulations • Unable to be competitive & sustainable in non-regulated business (international & domestic) • Gaps in workforce capabilities to deliver RT strategy • Failure to ingrain TNB culture in employees behavior in supporting RT strategy	4 Quality Education
	Employment Culture Creating a diverse and inclusive culture while closely engaging with our employees	• Ineffective capital allocation to maximise value creation • Gaps in workforce capabilities to deliver RT strategy • Failure to ingrain TNB culture in employees behavior in supporting RT strategy	3 Good Health and Well-Being 5 Gender Equality 8 Decent Work and Economic Growth 10 Reduced Inequalities
	Community Development and Education Channeling investments to community and educational programmes to advance positive socioeconomic impact	• Catastrophic disruptions from external factors • Inability to keep pace with global ESG frameworks • Unfavourable IBR regime implementation and outcome • Drop in electricity demand • Inability to be the electricity provider of choice	1 No Poverty 4 Quality Education 8 Decent Work and Economic Growth 10 Reduced Inequalities 11 Sustainable Cities and Communities 17 Partnerships for the Goals
	Rights of Indigenous People Engaging with Indigenous Peoples and respecting their rights	• Inability to keep pace with global ESG frameworks • Unfavourable IBR regime implementation and outcome	3 Good Health and Well-Being 8 Decent Work and Economic Growth 11 Sustainable Cities and Communities 17 Partnerships for the Goals

SUSTAINABILITY AT TNB

Linking Performance to Global Agenda

We align our metrics, targets and key initiatives for each material matter with the global agenda. The table below showcases our performance thus far and defines our future focus areas for our long-term sustainability commitment.

	Metrics and Targets	FY2021 Result	Focus beyond FY2021
UN SDG 3 Good Health and Well-being We promote healthy living and well-being of our people	• Zero fatalities • LTIF < 1.0	• Fatalities: 8 (2 employees, 6 contractors) • LTIF: 1.03	• Continue to enhance our Health and Safety procedures, and measures to reduce fatalities and cases
UN SDG 4 Quality Education We provide quality education and financial support to the community	• Number of students and trainees in TNB education and learning centres • Expenditures on scholarships and convertible loans	• Number of students enrolled in UNITEN: 6,681 students • Number of individuals and TNB employees trained by ILSAS: 36,807 trainees • Number of scholarship and convertible loans recipients: 10,039 students • Spent on scholarships and convertible loans: RM126.01 million	• To improve our education framework, facilities, and funding in supporting quality education for all • Enhancing digitalisation in education for a better experience and reachability
UN SDG 7 Affordable and Clean Energy We prioritise energy efficiency, clean energy technology and related infrastructure	• Increase RE capacity to 8.3GW by 2025, (including large hydro) • Maintain System Average Interruption Duration Index (SAIDI) under 50 minutes/customer/year through SAIDI 50 initiative	• Total renewable energy generation capacity: 3,441.62MW • SAIDI in Peninsular Malaysia at 45.25 minutes/customer/year • System Availability: 99.79% • Equivalent Availability Factor (EAF): 82.89% performance for wholly and majority-owned power plants in Peninsular Malaysia • Transmission system minutes: 0.086 minutes	• Growing RE assets, both domestically and internationally • Expanding Large Scale Solar (LSS) and solar photovoltaics (PV) rooftop installations to boost the solar manufacturing sector • Optimising assets to enhance system and supply reliability which contributes to affordability • Enhance GOTF to ensure grid stability and security to support variable RE
UN SDG 8 Decent Work and Economic Growth We promote sustainable business performance and create employment opportunities	• Tax and *zakat* contributions • Install 9 million smart meters across Peninsular Malaysia in phases under Advanced Metering Infrastructure (AMI) initiative by 2026	• Group Revenue for FY2021: RM52,629.50 million • Group Tax and *zakat* for FY2021: RM1,036.10 million (excluding deferred taxation) • Smart meters installed in FY2021: 1.8 million	• Sustain strong revenue growth that subsequently leads to high tax and *zakat* contributions • Reskilling employees to be well equipped for greater digitalisation and automation • Enhancing digital connectivity to promote inclusive development

SUSTAINABILITY AT TNB

	Metrics and Targets	FY2021 Result	Focus beyond FY2021
UN SDG 9 Industry, Innovation and Infrastructure We build infrastructure, and develop innovation to accommodate socio-economic growth and low-carbon transition of the nation	• Allocate around 3.5% of our PAT for our research and development (R&D) activities	• Percentage of PAT for R&D investment: 2.41%	• Formation of a centralised Technology Council in the end of FY2021 to manage R&D more effectively • Develop electric vehicle (EV) charging infrastructure nationwide • Expanding on R&D and innovation on clean and green energy
UN SDG 10 Reduced Inequalities We combat inequality regardless of gender, race, religious beliefs or economic status within our organisation	• Increase the percentage of women in senior management role	• Women in senior management role: 23.1%	• Continue to empower women employability and presence in management level through talent and training programmes
UN SDG 13 Climate Action We support Malaysia's commitment to the Paris Agreement and seek to mitigate our GHG emissions and environmental impacts, as well as adapt to climate risks	• 35% emission intensity reduction by 2035, from base year FY2021 • Halve coal generation capacity by 2035 • Net zero emissions & coal free by 2050	• Total GHG emissions mitigated: 7.96 million tCO_2e • Total GHG emissions (Scope 1 and 2): 39.99 million tCO_2e • Energy savings from 12 TNB buildings: 8,092.20MWh • GHG emissions intensity: 0.55 tCO_2e/MWh	• Promote energy efficiency • Assessment of Scope 3 GHG emissions
UN SDG 17 Partnerships for the Goals We continue to form partnerships with key stakeholders with the objectives to meet future industry demands and contribute positively to the environment and the community	• Commit 1% of our PAT for community programmes • Total expenditure on community development programmes • Establish a wide range of partnerships to promote accessible and clean energy as well as uplift the communities	• Percentage of PAT spent for community programmes: 1.02% • Total contribution to community development programmes: RM39.57 million • Partnership with Ministry of Rural Development to provide electricity infrastructure in rural areas	• Strengthening partnerships and collaborations for community development and environmental management

SUSTAINABILITY AT TNB

ESG Ratings

We recognise that sustainability is an ongoing journey to which continuous efforts are needed to support the global agenda in mitigating climate change and achieving the SDG Goals. Various international rating agencies and analysts monitor and rate TNB's sustainability performance based on different sets of methodologies. These ESG ratings inform and influence the investor community as well as other interested stakeholders of TNB's key sustainability risks and opportunities as well as current performance. This year, for the first time, we have disclosed our key sustainability ratings so as to improve transparency and credibility among our stakeholders. We at TNB aspire and are committed to strengthen these ratings in the near future.

MSCI ESG Rating
The MSCI ESG Rating is designed to measure a company's resilience to long-term, industry material ESG risks as well as how well they manage those risks relative to peers.

TNB's MSCI ESG rating Score FY2021
BBB

FTSE4Good ESG Rating
This rating allows investors to assess a company's exposure to, and management of, ESG issues in multiple dimensions.

TNB's FTSE Russell ESG Rating Score for FY2021
3.0

CDP
CDP, formerly known as the Carbon Disclosure Project, runs a global disclosure system to support companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation.

TNB's CDP Climate Change Score for FY2021
D

Awards & Recognition

TNB has also received awards and recognitions over the years for its sustainability reporting and performance. TNB's FY2021 recognitions include:

World Branding Award
Brand of the Year 2021 in the 14th edition of the prestigious World Branding Awards by London-based World Branding Forum (WBF).

TNB began receiving Brand of the Year recognition for the "Energy-Power category in 2014 and received the same award consecutively in 2018, 2019, 2020 and 2021.

Australasian Reporting Awards (ARA)
Won a gold, silver, and special award at the Australasian Reporting Awards (ARA) 2021.

- Gold awards for our Integrated Annual Report 2020. Previously, TNB was awarded gold in the year 2017 and 2018, and bronze in 2016.
- Silver award in Sustainability Reporting.
- Special award for Health and Safety Reporting.

Annual Reports Competition (ARC) International Awards
Two gold and a silver award in the 34th Annual Report Competition (ARC) International Awards, organised by New York-based MerComm Inc.

- Gold awards in the Non-Traditional Annual Report Electric Power Company and Interior Design: Electric Power Company categories,
- Silver award for Cover Photo/ Design: Electric Power Company category.

National Annual Corporate Report Awards (NACRA)
Gold award at the 2020 National Annual Corporate Report Awards (NACRA), which was jointly organised by Bursa Malaysia Berhad (Bursa), Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MCPA).

BUILDING THE NATION

Related Material Matters

- Business and Financial Performance
- Reliable Energy and Fair Tariffs
- Customer Experience
- Responsible and Ethical Business Practices
- Cyber Security Management
- Tax

Feature Story | **Supporting the Economic Recovery**

Our Support in Facing COVID-19

Over the past two (2) years, the COVID-19 pandemic has caused health, socioeconomic and humanitarian crises of unprecedented scale and impact. The imposition of a Movement Control Orders (MCO) disrupted the local economy with a domino effect of negatively impacting livelihoods, disrupting supply chains and upending businesses, while exacerbating inequalities, poverty and hardships – especially amongst the most vulnerable groups. Nonetheless, we have begun to see the situation improving due to effective vaccination programmes, conducive government support and policies, and the unity of Malaysians. As the nation traverses through these difficult times, we at TNB are honoured to play our part to work hand-in-hand with our stakeholders in accelerating the nation towards socioeconomic recovery.

Our Response to COVID-19

1 **Supporting Customers and Communities**

2 **Stimulating the Economy**

3 **Safeguarding Our Employees**

Supporting the Customers and Communities

TNB has provided various forms of support to our customers and communities facing the adverse effects of the COVID-19 pandemic. In FY2020, we collaborated with the Government of Malaysia to deliver relief packages such as *Pakej Rangsangan Ekonomi* 2020 (PRE2020), *Pakej Rangsangan Ekonomi Prihatin* (PRIHATIN), Easy Payment Plan (EPP) and *Bantuan Prihatin Elektrik* (BPE). This year, we collaborated again with the Government of Malaysia to deliver relief packages such as *Pakej Bantuan Perlindungan Ekonomi dan Rakyat Malaysia* (*Pakej Bantuan* PERMAI 2021), *Program Strategik Memperkasa Rakyat dan Ekonomi* (PEMERKASA), *Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan* (PEMERKASA Plus) and *Pakej Perlindungan Rakyat dan Pemulihan Ekonomi* (PEMULIH). During the MCO, we also implemented:

i. Easy Payment Plan (EPP) for eligible residential customers until 31st December 2021

ii. No electricity supply disconnection
- During the Movement Control Order (MCO) 3 Phase 1 for all TNB customers
- Until 30th September 2021 for eligible Residential customers with arrears not exceeding six (6) months

Due to the challenges arising from the COVID-19 pandemic, together with the Government, TNB continued to proactively provide various forms of support to our customers and the communities.

BUILDING THE NATION

Feature Story **Supporting the Economic Recovery**

Details of our FY2021 initiatives in supporting the National Recovery Plan (NRP):

Period	Initiatives	Description
1st January – 31st December 2021	Easy Payment Plan (EPP) Extended Relief Package	Between 1st January 2021 to 31st December 2021, residential customers (Tariff A) were given the flexibility to pay bills at 70% of the current charge amount. The remaining 30% of the charge will be divided equally to be paid over a period from January 2022 to December 2022.
1st January – 31st March 2021	*Pakej Bantuan Perlindungan Ekonomi dan Rakyat Malaysia* (*Pakej Bantuan* PERMAI 2021)	The Government of Malaysia introduced *Pakej Bantuan Perlindungan Ekonomi & Rakyat Malaysia* (*Pakej Bantuan* PERMAI 2021). Under this package, six (6) selected commercial sectors that have been severely affected by the COVID-19 pandemic received a 10% discount on their electricity bills from 1st January until 31st March 2021. The six (6) business sectors are: hotel operators, theme parks, convention centers, shopping malls, local airline offices and tour and travel agencies. The electricity bill support initiative, which was first announced under the PERMAI package has now been extended under the PEMERKASA and PEMULIH packages.
1st April – 30th June 2021	*Program Strategik Memperkasa Rakyat dan Ekonomi* (PEMERKASA)	PEMERKASA is an extension of *Pakej Bantuan* PERMAI 2021, whereby the electricity bill discount of 10% for hotel operators, theme parks, convention centres, shopping malls, local airline offices and tour and travel agencies was extended for an additional 3 months until 30th June 2021.
1st July – 30th September 2021	*Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan* (PEMERKASA Plus)	PEMERKASA Plus provides an additional 3 months extension from the PEMERKASA package until 30th September 2021. Types of tariffs eligible for the discount are Tariff B, C1, C2 and Special Agreements that have been approved by the Government.
1st July – 31st December 2021	*Pakej Perlindungan Rakyat dan Pemulihan Ekonomi* (PEMULIH)	The electricity bill discount under the PEMULIH Package is given for a period of three (3) months for electricity consumption from 1st July 2021 to 30th September 2021 for residential users (Tariff A) up to 900kWh per month and low voltage small and medium enterprises (SMEs). PEMULIH offered targeted discounts to 9.1 million residential and non-residential users. • 7.4 million residential customers enjoyed discounts between 5% to 40% for a span of three (3) months. The rate of PEMULIH Electricity Discount for residential customers (Tariff A) in Peninsular Malaysia as detailed below: (see table below) • 1.6 million SME customers in the low voltage commercial, industrial, and specific agricultural categories received a 5% discount. Commercial consumers from the six (6) selected business sectors continued to receive 10% electricity discount from 1st October 2021 to 31st December 2021 under the PEMULIH Package.

Electricity usage (kWh)	Electricity usage (RM)	Total Residential Customers	PEMULIH Electricity Discount
1kWh - 200kWh	RM43.60 and below	2.9 million	40%
201kWh - 300kWh	RM43.93 - RM77.00	1.4 million	15%
301kWh - 600kWh	RM77.52 - RM231.80	2.4 million	10%
601kWh - 900kWh	RM232.35 - RM395.60	0.7 million	5%

Stimulating the Economy

The six (6) game-changers introduced in FY2020 lay out the key focal areas in which TNB can influence and drive socio-economic revival:

- Catalysing the economy through Grid of the Future
- Building a Global Solar Manufacturing Hub
- Raising National Competitiveness through Energy Efficiency
- Making Malaysia the Electric Vehicle Hub for ASEAN
- Electrifying Mobility for Malaysia Advancing Connectivity for Our Digital Economy
- Reskilling Malaysia by Embracing the Future of Work

Collectively, these game-changers are expected to deliver a significant economic impact between FY2021 to FY2030 by contributing an estimated RM120 billion in Gross Domestic Product (GDP), and providing up to 4.5 million skilled employment opportunities.

Safeguarding Our Employees

As the major electricity provider of the nation with approximately 35,000 strong workforce, we are dedicated to ensure that the occupational health and safety of our people is of utmost priority and not jeopardised in 'keeping the lights on', even in the midst of a pandemic. Consequently, the following measures and controls have been implemented:

Initiative	Our Approach	Our Performance in FY2021
TNB COVID-19 Vaccine Management Task Force (CVTF)	• Promote, campaign and create awareness amongst employees to register for vaccination, and address concerns raised by employees related to vaccination. • Plan, implement and monitor the vaccination enrollment for TNB employees. • Coordinate with existing *Pusat Pemberian Vaksin* (PPVs) and closely monitor the vaccination availability and progress of TNB employees. • Work closely with relevant agencies to coordinate the purchase of vaccines for TNB employees. • Responsible to periodically report vaccination progress in TNB to senior management.	99% of *warga* TNB are fully vaccinated.
Business Continuity Management Crisis Response Team (BCM-CRT)	**Strategic Actions** • Protocols were implemented to monitor employees who tested positive for COVID-19, while contact-tracing procedures were deployed. • PPE has been made available to all TNB employees, with priority given to our frontliners which include personnel in *Kedai Tenaga*, meter readers, and security officers at our premises. • Work-from-home initiative was implemented, where applicable, to continue operations safely and remotely. **Communicating with Our People** • Frequent communication to all employees on COVID-19 information and safety measures. • Access to counseling services for employees who face mental health challenges and personal struggles during this period. • Webinars focused towards maintaining mental and physical well-being while working from home. **Standard Operating Procedures (SOPs)** • TNB has established and launched the Employee Self Health Declaration (ESHD) portal, a daily health check-in platform to monitor our people's well-being. • Clear SOPs to promote good personal hygiene and social distancing are consistently communicated and made accessible to all employees.	We have invested more than RM21.4 million towards our COVID-19 Pandemic Management initiatives including: • Special Ex-Gratia for 14,544 TNB employees during MCO: RM7.27 million. • Masks, face shields, hand sanitisers (84,635 boxes of facemask and 95,726 bottles of hand sanitiser distributed to divisions). • Building disinfection and preparatory measures: RM570,400.00. • COVID-19 self-test kits for our employees: RM2,585,679.29. • Food and general supplies to 1,847 TNB staffs due to COVID-19 quarantine.

BUILDING THE NATION

Sustainable Infrastructure and Ecosystem

The ASEAN region is gearing towards energy transition through efficient equipment and digitalisation of the electricity sector. TNB, in tandem is seeking to digitalise the electricity infrastructure to improve power security and adopt cleaner energy generation sources in future.

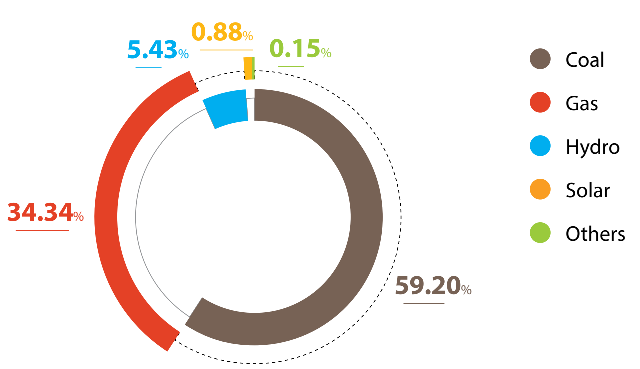
Generation Fuel Mix

TNB's generation fuel mix is dependent on the Peninsular Malaysia Generation Development Plan determined by the Planning and Implementation Committee for Electricity Supply and Tariff (JPPPET), which is chaired by the Ministry of Energy and Natural Resources (KeTSA). This plan is developed based on the underlying principle of balancing the security of electricity supply, affordability and environmental sustainability.

In balancing the energy trilemma, the Generation Development Plan will be based on a guiding principle of optimum fuel mix to achieve a Herfindahl-Hirschman Index (HHI) of less than 0.5. This would ensure optimum power security by providing adequate diversification of fuel and resources.

The Malaysian Government, ahead of COP26, pledged in its 12th Malaysia Plan to be a carbon neutral country by as early as 2050, and has made a number of commitments to reach that goal, including a commitment to stop building new coal-fired power plants. Hence, the coal generation mix is expected to reduce significantly over the years.

PENINSULAR MALAYSIA GENERATION FUEL MIX FY2021



In line with the nation's aspiration to expand renewable energy capacity and reduce power sector carbon emission intensity of GDP by 45% and 60% in 2030 and 2035 respectively, we have projected an increase in low-carbon fuel and RE by 2035.

For more information, please refer to Our Response to Climate Change - Expand renewable assets within Malaysia, ASEAN, and Europe, pages 156.

Sustainable Business Expansion

During the COVID-19 pandemic, Renewable Energy (RE) proved to be a fast growing source of energy as it gained global market share amidst the volatile supply and demand dynamics. In this regard, the international market offers abundant opportunities for renewables growth and strategic partnerships.

Green Energy Growth

Our TNB International Asset Group (IAG) division has been restructured into New Energy Division (NED) to focus purely on RE asset management, partnerships, and growth initiatives. The restructuring involved reorganisation of departments within NED to drive strategic partnership, greenfield projects and business development in the RE space. NED streamlines our RE platform to platforms and oversees two key entities: Vantage RE operating out of the UK to focus on UK and Europe markets, and TNB Renewables based in Malaysia, to focus on the domestic and Southeast Asia markets.

Our RE growth strategies focus on the following ambitions:

1. Leveraging existing assets, capabilities and experience to expand within UK before entering European RE markets.
2. Grow utility business within South East Asia (SEA) region with RE as market entry point, before venturing into other parts of utility value chain.

In the domestic renewables industry, we continue to develop renewable energy generation and market distributed generation solutions including rooftop solar photovoltaic (PV) panels, mini hydro, biogas and waste-to-energy plants through existing programs such as Feed-in Tariff (FiT) and Net Energy Metering (NEM).

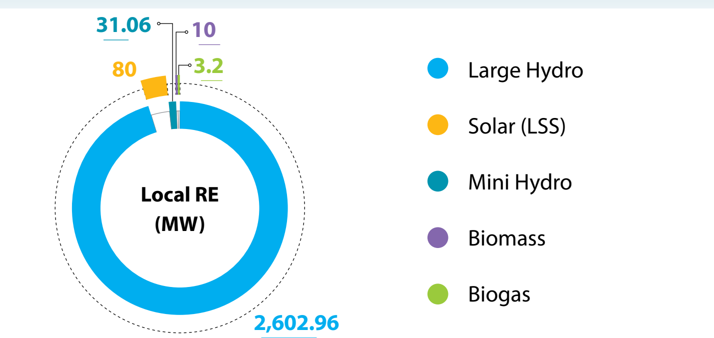
Our Focus	Description and FY2021 Highlights
Large Scale Solar	• To date, TNB operates 50MWac and 30MWac large scale solar farms in Sepang, Selangor and Bukit Selambau, Kedah respectively.
GSPARX	• TNB's fully owned subsidiary, GSPARX, focuses on rooftop solar solutions. • To date, a total capacity of 116.3MW has been secured as compared to 81MW in 2020.
LSS4 Solar Farm bidding	• TNB Renewables Sdn Bhd is one of the winning bidders to develop 50MWp solar farm.
Hydroelectric Power Plant	• In November 2021, TNB announced the RM5 billion construction of a 300MW hydroelectric project in Nenggiri, Gua Musang which is expected to commence commercial operations in 2027.

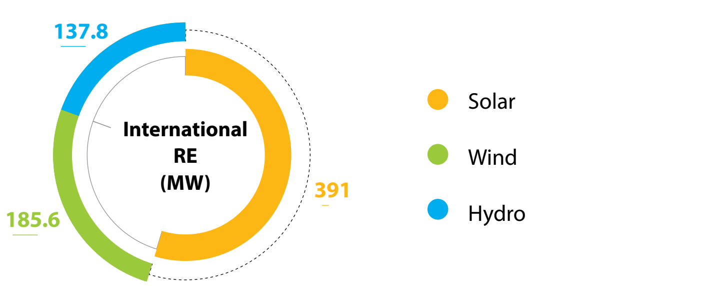
For more information, please refer to Customer Centricity - Empowering customers towards energy transition, pages 148.

Internationally, we have a presence in energy-related assets in countries such as Turkey, Kuwait, Saudi Arabia, Pakistan, and the United Kingdom (UK). Our growth strategy focuses on markets in the UK, European and South East Asia region emphasising on RE assets and technologies to enable our energy transition. We target to achieve a total of 8.3GW RE globally by 2025, comprising 5.2GW RE internationally and 3.1GW domestically.

Key Initiatives	Descriptions
Setup Vantage RE	In July 2021, formed Vantage RE to drive RE growth in the UK and European market.
Partnership with Électricité de France (EDF)	In October 2021, we developed a strategic partnership with EDF through acquisition of 49% stake in EDF's UK offshore wind farm company (Blyth Offshore Demonstrator Limited (BODL)). The wind farm has been in operation since 2017 under the Renewable Obligation Certificates (ROC) subsidy regime that is expected to provide stable revenues. BODL currently owns offshore wind assets including five turbines with a total installed capacity of 41.5MW and further development rights for a floating offshore wind project of up to 58.4MW.
Divestment	TNB continues to streamline its international portfolio and seeks to monetise assets in non-focus markets such as the India and Pakistan, as seen in the divestment of compulsory convertible debentures (CCD) issued by India-based GMR Bajoli Holi Hydropower Private Ltd, and TNB Power Daharki Ltd in Pakistan.

OUR PERFORMANCE FOR FY2021





Note: From operations in which TNB has controlling stake

Ensuring Reliable Electricity Supply

High reliability and quality of electricity supply remain a key factor to support the national economic recovery post-pandemic. Despite the challenges faced in 2021, TNB continues to prioritise improvement of our business operations to provide reliable electricity across the value chain.

Business Continuity Management

Business Continuity Management (BCM) practices are established to safeguard human lives, assets and the environment in a crisis or disruption, both natural and technological. TNB's BCM Framework is the basis on which divisions, including power plants, customise and implement their respective business continuity and emergency response plans. The effectiveness of these plans are tested at each level of the organisation, from corporate headquarters to zones and states. Drills were conducted with various scenarios such as wide-area electricity disruptions, cyber security intrusions, floods and pandemic. Our Cyber Security Operating Model, ISO 27001:2013 Information Security Management System (ISMS) and Payment Card Industry Data Security Standard (PCI DSS) certification are also in place to ensure the confidentiality, integrity and accessibility of TNB's information are well protected.

Asset Optimisation

Grid of The Future, one of the four RT pillars, is an essential strategy for us to strengthen our position in the energy transition. The integrated strategy on advancing and digitalising our distribution network system allows us to accommodate increased renewables in providing sustainable energy solutions. Grid modernisation initiatives optimises our assets to improve power distribution system reliability and efficiency while also paving the way for adoption of new disruptive technologies such as bi-directional power flows from distributed generation, grid storage, and smart meters.

Our Asset Management Plan is ISO 55001:2014 Asset Management - Management Systems – Requirements certified. The Plan charts a roadmap to achieve the greatest value from physical assets while the Asset Performance Management System focuses on the management of the asset's entire lifecycle.

Key Initiatives	Descriptions
Asset Performance Management System (APMS) – Phase 2	Enables visualisation and analysis of asset health index in real-time, enabling risk-based maintenance and reduced core transmission expenditure. Phase 2 (2022-2023) is expected to provide data modelling for asset analytics and allow full asset class analysis to be done by substation bay.
Asset Investment Planning Management (AIPM)	Analyses and evaluates options and viability for investment in new assets to increase system capability, reliability, and availability.
UAV LiDAR System	Developed an automated detection system to ensure the selection of proposed transmission line routes will avoid sensitive and/or endangered species during planning.

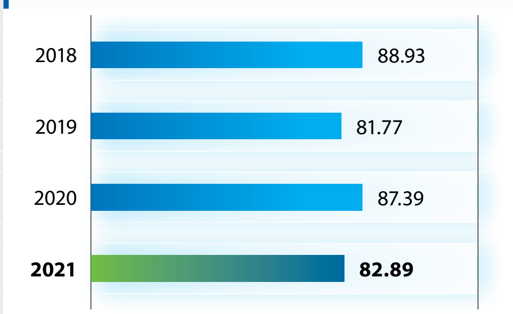
BUILDING THE NATION

Ensuring Reliable Electricity Supply

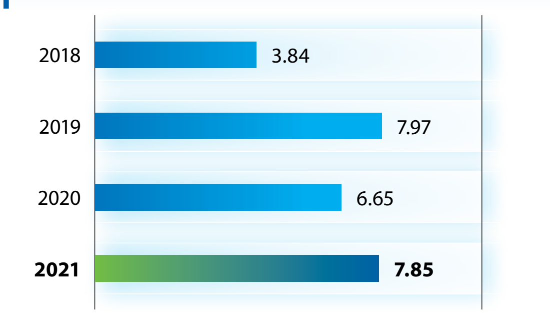
Key Initiatives	Descriptions
Substation Repair & Maintenance (R&M) Process Optimisation	Substation R&M works via drone inspection will reduce high-risk work, enhance team safety and promote new ways of working. This initiative is part of the journey towards increasing efficiency and productivity.
Advance Automatic Fault Analysis System (AFA)	Provides automatic detection and detailed fault analysis to improve decision making during unplanned outage and restoration processes.
Substation Digital Intelligent Infrastructure (SDII)	Development of an open data platform to provide ready access to quality real-time data.
Defense Plan Infrastructure *Previously reported as Wide Area Monitoring System (WAMS) is now incorporated as part of the Defense Plan Infrastructure*	Sustains transmission network stability and availability during disturbances and other power system contingencies.
Advanced Distribution Management System (ADMS)	Supports the full suite of distribution management optimisation.
Distribution Automation (DA)	Enables remote monitoring and control of network assets to improve CAIDI and SAIDI.
Distributed Generation (DG) Infra	Infrastructure that enhances network visibility, transparency, and reliability for all DG connectors.
***Pelan Jalinan Digital Negara* (JENDELA)**	Increases accessibility of high-speed broadband services.
Volt-Var Optimisation (VVO)	Manages system-wide voltage levels and reactive power flow to enhance network efficiency and reduce power losses.
Turnaround Programme	Unlocks asset potential and enhances the performance of TNB's power plants.

Our Performance for FY2021

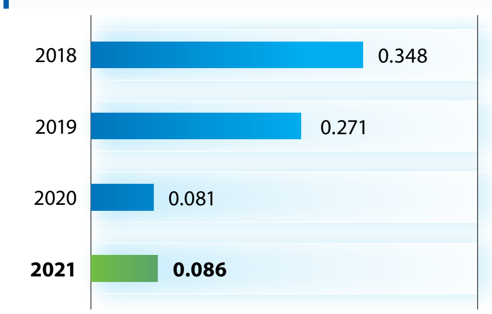
EQUIVALENT AVAILABILITY FACTOR (EAF)
(%)



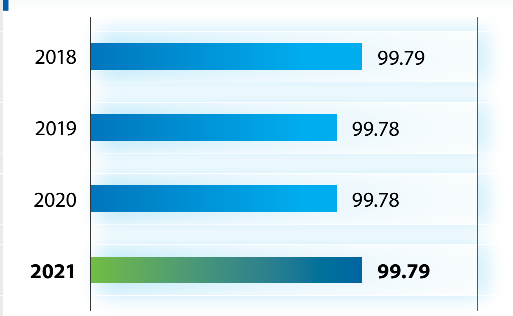
EQUIVALENT UNPLANNED OUTAGE FACTOR (EUOF)
(%)



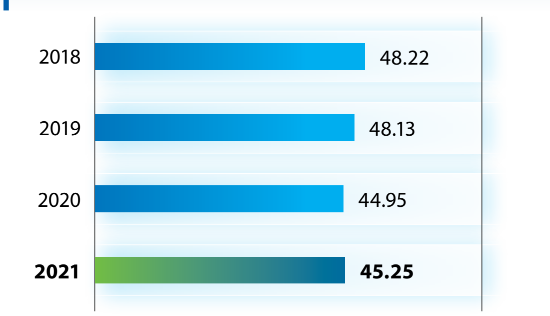
TRANSMISSION SYSTEM MINUTES



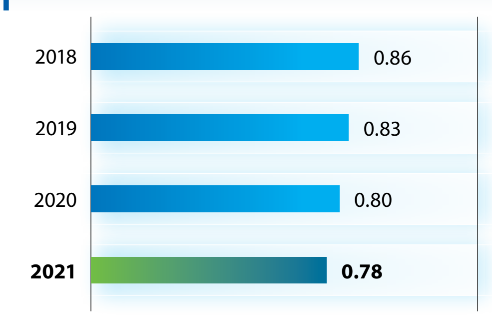
PERCENTAGE OF SYSTEM AVAILABILITY
(%)



SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI)



SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX (SAIFI)



Note: For TNB operations in Peninsular Malaysia

Customer Centricity

Customers remain at the heart of our business as our top priority to serve our customers with reliable, affordable, and sustainable services and solutions. We aim to do so through continuous and effective customer engagements and offering innovative solutions.

Flood Relief

In December 2021, Peninsular Malaysia was hit by devastating flash floods. Nevertheless, we did our best to keep the lights on for the nation by supplying electricity to *Pusat Permindahan Sementara* (PPS) via portable generators.

To alleviate the financial burden of our customers, TNB offered a one-off 100% rebate for the electricity bill to 148,336 residential customers affected by floods amounting to RM15.06 million. We also provided RM2 million in monetary aid to victims of the flash floods via our *Tabung Warga TNB Prihatin (TWTP)*.

After the water subsided, we carried out free wiring inspections at B40 homes in Selangor, Pahang, and Kuala Lumpur to ensure the safety of the community that were affected by the floods.

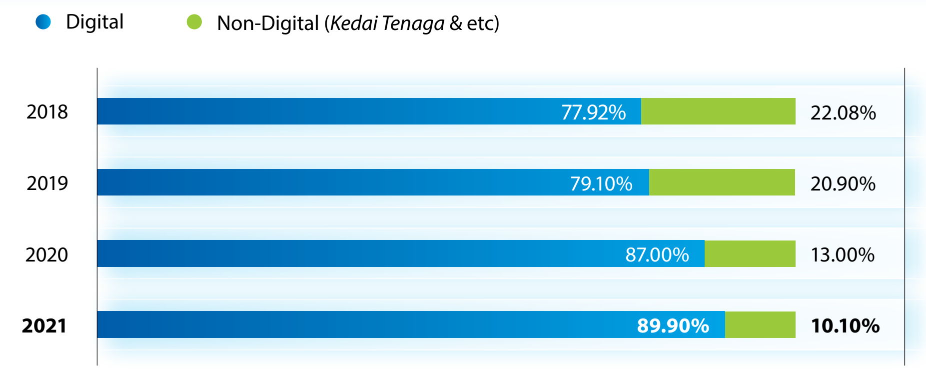
For more information on our TWTP, please refer to our Feature Story – Together with You, page 173.

Customer Engagement

In FY2021, we improved our three (3) main interaction channels from "Click, Call & Come Over" to "Click, Call, Come Over & Go Over" to enable us to proactively meet and engage with our customers while strictly adhering to safety measures set in place to prevent the spread of COVID-19.

As a result of both the pandemic and digitalisation, TNB continued to see an increase in digital interactions with our customers in FY2021. Customers were encouraged to use our digital platforms such as the myTNB mobile application and myTNB web portal which provides excellent customer experience and support to conduct payments and view bills. However, appointment booking for *Kedai Tenaga* visit was also made available through the myTNB web portal for customers who prefer to conduct physical transactions.

CUSTOMER INTERACTION



Additional digital customer solutions that TNB implemented in FY2021 include:

- *TNB Temujanji* was introduced in September 2021 to empower customers to make an appointment to any *Kedai Tenaga* based on their preferred time and date
- Guaranteed Service Level (GSL) Rebate was rolled out nationwide to allow customers to claim GSL rebates and track compensation payments via the myTNB app
- Digital Solution for Overvoltage Claim (OVIS) was rolled out to eight (8) business areas to enable customers from targeted areas to request for overvoltage claim via the myTNB app and myTNB web portal

Feedback on our myTNB app achieved an impressive 88.25% of 5 Star ratings from a total of 1.7 million feedback received in FY2021 as compared to the 86% of 5 Star ratings from 396,286 feedback received in FY2020. The number of customers registered on the web and app has also increased in FY2021 to 1.39 million and 5.57 million respectively compared to FY2020 being 1.27 million and 3.11 million respectively. The number of downloads of the myTNB mobile application increased to 3.77 million in FY2021 compared to only 1.97 million in FY2020.

Customer Satisfaction

TNB has achieved 87% in our Customer Satisfaction Index (CSI) for FY2021, a new all-time high score from 86% in FY2020. This is our second consecutive year achieving our target CSI score of between 82% to 86%.

CUSTOMER SATISFACTION INDEX (CSI)

BUILDING THE NATION

Customer Centricity

Safeguarding Customer Privacy

TNB constantly strives to improve user experience and protect data privacy of customers. To date, we have received zero complaints from third parties or regulatory bodies regarding data privacy breach by ensuring that we are compliant with relevant regulations, including the Personal Data Protection Act (PDPA) 2010. Strict security controls are also in place to protect customers' data privacy such as our Cyber Security Operating Model, Personal Data Protection Policy, and the use of Payment Card Industry Data Security Standard for online transactions. Overall, we maintain vigilant against the risk of unlawful access and use of our customers' data.

Empowering customers towards energy transition

At TNB, we recognise that the journey towards transitioning to cleaner sources of energy is one that the nation must embark on together. As a key electricity and utilities provider, we empower our customers to join the energy transition journey and become prosumers through a variety of innovative products and programs. Our FY2021 key highlights are as below:

Initiatives	Descriptions	Our Performance in FY2021
Feed-in Tariff (FiT) Programme	A mechanism for RE asset owners to export solar energy produced to TNB grid at a fixed price.	9,481 FiT projects have been commissioned with an installed capacity of 533.77MW.
Net Energy Metering (NEM) Scheme	Allows customers in Peninsular Malaysia to export excess energy produced from their solar PV systems back to the grid.	11,792 NEM participants making up a total capacity of 794.19MW.
Malaysia Renewable Energy Certificate (mREC)	Malaysia Green Attribute Tracking System (mGATS) is a national marketplace for Malaysia Renewable Energy Certificate (mREC). Sales of unbundled RECs from LSS and hydroelectric plants stopped in November 2021 to make way for the new Green Electricity Tariff (GET) programme.	In FY2021, 612,361MWh of mRECs has been contracted.
Green Energy Tariff (myGreen+)	myGreen+ is a green energy tariff program which allows customers the option to purchase green energy without having to spend on the high initial investment of rooftop solar or other forms of RE system installations. Subscriptions are currently sold in 100kWh blocks of RE electricity at 8 sen/kWh. Moving forward, this initiative will be replaced by GET.	256 customers subscribed to 253.30MWh of RE electricity in FY2021 through myGreen+.
Green Electricity Tariff (GET)	This programme was introduced as an option to enable electricity consumers to indirectly purchase green electricity without having to spend on the high initial investment of RE system installations. All consumers are eligible for the GET programme which is available in 100kWh blocks for residential consumers and 1,000kWh blocks for non-residential consumers at a rate of 3.7 sen/kWh. Consumers enrolled in GET programme will receive internationally recognised mREC after the end of a calendar year.	Subscriptions for GET programme began on 1st December 2021 for early reservation and will officially commence on 1st January 2022. As of 31st December 2021, 232,368MWh has been subscribed.

Initiatives	Descriptions	Our Performance in FY2021
Rooftop Solar PV (GSPARX)	TNB's fully owned subsidiary, GSPARX focuses on solar solutions. GSPARX allows customers (residential, commercial and industrial) to install solar PV at zero upfront cost and enjoy savings via self-consumption.	In FY2021, GSPARX clinched 49 new contracts with a total installed capacity of 35.3MW. This increased the cumulative secured capacity to 116.3MW.
Supply Agreement for Renewable Energy (SARE)	TNB offers SARE, a tripartite agreement between TNB, solar PV investor and customer. SARE enables single convergence billing to customers for energy taken from TNB grid and the solar PV system. Currently, SARE is offered to commercial, industrial and government sectors in Peninsular Malaysia.	In FY2021, 368 contracts were secured by commercial and industrial customers through SARE. This resulted in a total SARE contracted capacity of 127.66MWp.

We have also taken steps to increase energy efficiency awareness among our customers through key initiatives:

Initiatives	Descriptions and Performance in FY2021
Sustainability Achieved via Energy Efficiency (SAVE) 2.0	• We supported the Government through the promotion of the SAVE 2.0 programme which offers RM200 e-rebate vouchers to help customers purchase 4 or 5 Star labelled energy efficient home appliances.
Energy Efficiency Awareness Programmes	• We collaborated with NGOs to spread awareness on energy savings to school teachers and children. • We also supported the 'Let's Stay Home, Be Energy Efficient' competition by *Sekolah Kebangsaan Seri Rejo Sari* to encourage the younger generation to embrace a more sustainable lifestyle. • TNB collaborated with *Kelab Duta Rimba* to organise the Electrical Energy Efficiency Awareness Competition which was participated by 1,562 students nationwide.
Energy Efficiency Online Talks	• In FY2021, a total of 32 energy efficiency online talks were given to various residential and commercial consumers including government association and schools throughout Malaysia.
Energy Performance Contracts (EPCs)	• TNB Energy Services Sdn Bhd (TNBES) was awarded two (2) EPC projects with Institut Teknologi Petroleum PETRONAS (INSTEP) and Penang International School (UPLANDS) to improve Energy Efficiency (EE) through investments in energy efficient equipment until FY2030. • The expected annual energy savings from the two (2) EPC projects is approximately 473,402kWh, that is equivalent to 30.3 tCO_2e of GHG emission reduction.

Advanced Metering Infrastructure (AMI)

AMI is an integrated and intelligent system that includes smart meters. Its well-equipped digital features provide near real-time data through our myTNB web portal and mobile app that customers can use to monitor and manage their electricity usage, hence potentially leading to cost savings. Customers with smart meters will also have access to the myTNB app and Smart Meter Web Portal which provides insights to their energy consumption in half-hourly energy usage analysis.

We reached our FY2021 target to install 1.5 million smart meters earlier in September 2021. With approval from the Government, we increased our target to 1.8 million smart meters installation, and successfully installed 1,836,919 smart meters in FY2021, with the latest batch being installed in KL Timur, KL Selatan, Langkawi, Kuala Nerang and Ipoh. Beyond 2021, we target to install 7.5 million smart meters nationwide throughout the Regulatory Period 3 and beyond.

BUILDING THE NATION

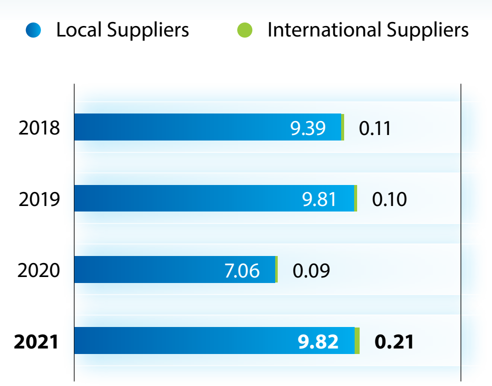
Sustainable Supply Chain

TNB intends to establish a Sustainable Supply Chain ecosystem by integrating digitalisation into its procurement process. Digital transformation of business process helps to improve efficiency and reduce time consumed in manual processing.

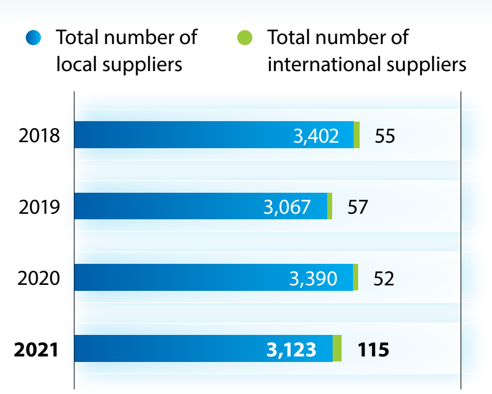
We support the development of Malaysia's business ecosystem by channelling over 98% of our procurement spend to local suppliers. We reinforce ethical business practices in our suppliers who have to abide by TNB Procurement Code of Conduct, Procurement & Supply Chain Policy and Procedures, Integrity Pact and Anti Fraud and Bribery Policy. Our wide supply chain network requires us to continuously engage with our suppliers to improve their ESG practices on various aspects such as health & safety, environmental stewardship and integrity.

Our Performance for FY2021

TOTAL SPENT ON PROCUREMENT
(RM BILLION)



TOTAL NUMBER OF SUPPLIERS
(NO.)



P&SC Transformation Programme

We are improving our procurement operating model with the introduction of P&SC 2.0 Transformation Programme launched in July 2021, leveraging on digitalisation and nation-building agenda. We develop long-term and meaningful relationships through supplier ecosystem development program, the Corporate Strategy for Vendor Relationship (CSVR). We optimise value delivery and productivity enabled by future-proof capabilities and platforms to deliver higher performance.

Key Initiatives	Descriptions
Procurement Connected Planning (PCP)	Digitalises planning for procuring, delivery and improvements of material and service availability.
Procurement Cycle Digitalisation (PCD)	Facilitates and guides the end-to-end Procurement Lifecycle process via Business Process Management System.
Robotic Process Automation (RPA)	Automate business processes to enhance integrity, productivity and efficiency in Purchase Order (PO) award rotation, contract-to-buy, stock transfer order, product inspection management and material availability notification.
***Sistem Maklumbalas Bahan* (SMB)**	Product and service quality management system.
LAPASAR	Business platform which allows users to purchase supplies from a listing of more than 2,000 items (increased from 1,000 from previous year).
Contractor and Supplier Evaluation (CASE)	Provides a centralised platform to evaluate and monitor the performance of contractors and suppliers from Purchase Order (PO) Issuance to works completed.
TNB Rates and Cost Engineering (TRACE) 1.0	The platform to standardise rates, Bill of Quantity (BQ) and technical specifications through automation in digital platform replacing the existing manual method.

Vendor Engagement Programme

We continue to engage with our vendors and stakeholders through various programmes and platforms:

TNB Open Day for vendors and contractors	Vendor programme Memorandum of Understanding with MEDAC (Ministry of Entrepreneur Development and Cooperatives)	Engagement Session with *Suruhanjaya Tenaga* (ST), *Persatuan Rakan Niaga Strategik Malaysia* (PERNISMA), and *Persatuan Usahawan Tenaga Malaysia* (PUTM)	TNB Procurement & Supply Chain *Teh Tarik* Session with vendors and contractors

ENVIRONMENTAL SUSTAINABILITY


In line with our Sustainability Pathway 2050 (SP2050) aspiration, TNB is driven to reach the target of reducing 35% of emissions intensity and 50% of coal generation capacity by 2035.

Related Material Matters

- Climate Change and Energy Efficiency
- Energy Transition and Innovation
- Environmental Management
- Natural Resource Consumption
- Waste Management
- Biodiversity Management

Feature Story | Shaping TNB's Net Zero 2050 Aspiration

As a national electricity utility company, TNB is responsible to ensure reliable supply and delicately balance socioeconomic considerations and conservation of the environment within our sustainability strategy. A robust sustainability plan will enable TNB to stay ahead of industry disruptions, centered on decarbonisation, decentralisation, digitalisation and deregulation while managing the interests and concerns of our multi-stakeholders.

TNB's SP2050 which was unveiled in 2021, sets out our green ambition to achieve net zero emissions by 2050. In addition, we have also pledged to ensure our revenue from coal generation plants does not exceed 25% of our total revenue. To this end, RE will play a critical role in driving our energy transition and decarbonisation efforts up to 2035, while emerging green technologies become commercially viable in the 2030s.

SP2050 was shaped through an iterative process that involved multiple strategic internal and external stakeholder engagements with our leadership team and Board of Directors, employees and unions, investors, and government, amongst others. The stakeholder engagements discussed the many challenges we will undoubtedly face to decarbonise from our current coal-dependent business model and strategies that we will deploy to achieve our net zero aspiration.

ENVIRONMENTAL SUSTAINABILITY

TNB's Sustainability Pathway spans over 30 years to become net-zero emission by 2050

Our Target for 2025
Build scale in renewable generation and improve thermal plant efficiency

Our Commitment for 2035
Significant renewable generation growth and 50% reduction in coal generation capacity

Our Aspiration for 2050
Invest and grow our emerging green technologies including hydrogen and carbon capture & utilisation (CCU)

2016
Our energy transition journey started here

2025
TNB's renewable energy (RE) target of 8,300MW with an acceleration of RE investments towards 2050

2035
Emission intensity reduction of 35%
Reduction of coal capacity by 50%

2050
Aspire to achieve net zero emissions and be coal-free by 2050

- TNB targets not to take any new stakes in new coal plants and will honour the existing power purchase agreements
- In tandem, TNB intends to significantly ramp up its RE generation portfolio on the path to be coal-free by 2050
- To achieve net zero, TNB will accelerate investments in emerging green technologies (eg. green hydrogen, CCU) - as soon as it becomes economically viable

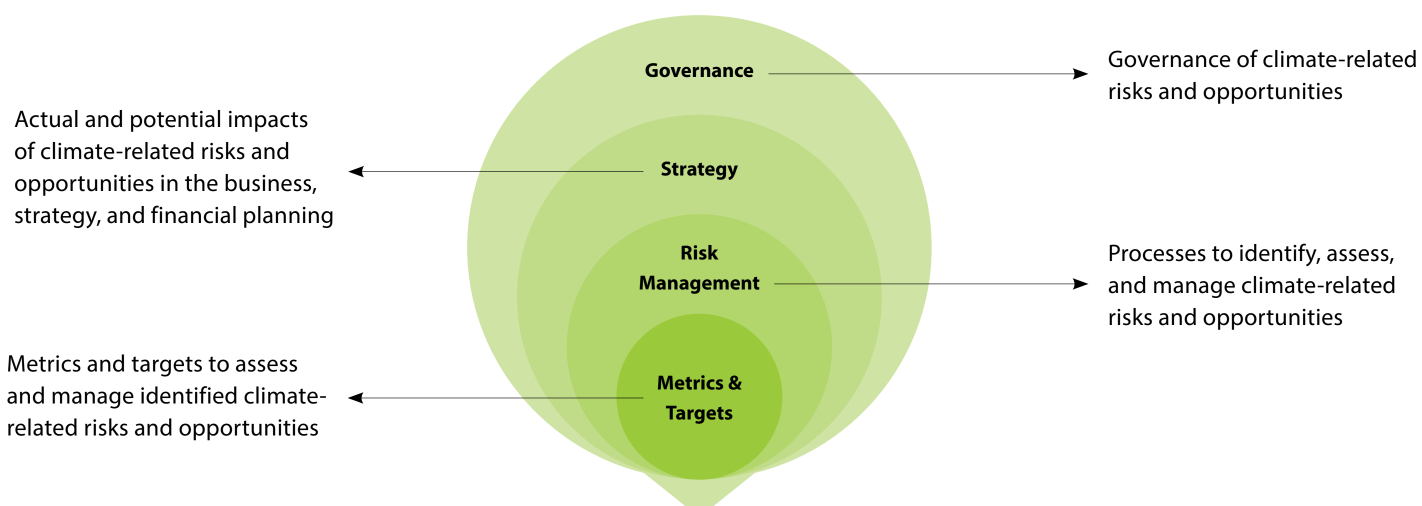
As a part of SP2050, we have identified three (3) strategic pillars to drive our efforts towards mitigating climate change and achieving our net zero aspiration.

For more information, please refer to Our Response to Climate Change - Strategy and Risk Management, pages 153 to 158.

Our Response to Climate Change

Task Force on Climate-related Financial Disclosures (TCFD)

Core Elements of Recommended Climate-Related Financial Disclosures



The imminent threats of climate change will impact not only our business sustainability but also the wider economy and well-being of the community. We believe that every one of us will need to play a role in transforming and decarbonising the energy industry.

Our Response to Climate Change

TNB has voluntarily adopted the TCFD framework since 2019 to address potential climate-related physical and transition risks and opportunities on our business strategy and resulting financial impact. Aligned with the recommendations of TCFD, TNB completed our first climate change scenario planning in 2021 to identify the risks, opportunities and strategies associated with 4°C and 2°C warmer scenarios. Correspondingly, our disclosure narrate our undertaking across the four (4) core elements recommended by TCFD.

Governance

The Board is committed to strategically integrate sustainability across TNB's business and advancing our sustainability efforts, including climate change. TNB's Board will deliberate and approve the sustainability strategy and pathway while overseeing TNB's implementation and performance on sustainability - these include the materiality assessment, the scenario analysis study and SP2050. The SDC and respective Management Committees are responsible for managing sustainability and climate risks and opportunities as well as monitoring performance of related initiatives rolled out by TNB, with oversight by the Board. TNB's Sustainability Governance outlines clear roles and responsibilities in relation to sustainability and climate change for each level of leadership.

The Board Risk Committee (BRC) oversees the establishment and implementation of the risk management framework that is embedded into the culture, processes and structures of the Group and is responsive to changes in the business environment. Sustainability and climate risks are included as part of the enterprise risk management process.

Moving forward, the Corporate Strategy and Sustainability function will monitor and report performance against the SP2050 targets and aspiration alongside business performance.

Principles to guide climate action, particularly on GHG emissions, are covered under our Environmental Policy, Environmental Management System, Sustainability Energy Management (SEM) Framework based on the ISO 50001:2011 Energy Management System, ASEAN Energy Management System (AEMAS) and Grid Green Code of Conduct.

For more information on sustainability governance, please refer to Strong Leadership and Governing Responsibly - Governance Structure, pages 131.

Strategy and Risk Management

TNB leverages its Risk Management Framework to identify, assess and manage enterprise risks. Climate-related risk has been identified as a strategic risk to TNB and is being addressed within our ERM Framework. On top of the ERM Framework, climate-related risks and opportunities are managed by ISO 14001:2018 Environmental Management System.

We recognise that both climate-related risks and opportunities have the potential to impact our business. The task force has divided climate-related risks into two (2) major categories: (1) risks related to the transition to a lower-carbon economy; and (2) risks related to the physical impact of climate change.

TNB conducted our inaugural climate change scenario analysis based upon 2° and 4° warmer external scenarios with two (2) pathways modelled:
- A net zero pathway adopting hydrogen technology; and
- A Nationally Determined Contribution (NDC) pathway focusing on low-carbon gas as a bridge fuel.

Through our Seeding Fund research project titled Climate Change Action towards TNB's Business Resiliency, we have identified nine (9) transition risks and five (5) transition opportunities together with the expected exposure over the short-term (2030) to long-term (2050) horizon. Overall, TNB will have high exposure to most transition risks identified by 2050 and this will need to be addressed via TNB's Strategic Pillars to ensure TNB maintains it competitive edge and remains resilient.

For more information on risk management, please refer to our Statement on Risk Management and Internal Control, pages 118 to 122 and What Matters Most section, pages 34 to 137.

	NET ZERO[1]			NDC[2]		
Transition Risks	**2030**	**Shift**	**2050**	**2030**	**Shift**	**2050**
Carbon price Introduction of carbon pricing mechanisms.	🔴	→	🔴	🔴	→	🔴
Stranded assets Assets that have suffered from unanticipated or premature write-downs or devaluation.	🔴	→	🟡	🟡	→	🟠
Divestment Investment sell-off.	🟠	→	🔴	🟡	→	🟠
Talent Requirement to upskill and reskill talent to navigate new technologies.	🟠	→	🔴	🟡	→	🔴
Reduction in market share Changes in market demand or consumer sentiment.	🟡	→	🔴	🟢	→	🟠
Shift in customer behavior Changing of customer behavior or preferences.	🟡	→	🔴	🟢	→	🟠

ENVIRONMENTAL SUSTAINABILITY

Our Response to Climate Change

Transition Risks	NET ZERO[1]			NDC[2]		
	2030	Shift	2050	2030	Shift	2050
Low carbon technology Deployment of low emissions technology.	High	→	High	High	→	High
Emissions reporting obligations Emissions data monitoring, tracking and reporting.	Significant	→	High	Low	→	Significant
Exposure to litigation Fines and judgements driven by environmental and climate activism.	Significant	→	Low	Significant	→	Low

Legend: ● Risk exposure is low ● Risk exposure is moderate ● Risk exposure is significant ● Risk exposure is high

Transition Opportunities	NET ZERO[1]			NDC[2]		
	2030	Shift	2050	2030	Shift	2050
Electrification Introduction of EV policy aimed at increasing EV uptake.	Moderate	→	High	Moderate	→	High
Renewable energy growth Acceleration of renewables expansion.	High	→	High	High	→	High
Low carbon options Opportunities for beyond kWh solutions.	Moderate	→	High	Low	→	High
Shift towards decentralisation Increasing of system efficiencies.	High	→	High	Low	→	High
Diversification of business activities Diversifying business activities through new technologies and innovation.	Low	→	High	Low	→	Moderate

Legend: ● Opportunities exposure is low ● Opportunities exposure is moderate ● Opportunities exposure is high

Note:
1. *Net Zero Scenario is aligned to commitments countries are making, going beyond NDCs to achieve Net Zero Emissions by 2050 and restrict warming to well below 2°C (i.e. Paris Accord).*
2. *Nationally Determined Contributions (NDCs) is based on the trajectory associated with global commitments that are aligned to current Nationally Determined Contributions (NDCs) to limit the impact of climate.*

Physical climate scenario modelling was carried out for three (3) power plants (Janamanjung - Stesen Janakuasa Sultan Azlan Shah Southern Power Generation - Sultan Ibrahim Power Plant) and a selection of 100 substations as a start. The scenario modelling analysed climate-related failure and damage risks at each grid point of the asset sites selected to identify the spatial distribution of the eight (8) climate risks across each site.

The summary of the outcome of the scenario modelling for TNB's assets are as follows:
- 100 substations: Riverine flooding is the dominant hazard
- TNBJ: Coastal inundation is the clear dominant hazard
- SPG: Coastal inundation is the dominant hazard. Surface water flooding is the next most significant hazard
- SJ Sultan Mahmud: Riverine flooding is the dominant hazard

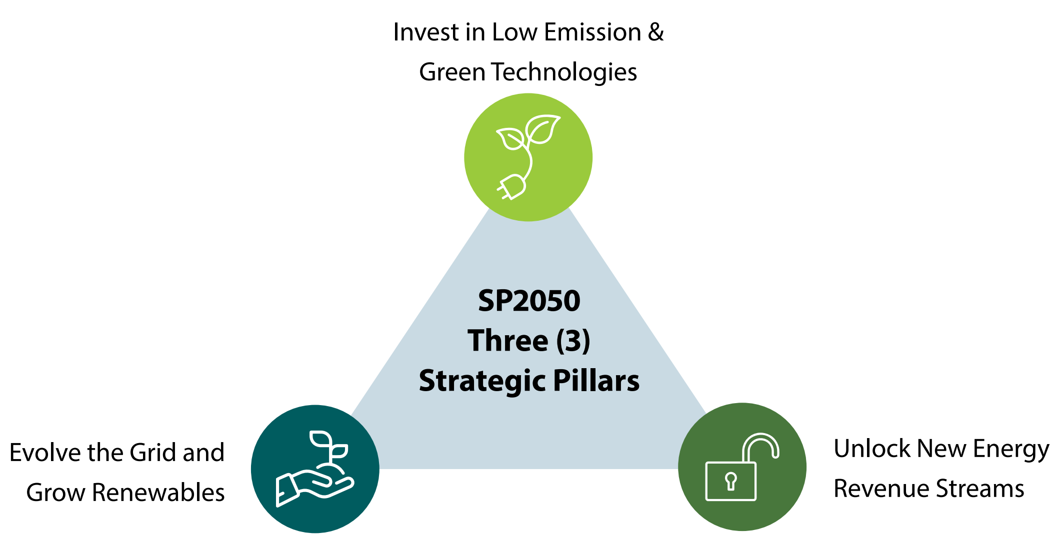
The physical risks impact of these assets range from low to high in the long-term horizon, i.e. 2050 as shown below:

Physical Risks	IPCC RCP 8.5/4°C[3]			
	100 substations	TNBJ	SPG	SJ SULTAN MAHMUD
Coastal Inundation Rising sea levels and higher incidence of extreme sea events.	🟢	🔴	🔴	🟢
Extreme Wind Changes in wind regimes, sea surface temperature and wind speeds.	🟢	🟢	🟢	🟢
Forest Fire Increased incidence of fire weather due to confluence of days with higher temperatures, high wind speeds and drier conditions.	🟢	🟢	🟢	🟢
Riverine Flood Increased frequency and intensity of rainfall changing the frequency and intensity of river flooding.	🟠	🟢	🟢	🔴
Soil Movement Changes in rainfall patterns and drought.	🟢	🟢	🟢	🟢
Surface Water Flooding Increased frequency of extreme rainfall leading to floods.	🟢	🟢	🔴	🟠
Freeze Thaw Changes in the annual freeze and thaw cycles resulting from winter periods that trend close to freezing point.	🟢	🟢	🟢	🟢
Heat New extremes of high temperatures, more frequent hot days and longer-lasting heatwaves.	🔴	🟢	🔴	🔴

Legend: 🟢 Risk exposure is low 🟠 Risk exposure is moderate 🔴 Risk exposure is high

Note:
3. A high emission scenario (or 'business as usual') as defined by the Intergovernmental Panel on Climate Change (IPCC).

In response to the climate risks and capitalising on future opportunities in the energy sector, TNB's carbon mitigation strategy is largely focused upon three (3) strategic pillars of the SP2050 to ensure its resilience against the modelled pathways.



ENVIRONMENTAL SUSTAINABILITY

Our Response to Climate Change

Strategic Pillar 1: Invest in Low Emission & Green Technologies

Our Approach	Key Highlights and Performance for FY2021
a) Reduce or eliminate emissions from current generation fleet	• TNB has committed to no longer investing in greenfield coal plants with Jimah East Power Plant, which was commissioned in 2019 being the last coal plant in TNB's generation portfolio. Existing plants will be phased out upon expiry of their Power Purchase Agreements (PPA). • We also invest in asset optimisation programmes to further reduce emissions from our current generation plants and adopting the latest advancement in technologies for our newest plants. *For more information on optimised assets, please refer to Ensuring Reliable Electricity Supply, pages 144 to 145.*
b) Invest in Research and Development (R&D) and alternative green energy sources	• In anticipation of this growing need, we are allocating 3.5% of our forecasted PAT for our R&D activities from FY2022 onwards. This R&D funding will be strictly managed and monitored by the newly established Technology Council, which is chaired by CEO. **TNB's future emerging technology focus areas:** Wind Turbine; Solar Panel; Green Hydrogen; Energy Storage; Electric Mobility; Smart City *For more information on R&D, please refer to Intellectual Capital section, pages 50 to 51 and Innovation & Research and Development, page 160.*
c) Leveraging on partnerships and collaboration	• TNB's collaboration with EDF Renewable enables us to benefit from their extensive experience in offshore wind sector across our focus markets - UK, Europe and Southeast Asia regions. • TNB participated in a joint study into co-firing ammonia at coal power stations to reduce carbon emissions with IHI Corporation (Japan) and PETRONAS. *For more information on partnerships, please refer to Sustainable Business Expansion – Green Energy Growth, pages 144 to 145.*

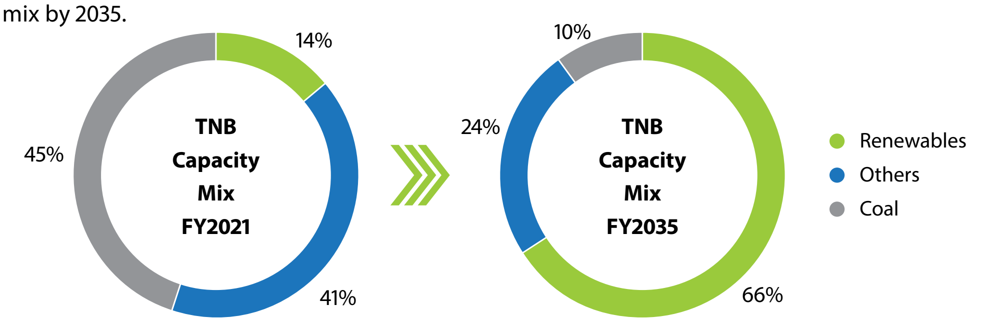
Strategic Pillar 2: Evolve the Grid and Grow Renewables

Our Approach

a) Expand renewable assets within Malaysia, ASEAN, and Europe

Key Highlights and Performance for FY2021

- The progressive transition of our generation portfolio towards low-carbon and renewable energy sources is a fair reflection of our commitment to achieve RE capacity of 8,300MW by 2025. International RE expansion is a top priority for TNB to thrive in the long-term to significantly ramp up our RE capacity to achieve 66% capacity mix by 2035.



- Our RE growth strategies encompass three (3) dimension which are detailed below:
  - Repowering Roadmap
    - o We expect the renewables to be built under RT to deliver a 5% reduction in our emission intensity by 2026.
    - o By early 2030s, we expect our repowering efforts to cleaner sources would enable a further 18% reduction in our emission intensity.
    - o The remaining 12% is to be achieved by the end of 2035 through the expiry of 2GW of coal capacity PPAs.
  - New Energy Division (NED)
    - o NED was recently formed to expand the company's RE portfolio in targeted markets and set up strategic partnerships with leading RE players to leverage on their technical expertise.
    - o The NED streamlines our RE expansion arms and oversees two (2) key entities: Vantage RE operating out of the UK to focus on UK and Europe markets, and TNB Renewables based in Malaysia to focus on the domestic and Southeast Asia market.

Strategic Pillar 2: Evolve the Grid and Grow Renewables

Our Approach	Key Highlights and Performance for FY2021
a) Expand renewable assets within Malaysia, ASEAN, and Europe	• Renewable Growth o Growing our renewables capacity would be necessary to achieve our aspiration of 35% emission intensity reduction by 2035. o We expect to grow an average of 1GW of renewables capacity per year to ensure that 66% of our capacity is made up of renewable energy sources by 2035. *For more information on RE programmes, please refer to Customer Centricity – Empowering Customer Towards Energy Transition, pages 148 to 149.*
b) Expand grid and distribution enable increased demand and lower energy losses	• TNB will continue to prioritise investments in modernising the national grid into the GOTF to enable a smart grid that remains reliable, resilient, smart with digital technology and flexible in meeting the country's needs for energy transition. • Conservation Voltage Reduction (CVR) maintains feeder voltage at the lower end of the acceptable range to achieve energy and demand savings. This is a collaboration effort between Grid System Operator (GSO), Grid and Distribution Network (DN) division on piloting the CVR project. *For more information on grid and distribution network initiatives, please refer to Ensuring Reliable Electricity Supply, pages 145 to 146.*

Feature Story | **Nenggiri Hydroelectric Project**

Nenggiri Hydroelectric Project (Nenggiri HEP) is a proposed development for 300MW hydroelectric power plant in Kelantan which is expected to commence development in 2022 and will be completed in 2027. The project is a strategic initiative to expand TNB's renewable assets while reducing our GHG emissions. It will play a multi-fold role of climate risk adaptation through flood mitigation and provision of clean water supply to the surrounding community.

Nenggiri HEP is expected to generate over 351.5GWh of electricity annually. It will also avoid 244,000tCO_2 emission from power generation activities. All buildings built under this project will incorporate some aspects of energy-efficient design features in order to reduce energy consumption.

In addition to minimising environmental impacts, Nenggiri HEP is expected to create positive socioeconomic benefits such as providing electricity to rural areas, social infrastructure, and local job opportunities. Given TNB's experience in developing three (3) other hydro schemes, extreme care has been given in ensuring the interests of the *Orang Asli* community and the wildlife that will be directly affected by the project are protected.

After completion expected in 2027, Nenggiri Hydroelectric Project shall become an important contributor to the nation's aim of increasing the RE capacity.

For more information on social impacts of the Nenggiri Hydroelectric Project, please refer to Brighter Community – Engaging Indigenous People.

ENVIRONMENTAL SUSTAINABILITY

Our Response to Climate Change

Strategic Pillar 3: Unlock New Energy Revenue Streams

Our Approach	Key Highlights and Performance for FY2021

a) Grow unregulated business to meet evolving customer energy demands – including Electric Mobility	• TNB is ready to lead Malaysia's transition into low-carbon mobility, especially in Battery Electric Vehicles (BEV), through collaborative efforts with various stakeholders.
	• Between 2019 to 2020, TNB partnered with Malaysian Green Technology and Climate Change Centre (MGTC) to install 73 EV charging stations nationwide.
	• This year, we have signed three (3) Memorandum of Understanding (MOUs) on low carbon mobility ventures managed by TNB's Retail team with:
	  • Sime Darby Motors Malaysia
	    o To collaborate on exploring various initiatives to accelerate the adoption of EV.
	  • DHL
	    o TNB will install EV charging stations along DHL's key service routes, which will advance the electrification of DHL's fleet.
	  • SOCAR Mobility Malaysia (SOCAR)
	    o To leverage on shared demand data on EV usage in Malaysia, as a joint effort to speed up the adoption of EV, in support of Malaysia's low carbon mobility ambitions. TNB will leverage on SOCAR's data on vehicle usage and travel behaviour, which shall be used to identify key strategic locations along travel routes for the installation of charging infrastructure.
	• EV transportation for TNB staffs and visitors. TNB's Fleet Management Department (FMD) has procured two (2) units of electric cars, one (1) unit of electric van and one (1) unit of electric coaster, including fourteen (14) units of EV chargers comprising ten (10) units of Direct Current (DC) and four (4) units of Alternating Current (AC) charger types.

b) Grow the kWh and beyond kWh business	• As customer demand and expectation shifts, we will broaden our product and services offering to grow beyond the kWh business by leveraging digitalisation and new technologies. • TNB Engineering Corporation Sdn. Bhd. (TNEC) has expanded District Cooling System service establishing 24% market share in domestic DCS supply. • Distribution Network is continuing their efforts to enhance the intelligence, flexibility and reliability of its network via several SMART projects, which include Advanced Metering Infrastructure (AMI), Distribution Automation (DA) and Geographic Information System (GIS). • Conducting a demonstration project on Virtual Power Plant (VPP) technology that utilises energy storage and digital technologies for energy efficiency and grid services. • *Dewan Bandaraya Kuala Lumpur* (DBKL) would be collaborating with TNB, Sustainable Energy Development Authority (SEDA) and others to construct solar farm and install rooftop solar panels on identified buildings.

Metrics and Targets

The SP2050 enabled us to establish clear climate related targets:

1. **Increase RE Capacity to 8,300MW by 2025**
2. **Reduction of emission intensity of 35% by 2035 and net zero emission by 2050**
3. **Reduction of coal capacity of 50% by 2035 and 100% by 2050**

Steps have been taken to monitor and report progress of our performance against targets beginning FY2022, including enhancing the sustainability governance roles and cadence.

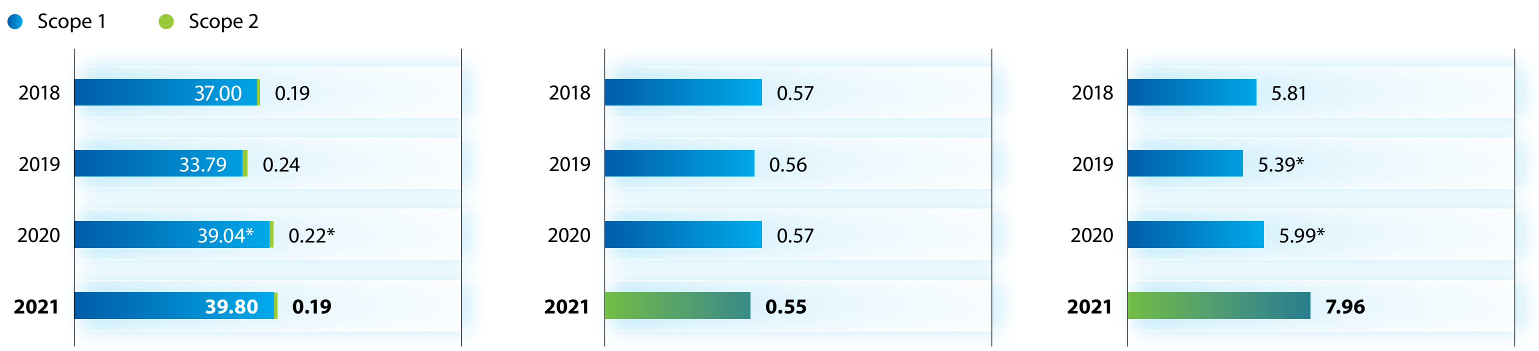
The key environmental metrics monitored by TNB include carbon emissions, energy and water consumption and waste generation and management. We utilise our GHG Emissions Management System (GEMS), a web-based data input and processing software for regular monitoring of Scope 1 and 2 GHG emissions data. We intend to expand the monitoring of our other environmental data via GEMS progressively.

An internal carbon pricing (ICP) study was recently commissioned to establish the purpose of setting an ICP and pricing mechanism for TNB. TNB's research arm, TNBR is also assessing Scope 3 value chain emissions in preparation for embarking on a Science Based Targets (SBTi) accreditation.

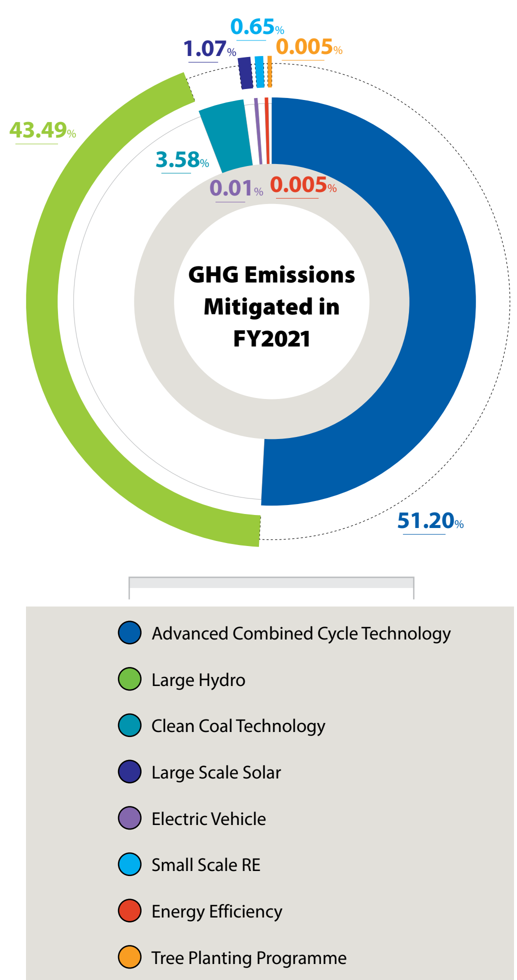
SCOPE 1 AND 2 GHG EMISSIONS *(million tCO_2e)*

GHG EMISSIONS INTENSITY *(tCO_2e/MWh)*

GHG EMISSIONS MITIGATED *(million tCO_2e)*



* *Data updated after third party verification*
Note: For TNB operations in Peninsular Malaysia



Note: For TNB operations in Peninsular Malaysia

Our GHG emissions mitigation programme via EE initiatives include:

Initiatives	Descriptions
Green building	*Balai Islam* TNB and *Residensi Kelana Jaya* are Green Building Index (GBI) Certified while the upcoming Jalan Pantai commercial-office development has been awarded with GBI GOLD Design certification. All the certified buildings are designed with energy efficient features. • *Balai Islam* TNB is designed to be energy efficient by utilising daylighting and energy efficient features. Double volume with full-height glazing, roof skylight and dome clerestory windows provide excellent daylighting, meanwhile the complex is installed with high efficiency LED lights and motion sensors to reduce building lighting energy usage. The building is expected to achieve 50% reduction in energy consumption compared to a conventional building. • *Residensi Kelana Jaya*, TNB quarters with GBI certification for TNB employees. • A new commercial-office development at Jalan Pantai was awarded with GBI Gold Design certification and is currently under construction.
LED lighting	• Light bulbs in all TNB buildings are replaced with LED lightings to provide better energy efficiency and considerably longer lifespan.

ENVIRONMENTAL SUSTAINABILITY

Our Response to Climate Change

Innovation & Research and Development

TNB has been actively investing into R&D of new technologies which can assist in climate change mitigation.

Initiatives	Descriptions
Renewable Energy	**Solar PV Cooling Technology** TNBR has successfully developed two (2) types of retrofit PV cooling systems (active and passive cooling systems), which improve the energy yield of the PV system. **Biogas source from non-POME (Palm Oil Mill Effluent) organics** TNBR is collaborating with other divisions, subsidiaries, and external parties to carry out feasibility study of biogas plants from non-POME organics, such as food and animal waste. **Exploring suitable crop alternatives for biomass energy generation.** TNBR has developed a technology that improves the fuel properties of empty fruit bunches (EFB). **Pyrolysis of Organic and Plastic waste to Bio-oil (Waste-to-Energy)** TNB is exploring a waste-to-energy system which aims to divert the organic and plastic waste from landfills. As of FY2021, a trial of the systems is currently in progress. **Green Hydrogen** The research is in its initial stages whereby we are studying the potential use of Two Stage Anaerobic Digestion Technology (TSAD) on organic waste.
Co-firing	**Empty Fruit Branch (EFB) Co-firing Feasibility Study** TNBR has embarked on a collaborative effort with TNB Power Generation Sdn. Bhd. (GenCo) in carrying out a feasibility study for co-firing high quality empty fruit bunch (EFB) pellets in a power plant. **Ammonia-Biomass Coal Firing (ABC) Feasibility Study** GenCo, Jimah East Power plant (JEP), Mitsui & Co and Chugoku collaboratively agreed to conduct a feasibility study on Co-firing of Biomass and Ammonia in JEP to reduce our coal usage.
Building Resilience Towards Natural Disasters	**Business Continuity Measures** Flood management practices such as Flood Analysis and Risk Assessment (FARA), flood drills, community-based early warning system and flood mitigation upgrade works are carried out to minimise service disruption during storms and flooding.

ENVIRONMENTAL SUSTAINABILITY

Minimising our Environmental Impact

TNB strives to minimise the environment impact caused by our business operations and value chains, in line with our commitment to progressively improve our environmental performance.

Governing Environmental Matters

The generation of electricity from our thermal plants inevitably leaves a large environmental footprint, in the form of carbon release, water consumption for power plants and fuel consumption. Our environmental management is principally guided by TNB Environmental Policy which was reviewed in FY2021 to reflect the latest changes in environmental requirement and emerging issues.

In FY2021, Eleven (11) compounds were received from Department of Environment (DOE) with a total of RM19,000 in monetary value, due to the non-compliance with Environmental Quality Act 1974 (Scheduled Waste Regulation 2015 & Industrial Effluent Regulation 2009). Our efforts to mitigate this issue include establishing end to end consequences management process for compound and lawsuit, devising Strategic Engagement Plan (SEP) 2022 – 2025 together with DOE, and conducting regular audits, inspections, and awareness sessions, among others.

Our approach and key FY2021 highlights:

- Our environmental performance across the Group is under the purview of the Health, Safety, & Environmental (HSE) Council, which comprises of the Environmental Performance Monitoring Committee and Environmental Regulatory Compliance Monitoring Committee. This organisational framework monitors the environmental performance and compliancy with the various environmental requirements applied within the Group.
- Several divisions in TNB have been certified ISO14001:2015 compliant in Environmental Management System (EMS). We are also guided by TNB's Health Safety and Environmental Management System (HSEMS) which outlines environmental risk identification and control requirements across all divisions, departments, and business units in TNB. HSEMS was introduced on the 1st of July 2019, and has strengthened the governance of environmental requirement across the Group.
- Guided Self-Regulation (GSR), the self-monitoring environmental management tool, has been implemented across all the divisions and subsidiaries in TNB. In 2021, a GSR score sheet was developed and implemented for the purpose of analysing and identifying gaps for continuous improvement.
- An environmental awareness training module was developed and rolled out through ILSAS to improve environmental awareness amongst employees.
- Our overall commitment towards reducing our environmental impact is encapsulated in our comprehensive environmental management policies and guidelines:
  - Environmental Policy
  - Scheduled Waste Management Guideline
  - Polychlorinated Biphenyls (PCB) Management Guidelines
  - Grid Division Green Code Conduct

In supporting TNB net zero 2050 aspiration, Grid Division has introduced its Grid Green Code Conduct. The Green Code Conduct shows our commitment towards ESG that mirrors effort to creating a greener future. We aim to lead as a green responsible grid owner by reducing climate footprint and promoting sustainability throughout the supply chain, details of which are as follows:

Target

Grid Division targets to:
- Align with TNB's net zero carbon emissions aspiration
- Achieve zero pollution impact on nature
- Achieve 30% reduction in deforestation within forest reserves by 2050

Strategies

- **GHG reduction initiatives:** To focus on reduction of Sulphur hexafluoride (SF_6) emissions through various initiatives including recycling of SF_6 and exploring the alternative SF_6 gas in assets
- **Deforestation control initiatives:** To minimise the impact of deforestation in accordance with the environmental standards and promoting biodiversity
- **Pollutant management initiatives:** Use environmentally friendly equipment and products

ENVIRONMENTAL SUSTAINABILITY

Minimising our Environmental Impact

Focus | **Our approach and key highlights in FY2021** | **Performance in FY2021**

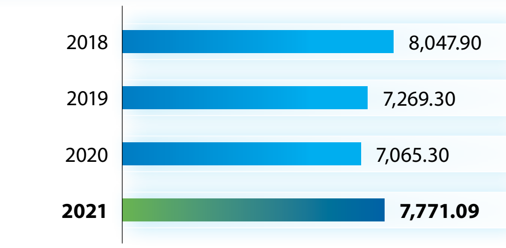
Natural Resource Management

Water Management

- Closely monitor our water usage at operation sites to ensure minimal risk of water overuse or pollution.
- Perform monthly tracking of water consumption at all TNB assets.
- Investigate any deviation of water consumption higher from the norm at all power plants and perform any required follow-up mitigation action and implementation plans.
- GenCo was recertified with ISO 14001: 2015 in April 2021.

There is a slight increase in total water consumption for FY2021 compared to FY2020, due to new asset expansion.

TOTAL WATER CONSUMPTION ACROSS ALL TNB'S OPERATION IN PENINSULAR MALAYSIA
(Megalitres)

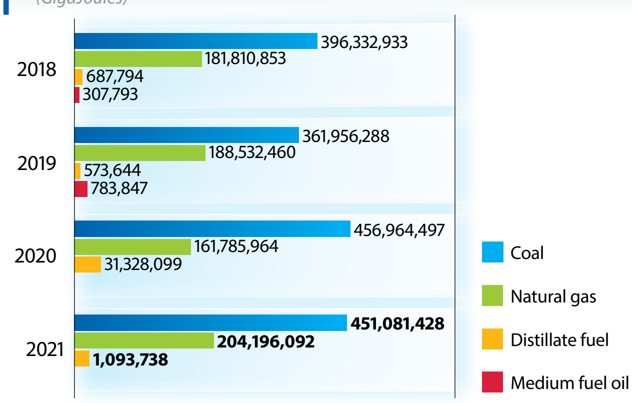


Fuel management

- Strive to do our best in managing and reducing any resulting environmental impact.
- Conducted Business Turnaround programme to improve plant energy efficiency. The programme at JEP has been completed in September 2021.

Fuel consumption from non-renewable sources to power the generation plants, are shown below, with a notable increase in natural gas consumption in FY2021, reflective of the newly commissioned SPG.

TOTAL FUEL CONSUMPTION ACROSS ALL TNB'S OPERATION IN PENINSULAR MALAYSIA
(GigaJoules)

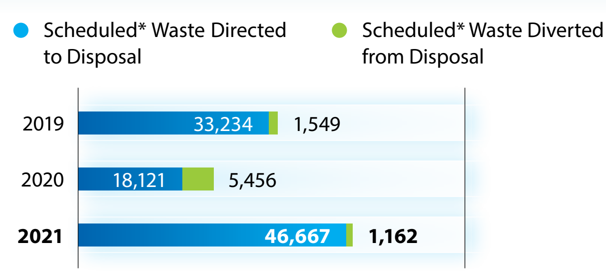


Waste Management

- All hazardous waste are centrally managed and disposed according to our Health, Safety and Environment (HSE) guidelines on Scheduled Waste Management, which is in compliance with regulatory requirements set by the Department of Environment (DOE).
- Continuous improvement and enforcement of waste management practices are conducted through site inspection and internal audits.
- Issuance of the 2nd Edition of Scheduled Waste Management Guideline to enhance waste management in TNB.
- Issuance of Polychlorinated Biphenyls (PCB) Management Guidelines to phase out PCB usage in TNB by 2025.
- New environmental KPI was introduced in FY2021 that focuses on the Non-Conformity Report (NCR) closure rate for any environmental audit conducted.

TNB monitors its scheduled waste generation directed to disposal and diverted from disposal regularly.

SCHEDULED* WASTE GENERATED AND DIVERTED FROM DISPOSAL
(Metric Tonnes)



* *We refer to DOE's terminology of scheduled waste which means waste that has hazardous characteristics, and thus has the potential to negatively affect the environment and public health*

ENVIRONMENTAL SUSTAINABILITY

Focus	Our approach and key highlights in FY2021	Performance in FY2021

Biodiversity Management

In FY2021, we ramped up our initiatives to conserve biodiversity surrounding our operation sites:

Sungai Perak Hydroelectric Station - Temenggor Dam

- TNB conducted a study on threatened fish species (based on the International Union for Conservation of Nature (IUCN)'s Red List of Threatened Species) found at the Temenggor Dam.

Cameron Highlands – Jor and Ringlet Lakes

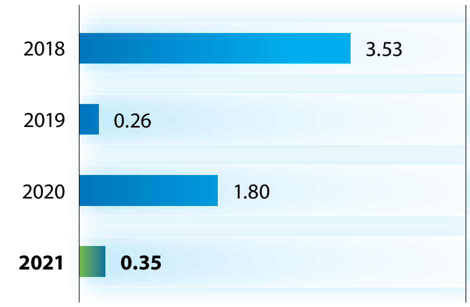
- TNB is running a Pilot Development of Habitat Rehabilitation and Restoration for Sediment Deposit Area in Cameron Highlands. This project is in collaboration with the Pahang State Forestry Department to rehabilitate and restore dredging disposal sites at Jor and Ringlet Lakes.
- The rehabilitation works include soil treatment, tree planting, nursery maintenance, and tree growth monitoring.

Bukit Selambau Large-Scale Solar (LSS) Plant

- TNB is conducting a study to manage human-macaque conflict through Behavioral Ecology and DNA Metabarcoding.
- The results of the study will allow TNB to understand the daily activity, behaviour and dietary requirements of the macaques which will be utilised to reduce the chances of human-macaque conflicts.

In FY2021, RM0.35 million was spent to monitor fish species at the Sungai Perak Hydroelectric Station (Temenggor Dam).

TOTAL SPEND (RM MILLION) ON IUCN STUDIES AT SUNGAI PERAK HYDROELECTRIC STATION (TEMENGGOR DAM)



Note:
The study on terrestrial species for the Sungai Perak Hydroelectric Station (Temenggor Dam) was concluded in FY2018. The study on fish species at Hulu Terengganu Hydroelectric Station and Pergau Dam, Sungai Perak Hydroelectric Station was concluded in FY2020.

Key Findings of TNB's IUCN Red List Studies as of FY2021

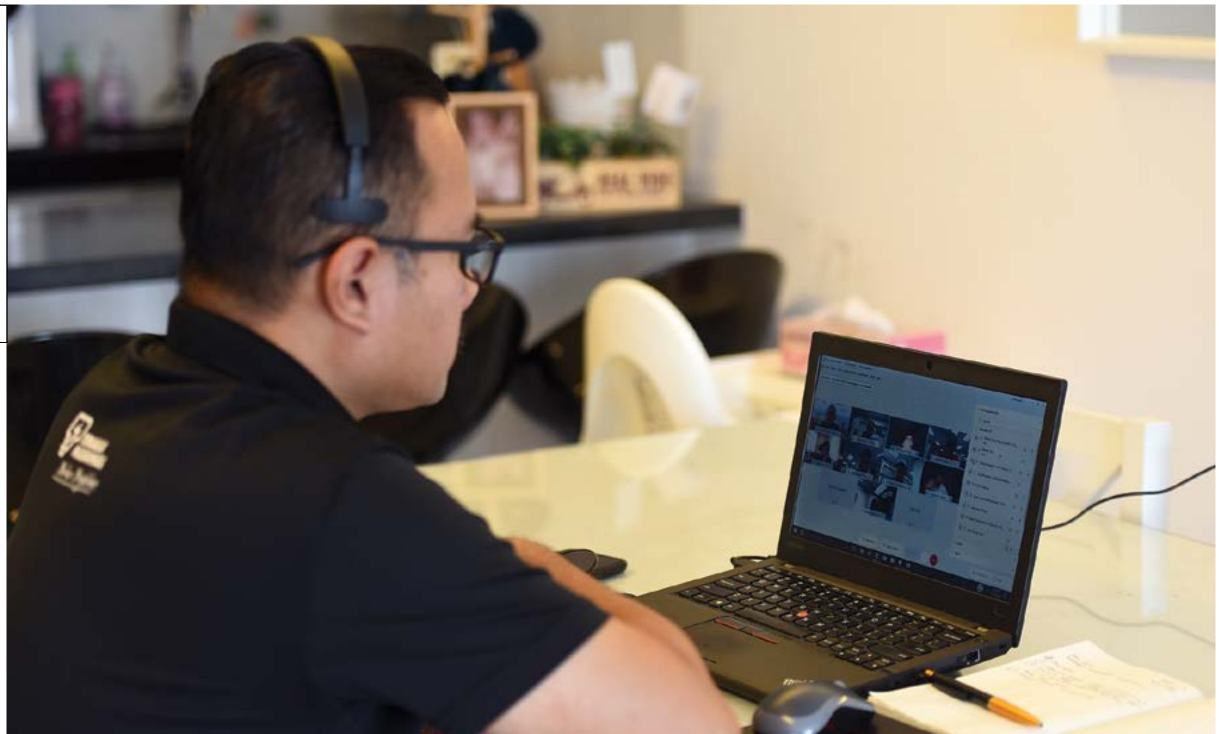
Site	Species Group	Number of Species							Total Spend (RM)
Sungai Perak Hydroelectric Station (Temenggor Dam)	Fish	1	0	0	1	57	2	2	0.35 million
	Terrestrial	20	32	46	0	0	0	0	

- Critically Endangered (CR)
- Endangered (EN)
- Vulnerable (VU)
- Near Threatened (NT)
- Least Concern (LC)
- Data Deficient
- Not Evaluated

EMPOWERING OUR PEOPLE AND NURTURING TALENT

Related Material Matters

- Safety, Health and Wellbeing
- Employment Culture
- Capability Development
- Community Development and Education
- Sustainable Supply Chain
- Rights of Indigenous People



The TNB Way of Working (WoWL) framework provides a suitable hybrid work arrangement and the flexibility to our employees which depends upon the nature of the job.

Feature Story | **Transforming our Ways of Working**

A major component that is currently under development as part of SP2050 is TNB Ways of Working Sustainably (WoWS) which emphasises the shift towards a more sustainable work culture. Our WoWS comprises five (5) main categories; Green Office Practices, Culture and Values, Improving Operations and Fleet Management, Energy Efficiency, and Natural Resource Consumption.

Green Office Practices

During the COVID-19 pandemic in March 2020, we adopted flexible working arrangements with options to Work in Office (WIO), Work from Home (WFH), or Work Home Based (WHB). These flexible working arrangements were primarily driven by compliance to guidelines issued by the Government of Malaysia and implemented as a crisis response with the aim to stop the spread of the virus amongst employees.

After nearly two (2) years, we decided to reevaluate the impact of our current flexible work arrangements on the motivation of our organisation and employees. Following analyses and engagements with our key stakeholders, we embarked on a new TNB Way of Working (WoWL) framework supported by three (3) key drivers – people, process, and technology. Depending on the nature of the job (i.e. Field Force, Office Based, Shift Based, and Customer Facing), a suitable hybrid work arrangement encompassing options to WIO, WFH, WHB, Work from nearby TNB premises (WFN), and Work from Anywhere (WFA) was introduced. The WoWL is a subset of the green office practices category under WoWS.

As accelerated by the pandemic and our SP2050 commitments, we are also shifting towards a paperless office through rapid digitalisation of our operations, including but not limited to:

- Training and capability development via e-learning modules;
- Adoption of digital platforms such as cloud storage and Enterprise Content Management (ECM) to scan and share documents digitally; and
- Digitalisation of internal processes including the health and safety potential incident reporting via the HSE e-wallet.

EMPOWERING OUR PEOPLE AND NURTURING TALENT

Employment Management and Growth

Our employees are our greatest asset. Throughout the COVID-19 pandemic, our people demonstrated a deep sense of responsibility in guaranteeing TNB's continued success. Therefore, we strive to nurture an inclusive working environment that grooms strong leaders, promotes high performance, and develops skilled and agile talent.

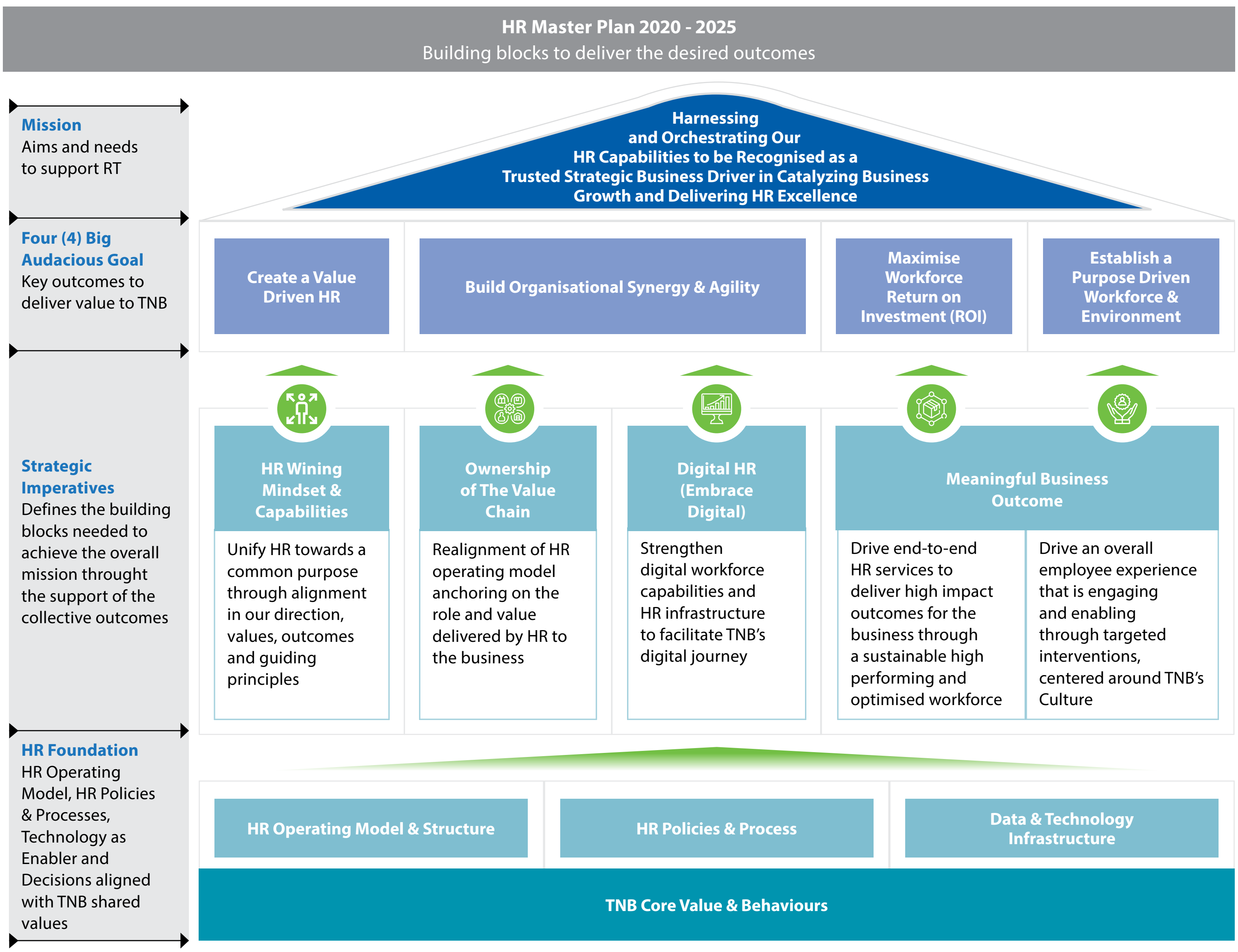
Creating a Conducive Workplace

TNB aspires to provide a conducive working environment that is flexible, supportive, and inclusive which encourages employees to live a balanced lifestyle anchoring three principles – Trust, Empowerment, and Mindfulness.

We comply with all relevant labour laws in the countries we are operating in, including supporting the rights to freedom of association and collective bargaining. The rights of our non-executive employees are also are well-protected through our unions. In addition to legal compliance, we respect the inherent human rights for fair and humane treatment of all employees; treating everyone with respect, and having zero tolerance for discrimination, harassment or bigotry.

HR Guiding Principle and Strategy

We support and align to our Transformation Journey – RT through our Human Resources (HR) strategy which comprises the HR Leap 6, HR Guiding Principles, and the HR Master Plan 2020 – 2025. We have set four (4) Big Audacious Goals to guide our journey towards delivering the desired outcomes by 2025.



EMPOWERING OUR PEOPLE AND NURTURING TALENT

Employment Management and Growth

In our effort to disseminate and embed these culture and values within our people, we have conducted several engagement and promotional programmes:

1. **Conducted 17 Divisional Leadership Activation Sessions that involved the top management and their respective direct reports. These sessions were aimed at strengthening the bond in every divisional top team and to equip them with the motivation and knowledge in driving the TNB strategy and identity as high performing teams**

2. **On-going communication efforts on the TNB Identity at Corporate and Divisional levels via Internal Bulletins, Facebook, and other platforms. We also embedded elements of TNB Identity in the TNB Appointment and Offer letters as well as People Development courses and trainings**

3. **Organised three (3) *Wira Budaya* Awards to recognise employees who demonstrate exemplary behaviour of our TNB Core Values**

4. **Conducted Change Engagement Circle (CEC) monthly engagement sessions with representatives from all divisions and subsidiaries, to update and share on TNB's Reimagining Culture (RC) initiatives**

As of 2021, TNB Identity reached an impressive 84% roll-down to 22,857 out of 27,050 employees. Moving forward, we established our Value Driven Initiatives (and Quick Wins 2021) and TNB RC Journey 2022 to 2025, to set the direction for RC initiatives in the years to come.

Our approach in managing and nurturing our human resource:

Approach	Key highlights for FY2021
Talent attraction, recruitment, and retention is vital to build a strong workforce pipeline	We searched for fresh talent via various platforms: **Talent Engagement:** 1. International Islamic University Malaysia (IIUM) Fly High Career Forum 2. UNITEN Forum Sharing Session 3. Virtual Career Pumped-Up Session **Talent Branding Outreach** 1. Four (4) talent stories published in electrifying careers social media platforms
We offer competitive employee benefits packages to maintain employee morale, and attract and retain talent	Our competitive remuneration and benefit packages that support work-life balance as well as the mental and physical health of our employees include: • Competitive benefits packages • Childcare facilities and nurseries • Housing accommodation and quarters for employees • Counselling services • Sports and recreational facilities • Career and development opportunities
Employee engagement for open communication and sharing of different perspectives	• We encourage two-way communication with our employees through various engagement channels. • Change Engagement Circle (CEC) been mobilised to monitor our employee engagement and culture driven initiatives throughout the company. The CEC consist of around 50 representatives from various divisions, departments and subsidiaries. • Grievance mechanisms are outlined in our Grievance policy which is supported by our Whistleblowing policy and channels such as the Whistle Blowing Information System (WBIS). This serves as a safe platform for employees to channel their feedback and concerns. • Our extensive workforce is represented by three (3) Registered Unions and two (2) Workers Associations comprising of both executives and non-executive employees. We have always maintained harmonious relations with the unions and are pleased to note that our union leaders are actively involved in all employee engagement sessions such as labs, syndications, joint meetings, and technical/field trips. • Through our biannual Engagement Pulse Survey (EPS), and our biennial Employee Engagement Survey (EES), we are able to gain an understanding of our strengths and areas for improvement which includes our diversity and inclusion, collaboration, and job security. The EES conducted in December 2021 received a score of 85%. • In FY2021, we have maintained a low turnover rate of 3.76% which reaffirms our exemplary efforts in employee management.

EMPOWERING OUR PEOPLE AND NURTURING TALENT

Awards Won

Our dedication towards empowering our people and nurturing our talent has been recognised through the following awards:

Employee Experience Awards 2021
TNB received Bronze in the 2021 Employee Experience Awards under Best Organisational Upskilling & Reskilling category. Honouring HR's commitment to workplace transformation, the Employee Experience Awards is deeply rooted in three pillars that are cornerstones for a positive employee experience which are leadership, learning and employee engagement.

LinkedIn Top Companies In Malaysia 2021
Out of 15 companies, TNB secured the third place in LinkedIn's 2021 Top Companies list in Malaysia to grow careers. This award recognises companies that invests in employees to help them build a professional foundation that sets them up for success both at the company and beyond. TNB was analysed for seven key pillars: ability to advance, skills growth, company stability, external opportunity, company affinity, gender diversity, and educational background.

LinkedIn Finalist Talents Award 2021
TNB was announced as the winner of the Best Employer Brand on LinkedIn - above 1000 employees.

Upskilling & Reskilling Our Workforce

Development and training of our employees is crucial to achieving TNB's strategic objectives. At TNB, we support and empower our employees in their learning to ensure they are equipped to become an integral part of our sustainable business growth. TNB aspires to be a learning organisation, focused on creating, acquiring, and transferring knowledge and skills that continuously evolve with new business needs and global trends.

In FY2021, a new organisation-wide Functional Competency Framework was introduced, focusing on re-aligning current functional competencies and future capability requirements for the organisation. As part of the framework, a new Learning Journey Guideline was established.

Our people are the key enablers in all of TNB's value creation activities and we are passionate in developing and empowering our employees, to ensure their skills and capabilities are consistent with the new business needs.

FY2021 Highlights

RM65.53 million learning and development investment	**639,040** of training hours

EMPOWERING OUR PEOPLE AND NURTURING TALENT

Employment Management and Growth

Initiative	Key highlights for FY2021
Division Academies A collaboration with TNB Integrated Learning Solution Sdn. Bhd. (ILSAS) to develop Subject Matter Experts (SMEs) and world-class workforce in TNB's core business areas	• GenCo Academy: 37 SMEs • Grid Academy: 32 SMEs • Distribution Network (DN) Academy: 32 SMEs • Retail Academy: 1,690 talents enrolled • HR Academy: 30 SMEs (Established in FY2021)
Upskilling & Reskilling Programmes Programmes targeted to upgrade employee skills and transition	• A total of 918 staff were enrolled in upskilling/reskilling programmes for 2021, namely: - *Program Pendidikan Kemahiran Ketukangan* (PPKK) - *Program Pendidikan Kemahiran Juruteknik* (PPKJ) - *Program Pendidikan Kemahiran Penyelenggara Stor* (PPPS) - *Program Pendidikan Pembantu Tadbir* (PPPT) - Conversion Programme of Mechanical Technician to Electrical • 63 people underwent Conversion Programmes to facilitate continued employability among TNB employees.
Digital Skills Training A collaboration with ILSAS to accelerate digital learning solutions for TNB employees. Variety of e-learning modules allows employees to pace their learning and development	• Face to face (f2f) classroom activities were enhanced to provide a digital learning option, or an alternative hybrid approach combining the best of both approaches. • Digital learning platform and contents employed include byte-sized learning, webinars, virtual learning and e-learning. • Learning T-Day: 135 editions of bite-sized learning content on Leadership. • TNB Leadership webinar: 20 webinars conducted. • ILSAS E-Learning Programme: 632 sessions conducted with 12,377 participants (20,489 hours training*). • Total e-learning hours: 281,999 hours. • Total e-learning modules listed by ILSAS: 153 e-learning modules available. * *Note: This 20,489 hours conducted by ILSAS is part of the 281,999 hours for TNB e-learning*
TNB Leadership Competencies & Leadership Development Centre (LDC) Provides experiential leadership development interventions that aims to develop a surplus of leaders that embody TNB Identities. The leadership interventions are diagnosed from TNB's strategic intent and employees' career lifecycle.	**TNB Leadership Competencies:** • Continuous leadership learning and development initiatives such as Agile, Virtual Case Study and various online courses and simulation programmes. • First-Time Manager Programme (FTM) for Managers level and re-strategise development content for Young Executive Development Programme (YEDP) to strengthen leadership capabilities in role transition. • Empower Informal Learning (20%) through Group Coaching in FTM. • Leadership Webinar series featuring internal and external speakers on various current and future leadership topics. • In FY2021, 185 sessions were conducted involving a total of 8,533 participants.
TNB Reskilling Malaysia Programme Spearheaded by ILSAS, this initiative provides job matching opportunities to unemployed members of the public as well as training of necessary skills for their new roles. All courses under this Programme are applicable and open to non-TNB employees. This programme is expected to benefit companies in Malaysia, filling up to 17,500 vacancies over a span of three and half years, starting from October 2020, until early 2024.	• In FY2021, we conducted five (5) flagship programmes: - Solar Panel Installation - Smart Meter Installation - Power System Operation and Maintenance - Medium Voltage Electrical Facilities - Low Voltage Electrical Facility - Other training programme related to MESI and adjacent MESI • In FY2021, TNB invested RM9,842,820.76 to provide employment opportunities to 4,760 individuals and train 2,576 individuals under the Reskilling Malaysia Programme. Since the inception of this programme in October 2020, TNB has cumulatively invested RM10,723,220.76 to provide employment opportunities to 5,202 individuals and trained 3,018 individuals.

Advocating for Diversity and Inclusiveness

As one of TNB's Culture, "Collaborative", we embrace diversity and inclusivity in our workforce as we believe it offers a greater variety of perspectives and viewpoints to enable us to adapt to dynamic markets and catalyse creativity and innovation. We strive to ensure all our employees feel trusted and appreciated for their ideas, presence, and contributions to the organisation regardless of their age, gender, religious affiliation and disability.

Through our Employee Experience (EX) framework, we focus on strengthening diversity and inclusion in the organisation. We do not tolerate any form of discrimination or harassment (verbal, physical, sexual or visual, including discriminatory comments) as outlined in our Code of Ethics. In the pipeline, we are developing a diversity and inclusion policy and including it as an indicator in our Employee Engagement Surveys.

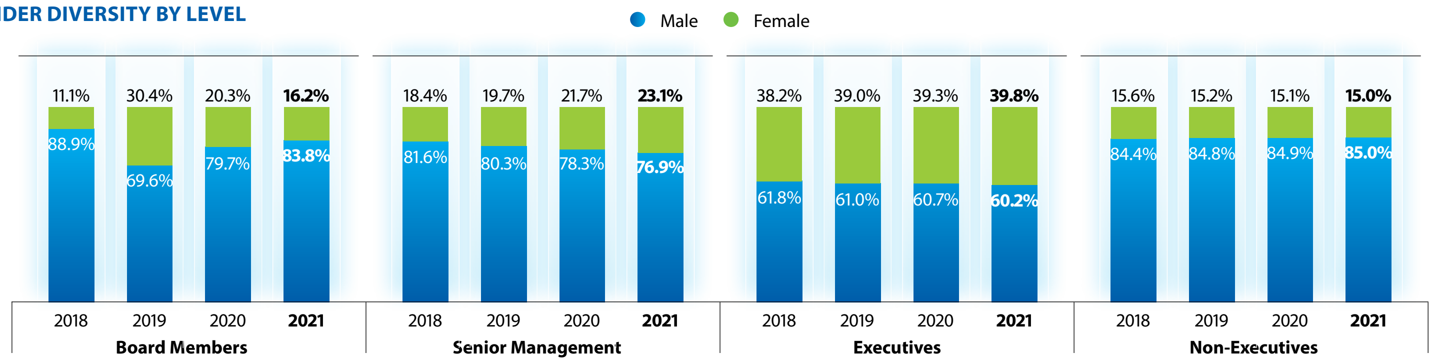
Key Highlights in FY2021

- TNB registered as a member of the **"30% Club"** – which advocates for at least **30% representation of all women** on all boards and top management globally. This demonstrates our commitment to achieve diversity, equality, and inclusion in our organisation
- This year, there has been about a **5%** increase of women in senior management roles for TNB Group, from **95** people in FY2020 to **100** people in FY2021
- TNB continues to promote equal pay for men and women based on their roles and responsibilities as indicated in our HR manuals as well as Collective Agreement (CA) document with the ratio for basic salary and remuneration at **1:1**

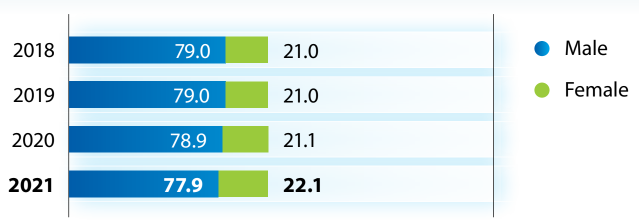
Our Performance in FY2021

	FY2018	FY2019	FY2020	FY2021
Total TNB Group Employees	35,516	36,307	35,576	34,938

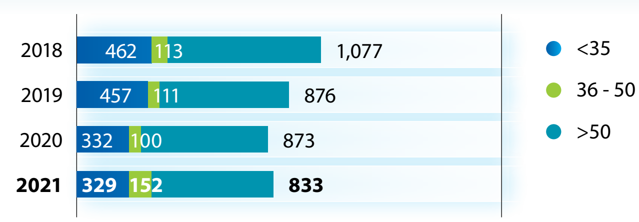
GENDER DIVERSITY BY LEVEL
(%)



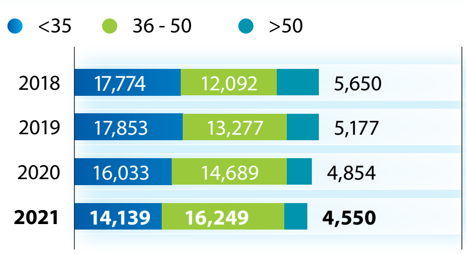
EMPLOYEE BREAKDOWN BY GENDER
(%)



EMPLOYEE TURNOVER/ATTRITION BY AGE GROUP
(No.)



EMPLOYEE BY AGE GROUP
(No.)



EMPLOYEE TURNOVER BY GENDER
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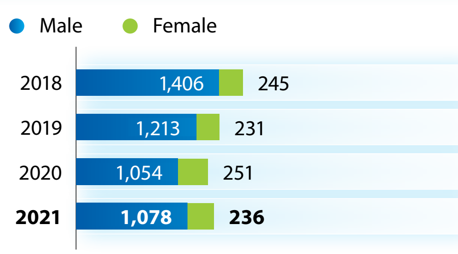
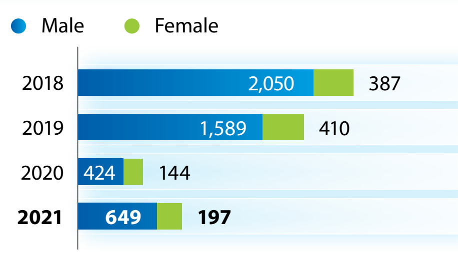


NEW HIRES BY GENDER
(No.)



EMPOWERING OUR PEOPLE AND NURTURING TALENT

Employment Management and Growth

Emphasis on Health, Safety, and Well-being

As a responsible employer, we prioritise the occupational health, safety, and welfare of our employees and contractors. We recognise their inherent human rights beyond being vital to our operations.

Encouraging Occupational Safety and Health Practices

Safeguarding the lives of both our employees and contractors through robust occupational safety and health systems and practices remains our utmost priority. We uphold strong safety standards to prevent Occupational injuries and diseases and strive to achieve our targets of having zero fatality at the workplace and maintaining our LTIF rate at below 1.0. We are also prepared to mitigate the consequences of emergency situations, appropriate to the magnitude of the emergency, and its potential impact to health, safety as well as the environment.

FY2021 Approach and key highlights:

1 Health, Safety and Environmental Management System (HSEMS)

We are guided by TNB's Safety and Health Policy to implement our safety governance framework. TNB Health, Safety and Environment Management System (HSEMS) has progressively been cascaded across divisions to ensure standardisation of HSE management and governance across the Group.

TNB Group HSE Steering Committee convenes quarterly to discuss safety performance, mitigation measures and the overall strategic direction for HSE management at TNB.

Key highlights for FY2021 include:

- In FY2021, only one (1) HSE corporate audit was conducted (for GSPARX Sdn Bhd) due to COVID-19 restrictions.
- Grid Division, Distribution Network Division, and TNB Power Generation Sdn Bhd maintained their **ISO 45001:2008** certification (Occupational Health & Safety Management System).
- **TNB Occupational Safety and Health Policy and TNB Environmental Policy** has been reviewed and endorsed.
- **Two (2)** TNB HSE Steering Committee meetings were held during the year.
- Implementation of Contractor Safety Quality Assurance (CSQA) that requires contractors under the **Distribution Network Division** to provide Contractor Safety Quality Assurance (CSQA) implementation through self-declaration of safety compliance before commencing work.

2 Accident reduction programmes

In FY2021, the HSE digital platform was established for TNB employees to report any potential incidents (PI) at the workplace. This promoted early intervention of potential incidents. Meanwhile, the Tenaga Safety Information System (TSIS), captures reports of incidents and near misses which are then investigated for corrective and preventive actions for improvement to be identified and taken.

Key highlights for FY2021 include:

- Development of comprehensive Permit-to-Work System Guidelines which is expected to be a game changer in preventing accidents and fatality.
- Launching of TNB Working at height guidelines, TNB Safe working in Confined Space Guidelines, Permit-to-Work System Guidelines and Contractor Work Permit (CWP) on 8th of October 2021.

3 HSE Digitalisation (eHSE online system)

In line with greening our office practices, we continue to take strides towards digitalising our HSE practice by progressively rolling out modules in preparation for the full implementation of our eHSE online system in FY2022.

Key highlights for FY2021 include:

- Development of a comprehensive **chemical management system** in TNB. Through the online system, our divisions are able to digitally register the chemicals used at their sites and measure the risk levels.
- **Evaluation of Compliance** (EOC Module) for our divisions to conduct self-evaluation for applicable HSE legal requirements and measure their compliance status through eHSE online platform.

Emergency Response – Flood

In preparation for the monsoon season, TNB released guidelines namely the Electrical Safety Guide During the Monsoon Season and Electrical Safety Tips During Floods which details out a step-by-step guide to electrical safety during flood occurrences. Precautionary measures were taken including flood response training for TNB personnel, strategic placement of mobile generator sets and other critical equipment, and operation of flood monitoring rooms. TNB has also previously taken steps to raise the substation sites and build flood barriers at sub-station entrances to reduce the risk of substations being inundated and damaged by floods.

During the devastating flash floods that affected Peninsular Malaysia in December 2021, we shut down 647 power substations across Peninsular Malaysia due to safety considerations.

Implementing Safety Culture

We believe that safety at our workplace goes beyond standards and policies and should be embedded as a culture within our organisation. In 2021, we attained our targeted Proactive Safety Culture Level whereby our Safety Culture Assessment (SCA) score reached >4.0 at 4.02.

Our Approach and Key Highlights for FY2021:

1 **Tenaga Safety Culture**

The *Nampak, Dengar dan Rasa Selamat* (NDRS) programme aims to enhance awareness on early detection or symptoms of incidents, and was initially introduced by the Distribution Network Division in FY2020. This year, the programme was extended to TNB Group to boost the Group's safety culture. The NDRS model is a holistic approach towards supporting safety culture transformation which comprises of three (3) main elements (3E- Engineering, Education & Enforcement) and two (2) consequence management aspects namely JB-*Julang & Benam*. In aligning our safety culture assessment outcome with the NDRS-*Julang & Benam* initiatives, we have implemented HSE reward and recognition programs i.e. Potential Incident Competition, Department HSE League and HSE Monthly Quiz to recognise the efforts and contributions of our employees in elevating HSE performance.

2 **Life Saving Rules (LSR)**

- TNB has established nine (9) life-saving rules as part of injury prevention measures since 2017:

Core Rules

Isolate, earth and test before touch	Valid permit to work mandatory	Wear arc flash suit when switching

Supplementary Rules

Use fall protection	Obtain authorisation before entering confined space	Wear helmet/ safety belt. No speeding	Caution. Suspended load	No phones while driving	No drugs. No alcohol

- In 2021, we have further developed and issued guidelines for working at height and confined space.

3 **Risk Assessment**

- In TNB, we identify all work-related hazards, assess its related risks, and determine relevant controls are necessary, guided by the Hazard Identification, Risk Assessment and Determining Control (HIRADC) procedure. In determining the controls required to eliminate hazards and reduce risks, the hierarchy of controls (i.e. elimination, substitution, engineering control, administrative control and Personal Protective Equipment (PPE)) is used. The effectiveness of the risk assessment is reviewed annually, or when there are incidents and changes in work processes. Additionally, PI reported in the digital platform will be assessed to alleviate any potential risk.

Risk assessments conducted by TNB include:

- HSE Risk Assessment (HSERA), Environmental Impact Assessment (EIA), Quantitative Risk Assessment (QRA), Fire Risk Assessment (FRA), Process Hazard Analysis (PHA).
- Chemical Health Risk Assessment (CHRA) for any work activities that relates to hazardous chemicals.
- Noise Risk Assessment (NRA) to identify work related activities with exposure to noise.
- Ergonomic Risk Assessment (ERA) to identify ergonomic related risks at the workplace.

EMPOWERING OUR PEOPLE AND NURTURING TALENT

Employment Management and Growth

Our Performance in FY2021

We have seen an improvement in terms of our safety performance reflected by the decrease in our Group-wide Lost Time Injury Frequency (LTIF) from 1.29 in FY2020 to 1.03 in FY2021.

Indicators	2018	2019	2020	2021
Lost Time Injuries (LTI) Frequency Rate of employees	2.14	1.42	1.29	**1.03**
Number of fatalities of employees	3	2	1	**2**
Number of fatalities of contractors	7	6	3	**6**
Lost Days Severity Rate (per million-man hours)	208.30	153.14	92.72	**87.12**

In 2021, 22% (5934) of the total employees completed HSE trainings achieving a cumulative of 103,225 training hours, our highest results since 2018.

Training	2018	2019	2020	2021
Number of employees	1762	4539	1027	**5943**
Percentage of employee trained	6%	16%	4%	**22%**
Training hours	32,811	69,190	16,813	**103,225**

We are however deeply saddened to report that there were eight (8) work-related fatalities this year involving two (2) employees and six (6) contractors. In our efforts to mitigate these events in the future, we are enhancing our safety procedures and conducting more safety awareness and training sessions across the Group. These include:

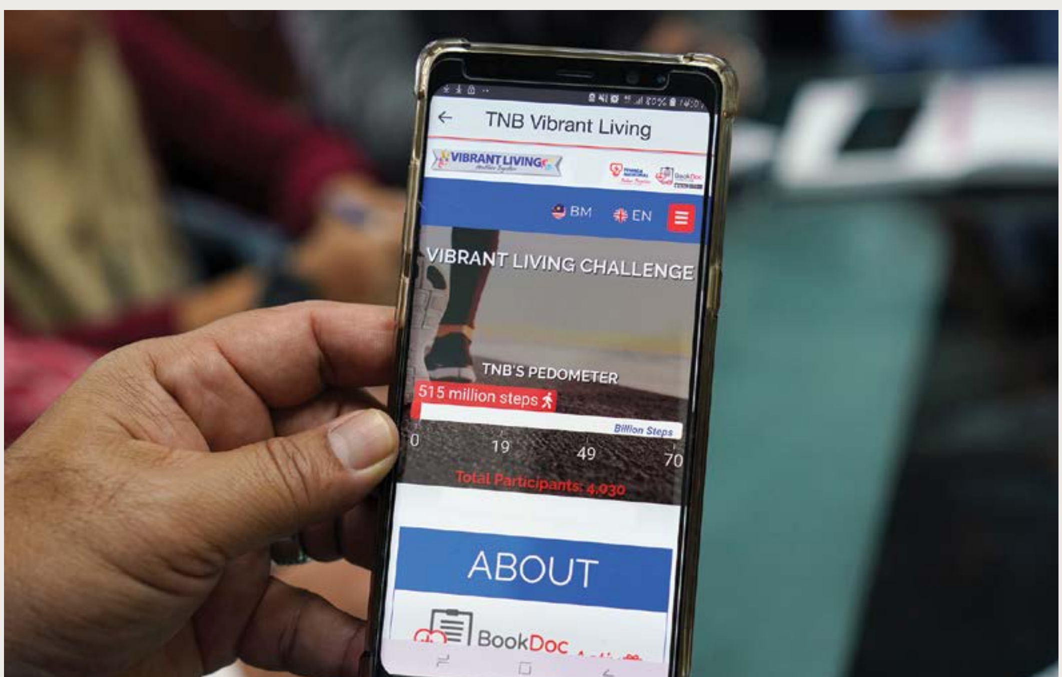
- **Enhancing safety management procedures, especially for contractors**
- **Implement NIOSH Tenaga Safety Passport (NTSP) 2.0 modules in collaboration with NIOSH**
- **Completion of Inspection Module development, to be launched in the year 2022**
- **Enhancement of LSR for contractors, NDRS implementation and development of holistic contractor management**

Supporting Employees Health and Wellness

TNB supports our employees to have an active lifestyle which contributes towards improvement of health and wellbeing. We have established mobile applications and health screening programmes to improve employee's physical and mental wellness.

We also conducted wellness programmes for our staff such as:

- **Wellness Champion Award**
- **Top 3 highest step count for the year for male and female staff**
- **Bookdoc Mobile App**



The Bookdoc Mobile App helps our employees to engage in an active lifestyle, as they can keep track of their step count on a daily basis.

BRIGHTER COMMUNITY

Contributing to Community Development

Awards Won

Our contribution to society has been recognised through receiving the following awards:

Sustainability & CSR Malaysia Awards 2021
TNB was a proud winner at the Sustainability & CSR Malaysia Awards 2021, winning the Company of the Year award (Energy), and Overall Excellence in Social, Education, & Sustainability Initiatives.

The Edge Billion Ringgit Club 2021
TNB took the top spot for The Edge Billion Ringgit Club's Best CR Initiatives, Super Big Cap, Above RM40 billion Market Capitalisation. We seek to leave a long-lasting positive impact on people and communities and protect the environment with our various CSR programmes.

We recognise our fiduciary responsibility to uplift the nation and aid in the economic recovery while brightening the lives of our people. Through our various community engagements, we seek to leave a lasting positive impact on our people and communities.

In FY2021, we invested a total of RM39.57 million to community programmes which included RM5.43 million for our sports related programmes and the three (3) focus areas:

Economic and Social

We believe that capability, social, and community development supports liveability and enhances livelihood by uplifting the economic and social quality of life.

FY2021 Contributions:

RM22.79 million*

* The above figures exclude investments in employee training and development

Environment

We believe that the future of our planet and next generation depends on our responsible behaviour today.

FY2021 Contributions:

RM0.24 million

Education

We believe that education can transform the lives of not just one individual but families and generations.

FY2021 Contributions:

RM11.11 million*

* The above figures exclude scholarships and convertible loans from UNITEN & YTN

To date, we have contributed a total of RM28.63 million towards assisting the nation to sustain the country's health system, with RM1,131,819 been contributed in FY2021 in the form of personal protective equipment (PPE) and contributions to communities.

For more information on how we have responded to the COVID-19 pandemic, please refer to our Feature Story - Supporting the Economic Recovery, pages 141 to 143.

Feature Story | Together with You

Tabung Warga TNB Prihatin (TWTP) was introduced in June 2021 with an initial target of RM3 million to provide financial aid to Malaysians whose livelihoods have been severely impacted by the COVID-19 pandemic. The funds were contributed voluntarily by TNB employees through a direct deduction of their June or July salary, in a joint effort to provide financial assistance to our fellow Malaysians to cope through these challenging times.

TWTP successfully raised RM1.63 million in 34 days. In enabling the campaign to have a wider outreach, our Board of Directors unanimously agreed to double the amount donated by TNB staff, reaching a total amount of RM3.27 million.

Collection for this TWTP was extended until the end of FY2021. As of December 2021, RM4.04 million was successfully collected from 15,734 TNB employees with RM3.41 million having been distributed to 6,295 Malaysian citizens affected by the COVID-19 pandemic.

Recipients of the TWTP comprised of members from the B40 group including those listed under *e-Kasih*, *Jabatan Kebajikan Masyarakat* (JKM), *Program Perumahan Rakyat Termiskin* (PPRT) under Ministry of Federal Territories and State *Zakat* centers.

RM2 million from TWTP was allocated to provide financial assistance to victims of the December 2021 flash floods.

BRIGHTER COMMUNITY

Contributing to Community Development

Economic and Social Transformation

Electricity is an enabler for development, social welfare, improved healthcare, and socioeconomic growth. With that in mind, we have deployed various efforts to provide homes to our communities, improve their accessibility to electricity, and promote energy efficiency. We are proud to be a collaborator with the Government of Malaysia in implementing these efforts as a part of our commitment and responsibility in empowering and progressing the society towards a better and brighter life.

RURAL DEVELOPMENT

BELB Programme

TNB with the support from *Kementerian Pembangunan Luar Bandar* (KPLB), supplies power to rural areas such as villages and Indigenous People settlements that are not within the operational area of local authorities through the Rural Electrification Programme (BELB). We connect these villages to our grid lines, where possible. For settlements in remote areas which are not accessible to our grid lines, we utilise off-grid alternatives such as solar hybrids, generator sets, and mini hydro. To date, we have improved connectivity of around 30 villages.

Village Street Lighting (LJK) Programme

The government introduced the Village Street Lighting (LJK) programme in 2002 with the purpose to ensure public areas in remote villages are well lit at night, facilitating community safety. TNB in collaboration with the Government of Malaysia successfully completed Phase 10 of Project LJK in October 2021 with 29,487 streetlights successfully installed.

***Pos Kawalan Tempat Kejadian* (PKTK) in *Lembah Bertam*, Cameron Highlands**

As a contribution to the local community of Lembah Bertam, Cameron Highlands, TNB allocated RM2.58 million to construct a multi-purpose hall which will serve as a community center and emergency assembly point for the local community during floods or other natural disasters. This hall includes facilities such as a covered futsal court, operation room, and prayer room. The facility, which will be managed by the Cameron Highland District Council (CHDC) is expected to be handed over in 2022. As of December 2021, RM2.31 million has been spent for the development of this project.

Bakul Prihatin Negara
(National Food Basket Programme)

In our efforts to provide additional relief and assistance to those affected by the challenges of the COVID-19 pandemic, TNB contributed a total of RM2 million in aid to the National Food Basket Programme in collaboration with *Yayasan Kebajikan Negara* (YKN).

PROVIDING HOMES FOR COMMUNITY WELL-BEING

Home for the Needy

Through our Home for the Needy programme, we have helped refurbish and build new homes for an additional 144 families in FY2021, targeted mainly for single parents, senior citizens and individuals with disabilities. This programme is carried out under two (2) concurrent projects namely *Program Baiti Jannati* (PBJ) and *Program Mesra Rakyat* (PMR). This year, we contributed RM3.05 million to the needy under this programme.

Better Brighter Shelter

Through this programme, we provide accommodation facilities for family members of those who have come from rural areas to receive medical treatment in the city such as dormitories and transit homes, for families whose members are undergoing medical treatments. This service is provided to the underserved communities from rural areas or the outskirts of Kuala Lumpur. We partnered with Serdang Hospital's National Welfare Foundation, the National Heart Institute (IJN) Foundation, Melaka Hospital. In FY2021, this programme has been expanded to Raja Perempuan Zainab II, Kota Bharu Hospital.

In FY2021, approximately RM1.56 million was allocated for this programme, with a breakdown of RM200,000, RM59,000, RM45,000 and RM1.25 million spent on IJN, Serdang Hospital, Melaka Hospital and Raja Perempuan Zainab II, Kota Bharu Hospital respectively.

ENVIRONMENTAL SUSTENANCE PROGRAMMES WITH THE COMMUNITY

Conservation of the natural environment is crucial in safeguarding both the diversity of flora and fauna, as well as the livelihoods of surrounding communities.

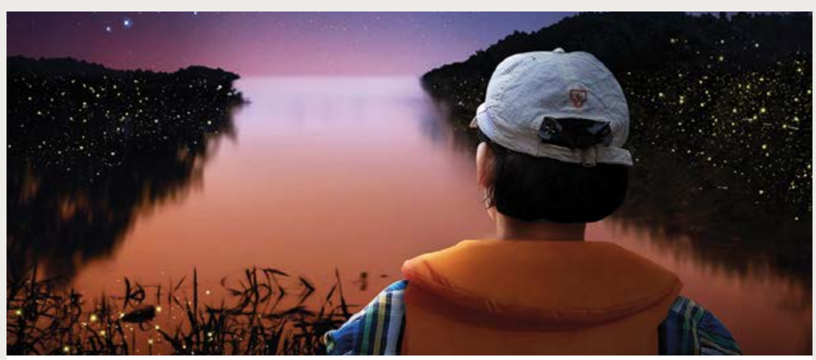
TNB's environmental sustenance programmes conducted are as follows:

Mangrove Planting Programme

As a part of our reforestation efforts, we conduct an annual mangrove planting programme which is spearheaded by our power plants. In FY2021, RM180,207 was spent towards this initiative.

At the JEP power plant, we planted approximately 1,344 trees in the surrounding coastal parameters to preserve the mangrove ecosystem which is crucial to the local fisheries industry. JEP has been performing tree planting activities in this area since 2021. We partnered with Malaysian Nature Society (MNS) to plant mangrove trees along the access road to the power plant.

Apart from JEP, this mangrove planting initiative has also been conducted in Sg. Limau, Manjung, Perak. Under Phase 2 (2021-2022) of the programme, a total of 5,000 mangrove trees have been planted by Global Environment Centre (GEC) in 2021 and another 2,000 trees to be planted in 2022.



Fireflies Conservation Project

We are committed to conserving the firefly population through our conservation efforts in Kampung Kuantan, Kuala Selangor, Selangor – home to one of Malaysia's largest firefly colonies in Southeast Asia – as well as Kampung Yak Yah, Kemaman, Terengganu; Kampung Sungai Timun, Rembau, Negeri Sembilan; and Kampung Dew, Taiping, Perak. In FY2021, we channeled RM52,000 into these conservation efforts.

BRIGHTER COMMUNITY

Contributing to Community Development

Transforming Lives through Education

In FY2021, we continue our commitment to provide accessible education through significant investments in our key educational institutions – UNITEN, ILSAS, Yayasan Tenaga Nasional (YTN).

UNITEN – The Energy University

Universiti Tenaga Nasional (UNITEN) is devoted to teaching, learning, and research excellence as well as financial sustainability. It is an institution at the forefront of energy research. Leveraging on TNB's extensive industry experience in power generation, transmission, distribution, and retail, we offer courses in the fields of engineering, energy economics, business management, accounting and computing & informatics.

As a subsidiary of TNB, UNITEN aspires to be a globally competitive, energy-focused university by 2025 through the implementation of a 10-year strategic plan: "Building Opportunities, Living Dreams 2025" (BOLD2025). In FY2021, the strategic plan was updated to BOLD2025 Refresh which supports TNB by:

HOW BOLD REFRESH SUPPORTS TNB

1 **STRATEGY 1**
Allowing TNB to support the National agenda on the Higher Education Industry

2 **STRATEGY 2**
Improving TNB Group financial performance driven by tax-efficiency and significant revenue, and OPEX optimisation

3 **STRATEGY 3**
Support TNB's SP2050 targets through energy research

This year, UNITEN awarded RM6.81 million to a total of 1,768 recipients. Among the funding and scholarships are:

UNITEN FUNDING AND SCHOLARSHIPS
Dana Pendidikan **UNITEN**
Danasiswa Pensijilan Tahfiz **TAZU-MARA**
Dermasiswa **YCU**
Dermasiswa **B40 JPA in cooperation with YCU**
UNITEN Sports Excellence Scholarship

Note:
TAZU : Tabung Amanah Zakat UNITEN
YCU : Yayasan Canselor UNITEN

UNITEN PERFORMANCE IN FY2021

1,699 graduates

144th in the QS Asia University Rankings 2022

94.5% employability rate

227th in the U.S. News & World Report Best Global Universities for Engineering 2022

Ranked among the world's Top **550** universities by QS Graduate Employability Rankings 2022

Collaboration with Nano-Malaysia in developing **20-kW** nanogrid proof-of-concept

Successfully secured **RM3.25 million** in commercial funds for two (2) of UNITEN's innovations under National Technology Innovation Sandbox (NTIS) by MOSTI

Four (4) UNITEN researchers ranked among the World's Top **2%** Scientists by Stanford University, USA

#1 in the world for "percentage of highly cited papers among the top 1% most cited in Engineering" in the U.S. News & World Report Best Global Universities for Engineering 2022

TNB Integrated Learning Solution Sdn. Bhd. (ILSAS)

ILSAS is a premier training institution for professionals in the wider power and utility industry, and the official training institute for TNB. All of the technical capability development programmes conducted by ILSAS are in line with the Malaysian standard requirements.

The training modules in ILSAS are also accredited by City & Guilds UK (for technical programmes), and Institute Leadership & Management (ILM) UK (for leadership & management training modules).

ILSAS aspires to be the Transformational Learning Platform for TNB and the energy sector in line with its 2019 – 2023 business plan founded on three (3) pillars:

ILSAS Vision | **ILSAS Mission** | **ILSAS Aspiration**

Its strategic objectives are as follows

- To build capabilities for current and future organisational strategies by providing learning solutions to increase individual, team and organisational performance and productivity
- To rapidly respond to growth and embed innovation in products and services
- To position ILSAS for a quantum leap growth as a business entity that is cash positive and sustainable

Key Highlights in FY2021

- Received the **Asian Photovoltaic Industry Association (APVIA) Awards** for the Academic Contribution (For Enterprise) category
- Received the **Energy Institute Award 2021 (EIAwards)** for excellence in providing innovation learning solutions towards energy sustainability
- **5th ILSAS International Conference on Learning and Development (ICLAD)** was conducted under a hybrid mode and received commendable feedback from participants
- **299** employees with **188** trainers
- **36,807** individuals trained

Yayasan Tenaga Nasional (YTN)

YTN was established with the mission to transform lives through excellent education opportunities. Since its establishment in 1993, YTN has been governed by a Board of Trustees and an organisation committee to provide financial assistance through the award of scholarships and study loans to suitable candidates based on merit to pursue higher education locally and abroad. To date, we have invested over RM1.3 billion in scholarships and helped over 20,000 students to achieve their dreams.

In FY2021, YTN provided a total of RM119.2 million to 8,271 recipients through financial aid for scholarship, convertible loan and MyBF programme.

Our My Brighter Future (MyBF) program aims to provide opportunities to marginalised youth and families in the B40 bracket to pursue tertiary education in Science, Technology, Engineering & Mathematics (STEM) and Technical & Vocational Education & Training (TVET) at any of seven (7) selected public universities, community colleges and polytechnic institutions in Malaysia. The MyBF scholarship covers tuition fees, boarding and living expenses of recipients pursuing tertiary education.

Key Highlights in FY2021

- **RM53.3** million in financial aid provided to MyBF scholars
- **6,600** students benefitted from MyBF scholarships
- **MyBF** Student Development Programme Collaboration with *myHarapan* to develop competency and harness the potential of dermasiswa students in terms of community engagement, ethics, self-confidence and other positive values
- Collaboration with UNITEN to run the **Leadership Exploration and Development (ULEAD)** Programme for scholars

BRIGHTER COMMUNITY

Contributing to Community Development

SUPPORT FOR EDUCATION

Ceria ke Sekolah Programme

Every year, TNB holds the *Ceria Ke Sekolah* Programme to provide primary school students from low-income families with adequate school supplies such as clothing (school uniform, pants, and headscarf), school bags and facemasks. In FY2021, RM3 million was channelled by TNB into this programme, which benefitted 30,000 students.

Tabung Cerdik (Smart Fund) Programme

This year, the Government of Malaysia introduced the *CERDIK* initiative to provide laptops, tablets, and internet access to students from low-income families. TNB contributed RM5 million to this fund which benefitted 3,253 students from 40 schools throughout Malaysia. Digital items contributed include complete sets of laptops, dongles, and sim cards (15GB for 12 months).

*Picture taken before the COVID-19 pandemic

PINTAR School Adoption Programme

The PINTAR School Adoption Programme was continued in FY2021 with 11 new schools adopted across Peninsular Malaysia. TNB will sponsor a total of RM945,000 for three (3) years (until FY2023) under this programme.

This year, RM315,000 was channelled to initiatives focused upon virtual learning and motivational programmes to encourage improvement in schools' academic performance.

National Hockey Development and Thunderbolts

Through this programme, TNB employees who were former national hockey players have volunteered to coach promising students from Sekolah Sukan Bukit Jalil in Kuala Lumpur, Sekolah Sukan Tunku Mahkota Ismail in Johor, Sekolah Menengah Kebangsaan Seberang in Temerloh, Pahang, Sekolah Menengah Kebangsaan Anderson in Perak and the newly added school in 2021, Sekolah Menengah Kebangsaan Pengkalan Permatang in Kuala Selangor, Selangor. Since its inception in 2006, this programme has successfully nurtured several national hockey players and in FY2021, we contributed RM5.14 million.

Engaging Indigenous People

TNB has a steadfast commitment towards engaging with the communities we serve, which include Indigenous Peoples or *Orang Asli* communities.

Initiatives to Engage *Orang Asli* Communities

We actively engage communities, including the *Orang Asli* communities, who live near our operation sites and roll-out initiatives with the purpose of protecting their well-being and generating socioeconomic benefits. To date, we have improved connectivity in around 30 villages through the BELB Programme which focuses on supplying power to rural areas such as villages and Orang Asli settlements.

TNB is in the process of developing a strategic communication tool to facilitate communication between TNB and the *Orang Asli* near the Jor Reservoir (Semai Clan). The main objective of this tool is to discuss sediment disposal works proposed within the *Orang Asli* customary land and mediate any misunderstandings that arise.

Engagement of *Orang Asli* Communities regarding the development of Nenggiri Hydroelectric Project

Nenggiri Hydroelectric Project is a 300MW hydroelectric project in Kelantan. The construction work has started in March 2022 and will be completed in 2027. The project is a strategic initiative to expand TNB's renewable assets by reducing our GHG emissions. It will play multi-fold roles of climate risk adaptation through flood mitigation and provision of continuous raw water supply to the surrounding communities and the State of Kelantan.

Once completed, the Nenggiri Hydroelectric Power Plant is expected to generate an annual minimum energy of 351.5GWh. It is estimated that it will displace and reduce 244,000 tonnes of CO_2 that would otherwise be released by thermal power plant operations. Additionally, all buildings built under this project will incorporate some aspects of energy-efficient features in order to reduce energy consumption.

*Picture taken before the COVID-19 pandemic

In addition to minimising environmental impact, the project is also expected to create positive socioeconomic benefits such as better social infrastructure and job opportunities to the surrounding communities. Given TNB's experience in developing three (3) other hydroelectric schemes, extreme care has been taken in ensuring the interests of the *Orang Asli*, local communities and wildlife, which will be directly impacted by the project, are protected.


We light up homes.
And grow green ones too.
When mangrove trees take root, they flourish as homes not only for flora and fauna but for people too. These trees attract wildlife of all kinds, making the land rich, and the surrounding communities, richer. With their tough roots, they are even strong enough to protect our shorelines.
By understanding nature a little better, we've rolled up our sleeves many times over, in efforts to plant and preserve mangrove forests wherever they need be. Some 23,700 trees have been planted with many more to come.
This is just one example of how much we are committed to environmental preservation and conservation – all for a better, brighter and greener future together.
TENAGA NASIONAL
Better. Brighter.
Tenaga Nasional Berhad 199001009294 (200866-W)
www.tnb.com.my

Section

06

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group and the Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 7 to the financial statements, which also includes the details of the subsidiaries of the Group.

There have been no significant changes in these activities during the financial year.

FINANCIAL RESULTS

	Group RM'million	Company RM'million
Profit for the financial year attributable to:		
- Owners of the Company	3,661.8	1,985.3
- Non-controlling interests	202.9	0
Profit for the financial year	3,864.7	1,985.3

DIVIDENDS

The dividends paid or declared since the previous financial year ended 31 December 2020 were as follows:

	RM'million
In respect of the financial year ended 31 December 2020:	
Final single tier dividend of 18.0 sen and a special single tier dividend of 40.0 sen per ordinary share, paid on 16 April 2021	3,308.7
In respect of the financial year ended 31 December 2021:	
Interim single tier dividend of 22.0 sen per ordinary share, paid on 15 October 2021	1,259.7

The Directors have approved a final single tier dividend of 18.0 sen per share on 5,726,091,371 ordinary shares in respect of the financial year ended 31 December 2021 amounting to a total of RM1,030.7 million. The dividends will be paid on 15 April 2022.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES

During the financial year, the paid-up share capital of the Company increased due to the vesting of Long Term Incentive Plan ('LTIP') granted to eligible employees, details of which are disclosed in Note 34 to the financial statements. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

TENAGA NASIONAL BERHAD'S LONG TERM INCENTIVE PLAN ('LTIP')

The Company implemented a LTIP on 30 April 2015 for a period of 10 years. The LTIP is governed by the by-laws, which are approved by the shareholders at an Extraordinary General Meeting on 18 December 2014.

The main features and details of the number of grants over the shares of the Company are set out in Note 34 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia via letter dated 27 January 2022 from having to disclose in this report the names of the persons to whom LTIP have been granted under the scheme and details of their holdings pursuant to Section 255(1) and Paragraph 5, Part 1, Fifth Schedule of the Companies Act 2016 except for information on employees who were granted the offering of up to 278,800 and more ordinary shares under the LTIP scheme.

The employees of the Company who were granted the offering of up to 278,800 and more ordinary shares under the LTIP scheme are as follows:

	Number of ordinary shares granted under PS*	Number of ordinary shares granted under RS**	Total
Datuk Ir. Baharin bin Din	309,300	180,800	490,100
Datuk Fazlur Rahman bin Zainuddin	285,600	167,600	453,200
Datuk Wira Roslan bin Ab Rahman	282,400	165,700	448,100
Dato' Nor Azman bin Mufti @ Jaafar	276,100	161,800	437,900
Nazmi bin Othman	214,700	146,200	360,900
Datuk Fazil bin Ibrahim	207,200	125,100	332,300
Datuk Ir. Husaini bin Husin	188,500	128,300	316,800
Datuk Ir. Megat Jalaluddin bin Megat Hassan	181,600	122,300	303,900
Dato' Ir. Roslan bin Abd Rahman	164,700	120,500	285,200
Wan Nazmy bin Wan Mahmood	156,400	122,400	278,800

* *PS - Performance Share Grant*
** *RS - Restricted Share Grant*

None of the subsidiaries' employees were granted offering representing 278,800 or more ordinary shares under the LTIP scheme.

DIRECTORS' REPORT

DIRECTORS

The Directors who have held office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Sri Hasan bin Arifin	Appointed w.e.f. 1 October 2021
Datuk Ir. Baharin bin Din	
Datuk Seri Asri bin Hamidin @ Hamidon	
Datuk Amran Hafiz bin Affifudin	
Juniwati Rahmat Hussin	
Gopala Krishnan a/l K.Sundaram	
Ong Ai Lin	
Dato' Roslina binti Zainal	
Dato' Ir. Nawawi bin Ahmad	
Datuk Rawisandran a/l Narayanan	
Datuk Lau Beng Wei	Appointed w.e.f. 1 December 2021
Dato' Merina binti Abu Tahir	Appointed w.e.f. 1 February 2022
Faisal @ Pisal bin Abdul Ghani (Alternate Director to Datuk Seri Asri bin Hamidin @ Hamidon)	Appointed w.e.f. 1 March 2022
Noraini binti Che Dan	Demised on 26 August 2021
Dato' Seri Mahdzir bin Khalid	Resigned w.e.f. 29 August 2021
Azmin bin Ishak	Cessation of Office as Alternate Director w.e.f. 10 February 2022

The Directors of subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of the report are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made part thereof.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as disclosed in the Directors' interests in shares and debentures.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits shown under Directors' Remuneration below and in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a partner, or with a company in which the Director has a substantial financial interest.

INDEMNITY AND INSURANCE COSTS

The Group and the Company have their own Directors and Officers Liability Insurance at a premium of RM447,500 to cover the liability of Directors and Officers in discharging their duties for the period of 1 November 2021 until 31 October 2022.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	As at 1.3.2021	Vested	Disposed	As at 31.12.2021
Datuk Ir. Baharin bin Din	**58,000**	**22,700**	**0**	**80,700**

	Number of ordinary shares			
	As at 1.1.2021	Acquired	Disposed	As at 31.12.2021
Datuk Seri Asri bin Hamidin @ Hamidon	**0**	**10,000**	**0**	**10,000**
Dato' Roslina binti Zainal	**18,400**	**0**	**0**	**18,400**

Ordinary shares granted pursuant to the Company's LTIP granted to the Director during the financial year are as follows:

	As at 1.3.2021	Granted	Vested	Forfeited	As at 31.12.2021
Datuk Ir. Baharin bin Din					
Performance Share Grant ('PS Grant')					
PS Grant 4	**29,100**	**0**	**0**	**(29,100)**	**0**
PS Grant 5	**41,800**	**0**	**0**	**0**	**41,800**
PS Grant 6	**47,400**	**0**	**0**	**0**	**47,400**
PS Grant 7	**0**	**98,700**	**0**	**0**	**98,700**
Restricted Share Grant ('RS Grant')					
RS Grant 4	**5,600**	**0**	**(5,600)**	**0**	**0**
RS Grant 5	**16,000**	**0**	**(8,000)**	**0**	**8,000**
RS Grant 6	**27,200**	**0**	**(9,100)**	**0**	**18,100**
RS Grant 7	**0**	**56,600**	**0**	**0**	**56,600**

DIRECTORS' REMUNERATION

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-Executive Directors' fees	**2,541,269**	2,412,715	**2,423,871**	2,366,715
Non-Executive Directors' other emoluments	**1,804,282**	4,152,817	**1,798,282**	4,148,817
Executive Directors' remuneration and other emoluments	**4,999,050**	4,148,830	**4,999,050**	4,148,830
	9,344,601	10,714,362	**9,221,203**	10,664,362

In respect of the Directors or past Directors of the Company, there were benefits receivable by the Directors from the Company and its subsidiaries as Directors' other emoluments for their services. The estimated monetary value of benefits received by the Directors was RM984,022 (2020: RM3,412,000) for the Group and the Company.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
   - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
   - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:
   - (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
   - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
   - (iii) which have arisen and would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report:
   - (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
   - (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

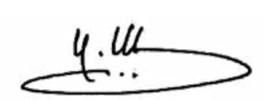
(f) In the opinion of the Directors:
   - (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in Note 47 to the financial statements; and
   - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made, except as disclosed in Note 48.

AUDITORS

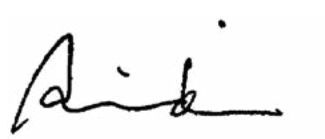
The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Details of the auditors' remuneration are set out in Note 33 to the financial statements.

This report was approved by the Board of Directors on 17 March 2022. Signed on behalf of the Board of Directors:



DATO' SRI HASAN BIN ARIFIN
CHAIRMAN



DATUK IR. BAHARIN BIN DIN
PRESIDENT/CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group 2021 RM'million	Group 2020 RM'million	Company 2021 RM'million	Company 2020 RM'million
NON-CURRENT ASSETS					
Property, plant and equipment	5	**114,105.6**	112,596.1	**72,910.5**	69,528.7
Right-of-use assets	6	**34,711.2**	34,906.3	**71,222.0**	67,082.9
Subsidiaries	7	**0**	0	**7,463.2**	822.8
Joint ventures	8	**230.7**	200.6	**0**	0
Associates	9	**1,636.4**	1,138.6	**75.7**	75.7
Goodwill on consolidation	10	**438.4**	434.0	**0**	0
Investment in unquoted debt securities	11	**250.1**	265.8	**250.1**	265.8
Tax recoverable		**3,522.4**	3,522.4	**3,522.4**	3,522.4
Deferred tax assets	12	**372.6**	131.0	**0**	0
Long term receivables	13	**167.1**	227.8	**41.6**	51.7
Amounts due from subsidiaries	14	**0**	0	**5,010.4**	11,873.2
Finance lease receivables	15	**8.7**	10.1	**0**	0
Financial assets at fair value through other comprehensive income ('FVOCI')	16	**62.8**	57.6	**62.1**	56.9
Contract cost assets	17	**0.8**	0	**0**	0
Financial assets at fair value through profit or loss ('FVTPL')	18	**70.0**	140.5	**68.9**	82.3
Derivative financial instruments	19	**1.2**	0	**0**	0
		155,578.0	153,630.8	**160,626.9**	153,362.4
CURRENT ASSETS					
Inventories	20	**1,977.1**	1,583.8	**167.5**	376.5
Receivables, deposits and prepayments	21	**10,547.7**	6,893.7	**8,260.2**	5,383.7
Contract assets	17	**3,318.2**	3,197.8	**2,982.0**	3,084.5
Contract cost assets	17	**111.0**	125.3	**0**	0
Tax recoverable		**1,472.7**	1,765.5	**1,088.1**	1,432.5
Finance lease receivables	15	**1.3**	1.1	**0**	0
Amounts due from subsidiaries	14	**0**	0	**2,990.6**	1,898.5
Amounts due from joint ventures	8	**43.5**	19.4	**0**	0
Amounts due from associates	9	**342.7**	183.5	**10.5**	3.4
Financial assets at FVTPL	18	**2,452.3**	6,973.9	**631.8**	5,244.3
Investment in unquoted debt security	11	**50.0**	0	**50.0**	0
Deposits, bank and cash balances	22	**6,706.1**	6,441.5	**3,346.1**	2,395.0
		27,022.6	27,185.5	**19,526.8**	19,818.4
Assets classified as held for sale	23	**0**	617.0	**0**	0
		27,022.6	27,802.5	**19,526.8**	19,818.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	Group		Company	
		2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
CURRENT LIABILITIES					
Payables	24	**(8,596.7)**	(10,534.1)	**(4,978.9)**	(7,908.4)
Contract liabilities	17	**(492.3)**	(420.5)	**(241.9)**	(259.3)
Derivative financial instruments	19	**(0.4)**	(1.3)	**(0.4)**	(1.3)
Lease liabilities	15	**(3,098.9)**	(3,257.8)	**(5,393.5)**	(5,611.4)
Amounts due to subsidiaries	14	**0**	0	**(4,136.3)**	(1,411.9)
Amounts due to associates	9	**(183.8)**	(237.8)	**(173.7)**	(228.1)
Current tax liabilities		**(43.9)**	(44.8)	**(17.8)**	(30.1)
Employee benefits	25	**(768.2)**	(783.8)	**(745.7)**	(764.5)
Consumer deposits	26	**(7,040.2)**	(6,606.0)	**(6,685.1)**	(6,263.1)
Short term borrowings	27	**(6,992.5)**	(6,409.1)	**(4,104.0)**	(3,492.2)
		(27,216.9)	(28,295.2)	**(26,477.3)**	(25,970.3)
Liabilities directly associated with assets classified as held for sale	23	**0**	(506.1)	**0**	0
		(27,216.9)	(28,801.3)	**(26,477.3)**	(25,970.3)
NET CURRENT LIABILITIES		**(194.3)**	(998.8)	**(6,950.5)**	(6,151.9)
TOTAL ASSETS LESS CURRENT LIABILITIES		**155,383.7**	152,632.0	**153,676.4**	147,210.5
NON-CURRENT LIABILITIES					
Borrowings	27	**(44,685.7)**	(43,043.5)	**(20,932.3)**	(18,599.1)
Derivative financial instruments	19	**(38.7)**	(175.7)	**0**	0
Contract liabilities	17	**(4,355.7)**	(3,753.7)	**(3,631.6)**	(3,020.9)
Government development grants	28	**(948.4)**	(961.2)	**0**	0
Lease liabilities	15	**(26,143.0)**	(25,471.0)	**(65,797.0)**	(59,907.7)
Deferred tax liabilities	12	**(8,178.2)**	(7,805.8)	**(6,265.3)**	(6,006.9)
Other liabilities	29	**(975.3)**	(902.3)	**(683.8)**	(606.3)
Employee benefits	25	**(11,666.3)**	(13,068.9)	**(10,965.1)**	(12,314.6)
		(96,991.3)	(95,182.1)	**(108,275.1)**	(100,455.5)
TOTAL NET ASSETS		**58,392.4**	57,449.9	**45,401.3**	46,755.0
EQUITY					
Share capital	30	**11,927.6**	11,675.2	**11,927.6**	11,675.2
Other reserves	31	**(6,813.3)**	(8,242.7)	**(5,941.6)**	(6,918.6)
Retained profits		**51,494.1**	52,400.7	**39,415.3**	41,998.4
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		**56,608.4**	55,833.2	**45,401.3**	46,755.0
NON-CONTROLLING INTERESTS ('NCI')	7(c)	**1,784.0**	1,616.7	**0**	0
TOTAL EQUITY		**58,392.4**	57,449.9	**45,401.3**	46,755.0

The notes set out on pages 198 to 340 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2021

		Group		Company	
	Note	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Revenue	32	**52,629.5**	43,976.0	**48,831.3**	40,758.3
Operating expenses	33	**(44,524.4)**	(37,132.4)	**(42,283.8)**	(34,033.7)
Net loss on impairment of financial instruments	45	**(940.2)**	(546.2)	**(342.1)**	(362.4)
Other operating income	35	**918.1**	1,061.4	**763.9**	1,000.1
Operating profit		**8,083.0**	7,358.8	**6,969.3**	7,362.3
Foreign exchange (loss)/gain	36	**(168.5)**	26.2	**(46.9)**	34.9
Share of results of joint ventures	8	**29.3**	19.8	**0**	0
Share of results of associates	9	**164.2**	56.7	**0**	0
Profit before finance cost		**8,108.0**	7,461.5	**6,922.4**	7,397.2
Finance income	37	**221.8**	317.7	**394.1**	223.4
Finance cost	37	**(3,793.3)**	(3,668.7)	**(4,980.0)**	(4,738.4)
Fair value changes of financial instruments	37	**201.8**	124.9	**(2.5)**	188.3
Profit before taxation and zakat		**4,738.3**	4,235.4	**2,334.0**	3,070.5
Taxation and zakat	38	**(873.6)**	(619.0)	**(348.7)**	(395.2)
Profit for the financial year		**3,864.7**	3,616.4	**1,985.3**	2,675.3
Profit attributable to:					
- Owners of the Company		**3,661.8**	3,592.7	**1,985.3**	2,675.3
- Non-controlling interests		**202.9**	23.7	**0**	0
Profit for the financial year		**3,864.7**	3,616.4	**1,985.3**	2,675.3

		Sen	Sen
Earnings per share:			
- Basic	39	**64.05**	63.06
- Diluted	39	**63.73**	62.79

The notes set out on pages 198 to 340 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	Group 2021 RM'million	Group 2020 RM'million	Company 2021 RM'million	Company 2020 RM'million
Profit for the financial year		**3,864.7**	3,616.4	**1,985.3**	2,675.3
Other comprehensive income/(expense)					
Item that will not be reclassified subsequently to profit or loss:					
- Defined benefit plan actuarial gain/(loss)		**989.1**	(402.0)	**928.7**	(403.1)
Items that may be reclassified subsequently to profit or loss:					
- Foreign currency translation differences		**384.9**	(34.3)	**0**	0
- Financial assets at FVOCI		**5.2**	(1.3)	**5.2**	(1.3)
- Share of other comprehensive income ('OCI') of associates accounted for using the equity method	9	**17.5**	(38.7)	**0**	0
Total other comprehensive income/(expense)		**1,396.7**	(476.3)	**933.9**	(404.4)
Total comprehensive income for the financial year		**5,261.4**	3,140.1	**2,919.2**	2,270.9
Attributable to:					
- Owners of the Company		**5,048.1**	3,117.7	**2,919.2**	2,270.9
- Non-controlling interests	7(c)	**213.3**	22.4	**0**	0
Total comprehensive income for the financial year		**5,261.4**	3,140.1	**2,919.2**	2,270.9

The notes set out on pages 198 to 340 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Note	Attributable to owners of the Company				
		Ordinary shares RM'million	Other reserves RM'million	Retained profits RM'million	Non-controlling interests RM'million	Total equity RM'million
Group						
At 1 January 2021		**11,675.2**	**(8,242.7)**	**52,400.7**	**1,616.7**	**57,449.9**
Profit for the financial year		**0**	**0**	**3,661.8**	**202.9**	**3,864.7**
Foreign currency translation reserve	31	**0**	**384.9**	**0**	**0**	**384.9**
Fair value changes of financial assets at FVOCI	31	**0**	**5.2**	**0**	**0**	**5.2**
Share of OCI of associates accounted for using the equity method	31	**0**	**17.5**	**0**	**0**	**17.5**
Employee benefits reserve	31	**0**	**978.7**	**0**	**10.4**	**989.1**
Total comprehensive income for the financial year		**0**	**1,386.3**	**3,661.8**	**213.3**	**5,261.4**
LTIP:						
- Share-based payment expense	31	**0**	**332.5**	**0**	**0**	**332.5**
- Reversal of share-based payment expense	31	**0**	**(37.0)**	**0**	**0**	**(37.0)**
- Shares issued	31	**252.4**	**(252.4)**	**0**	**0**	**0**
Dividends paid:						
- Final dividend for FY2020	40	**0**	**0**	**(1,026.8)**	**0**	**(1,026.8)**
- Special dividend for FY2020	40	**0**	**0**	**(2,281.9)**	**0**	**(2,281.9)**
- Interim dividend for FY2021	40	**0**	**0**	**(1,259.7)**	**0**	**(1,259.7)**
Dividend paid to NCI		**0**	**0**	**0**	**(1.0)**	**(1.0)**
Redemption of Redeemable Preference Shares by NCI	7	**0**	**0**	**0**	**(45.0)**	**(45.0)**
Total transactions with owners		**252.4**	**43.1**	**(4,568.4)**	**(46.0)**	**(4,318.9)**
At 31 December 2021		**11,927.6**	**(6,813.3)**	**51,494.1**	**1,784.0**	**58,392.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Note	Attributable to owners of the Company			Non-controlling interests RM'million	Total equity RM'million
		Ordinary shares RM'million	Other reserves RM'million	Retained profits RM'million		
Group						
At 1 January 2020		11,446.1	(7,763.8)	54,299.5	1,300.3	59,282.1
Profit for the financial year		0	0	3,592.7	23.7	3,616.4
Foreign currency translation reserve	31	0	(33.6)	0	(0.7)	(34.3)
Fair value changes of financial assets at FVOCI	31	0	(1.3)	0	0	(1.3)
Share of OCI of associates accounted for using the equity method	31	0	(38.7)	0	0	(38.7)
Employee benefits reserve	31	0	(401.4)	0	(0.6)	(402.0)
Total comprehensive (expense)/income for the financial year		0	(475.0)	3,592.7	22.4	3,140.1
LTIP:						
- Share-based payment expense	31	0	272.2	0	0	272.2
- Reversal of share-based payment expense	31	0	(47.0)	0	0	(47.0)
- Shares issued	31	229.1	(229.1)	0	0	0
Dividends paid:						
- Final dividend for FY2019	40	0	0	(1,137.4)	0	(1,137.4)
- Special dividend for FY2019	40	0	0	(2,843.4)	0	(2,843.4)
- Interim dividend for FY2020	40	0	0	(1,255.0)	0	(1,255.0)
Dividend paid to NCI		0	0	0	(2.8)	(2.8)
Acquisition of shares from NCI	7	0	0	(11.4)	9.5	(1.9)
Acquisition of Redeemable Preference Shares from NCI	7	0	0	(244.3)	(36.8)	(281.1)
Subscription of Redeemable Preference Shares by NCI	7	0	0	0	225.3	225.3
Acquisition of new subsidiary	7	0	0	0	98.8	98.8
Total transactions with owners		229.1	(3.9)	(5,491.5)	294.0	(4,972.3)
At 31 December 2020		11,675.2	(8,242.7)	52,400.7	1,616.7	57,449.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Note	Attributable to owners of the Company			
		Ordinary shares RM'million	Other reserves RM'million	Retained profits RM'million	Total equity RM'million
Company					
At 1 January 2021		**11,675.2**	**(6,918.6)**	**41,998.4**	**46,755.0**
Profit for the financial year		**0**	**0**	**1,985.3**	**1,985.3**
Fair value changes of financial assets at FVOCI	31	**0**	**5.2**	**0**	**5.2**
Employee benefits reserve	31	**0**	**928.7**	**0**	**928.7**
Total comprehensive income for the financial year		**0**	**933.9**	**1,985.3**	**2,919.2**
LTIP:					
- Share-based payment expense	31	**0**	**332.5**	**0**	**332.5**
- Reversal of share-based payment expense	31	**0**	**(37.0)**	**0**	**(37.0)**
- Shares issued	31	**252.4**	**(252.4)**	**0**	**0**
Dividends paid:					
- Final dividend for FY2020	40	**0**	**0**	**(1,026.8)**	**(1,026.8)**
- Special dividend for FY2020	40	**0**	**0**	**(2,281.9)**	**(2,281.9)**
- Interim dividend for FY2021	40	**0**	**0**	**(1,259.7)**	**(1,259.7)**
Total transactions with owners		**252.4**	**43.1**	**(4,568.4)**	**(4,272.9)**
At 31 December 2021		**11,927.6**	**(5,941.6)**	**39,415.3**	**45,401.3**
At 1 January 2020		11,446.1	(6,510.3)	44,558.9	49,494.7
Profit for the financial year		0	0	2,675.3	2,675.3
Fair value changes of financial assets at FVOCI	31	0	(1.3)	0	(1.3)
Employee benefits reserve	31	0	(403.1)	0	(403.1)
Total comprehensive (expense)/income for the financial year		0	(404.4)	2,675.3	2,270.9
LTIP:					
- Share-based payment expense	31	0	272.2	0	272.2
- Reversal of share-based payment expense	31	0	(47.0)	0	(47.0)
- Shares issued	31	229.1	(229.1)	0	0
Dividends paid:					
- Final dividend for FY2019	40	0	0	(1,137.4)	(1,137.4)
- Special dividend for FY2019	40	0	0	(2,843.4)	(2,843.4)
- Interim dividend for FY2020	40	0	0	(1,255.0)	(1,255.0)
Total transactions with owners		229.1	(3.9)	(5,235.8)	(5,010.6)
At 31 December 2020		11,675.2	(6,918.6)	41,998.4	46,755.0

The notes set out on pages 198 to 340 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Group		Company	
	2021 RM'million	**2020 RM'million**	**2021 RM'million**	**2020 RM'million**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year	**3,864.7**	3,616.4	**1,985.3**	2,675.3
Adjustments for:				
Taxation and zakat	**873.6**	619.0	**348.7**	395.2
Property, plant and equipment:				
- Depreciation	**7,193.4**	6,997.3	**4,640.8**	4,758.5
- Written off	**199.5**	27.3	**197.2**	27.3
- Loss/(Gain) on disposals	**2.4**	(8.2)	**2.4**	(6.5)
- Abandoned projects	**106.7**	30.8	**5.5**	30.8
Right-of-use ('ROU') assets:				
- Depreciation	**3,498.1**	3,625.1	**5,898.5**	5,465.5
- Gain on disposals	**(4.1)**	(0.1)	**(4.1)**	(0.1)
Provision for post-employment benefits	**645.7**	686.7	**587.6**	634.7
LTIP:				
- Share-based payment expense	**332.5**	272.2	**229.2**	177.8
- Reversal of share-based payment expense	**(37.0)**	(47.0)	**(19.8)**	(31.5)
Foreign exchange translation loss/(gain)	**67.4**	(71.6)	**18.6**	(72.7)
Gain on redemption of Redeemable Preference Shares ('RPS') in subsidiaries	**0**	0	**0**	(110.8)
Remeasurement gain on previously held interest in an associate	**0**	(231.3)	**0**	0
(Gain)/Loss on disposal of subsidiaries	**(25.1)**	0	**29.3**	0
Share of results of joint ventures	**(29.3)**	(19.8)	**0**	0
Share of results of associates	**(164.2)**	(56.7)	**0**	0
Dividend income	**(2.4)**	(3.1)	**(50.8)**	(175.6)
Finance income	**(221.8)**	(317.7)	**(394.1)**	(223.4)
Finance cost on:				
- Borrowings	**2,175.9**	1,924.1	**755.6**	721.5
- Lease liabilities	**1,460.1**	1,587.9	**4,047.8**	3,864.9
- Consumer deposits	**170.3**	158.7	**161.8**	151.9
- Others	**12.4**	19.5	**14.8**	0.1
Release of:				
- Customers' contributions	**(269.1)**	(283.0)	**(224.5)**	(237.0)
- Deferred income	**(247.0)**	(265.8)	**0**	0
Government development grants:				
- Other operating income	**(62.8)**	(66.8)	**0**	0
- Finance cost	**(25.4)**	(21.5)	**0**	0
Impairment losses on:				
- Receivables	**1,003.6**	623.7	**804.5**	405.9
- Contract assets	**70.8**	43.8	**64.0**	36.7
- Amounts due from subsidiaries	**0**	0	**343.5**	290.0
- Amounts due from joint ventures	**0**	28.4	**0**	0
- Amounts due from associates	**0.2**	0.2	**0.1**	0.2
- Financial guarantees	**8.2**	0	**8.2**	0
- Investment in unquoted debt security	**102.1**	37.6	**102.1**	37.6

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2021

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Adjustments for: (continued)				
Reversal of impairment losses on:				
- Receivables	**(85.3)**	(133.4)	**(79.8)**	(64.3)
- Contract assets	**(44.3)**	(50.5)	**(36.7)**	(44.0)
- Amounts due from subsidiaries	**0**	0	**(751.3)**	(299.1)
- Amounts due from joint ventures	**(2.6)**	(3.6)	**0**	0
- Amounts due from associates	**(0.2)**	0	**(0.2)**	0
- Financial guarantees	**0**	0	**0**	(0.6)
- Investment in unquoted debt security	**(112.3)**	0	**(112.3)**	0
Impairment losses on investments in:				
- Subsidiaries	**0**	0	**719.4**	164.5
- Associates	**291.8**	51.6	**0**	0
Inventories:				
- Provision for obsolescence	**182.8**	163.7	**85.2**	105.6
- Write back of obsolescence	**(85.4)**	(117.9)	**(65.4)**	(117.9)
- Written off	**172.9**	82.5	**73.8**	78.2
Changes in fair value of financial instruments	**(201.8)**	(124.9)	**2.5**	(188.3)
Gain on variable lease payments	**(75.7)**	(125.8)	**(520.9)**	(374.4)
Cash from operations before working capital changes	**20,739.3**	18,647.8	**18,866.5**	18,076.0
Inventories	**(663.5)**	216.0	**115.4**	49.5
Receivables	**(4,393.1)**	(2,380.4)	**(3,568.7)**	(2,570.0)
Contract balances	**17.8**	203.8	**75.1**	279.6
Payables	**(1,899.6)**	1,508.8	**(3,031.4)**	1,671.6
Subsidiaries balances	**0**	0	**2,274.9**	(733.4)
Associates balances	**(212.0)**	(76.7)	**(61.5)**	(51.5)
Joint ventures balances	**(22.3)**	(33.7)	**0**	0
Cash generated from operations	**13,566.6**	18,085.6	**14,670.3**	16,721.8
Post-employment benefits paid	**(781.5)**	(787.5)	**(757.8)**	(757.0)
Contract liabilities received	**1,038.7**	938.6	**817.8**	527.1
Consumer deposits received	**263.9**	226.4	**260.2**	230.7
Taxation and zakat paid	**(743.8)**	(2,944.5)	**(118.9)**	(2,735.5)
Net cash flows generated from operating activities	**13,343.9**	15,518.6	**14,871.6**	13,987.1

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries net of cash and cash equivalent	**0**	66.9	**0**	0
Deferred consideration paid	**0**	(68.3)	**0**	0
Net cash inflow from disposal of subsidiaries	**221.7**	0	**221.7**	0
Cash consideration paid to acquire an associate	**(674.7)**	0	**0**	0
Additional investments in:				
- Subsidiaries	**0**	0	**0**	(882.6)
- Unquoted debt securities	**0**	(104.9)	**0**	(104.9)
- Financial assets at FVTPL	**(68,344.7)**	(68,925.1)	**(66,826.5)**	(66,420.0)
- Joint venture	**0**	(3.4)	**0**	0
- Associate	**0**	(25.1)	**0**	(25.1)
Proceeds from redemptions:				
- RPS in subsidiaries	**0**	0	**0**	329.3
- RPS in associates	**6.6**	42.8	**0**	0
Disposals of financial assets at FVTPL	**73,024.2**	70,050.6	**71,521.5**	68,563.0
Dividend income received	**65.3**	63.7	**47.1**	172.5
Finance income received	**116.4**	130.8	**46.3**	47.2
Property, plant and equipment:				
- Additions	**(8,411.3)**	(6,909.7)	**(7,710.7)**	(5,165.0)
- Proceeds from disposals	**30.4**	188.6	**32.7**	186.9
Proceeds from disposals of ROU assets	**3.5**	0.1	**3.5**	0.1
Advances granted to subsidiaries	**0**	0	**(671.9)**	(200.6)
Net cash flows used in investing activities	**(3,962.6)**	(5,493.0)	**(3,336.3)**	(3,499.2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Government development grants received	**2.2**	9.3	**0**	0
Long term borrowings:				
- Drawdowns	**3,000.0**	3,112.6	**3,000.0**	3,000.0
- Repayments	**(4,379.3)**	(911.3)	**(3,505.5)**	(105.5)
Short term borrowings:				
- Drawdowns	**4,266.1**	3,341.9	**3,750.0**	2,490.0
- Repayments	**(1,000.8)**	(3,538.7)	**(450.0)**	(2,740.0)
Finance cost paid	**(2,280.3)**	(2,224.8)	**(982.0)**	(940.3)
Repayments of lease obligations:				
- Principal	**(2,700.2)**	(2,738.5)	**(3,853.0)**	(3,514.8)
- Interest	**(1,459.8)**	(1,597.4)	**(4,018.8)**	(3,783.8)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
CASH FLOWS FROM FINANCING ACTIVITIES (CONTINUED)				
Dividends paid to shareholders	**(4,568.4)**	(5,235.8)	**(4,568.4)**	(5,235.8)
Dividends paid to NCI	**(1.0)**	(2.8)	**0**	0
Acquisition of PEC from NCI	**0**	(32.4)	**0**	0
Subscription of RPS by NCI	**0**	225.3	**0**	0
Acquisition of RPS from NCI	**0**	(281.1)	**0**	0
Redemption of RPS from NCI	**(45.0)**	0	**0**	0
Acquisition of shares from NCI	**0**	(1.9)	**0**	0
Net (increase)/decrease in debt reserve accounts	**(12.5)**	4.1	**0**	0
Net decrease/(increase) in cash at bank, held in trust	**77.3**	(34.1)	**0**	0
Net decrease/(increase) in restricted cash	**105.9**	(84.6)	**0**	0
Net decrease in deposits maturing more than 90 days	**176.6**	2,547.0	**0**	2,200.2
Net cash flows used in financing activities	**(8,819.2)**	(7,443.2)	**(10,627.7)**	(8,630.0)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**562.1**	2,582.4	**907.6**	1,857.9
EFFECTS OF CHANGES IN FOREIGN CURRENCY	**49.8**	(0.2)	**43.5**	(10.0)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**5,023.0**	2,440.8	**2,395.0**	547.1
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (NOTE 22)	**5,634.9**	5,023.0	**3,346.1**	2,395.0

The changes in liabilities arising from financing activities have been disclosed in Notes 15, 27 and 28 respectively.

The notes set out on pages 198 to 340 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1 GENERAL INFORMATION

The Group and the Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 7 to these financial statements, which also includes the details of the subsidiaries of the Group.

There have been no significant changes in these activities of the Group and of the Company during the financial year.

The Company follows the Incentive Based Regulation ('IBR') framework for the regulated business.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is Pejabat Setiausaha Syarikat, Tingkat 2, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia.

2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act 2016 in Malaysia. The Group has taken into consideration the COVID-19 (Coronavirus) impact and the current economic environment on the basis of preparation of these financial statements. The Directors continue to consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The financial statements have been prepared under the historical cost convention, except as disclosed in Note 3 and respective notes in the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) Amendments to published standards that are effective and applicable to the Group and the Company.

The Group and the Company have applied the following amendments for the first time:

<u>Effective for financial year beginning on 1 January 2021</u>:

Amendments to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 16 Leases	Interest Rate Benchmark Reform Phase 2
Amendments to MFRS 16 Leases	COVID-19-Related Rent Concessions

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 BASIS OF PREPARATION (CONTINUED)

(b) New standard and amendments to the published standards that are applicable to the Group and the Company but not yet effective.

The Group and the Company will apply the new standard and amendments to the published standards in the following periods:

Effective for financial year beginning on 1 January 2022:

Amendments to MFRS 16 Leases	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3 Business Combinations	Reference to the Conceptual Framework
Amendments to MFRS 9 Financial Instruments	Annual Improvements to MFRS Standards 2018-2020
Amendments to MFRS 116 Property, Plant and Equipment	Proceeds before Intended Use
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts – Cost of Fulfilling a Contract

Effective for financial year beginning on 1 January 2023:

MFRS 17	Insurance Contracts
Amendments to MFRS 101 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101 Presentation of Financial Statements	Disclosure of Accounting Policies
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates
Amendments to MFRS 112 Income Taxes	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective date deferred by Malaysian Accounting Standards Board:

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The adoption of the above applicable new standard, amendments to published standards, interpretations and improvements to existing standards are not expected to have a material impact on the financial statements of the Group and of the Company except for MFRS 17 for which the Group is assessing the impact to the financial statements.

There are no other standards, amendments and improvements to published standards and interpretations to existing standards that are not effective that would be expected to have a material impact on the Group and the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when:
- exposed to, or has rights to, variable returns from its involvement with the entity;
- has the ability to affect those returns through its power to direct the relevant activities of the entity; and
- the existence and effect of potential voting rights are considered only when such rights are substantive when assessing control.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Subsidiaries and basis of consolidation (continued)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The characteristics of those financial statements are:

- the financial statements of the subsidiaries are prepared for the same reporting date as the Company.
- subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.
- intragroup balances, transactions and unrealised gains or losses are eliminated in full.
- uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

The Group applies the acquisition method to account for business combinations. The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in the statement of profit or loss.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in the statement of profit or loss. Refer to Note 10 for accounting policy on goodwill.

NCI is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. At the end of the reporting period, NCI consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the NCI, even if the attribution of losses to the NCI results in a debit balance in the shareholders' equity.

(iii) Changes in ownership interest

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(b) Transactions with NCI

Transactions with NCI that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and NCI to reflect their relative interests in the subsidiary. Any differences between the amount of the adjustment to NCI and any consideration paid or received are recognised in equity attributable to owners of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised in the statement of profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and its value in use ('VIU'). For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill previously impaired are reviewed for possible reversal of the impairment at each reporting date. Any subsequent increase in recoverable amount is recognised in the statement of profit or loss.

(d) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit or loss as an expense as incurred.

Expenditure on development activities, whereby the application research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only when all of the following criteria are fulfilled:
(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;
(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalised development costs are recognised as intangible assets and amortised from the point at which the asset is ready for use on a straight line method over its useful life.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the assets for its intended use. Other development expenditure is recognised in the statement of profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

All other significant accounting policies are disclosed in their respective notes.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equate to the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group's and the Company's results and financial positions are tested for sensitivity to changes in the underlying parameters.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:
(a) Impairment of property, plant and equipment ('PPE')

The Group and the Company assess impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e., the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its VIU. The VIU is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and the Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (continued)

(b) Impairment of subsidiaries and associates

The Group and the Company assess impairment of its investment in subsidiaries and associates whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable i.e. the carrying amount is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell and its VIU. The VIU is the net present value of the projected future cash flow derived discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and the Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. The assumptions used, results and sensitivity of the impairment assessments are disclosed in Notes 7 and 9.

(c) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy and whenever events or change in circumstances indicate that this is necessary within the financial period. This requires an estimation of the VIU of the cash generating unit to which the goodwill is allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the cash generating unit to the Group and also to apply a suitable discount rate in order to calculate the present value of those cash flows. The assumptions used, results and sensitivity of the impairment assessment of goodwill are disclosed in Note 10.

(d) Measurement of expected credit loss ('ECL') allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of key assumptions and inputs used are disclosed in Note 45.

(e) Restoration costs of leased assets

The Group recognises a provision for restoration costs for leased assets where contracts contain an obligation to remove the asset after the end of the contract and to restore the site to its original condition. The estimates of the restoration costs are based on the quoted price given by the external contractor for a particular asset. The provision recognised is the present value of the estimated restoration costs discounted using a risk free pre-tax rate. An amount equivalent to the provision is recognised within PPE and ROU assets depending on in which category the underlying asset is recognised, and is depreciated over the useful lives of the related assets. The unwinding of the discount on the provision is included in finance cost. The details of the provision are disclosed in Note 29.

(f) Estimation of income taxes

(i) Income tax

Income tax is estimated based on the rules governed under the Income Tax Act, 1967.

Differences in determining the capital allowances, deductibility of certain expenses and subsequent utilisation of reinvestment allowance may arise during the estimation of the provision for income tax between tax calculated at the statement of financial position date, and the final submission to the tax authority as a result of obtaining further detailed information that may become available subsequent to the statement of financial position date.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions and deferred tax balance in the period in which such determination is made.

The Group and the Company have recorded tax recoverable for which the Group and the Company believe that there is a reasonable basis for recognition. Where the final tax outcome of this matter is different from the amount that was initially recorded, such difference may cause a material adjustment to the carrying amount of the tax recoverable balance recorded in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (continued)

(f) Estimation of income taxes (continued)

(i) Income tax (continued)

On 23 November 2015, the Inland Revenue Board ('IRB') had disallowed the Company's reinvestment allowance ('RIA') claims for the Years of Assessment ('YAs') 2013 and 2014 and had issued notices of additional assessments ('Notices') of RM2,068.2 million to the Company. The Company had filed an appeal to the Special Commissioners of the Income Tax ('SCIT') against the Notices.

On 28 November 2019, the IRB had also disallowed the Company's RIA claims for the YAs 2015, 2016 and 2017 by issuing Notices of RM3,977.9 million to the Company. The Company had commenced a judicial review application to the High Court against the said Notices. The leave application was heard on 5 October 2020 and pending decision, the Company was granted an interim stay against the payment of the disputed tax.

On 30 December 2020, the Company and the IRB recorded a consent order in relation to the judicial review filed for the YAs 2015, 2016 and 2017. Pursuant to the consent order, the Court had granted a stay of proceedings against the enforcement of the IRB's notices of additional assessment and leave to commence judicial review. The substantive hearing which was initially fixed on 16 March 2022 has been vacated by the High Court. The High Court proceeded to reschedule the hearing to 21 June 2022.

On 13 July 2020, the IRB had also disallowed the Company's RIA claims for the YA 2018 by issuing notice of additional assessment of RM1,812.5 million to the Company. The Company had commenced judicial review application against the said Notices and the leave application was heard by the High Court on 21 September 2020 and the High Court had granted leave to the Company to commence judicial review proceedings against the IRB on 30 September 2020. On 21 January 2021, the Company and the IRB recorded a consent order in relation to the judicial review filed for the YA 2018.

Pursuant to the consent order, the High Court has granted a stay of proceedings against the enforcement of the IRB's notice of additional assessment. Subsequently on 13 January 2022, the High Court heard TNB's judicial review application and on 8 February 2022, the High Court had allowed with cost the Company's judicial review application to set aside the IRB's notice of additional assessment dated 13 July 2020 for the YA 2018.

The High Court agreed with the Company's submission that TNB is in the business of manufacturing electricity and as such, TNB is entitled to claim RIA on the capital expenditure which was incurred in YA 2018 in the course of expanding, modernising and automating TNB's business. Separately on 8 February 2022, the IRB had filed a notice of appeal before the Court of Appeal against the decision of the High Court. The Court of Appeal had fixed a case management on 28 March 2022.

As at 31 December 2021, the Group and the Company recorded a tax recoverable of RM3,522.4 million from the IRB arising from the resubmission of tax computations for the YAs 2003 to 2006 and 2008 to 2012 pursuant to the explicit approval given by the IRB on 21 January 2013 on the eligibility of the Company in claiming the RIA and the payment of RM1,757.3 million which had been made to IRB in December 2020 in respect of YAs 2016 and 2017.

In addition, the Group and the Company have not recorded the potential additional tax liability arising from the tax impact if the RIA claimed is disallowed and the Company loses its appeal. The realisation of this tax recoverable and the potential tax liability is dependent on the outcome of judgement on the RIA claims by the SCIT and by the Kuala Lumpur High Court, including if there is a subsequent appeal by either party, as disclosed in Note 42.

The Directors have performed an assessment on the tax recoverable of RM3,522.4 million and the potential tax liability based on legal view obtained from external legal counsel and the facts surrounding its RIA claims. The Directors have exercised judgement that there is sufficient evidence and case law to support the Company's appeal against the Notices.

On 16 November 2021, Kapar Energy Ventures Sdn. Bhd.'s ('KEV') had commenced a judicial review against the Minister of Finance at the High Court to challenge the matters on IRB disallowing the interest expenses incurred by KEV in relation to the Redeemable Unsecured Loan Stock granted to KEV by TNB and Malakoff Corporation Berhad and KEV's revision of revenue for the YAs 2004 to 2009.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (continued)

(f) Estimation of income taxes (continued)

(i) Income tax (continued)

Based on the legal advice obtained from its tax solicitors, KEV is of the view that it has a good basis in law to contend that the said Notices were incorrectly raised by the IRB and on this basis the Directors are of the opinion that no provision is required in the financial statements for the potential tax liability up to the reporting date. Further details on the judicial review are as disclosed in Note 42.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised, as disclosed in Note 12.

(g) Post-employment employee benefits

The Group and the Company provide both Retirement Benefit Plan and Post Retirement Medical Plan for certain employees. The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using certain assumptions. The key assumptions used in determining the net cost/(income) for the employee benefits include discount rate, medical claim inflation rate and salary increment rate. Any changes in these assumptions will impact the carrying amount of employee benefits obligations, as disclosed in Note 25.

- Discount rate

  The Group and the Company determine the appropriate discount rate at the end of each financial period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and the Company consider the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefits obligations.

- Medical claim inflation rate

  The medical claim inflation rate for general practitioner, hospitalisation, specialist and dialysis medical claims, as determined by the Group and the Company are based on the annualised increase in average claims over the past 4 years.

- Salary increment rate

  The salary increment rate for employees receiving the Retirement Benefit Plan as determined by the Group and the Company is based on the average salary increment rate for the past 12 years and considerations for price inflation, real salary increase, promotions and Collective Agreement ('CA') negotiation.

(h) Group's sustainability pathway consideration

The Group's sustainability pathway is to reduce emission intensity by 35.0%, halve coal generation capacity by 2035, aspire to achieve net zero emissions and coal free by 2050. Based on this sustainability pathway, the Group has assessed whether climate change risks have affected the reasonable and supportable assumption used to estimate the cash flow projections and the estimated useful lives of the generation assets. The revisions and assessments in relation to the climate change and sustainability pathway do not have a material impact on the financial statements of the Group and the Company. Further details are as disclosed in Note 5.

5 PROPERTY, PLANT AND EQUIPMENT ('PPE')

Accounting Policy

PPE are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the construction or acquisition of the items and bringing them to the location and condition so as to render them operational in the manner intended by the Group and the Company and allocated according to its components.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items can be measured reliably. The carrying amount of the replaced part is derecognised.

The cost of major overhaul/inspection is recognised in the asset's carrying amount as a replacement and the remaining carrying amount of the previous major overhaul/inspection is derecognised.

Major spare parts and standby equipment are recognised as assets when the Group and the Company expect to use for more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of PPE, they are accounted for as PPE.

Gains or losses on disposal of PPE are determined by reference to their carrying amount and are included in profit or loss.

Freehold land and capital work-in-progress are not depreciated. Other PPE are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

Buildings and civil works	10 - 60 years
Plant and machinery	3 - 50 years
Lines and distribution mains	10 - 60 years
Distribution services	25 years
Meters	10 - 15 years
Public lighting	15 - 25 years
Furniture, fittings and office equipment	3 - 15 years
Motor vehicles	5 - 15 years

Residual values and useful lives of assets are reviewed and adjusted if appropriate, on an annual basis.

At the end of the reporting period, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount (Note 3(c)).

The Group has revised the estimated useful lives of generation assets based on the trend within the power generation industry and the Group's sustainability pathway. Accordingly, the useful lives of the gas fired power plants' plant and machinery and hydro power plant dams have been extended for additional 5 years and 40 years respectively, based on the track records and research information available. There was a revision to the useful lives of the coal fired power plants related assets which is in line with the Group's aspiration to discontinue coal plants.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

5 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	As at 1.1.2021 RM'million	Exchange rate adjustments RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write offs RM'million	As at 31.12.2021 RM'million
2021						
Group						
Cost						
Freehold land	2,843.6	0	324.9	0	(2.5)	3,166.0
Buildings and civil works	24,075.7	0	20.5	13.3	1,269.7	25,379.2
	26,919.3	0	345.4	13.3	1,267.2	28,545.2
Plant and machinery	88,784.1	102.7	295.4	(685.5)	5,799.9	94,296.6
Lines and distribution mains	52,247.2	0	218.2	(83.0)	2,019.0	54,401.4
Distribution services	5,099.3	0	3.6	0	227.8	5,330.7
Meters	3,604.1	0	3.6	(86.8)	490.6	4,011.5
Public lighting	1,676.6	0	0	(0.2)	285.3	1,961.7
Furniture, fittings and office equipment	3,427.5	0.1	457.1	(17.4)	1.7	3,869.0
Motor vehicles	787.0	0	83.8	(30.5)	4.9	845.2
	182,545.1	102.8	1,407.1	(890.1)	10,096.4	193,261.3
Capital work-in-progress	14,872.0	0	7,484.9	(259.8)	(9,866.4)	12,230.7
	197,417.1	102.8	8,892.0	(1,149.9)	230.0	205,492.0

	As at 1.1.2021 RM'million	Exchange rate adjustments RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write offs RM'million	As at 31.12.2021 RM'million
2021					
Group					
Accumulated depreciation					
Buildings and civil works	8,157.7	0	645.5	31.1	8,834.3
Plant and machinery	39,954.9	3.2	3,806.0	(499.1)	43,265.0
Lines and distribution mains	27,583.3	0	1,786.7	(64.4)	29,305.6
Distribution services	3,207.8	0	188.9	0	3,396.7
Meters	2,249.6	0	197.7	(62.9)	2,384.4
Public lighting	559.4	0	117.6	(0.2)	676.8
Furniture, fittings and office equipment	2,518.0	0	412.9	(5.4)	2,925.5
Motor vehicles	590.3	0	38.1	(30.3)	598.1
	84,821.0	3.2	7,193.4	(631.2)	91,386.4

5 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	As at 1.1.2020 RM'million	Exchange rate adjustments RM'million	Acquisition of subsidiary RM'million	Asset classified as held for sale RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write offs RM'million	As at 31.12.2020 RM'million
2020								
Group								
Cost								
Freehold land	2,509.3	0	0	(1.3)	336.1	(0.5)	0	2,843.6
Buildings and civil works	24,309.5	(0.1)	0	(2.1)	7.9	(173.9)	(65.6)	24,075.7
	26,818.8	(0.1)	0	(3.4)	344.0	(174.4)	(65.6)	26,919.3
Plant and machinery	83,494.7	(32.2)	2,540.5	(504.6)	129.4	(114.6)	3,270.9	88,784.1
Lines and distribution mains	49,192.0	0	0	0	31.8	(18.4)	3,041.8	52,247.2
Distribution services	4,856.4	0	0	0	9.1	0	233.8	5,099.3
Meters	3,270.0	0	0	0	2.9	(20.8)	352.0	3,604.1
Public lighting	1,164.8	0	0	0	0	0.4	511.4	1,676.6
Furniture, fittings and office equipment	3,029.4	(0.4)	0	(6.0)	484.1	(85.7)	6.1	3,427.5
Motor vehicles	728.0	(0.1)	0	(1.2)	57.8	(13.7)	16.2	787.0
	172,554.1	(32.8)	2,540.5	(515.2)	1,059.1	(427.2)	7,366.6	182,545.1
Capital work-in-progress	15,863.1	0	0	(28.5)	6,084.6	(139.3)	(6,907.9)	14,872.0
	188,417.2	(32.8)	2,540.5*	(543.7)#	7,143.7	(566.5)	458.7	197,417.1

	As at 1.1.2020 RM'million	Exchange rate adjustments RM'million	Asset classified as held for sale RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write offs RM'million	As at 31.12.2020 RM'million
2020						
Group						
Accumulated depreciation						
Buildings and civil works	7,509.7	0	(2.0)	627.4	22.6	8,157.7
Plant and machinery	36,309.6	2.3	11.8	3,773.8	(142.6)	39,954.9
Lines and distribution mains	25,816.8	0	0	1,781.0	(14.5)	27,583.3
Distribution services	3,021.7	0	0	186.1	0	3,207.8
Meters	2,093.4	0	0	172.4	(16.2)	2,249.6
Public lighting	465.8	0	0	93.2	0.4	559.4
Furniture, fittings and office equipment	2,279.6	0	(5.2)	326.3	(82.7)	2,518.0
Motor vehicles	569.0	0	(1.2)	37.1	(14.6)	590.3
	78,065.6	2.3	3.4#	6,997.3	(247.6)	84,821.0
Accumulated impairment losses						
Plant and machinery	385.6	0	(385.6)#	0	0	0

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5 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	As at 1.1.2021 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write offs RM'million	As at 31.12.2021 RM'million
2021					
Company					
Cost					
Freehold land	2,558.5	324.9	0	129.9	3,013.3
Buildings and civil works	15,258.0	0	0	482.8	15,740.8
	17,816.5	324.9	0	612.7	18,754.1
Plant and machinery	43,489.7	0	(661.6)	2,495.5	45,323.6
Lines and distribution mains	49,389.3	0	(82.9)	2,022.1	51,328.5
Distribution services	4,762.4	0	0	220.2	4,982.6
Meters	3,495.1	0	(86.7)	488.7	3,897.1
Public lighting	1,675.5	0	(0.2)	284.7	1,960.0
Furniture, fittings and office equipment	2,903.1	425.0	(0.8)	(3.1)	3,324.2
Motor vehicles	613.3	71.7	(27.7)	5.9	663.2
	124,144.9	821.6	(859.9)	6,126.7	130,233.3
Capital work-in-progress	7,896.2	7,130.7	(26.2)	(5,796.8)	9,203.9
	132,041.1	7,952.3	(886.1)	329.9	139,437.2

	As at 1.1.2021 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write offs RM'million	As at 31.12.2021 RM'million
2021				
Company				
Accumulated depreciation				
Buildings and civil works	4,796.1	362.3	(0.1)	5,158.3
Plant and machinery	23,022.4	1,727.5	(471.0)	24,278.9
Lines and distribution mains	26,431.7	1,667.0	(64.4)	28,034.3
Distribution services	2,994.1	172.7	0	3,166.8
Meters	2,172.4	191.2	(62.9)	2,300.7
Public lighting	558.6	117.5	(0.2)	675.9
Furniture, fittings and office equipment	2,086.1	375.3	(0.8)	2,460.6
Motor vehicles	451.0	27.3	(27.1)	451.2
	62,512.4	4,640.8	(626.5)	66,526.7

5 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	As at 1.1.2020 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write offs RM'million	As at 31.12.2020 RM'million
2020					
Company					
Cost					
Freehold land	2,512.1	317.8	(0.5)	(270.9)	2,558.5
Buildings and civil works	18,156.7	0	(173.4)	(2,725.3)	15,258.0
	20,668.8	317.8	(173.9)	(2,996.2)	17,816.5
Plant and machinery	45,156.6	0	(92.8)	(1,574.1)	43,489.7
Lines and distribution mains	46,373.2	0	(18.3)	3,034.4	49,389.3
Distribution services	4,528.6	0	0	233.8	4,762.4
Meters	3,158.3	0	(20.6)	357.4	3,495.1
Public lighting	1,164.7	0	0.4	510.4	1,675.5
Furniture, fittings and office equipment	2,632.9	457.4	(84.7)	(102.5)	2,903.1
Motor vehicles	588.6	43.2	(12.3)	(6.2)	613.3
	124,271.7	818.4	(402.2)	(543.0)	124,144.9
Capital work-in-progress	9,967.6	5,331.0	(54.8)	(7,347.6)	7,896.2
	134,239.3	6,149.4	(457.0)	(7,890.6)^	132,041.1

	As at 1.1.2020 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write offs RM'million	As at 31.12.2020 RM'million
2020				
Company				
Accumulated depreciation				
Buildings and civil works	6,005.5	420.7	(1,630.1)	4,796.1
Plant and machinery	24,380.2	1,913.8	(3,271.6)	23,022.4
Lines and distribution mains	24,771.8	1,674.4	(14.5)	26,431.7
Distribution services	2,824.4	169.7	0	2,994.1
Meters	2,018.1	170.5	(16.2)	2,172.4
Public lighting	465.8	93.2	(0.4)	558.6
Furniture, fittings and office equipment	1,967.5	290.4	(171.8)	2,086.1
Motor vehicles	460.3	25.8	(35.1)	451.0
	62,893.6	4,758.5	(5,139.7)^	62,512.4

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5 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	Group		Company	
	2021 RM'million	**2020 RM'million**	**2021 RM'million**	**2020 RM'million**
Net book value				
Freehold land	**3,166.0**	2,843.6	**3,013.3**	2,558.5
Buildings and civil works	**16,544.9**	15,918.0	**10,582.5**	10,461.9
	19,710.9	18,761.6	**13,595.8**	13,020.4
Plant and machinery	**51,031.6**	48,829.2	**21,044.7**	20,467.3
Lines and distribution mains	**25,095.8**	24,663.9	**23,294.2**	22,957.6
Distribution services	**1,934.0**	1,891.5	**1,815.8**	1,768.3
Meters	**1,627.1**	1,354.5	**1,596.4**	1,322.7
Public lighting	**1,284.9**	1,117.2	**1,284.1**	1,116.9
Furniture, fittings and office equipment	**943.5**	909.5	**863.6**	817.0
Motor vehicles	**247.1**	196.7	**212.0**	162.3
	101,874.9	97,724.1	**63,706.6**	61,632.5
Capital work-in-progress	**12,230.7**	14,872.0	**9,203.9**	7,896.2
	114,105.6	112,596.1	**72,910.5**	69,528.7

* *It relates to the recognition of Vantage Solar Investments S.A.R.L. (formerly known as Vortex Solar Investments S.A.R.L.) ('VSI') as a subsidiary during the financial year 2020 as disclosed in Note 47.*

\# *During the financial year 2020, the carrying amount of TNB Liberty Power Limited ('LPL')'s PPE has been reclassified as assets held for sale. On 30 November 2021, the subsidiary was disposed as disclosed in Note 23.*

^ *The transfers, adjustments or reclassification includes the PPE amounting to RM3,092.7 million transferred at net book value to TNB Power Generation Sdn. Bhd. ('TPGSB') during the financial year 2020.*

The title deeds of certain lands are in the process of being registered in the name of the Company and certain subsidiaries.

Net book value of PPE pledged as security for borrowings are disclosed in Note 27.

Included in the capital work-in-progress is interest capitalised during the financial year for the Group and the Company of RM274.4 million (2020: RM466.3 million) and RM249.4 million (2020: RM259.6 million) respectively.

The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 5.3% (2020: 5.5%).

6 RIGHT-OF-USE ('ROU') ASSETS

Accounting Policy

A lease is a contract, or part of a contract, whereby the lessor conveys to the lessee the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:
- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier ('lessor') has a substantive substitution right, then the asset is not identified;
- The customer ('lessee') has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer ('lessee') has the right to direct the use of the asset. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer ('lessee') has the right to direct the use of the asset if either the customer ('lessee') has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

The Group and the Company as lessees

The Group and the Company lease various buildings, plant and machinery, furniture and fittings, office equipment and motor vehicles. These leases have tenures between 1 and 25 years. Lease terms are generally negotiated on an individual basis. As for leasehold land, the remaining period of the respective leases ranges from 4 to 99 years.

(i) Initial recognition

The Group and the Company recognise a ROU asset and a lease liability for all leases conveying the right to control the use of an identified asset for a period of time.

The ROU assets recognised by the Group and the Company are initially recorded at cost, which comprise the following:
- The amount of the initial measurement of the lease liability;
- Any lease payments made on or before the commencement date of the lease, less any lease incentives received;
- Any initial direct costs incurred by the Group and the Company; and
- An estimate of costs to be incurred by the Group and the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's incremental borrowing rate.

Lease liabilities include the net present value of the following lease payments:
- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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6 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)

Accounting Policy (continued)

The Group and the Company as lessees (continued)

(ii) Subsequent measurement

After initial recognition, the Group and the Company measure ROU assets at cost:
- Less any accumulated depreciation;
- Less any accumulated impairment losses; and
- Adjusted for any remeasurement of the lease liabilities.

The Group and the Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessments or lease modifications.

(iii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The Group and the Company have elected not to recognise ROU assets and lease liabilities for leases of low-value assets.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

A ROU asset and its corresponding lease liability are recognised at the date the leased asset is available for used by the Group and the Company. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

At the end of the reporting period, the Group and the Company assess whether there is any indication of impairment. If such indication exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount (Note 3(c)).

6 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)

	As at 1.1.2021 RM'million	Exchange rate adjustments RM'million	Additions RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2021 RM'million
2021					
Group					
Cost					
Long leasehold land	2,541.6	6.5	68.5	(1.3)	2,615.3
Short leasehold land	24.7	0	0	0.4	25.1
Buildings	129.4	0	16.6	0.4	146.4
	2,695.7	6.5	85.1	(0.5)	2,786.8
Plant and machinery	42,935.7	0	3,174.9	0	46,110.6
Furniture, fittings and office equipment	42.1	0	33.6	0	75.7
Motor vehicles	1.4	0	1.4	0	2.8
	45,674.9	6.5	3,295.0	(0.5)	48,975.9

	As at 1.1.2021 RM'million	Exchange rate adjustments RM'million	Charged for the financial year RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2021 RM'million
2021					
Group					
Accumulated depreciation					
Long leasehold land	526.1	0.1	40.4	(2.4)	564.2
Short leasehold land	14.7	0	0.8	0.1	15.6
Buildings	81.5	0	28.6	0.2	110.3
	622.3	0.1	69.8	(2.1)	690.1
Plant and machinery	10,114.1	0	3,411.9	0	13,526.0
Furniture, fittings and office equipment	31.0	0	15.8	0	46.8
Motor vehicles	1.2	0	0.6	0	1.8
	10,768.6	0.1	3,498.1	(2.1)	14,264.7

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6 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)

	As at 1.1.2020 RM'million	Exchange rate adjustments RM'million	Acquisition of subsidiary RM'million	ROU classified as held for sale RM'million	Additions RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2020 RM'million
2020							
Group							
Cost							
Long leasehold land	2,389.4	(0.7)	175.0	(0.1)	18.8	(40.8)	2,541.6
Short leasehold land	24.7	0	0	0	0	0	24.7
Buildings	107.1	0	0	(1.7)	22.1	1.9	129.4
	2,521.2	(0.7)	175.0	(1.8)	40.9	(38.9)	2,695.7
Plant and machinery	42,846.5	0	0	0	100.0	(10.8)	42,935.7
Furniture, fittings and office equipment	41.4	0	0	0	0.4	0.3	42.1
Motor vehicles	1.1	0	0	0	0.3	0	1.4
	45,410.2	(0.7)	175.0*	(1.8)#	141.6	(49.4)	45,674.9

	As at 1.1.2020 RM'million	Exchange rate adjustments RM'million	ROU classified as held for sale RM'million	Charged for the financial year RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2020 RM'million
2020						
Group						
Accumulated depreciation						
Long leasehold land	493.0	0.1	0	32.7	0.3	526.1
Short leasehold land	14.0	0	0	0.7	0	14.7
Buildings	43.1	0	(0.1)	38.1	0.4	81.5
	550.1	0.1	(0.1)	71.5	0.7	622.3
Plant and machinery	6,579.7	0	0	3,537.9	(3.5)	10,114.1
Furniture, fittings and office equipment	15.8	0	0	15.1	0.1	31.0
Motor vehicles	0.6	0	0	0.6	0	1.2
	7,146.2	0.1	(0.1)#	3,625.1	(2.7)	10,768.6

6 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)

	As at 1.1.2021 RM'million	Additions RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2021 RM'million
2021				
Company				
Cost				
Long leasehold land	1,236.2	22.7	(3.4)	1,255.5
Short leasehold land	4.5	0	0.2	4.7
Buildings	108.4	77.6	0	186.0
	1,349.1	100.3	(3.2)	1,446.2
Plant and machinery	86,772.2	9,909.9	0	96,682.1
Furniture, fittings and office equipment	37.7	28.8	0	66.5
Motor vehicles	0.5	0	0	0.5
	88,159.5	10,039.0	(3.2)	98,195.3

	As at 1.1.2021 RM'million	Charged for the financial year RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2021 RM'million
2021				
Company				
Accumulated depreciation				
Long leasehold land	310.6	17.7	(1.8)	326.5
Short leasehold land	3.0	0.1	0	3.1
Buildings	68.2	30.6	0	98.8
	381.8	48.4	(1.8)	428.4
Plant and machinery	20,666.6	5,835.7	0	26,502.3
Furniture, fittings and office equipment	27.7	14.4	0	42.1
Motor vehicles	0.5	0	0	0.5
	21,076.6	5,898.5	(1.8)	26,973.3

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6 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)

	As at 1.1.2020 RM'million	Additions RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2020 RM'million
2020				
Company				
Cost				
Long leasehold land	1,452.5	17.1	(233.4)	1,236.2
Short leasehold land	4.5	0	0	4.5
Buildings	91.1	17.3	0	108.4
	1,548.1	34.4	(233.4)	1,349.1
Plant and machinery	84,900.7	1,871.5	0	86,772.2
Furniture, fittings and office equipment	37.4	0.3	0	37.7
Motor vehicles	0.4	0.3	(0.2)	0.5
	86,486.6	1,906.5	(233.6)^	88,159.5

	As at 1.1.2020 RM'million	Charged for the financial year RM'million	Transfers/ Adjustments/ Reclassification RM'million	As at 31.12.2020 RM'million
2020				
Company				
Accumulated depreciation				
Long leasehold land	359.9	19.9	(69.2)	310.6
Short leasehold land	2.9	0.1	0	3.0
Buildings	36.1	32.1	0	68.2
	398.9	52.1	(69.2)	381.8
Plant and machinery	15,267.1	5,399.5	0	20,666.6
Furniture, fittings and office equipment	14.0	13.7	0	27.7
Motor vehicles	0.3	0.2	0	0.5
	15,680.3	5,465.5	(69.2)^	21,076.6

6 RIGHT-OF-USE ('ROU') ASSETS (CONTINUED)

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Net book value				
Long leasehold land	**2,051.1**	2,015.5	**929.0**	925.6
Short leasehold land	**9.5**	10.0	**1.6**	1.5
Buildings	**36.1**	47.9	**87.2**	40.2
	2,096.7	2,073.4	**1,017.8**	967.3
Plant and machinery	**32,584.6**	32,821.6	**70,179.8**	66,105.6
Furniture, fittings and office equipment	**28.9**	11.1	**24.4**	10.0
Motor vehicles	**1.0**	0.2	**0**	0
	34,711.2	34,906.3	**71,222.0**	67,082.9

* *It relates to the recognition of VSI as a subsidiary during the financial year 2020 as disclosed in Note 47.*

\# *During the financial year 2020, the carrying amount of LPL's ROU has been reclassified as assets held for sale. On 30 November 2021, the subsidiary was disposed as disclosed in Note 23.*

^ *The transfers, adjustments or reclassification includes the ROU assets amounting to RM163.7 million transferred at net book value to TPGSB during the financial year 2020.*

The title deeds of certain leasehold lands classified as ROU assets are in the process of being registered in the name of the Company and certain subsidiaries.

Net book value of ROU pledged as security for borrowings are disclosed in Note 27.

7 SUBSIDIARIES

	Company	
	2021 RM'million	2020 RM'million
At cost:		
Unquoted Ordinary Shares	**1,571.8**	1,457.9
Redeemable Preference Shares	**9,332.7**	2,292.1
Shares/Options granted to employees of subsidiaries	**307.8**	223.0
	11,212.3	3,973.0
Less: Accumulated impairment losses	**(3,749.1)**	(3,150.2)
	7,463.2	822.8

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7 SUBSIDIARIES (CONTINUED)

(a) Movement in unquoted ordinary shares and redeemable preference shares ('RPS') in investments in subsidiaries:

(i) On 15 March 2021, the Company subscribed to an additional 225,000,000 new ordinary shares issued by TNB Power Generation Sdn. Bhd. (‘TPGSB’), by conversion of amounts due from TPGSB amounting to RM225.0 million.

(ii) On 24 May 2021, the Company subscribed to an additional 500,000 new ordinary shares issued by TNB Renewables Sdn. Bhd. (‘TNBRE’), by conversion of amounts due from TNBRE amounting to RM500,000.

(iii) On 29 November 2021, the Company subscribed to an additional 1,000,004 ordinary shares issued by TNB Retail Sdn. Bhd. (‘RETAIL’), by conversion of amounts due from RETAIL amounting to RM1.0 million.

(iv) On 30 November 2021, the Company disposed 30,000,000 ordinary shares amounting to RM120.5 million in TNB Power Daharki Ltd. (‘TPD’), upon completion of the divestment as disclosed in Note 23. This has resulted in a loss on disposal of RM29.3 million for the Company.

(v) On 23 December 2021, the Company subscribed to an additional 7,900,000 new ordinary shares issued by Allo Technology Sdn. Bhd. (‘ATSB’), by conversion of amounts due from ATSB amounting to RM7.9 million.

(vi) On 1 June 2021, the Company subscribed to 6,495,000,000 new RPS issued by TPGSB, by conversion of amounts due from TPGSB amounting to RM6,495.0 million.

(vii) The Company subscribed to 9,112,300 new RPS issued by TNBRE by conversion of amounts due from TNBRE amounting to RM9.1 million on 18 November 2021 (RM5.5 million) and 24 December 2021 (RM3.6 million), respectively.

(viii) On 29 November 2021, the Company subscribed to 54,443,320 new RPS issued by RETAIL, by conversion of amounts due from RETAIL amounting to RM54.4 million.

(ix) On 23 December 2021, the Company subscribed to 81,600,000 new RPS issued by ATSB, by conversion of amounts due from ATSB amounting to RM81.6 million.

(x) On 23 December 2021, the Company subscribed to 400,510,578 new RPS issued by Universiti Tenaga Nasional Sdn. Bhd. (‘UNITEN’), by conversion of amounts due from UNITEN amounting to RM400.5 million.

(b) Movement in accumulated impairment losses for investments in subsidiaries:

(i) Impairment assessment for UNITEN

The investment in UNITEN which was by conversion of amounts due from UNITEN amounting to RM400.5 million, had been fully impaired by the Company during previous financial years.

7 SUBSIDIARIES (CONTINUED)

(b) Movement in accumulated impairment losses for investments in subsidiaries: (continued)

(ii) Impairment assessment for TPD

The impairment of investment in TPD amounting to RM120.5 million has been derecognised upon completion of the divestment on 30 November 2021.

(iii) Impairment assessment for Power and Energy International (Mauritius) Ltd. ('PEIM')

During the financial year, the Company had undertaken the impairment assessment of its investment in PEIM, an investment holding company. The impairment assessment was triggered by the impairment of one of its significant associate, GMR Energy Limited ('GEL') for both current and preceding financial years (Note 9 (b)). Based on the impairment assessment which estimates the cash flows available for dividend distribution from its investments in GEL and Malaysian Shoaiba Consortium Sdn. Bhd. ('MSCSB'), the carrying amount of the Company's investment in PEIM as at 31 December 2021 exceeded its recoverable amount, hence additional impairment loss of RM300.2 million (2020: RM149.0 million) was recognised in the current financial year.

The method, key assumptions used in determining the recoverable amount and the effects of changes in the key assumptions for GEL are as disclosed in Note 9 (b).

The details of the subsidiaries are as follows:

Name of subsidiary	Group's effective interest		Principal activities	Country of incorporation
	2021	2020		
Allo Technology Sdn. Bhd.	**100%**	100%	Information technology related services	Malaysia
Aruna Servicios Integrales S.L.U.*	**100%**	100%	Investment holding	Spain
<u>Subsidiary of Aruna Servicios Integrales S.L.U.</u>				
Global Power Enerjî Sanayî Ve Tîcaret Anonîm Şîrketî*	**100%**	100%	To engage in activities related to building and operating electricity production facilities, producing electricity and/or capacity and distributing the generated electricity and/or capacity to customers and/or to legal entities with wholesale trade licences or retail sale licences and to free consumers	Turkey
Malaysia Transformer Manufacturing Sdn. Bhd.	**100%**	100%	Principally engaged in the business of manufacturing, selling and repairing distribution, power and earthing transformers	Malaysia
Orion Mission Sdn. Bhd.* (In members' voluntary winding up)	**100%**	100%	Dormant	Malaysia
<u>Subsidiary of Orion Mission Sdn. Bhd.</u>				
Lahad Datu Holdings Sdn. Bhd.* (In members' voluntary winding up)	**100%**	100%	Dormant	Malaysia

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7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiary of Lahad Datu Holdings Sdn. Bhd.				
Lahad Datu Energy Sdn. Bhd.* (In members' voluntary winding up)	**100%**	100%	Dormant	Malaysia
Power and Energy International (Mauritius) Ltd.*	**100%**	100%	Investment holding	Mauritius
Subsidiary of Power and Energy International (Mauritius) Ltd.				
Independent Power International Ltd.*	**100%**	100%	Investment holding	Mauritius
REV Property Holdings Sdn. Bhd.	**100%**	100%	Investment holding company, property asset management and property facility management	Malaysia
Subsidiary of REV Property Holdings Sdn. Bhd.				
REV Horizon Sdn. Bhd.	**100%**	100%	Property asset management, property project management and property facility maintenance	Malaysia
Sabah Electricity Sdn. Bhd.	**83%**	83%	Business of generation, transmission, distribution and sale of electricity and services in Sabah and the Federal Territory of Labuan	Malaysia
Subsidiary of Sabah Electricity Sdn. Bhd.				
Elopura Power Sdn. Bhd.*	**83%**	83%	Dormant	Malaysia
Sepang Power Sdn. Bhd.* (In members' voluntary winding up)	**70%**	70%	Dormant	Malaysia
Tenaga Switchgear Sdn. Bhd.	**60%**	60%	Principally engaged in the business of assembling and manufacturing of high voltage switchgears and contracting of turnkey transmission substations	Malaysia
Subsidiaries of Tenaga Switchgear Sdn. Bhd.				
PT. Tenaga Nusa Bakti*	**57%**	57%	Dormant	Indonesia
TSG Ormazabal Sdn. Bhd.	**36%**	36%	Assembling, manufacture, test, reconditioning, distribution and other sources of medium voltage switchgear and control gear for transmission and distribution of electric power	Malaysia
TNB Capital (L) Ltd.* (In members' voluntary winding up)	**100%**	100%	Investment holding company	Malaysia
TNB Distribution Sdn. Bhd.* (In members' voluntary winding up)	**100%**	100%	Dormant	Malaysia
TNB Energy Services Sdn. Bhd.	**100%**	100%	Generating, distributing, supplying, dealing, selling of different kinds of energy sources and related technical services	Malaysia

7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiaries of TNB Energy Services Sdn. Bhd.				
MAEVI Sdn. Bhd.	**70%**	70%	Providing infrastructure for hosting, data processing services and related activities research and development on engineering and technology, export and import of electrical and electronic goods	Malaysia
Tenaga E Mobility Solutions Sdn. Bhd.*	**100%**	100%	Operation of parking facilities for motor vehicles (parking lots), operation of generation facilities that produce electric energy and engineering services	Malaysia
TNB Engineering Corporation Sdn. Bhd.	**100%**	100%	Principally engaged as turnkey contractors, energy project development specialising in district cooling system and co-generation including operation and maintenance works	Malaysia
Subsidiaries of TNB Engineering Corporation Sdn. Bhd.				
Bangsar Energy Systems Sdn. Bhd.	**100%**	100%	Operating an integrated district cooling system for air conditioning systems of office buildings	Malaysia
Subsidiary of Bangsar Energy Systems Sdn. Bhd.				
Selesa Energy Systems Sdn. Bhd.*	**70%**	70%	Dormant	Malaysia
Subsidiaries of TNB Engineering Corporation Sdn. Bhd. (continued)				
Cooling Energy Supply Sdn. Bhd.	**70%**	70%	Operation of the concession to operate, maintain and upgrade an existing district cooling co-generation plant and to supply electricity and chilled water to customer	Malaysia
TNEC Construction Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNEC Operations And Maintenance Sdn. Bhd.	**100%**	100%	The company ceased business and has remained as investment holding company	Malaysia
Subsidiary of TNEC Operations And Maintenance Sdn. Bhd.				
Tomest Energy Management Sdn. Bhd.* (In members' voluntary winding up)	**51%**	51%	Operating an integrated district cooling system for air conditioning buildings	Malaysia
TNB Engineers Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Fuel Services Sdn. Bhd.	**100%**	100%	Supplying fuel and coal for power generation	Malaysia
TNB Generation Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Global Captive (L) Ltd.	**100%**	100%	Insurance and reinsurance related business	Malaysia

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7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
TNB Global Ventures Capital Berhad*	**100%**	100%	Investment holding company	Malaysia
TNB Hidro Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Integrated Learning Solution Sdn. Bhd.	**100%**	100%	Providing training courses	Malaysia
TNB International Sdn. Bhd.	**100%**	100%	Investment holding company	Malaysia
Subsidiary of TNB International Sdn. Bhd.				
Vantage RE Ltd. (Formerly known as Tenaga Investments UK Ltd.)#	**100%**	100%	Investment holding company	United Kingdom
Subsidiaries of Vantage RE Ltd. (Formerly known as Tenaga Investments UK Ltd.)				
Tenaga Wind Ventures UK Ltd.#	**100%**	100%	Investment holding company	United Kingdom
Subsidiaries of Tenaga Wind Ventures UK Ltd.				
Bluemerang Capital Ltd.#	**100%**	100%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (wind turbines) in the UK	United Kingdom
Subsidiaries of Bluemerang Capital Ltd.				
BCL Caslterigg Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
BCL Gwynt Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
BCL Harmeston Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
BCL Murex Bennacott Ltd.#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
BLC Hunday Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Ili (Wellgreen) Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
LE18 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
LE19 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Murex Bennacott Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom

7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiaries of Tenaga Wind Ventures UK Ltd. (continued)				
GVO Wind Limited#	**100%**	100%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (wind turbines) in the UK	United Kingdom
Subsidiaries of GVO Wind Limited				
Boghead WT Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Durpley WT Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind F-1 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 1 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 2 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 3 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 4 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 5 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 6 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 7 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 9 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 10 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 11 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 12 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 13 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom

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7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiaries of GVO Wind Limited (continued)				
GVO Wind No. 14 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 16 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 20 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 21 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 22 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 23 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 24 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 25 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 27 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 28 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 29 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 30 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 31 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 32 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 35 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 36 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 39 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom

7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
<u>Subsidiaries of GVO Wind Limited</u> (continued)				
GVO Wind No. 40 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 41 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 42 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 43 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO Wind No. 44 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO/CME Wind No. 17 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
GVO/CME Wind No. 18 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
OGPW No.1 Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Warren WT Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Weston Town WT Limited#	**100%**	100%	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
<u>Subsidiaries of Vantage RE Ltd.</u> (Formerly known as Tenaga Investments UK Ltd.) (continued)				
TWV No. 1 Ltd.#	**100%**	-	Operation of wind assets for the generation and sale of electricity in the UK	United Kingdom
Vantage RE No. 1 Ltd.#	**100%**	-	Investment holding company	United Kingdom
Vantage Solar Investments S.A.R.L. (Formerly known as Vortex Solar Invesments S.A.R.L.)#	**55%**	55%	Investment holding company	Luxembourg
<u>Subsidiary of Vantage Solar Investments S.A.R.L.</u> (Formerly known as Vortex Solar Investments S.A.R.L)				
Vantage Solar UK4 Limited (Formerly known as Vortex Solar UK4 Limited)#	**55%**	55%	Intermediate holding company	England and Wales

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7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiaries of Vantage Solar UK4 Limited (Formerly known as Vortex Solar UK4 Limited)				
TerraForm UK2 Intermediate Holdings Ltd.#	**55%**	55%	Intermediate holding company	England and Wales
TerraForm UK3 Intermediate Holdings Limited#	**55%**	55%	Intermediate holding company	England and Wales
Subsidiaries of TerraForm UK3 Intermediate Holdings Limited				
Cambridge Solar Power Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
SunE Green Holdco2 Ltd.#	**55%**	55%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (solar) in the UK	England and Wales
Subsidiaries of SunE Green Holdco2 Ltd.				
AEE Renewables UK 31 Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
SunE Project1 Ltd.#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Subsidiaries of TerraForm UK3 Intermediate Holdings Limited (continued)				
SunE Green Holdco3 Limited#	**55%**	55%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (solar) in the UK	England and Wales
Subsidiaries of SunE Green Holdco3 Limited				
Sunsave 10 (Fareham) Ltd.#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Sunsave 15 (Westwood) Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Sunsave 20 (Knowlton) Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Subsidiaries of TerraForm UK3 Intermediate Holdings Limited (continued)				
SunE Green Holdco4 Limited#	**55%**	55%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (solar) in the UK	England and Wales

7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiaries of SunE Green Holdco4 Limited				
Boyton Solar Park Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
KS SPV 24 Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Sunsave 6 (Manston) Ltd.#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Subsidiaries of TerraForm UK3 Intermediate Holdings Limited (continued)				
SunE Green Holdco5 Limited#	**55%**	55%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (solar) in the UK	England and Wales
Subsidiaries of SunE Green Holdco5 Limited				
MSP Fairwind Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Sunsave 14 (Fenton) Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Subsidiaries of TerraForm UK3 Intermediate Holdings Limited (continued)				
SunE Green Holdco7 Limited#	**55%**	55%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (solar) in the UK	England and Wales
Subsidiaries of SunE Green Holdco7 Limited				
Brynteg Solar Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Daisy No. 1 Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
SE Bury Lane Solar Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
SunE Green Energy Ltd.#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
SunE Green Holdco6 Limited#	**55%**	55%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (solar) in the UK	England and Wales

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7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiary of SunE Green Holdco6 Limited				
Sunsave 43 (Epwell) Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Subsidiaries of TerraForm UK3 Intermediate Holdings Limited (continued)				
SunE Green Holdco9 Limited#	**55%**	55%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (solar) in the UK	England and Wales
Subsidiaries of SunE Green Holdco9 Limited				
SunE Burthy Farm Solar Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
SunE Little Neath Solar Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Subsidiaries of TerraForm UK3 Intermediate Holdings Limited (continued)				
SunE Green Holdco13 Limited#	**55%**	55%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (solar) in the UK	England and Wales
Subsidiary of SunE Green Holdco13 Limited				
SunE Prestop Park Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Subsidiaries of TerraForm UK3 Intermediate Holdings Limited (continued)				
SunE Hill Farm Solar Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
SunE Sundorne Grove Solar Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Sunsave 11 (Wrockwardine Farm) Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Sunsave 17 (Castle Combe) Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales
Sunsave 31 (Horam) Limited#	**55%**	55%	Operation of solar assets for the generation and sale of electricity in the UK	England and Wales

7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiaries of Vantage Solar UK4 Limited (Formerly known as Vortex Solar UK4 Limited) (continued)				
Vantage Solar UK Limited (Formerly known as Vortex Solar UK Limited)#	**55%**	55%	Direct investment holding company of assets involved in generation and sale of power through renewable energy (solar) in the UK	England and Wales
Vantage Solar UK2 Limited (Formerly known as Vortex Solar UK2 Limited)#	**55%**	55%	Intermediate holding company	England and Wales
Vantage Solar UK3 Limited (Formerly known as Vortex Solar UK3 Limited)#	**55%**	55%	Intermediate holding company	England and Wales
TNB Power Daharki Ltd.# (Divestment of 100% shareholding w.e.f. 30.11.2021)	**-**	100%	Investment holding company	Mauritius
Subsidiary of TNB Power Daharki Ltd.				
TNB Liberty Power Limited# (Divestment of 100% shareholding w.e.f. 30.11.2021)	**-**	100%	Operation of power plant and generation of electricity	Pakistan
TNB Power Generation Sdn. Bhd.	**100%**	100%	Ownership, management and operation of the domestic power plants, renewable energy generation business, power plant operation and maintenance business and dry bulk terminal operation business	Malaysia
Subsidiaries of TNB Power Generation Sdn. Bhd.				
Integrax Berhad	**100%**	100%	Investment holding company	Malaysia
Subsidiaries of Integrax Berhad				
Integrax Maritime Services Sdn. Bhd. (Formerly known as LBT Two Sdn. Bhd.)	**100%**	100%	Dormant	Malaysia
Pelabuhan Lumut Sdn. Bhd.	**100%**	100%	Investment holding	Malaysia
Subsidiary of Pelabuhan Lumut Sdn. Bhd.				
Lekir Bulk Terminal Sdn. Bhd.	**100%**	100%	Development, ownership and management of a dry bulk terminal	Malaysia
Subsidiaries of TNB Power Generation Sdn. Bhd. (continued)				
Jimah East Power Sdn. Bhd.	**70%**	70%	Involved in power generation	Malaysia
Kapar Energy Ventures Sdn. Bhd.	**60%**	60%	Generate and deliver electricity energy and generating capacity to TNB	Malaysia
Manjung Island Energy Berhad	**-**	-	Special purpose company to raise Islamic securities under the Islamic Securities Programme	Malaysia

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7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiaries of TNB Power Generation Sdn. Bhd. (continued)				
Southern Power Generation Sdn. Bhd.	**70%**	70%	Generate and deliver electricity and maintain generating capacity to TNB	Malaysia
TNB Bukit Selambau Solar Sdn. Bhd.	**100%**	100%	Operation of generation facilities that produce electric energy	Malaysia
TNB Connaught Bridge Sdn. Bhd.	**100%**	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
TNB Janamanjung Sdn. Bhd.	**100%**	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
TNB Manjung Five Sdn. Bhd.	**100%**	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
Subsidiary of TNB Manjung Five Sdn. Bhd.				
TNB Western Energy Berhad	**100%**	100%	Principally engaged in the construction of 1,000MW coal fired power plant in Lumut, Perak, Malaysia	Malaysia
Subsidiaries of TNB Power Generation Sdn. Bhd. (continued)				
TNB Pasir Gudang Energy Sdn. Bhd.	**100%**	100%	Carry business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia	Malaysia
TNB Prai Sdn. Bhd.	**100%**	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
Subsidiary of TNB Prai Sdn. Bhd.				
TNB Northern Energy Berhad	**100%**	100%	Principally to construct a 1,071MW gas fired power plant in Seberang Perai Tengah, Seberang Perai, Pulau Pinang, Malaysia	Malaysia
Subsidiaries of TNB Power Generation Sdn. Bhd. (continued)				
TNB Repair And Maintenance Sdn. Bhd.	**100%**	100%	Providing repair and maintenance services to heavy industries and other related services	Malaysia
Subsidiaries of TNB Repair And Maintenance Sdn. Bhd.				
Tenaga WHR 1 Sdn. Bhd.*	**100%**	100%	To carry on the business of establishing, constructing, commissioning, setting up, operating and maintaining electric power generation systems, transmission systems/networks, power systems, generating stations/plants based on waste heat recovery and/or power efficiency technology	Malaysia
TNB Operations & Maintenance International Ltd.	**100%**	100%	Investment holding	Mauritius

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7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Subsidiary of TNB Operations & Maintenance International Ltd.				
Oasis Parade Sdn. Bhd.	**100%**	100%	Investment holding	Malaysia
Subsidiaries of TNB Repair And Maintenance Sdn. Bhd. (continued)				
TNB REMACO Pakistan (Private) Limited#	**100%**	100%	Providing repair and maintenance services to heavy industries and other related services	Pakistan
Trichy Energy Limited*	**100%**	100%	Dormant	India
Trichy Power Limited*	**100%**	100%	Dormant	India
Subsidiaries of TNB Power Generation Sdn. Bhd. (continued)				
TNB Sepang Solar Sdn. Bhd.	**100%**	100%	Operation of generation facilities that produce electric energy	Malaysia
TNBPG Hydro Nenggiri Sdn. Bhd.	**100%**	-	Responsible for the domestic power generation assets, with fully integrated end-to-end capabilities	Malaysia
TNB Properties Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Subsidiary of TNB Properties Sdn. Bhd.				
TNP Construction Sdn. Bhd.*	**100%**	100%	Dormant	Malaysia
TNB Renewables Sdn. Bhd.	**100%**	100%	To carry on business of an investment holding company	Malaysia
Subsidiary of TNB Renewables Sdn. Bhd.				
TNB Bukit Selambau Solar Dua Sdn. Bhd.	**100%**	-	Operation of generation facilities that produce electric energy	Malaysia
TNB Research Sdn. Bhd.	**100%**	100%	Research and development, consultancy and other services	Malaysia
Subsidiary of TNB Research Sdn. Bhd.				
TNB Labs Sdn. Bhd.	**100%**	100%	Technical and laboratory services, consultancy and other services	Malaysia
TNB Retail Sdn. Bhd.	**100%**	100%	Managing customer relationships and responsible for sale of electricity and beyond	Malaysia
Subsidiaries of TNB Retail Sdn. Bhd.				
GSPARX Sdn. Bhd.	**100%**	100%	Invest and develop RE projects for self-consumption/ self-generation and its related business	Malaysia
TNBX Sdn. Bhd.	**100%**	100%	To act as the single-fronting Malaysia entity for customers to purchase/obtain solutions beyond the meter. The solutions comprise non-regulated products and services such as energy efficiency, renewable energy and smart cities	Malaysia

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7 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
TNB Risk Management Sdn. Bhd.*	**100%**	100%	Dormant	Malaysia
TNB Topaz Energy Sdn. Bhd.	**100%**	100%	Investment holding for developing and investing in overseas power generation projects	Malaysia
TNB Transmission Network Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Ventures Sdn. Bhd.	**100%**	100%	Investment holding company	Malaysia
Subsidiary of TNB Ventures Sdn. Bhd.				
Tenaga Cable Industries Sdn. Bhd.	**76%**	76%	Manufacturing and distribution of power and general cables, aluminium rods and related activities	Malaysia
TNB-IT Sdn. Bhd.	**100%**	100%	Provision of telecommunication and IT infrastructure solutions and operation and maintenance services on the telecommunication equipment and data centre	Malaysia
Universiti Tenaga Nasional Sdn. Bhd.	**100%**	100%	Providing higher education	Malaysia
Subsidiaries of Universiti Tenaga Nasional Sdn. Bhd.				
UNITEN R&D Sdn. Bhd.	**100%**	100%	Providing research and development in areas related to engineering, information technology, business, accountancy, liberal studies and other services	Malaysia
Yayasan Canselor Universiti Tenaga Nasional	**-**	-	A trust established under the provision of Trustees (Incorporation) Act 1952 (Act 258) to receive and administer funds for educational and charitable purposes	Malaysia
Yayasan Tenaga Nasional	**-**	-	A trust established under the provision of Trustees (Incorporation) Act 1952 (Act 258), for promotion and advancement of education and for charitable purposes	Malaysia

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.

* *Not audited due to under liquidation or winding up process, qualified for audit exemption under Practice Directive 3/2017 of Companies Commission of Malaysia or do not require to be audited under the regulation's of the incorporated country.*

Capital and other commitments for the subsidiaries are disclosed in Note 41. Contingent liabilities for the subsidiaries are disclosed in Note 42.

7 SUBSIDIARIES (CONTINUED)

(c) Non-controlling interests ('NCI')

The NCI is not material to the financial performance, financial position and cash flows of the Group. The NCI information for Southern Power Generation Sdn. Bhd. ('SPG'), Sabah Electricity Sdn. Bhd. ('SESB') and Jimah East Power Sdn. Bhd. ('JEP'), which contribute to substantial portion of total NCI is set out below:

	SPG		SESB		JEP		Other individually immaterial NCI		Total	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Carrying amount of NCI	**227.0**	237.0	**369.6**	270.2	**941.5***	922.7	**245.9**	186.8	**1,784.0**	1,616.7
Total comprehensive (expenses)/ income allocated to NCI	**(10.0)**	5.7	**99.4**	45.4	**63.8**	18.2	**60.1**	(46.9)	**213.3**	22.4

* *Included in the carrying amount of NCI in JEP is a redemption of RPS from NCI amounting to RM45.0 million.*

The summarised financial information of SPG, SESB and JEP before inter-company eliminations are as follows:

	SPG		SESB		JEP	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Summarised statement of financial position						
Non-current assets	**4,315.2**	4,069.2	**8,359.6**	8,369.4	**11,033.8**	11,246.1
Current assets	**458.1**	618.4	**2,253.5**	2,018.2	**1,698.4**	1,462.3
Non-current liabilities	**(3,680.8)**	(3,681.4)	**(6,977.6)**	(7,284.8)	**(8,753.2)**	(8,931.9)
Current liabilities	**(260.3)**	(140.5)	**(1,942.7)**	(1,999.6)	**(919.1)**	(780.7)
Net assets	**832.2**	865.7	**1,692.8**	1,103.2	**3,059.9**	2,995.8
Summarised statement of comprehensive income						
Revenue	**1,462.0**	0	**2,258.6**	2,227.7	**3,264.0**	2,706.6
(Loss)/Profit after tax	**(32.9)**	5.7	**516.4**	266.8	**212.7**	60.5
Other comprehensive expense	**0**	0	**60.1**	(3.6)	**0**	0
Total comprehensive (expense)/income	**(32.9)**	5.7	**576.5**	263.2	**212.7**	60.5
Summarised statement of cash flows						
Net cash flows generated/(used in) from operating activities	**77.9**	(73.8)	**1,095.6**	1,140.2	**850.6**	1,278.4
Net cash flows generated/(used in) from investing activities	**91.3**	(544.4)	**(129.7)**	(327.5)	**(695.4)**	(69.8)
Net cash flows (used in)/generated from financing activities	**(187.2)**	631.2	**(688.1)**	(873.4)	**(902.6)**	(619.3)
Net (decrease)/increase in cash and cash equivalents	**(18.0)**	13.0	**277.8**	(60.7)	**(747.4)**	589.3

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8 JOINT ARRANGEMENTS

Accounting Policy

A joint arrangement is an arrangement over which there is contractually agreed sharing of control by the Group with one or more parties where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. Joint operations are joint arrangements whereby the Company has the rights to the assets and obligations for the liabilities. In respect of its interests in joint operations, the Company shall recognise in its financial statements the assets that it controls and the expenses and liabilities that it incurs and its share of the income that it earns from the sale of goods or services.

The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising in the consolidated statement of profit or loss, consolidated statement of OCI and consolidated statement of changes in equity, the Group's share of profits less losses of the joint ventures based on the latest audited financial statements or management accounts of the joint ventures, made up to the financial year end of the Group. Where necessary, adjustments are made to the results and net assets of the joint ventures to ensure consistency of accounting policies with those of the Group. The Group's investments in joint ventures are recorded at cost inclusive of goodwill and adjusted thereafter for accumulated impairment losses and the post-acquisition change in the Group's share of net assets of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in joint ventures. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balances that provide evidence of reduction in net realisable value or an impairment of the asset transferred are recognised in the consolidated statement of profit or loss.

(a) Joint ventures

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Unquoted shares	**88.3**	87.5	**7.9**	7.9
Share of post-acquisition results and reserves	**150.8**	121.5	**0**	0
	239.1	209.0	**7.9**	7.9
Less: Accumulated impairment losses	**(8.4)**	(8.4)	**(7.9)**	(7.9)
	230.7	200.6	**0**	0
Share of net assets of joint ventures	**230.7**	200.6		

8 JOINT ARRANGEMENTS (CONTINUED)

(a) Joint ventures (continued)

None of the joint ventures are material individually to the financial position, financial performance and cash flows of the Group.

The aggregated financial information of the Group's joint ventures is as follows:

	2021 RM'million	2020 RM'million
Group's share of results:		
Profit after tax and total comprehensive income	**29.3**	19.8
Amounts due from joint ventures		
Amounts due from joint ventures*	**65.7**	44.2
Less: Accumulated impairment losses	**(22.2)**	(24.8)
	43.5	19.4

* *The Group's credit policy provides amounts due from joint ventures with a 30 days (2020: 30 days) credit period.*

The details of the Group's joint ventures are as follows:

Name of joint venture	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Seatrac Sdn. Bhd.*	**50%**	50%	Dormant	Malaysia
Joint ventures of TNB Energy Services Sdn. Bhd.				
FTJ Bio Power Sdn. Bhd.	**40%**	40%	Generation and distribution of electricity using palm empty fruit bunches as its main fuel source	Malaysia
Metrosphere Hydro Tersat Sdn. Bhd.*	**49%**	49%	Business related in hydro power plant and general trading	Malaysia
Joint venture of TNB Engineering Corporation Sdn. Bhd.				
Airport Cooling Energy Supply Sdn. Bhd.	**77%**	77%	To develop, design, engineer, procure, construct and finance district cooling projects in the airport sector, to undertake the comprehensive operational and maintenance of district cooling projects in the airport sector and to carry on the business of producing, distributing, applying, dealing and selling of chilled water	Malaysia
Joint venture of TNB Repair And Maintenance Sdn. Bhd.				
GMR Tenaga Operations And Maintenance Private Limited*	**50%**	50%	Operation and maintenance of power plants	India

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8 JOINT ARRANGEMENTS (CONTINUED)

(b) Joint operations

The details of the Group's joint operations are as follows:

Name of joint operation	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Principal place of business
Joint operation of TNB Engineering Corporation Sdn. Bhd.				
TNB Engineering Corporation Sdn. Bhd. & ERS Energy Sdn. Bhd. ('TNEC-ERS')	**60%**	60%	Project Large Scale Solar Photovoltaic Plant at Kuala Muda, Kedah	Malaysia
Joint operations of TNB Repair And Maintenance Sdn. Bhd.				
TNB Repair And Maintenance Sdn. Bhd. & Al-Dhow Engineering ('TNB REMACO & Al-Dhow JV')#	**50%**	50%	Maintenance works for instrumental & control systems and mechanical equipment services	Kuwait
TNB Repair And Maintenance Sdn. Bhd. & Kharafi National ('TNB REMACO & KN JV')#	**50%**	50%	Operation and maintenance services to heavy industries and other related services	Kuwait

The impact of the Group's joint operations to the Group is immaterial.

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* *Not audited by PricewaterhouseCoopers PLT, Malaysia.*

9 ASSOCIATES

Accounting Policy

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20.0% and 50.0% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in OCI is recognised in OCI. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses (Note 3(c)).

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only for the unrelated investor's interests in the associates. The accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Dilution of gains and losses in associates are recognised in the consolidated statement of profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI is reclassified to profit or loss where appropriate.

9 ASSOCIATES (CONTINUED)

	Note	Group 2021 RM'million	Group 2020 RM'million	Company 2021 RM'million	Company 2020 RM'million
Unquoted shares	(a)	**3,307.9**	2,761.5	**75.7**	75.7
Share of post-acquisition results and reserves		**(340.3)**	(536.1)	**0**	0
Redeemable Preference Shares		**13.2**	18.9	**0**	0
		2,980.8	2,244.3	**75.7**	75.7
Less: Accumulated impairment losses	(b)	**(1,344.4)**	(1,052.6)	**0**	0
Less: Deemed disposal of an associate	(c)	**0**	(53.1)	**0**	0
		1,636.4	1,138.6	**75.7**	75.7
Share of net assets of associates		**1,636.4**	1,138.6		

(a) The Group through its wholly-owned subsidiary, Vantage RE Ltd. (formerly known as Tenaga Investments UK Ltd.), has acquired 49.0% stake in an offshore wind farm company, Blyth Offshore Demonstrator Limited ('BODL') from EDF Renewables, a subsidiary of the French utility company, Électricité de France for a purchase consideration of RM674.7 million. The Group has assessed and recognised BODL as an associate of the Group (Note 47).

(b) Impairment assessment for GEL

The Group had undertaken the impairment assessment of its investment in GEL. The assessment was initially triggered by changes in economic outlook due to COVID-19 in 2020, which resulted in an impairment loss of RM51.6 million. During the current financial year, there were additional indications such as poor outlook of thermal plants in India as initiatives are renewable energy focused, tight gas supply and the non-recoverability of regulatory claims caused by uncertainty from the Government of India. Based on the impairment assessment, the carrying value of the Group's interest in GEL as at 31 December 2021 has been fully impaired with recognition of an additional impairment loss of RM291.8 million.

Key assumptions used

The recoverable amount was determined based on VIU calculations, which applied a discounted cash flow model of GEL Group for the period of the remaining useful lives of the respective power plants which range between 14 to 23 years. The cash flows used in the calculations are the most recent forecasts and projections approved by the Board of Directors and management of GEL Group.

The key assumptions used in determining the VIU were:

	2021	2020
Number of operating plants	**3**	5
Average Plant Availability Factor (%)	**-**	53.7
Average Plant Load Factor (%)	**80.0 – 85.0**	50.0 – 85.0
Cost of equity (%)	**12.8 – 14.0**	11.2 – 14.7

The cash flows were discounted using cost of equity based on the risk specific to the plants. The key assumptions take into account the macroeconomic environment in India and the type of plant.

During the current financial year, there were 2 plants that were not operating and have been considered for disposal, which contributed to a reduction in the recoverable amount of GEL.

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9 ASSOCIATES (CONTINUED)

(b) Impairment assessment for GEL (continued)

Key assumptions used (continued)

The Group's review includes impact assessment of changes in key assumptions used. Based on that review in 2021, it was concluded that there was no material change in the base case assumptions that would require an adjustment to the carrying amount of the investment. In 2020, the effects of the movement in the key assumptions to the recoverable amount are as follows:

	Changes in assumptions %	Impact on recoverable amount Increase RM'million	Impact on recoverable amount Decrease RM'million
2020			
Plant Availability Factor	5.0	8.8	(8.9)
Plant Load Factor	10.0	154.0	(134.1)
Discount rate	1.0	(48.2)	55.9

(c) During the financial year 2020, the Group acquired an additional 5.0% equity interest in VSI for a consideration of GBP5.1 million (RM28.4 million). Consequently, the investment in VSI as an associate was deemed disposed resulting in a remeasurement gain of GBP41.9 million (RM231.3 million) (Note 35). VSI has become a subsidiary of the Group with 55.0% equity interest (Notes 7 and 47).

The aggregated financial information of the Group's associates is as follows:

	2021 RM'million	2020 RM'million
Group's share of results:		
- Profit after tax	**164.2**	56.7
- Total other comprehensive income/(loss)	**17.5**	(38.7)
Dividend received	**66.5**	63.7
Foreign exchange gain	**7.2**	42.7

Amounts due from/(to) associates

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Amounts due from associates*	**350.0**	190.8	**10.6**	3.6
Less: Loss allowances	**(7.3)**	(7.3)	**(0.1)**	(0.2)
	342.7	183.5	**10.5**	3.4
Amounts due to associates^	**(183.8)**	(237.8)	**(173.7)**	(228.1)

* *The Group's and the Company's credit policy provides amounts due from associates with a 30 days (2020: 30 days) credit period.*
^ *Credit terms of amounts due to associates is 30 days (2020: 30 days) depending on the terms of the contracts.*

The Group has not recognised cumulative losses of RM393.1 million (2020: RM395.3 million) in the current financial year for Gama Enerji Anonîm Şîrketî ('Gama Enerji'), as the investment in that associate has been fully written down by the Group. The cumulative losses includes unrecognised share of profit amounting to RM2.2 million (2020: loss of RM251.8 million) for the current financial year.

9 ASSOCIATES (CONTINUED)

In the opinion of the Directors, the associates that are material to the Group are BODL, Jimah Energy Ventures Holdings Sdn. Bhd. ('JEV'), Lumut Maritime Terminal Sdn. Bhd. ('LMT') and GEL. The following summarises the financial information of the associates and reconciled the information to the carrying amount of the Group's interest in those associates.

(i) The summarised statement of comprehensive income:

	BODL	JEV		LMT		GEL	
	2021 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Revenue	**22.5**	**2,674.1**	2,227.9	**121.7**	114.2	**1,098.1**	1,002.7
Profit/(Loss) after tax from:							
- Continued operation	**(11.0)**	**467.7**	307.6	**17.4**	15.0	**(51.9)**	(215.4)
- Discontinued operation	**0**	**0**	0	**0**	0	**(0.5)**	(0.3)
Other comprehensive income/(expense)	**17.8**	**0**	0	**0**	0	**(1.4)**	(0.3)
Total comprehensive income/(expense)	**6.8**	**467.7**	307.6	**17.4**	15.0	**(53.8)**	(216.0)

(ii) The summarised statement of financial position:

	BODL	JEV		LMT		GEL	
	2021 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Non-current assets	**1,441.0**	**2,947.6**	3,119.9	**316.0**	340.5	**7,217.4**	4,453.1
Current assets	**152.4**	**1,395.7**	1,128.9	**207.6**	221.7	**1,546.0**	637.4
Non-current liabilities	**(316.9)**	**(1,653.7)**	(1,296.6)	**(20.8)**	(49.1)	**(4,123.0)**	(2,350.8)
Current liabilities	**(80.6)**	**(1,275.6)**	(1,990.9)	**(19.8)**	(37.6)	**(3,328.6)**	(1,432.0)
Less: NCI	**0**	**0**	0	**0**	0	**(127.4)**	(91.2)
	1,195.9	**1,414.0**	961.3	**483.0**	475.5	**1,184.4**	1,216.5

(iii) Reconciliation of the summarised financial information:

	BODL	JEV		LMT		GEL	
	2021 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Group's share of net assets	**586.0**	**353.5**	240.3	**241.5**	237.8	**355.3**	365.0
Goodwill	**68.5**	**0**	0	**37.8**	37.8	**492.0**	482.9
Less: Accumulated impairment losses	**0**	**0**	0	**0**	0	**(846.4)**	(554.6)
Foreign exchange	**0**	**0**	0	**0**	0	**(0.9)**	7.1
Transaction cost capitalised	**6.6**	**0**	0	**0**	0	**0**	0
Carrying amount	**661.1**	**353.5**	240.3	**279.3**	275.6	**0**	300.4

The summarised statement of financial position of GEL has not incorporated the impairment losses recognised during the financial year as disclosed in Note 9 (b).

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9 ASSOCIATES (CONTINUED)

Individually immaterial associates:

	2021 RM'million	2020 RM'million
Aggregate carrying amount of individually immaterial associates	**342.5**	322.3
Aggregate amounts of the Group's share of profit:		
- Profit after tax	**57.2**	37.0
- Other comprehensive income/(expense)	**9.1**	(38.6)

The details of the Group's associates are as follows:

Name of associate	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Fibrecomm Network (M) Sdn. Bhd.*	**49%**	49%	Provision of fibre optic transmission network services	Malaysia
GB3 Sdn. Bhd.*	**20%**	20%	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant	Malaysia
Jimah Energy Ventures Holdings Sdn. Bhd.*	**25%**	25%	Investment holding	Malaysia
Teknologi Tenaga Perlis Consortium Sdn. Bhd.*	**20%**	20%	Operating and maintaining an electricity generating plant owned by the Company	Malaysia
<u>Associate of Global Power Enerjî Sanayî Ve Tîcaret Anonîm Şîrketî</u>				
Gama Enerji Anonîm Şîrketî*	**30%**	30%	To enter into commitments related to energy investments and to carry out industrial, commercial and business activities	Turkey
<u>Associate of Independent Power International Ltd.</u>				
Malaysian Shoaiba Consortium Sdn. Bhd.*	**20%**	20%	Acquiring and hold for investment, shares, stocks, debentures in Malaysia or elsewhere	Malaysia
<u>Associate of Oasis Parade Sdn. Bhd.</u>				
Saudi Malaysian Operations & Maintenance Services Company Limited*	**30%**	30%	Operation and maintenance of electricity generation stations and water desalination plants	Kingdom of Saudi Arabia
<u>Associate of Orion Mission Sdn. Bhd.</u>				
Eastern Sabah Power Consortium Sdn. Bhd. (In members' voluntary winding up)*	**50%**	50%	To develop, construct and operate a gas-fired power plant and to generate and sell electricity. The company has not commenced its operation since the date of incorporation	Malaysia

9 ASSOCIATES (CONTINUED)

The details of the Group's associates are as follows: (continued)

Name of associate	Group's effective interest 2021	Group's effective interest 2020	Principal activities	Country of incorporation
Associate of Pelabuhan Lumut Sdn. Bhd.				
Lumut Maritime Terminal Sdn. Bhd.	**50% less 1 share**	50% less 1 share	Development of an integrated privatised project encompassing ownership and operations of multi-purpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities	Malaysia
Associate of Power and Energy International (Mauritius) Ltd.				
GMR Energy Limited*	**30%**	30%	Development, operation and maintenance of power generation projects and sale of power to off-takers	India
Associate of TNB Energy Services Sdn. Bhd.				
Jana Landfill Sdn. Bhd.*	**20%**	20%	Generation and distribution of heat and electricity using methane gas from landfill sites	Malaysia
Associate of TNB Renewables Sdn. Bhd.				
SD Plantation TNB Renewables Sdn. Bhd. (Formerly known as SD Plantation TNBES Renewable Energy Sdn. Bhd.)	**49%**	49%	To develop, set up, construct, install, operate and maintain renewable energy or biogas power plant which uses the palm oil mill effluent as its main source of fuel	Malaysia
Associate of TNB Engineering Corporation Sdn. Bhd.				
Abraj Cooling LLC*	**49%**	49%	Contracting works for the construction of district cooling plants	United Arab Emirates
Associate of TNB Properties Sdn. Bhd.				
KM Metro-TNB Properties Sdn. Bhd.*	**40%**	40%	Dormant	Malaysia
Associate of TNB Research Sdn. Bhd.				
Gunung Tenaga Sdn. Bhd.*	**40%**	40%	Environmental services and research	Malaysia
Associate of Vantage RE No. 1 Ltd.				
Blyth Offshore Demonstrator Limited*	**49%**	-	Ownership, construction and operation of a 42MW offshore wind farm	United Kingdom

* *Not audited by PricewaterhouseCoopers PLT, Malaysia.*

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9 ASSOCIATES (CONTINUED)

The list of contingent liabilities of material associates are as follows:

		Potential exposure to Group	
		2021 RM'million	2020 RM'million
GEL			
(a)	Corporate guarantees	**100.8**	99.0
(b)	Bank guarantees outstanding/Letter of credit outstanding	**81.4**	102.3
(c)	Claims against the GEL Group not acknowledged as debts	**35.5**	101.3
(d)	Matters relating to income tax under dispute	**2.2**	1.4
(e)	Disputed entry tax liabilities	**24.8**	24.3
(f)	Disputed demand for deposit of fund setup by Water Resource Department	**8.8**	8.6
(g)	Matters related to indirect taxes duty under disputes	**9.9**	9.8
(h)	Dispute on relinquishment charges for modification of transmission lines granted under long term access	**0.5**	0.5
(i)	Custom duties refunds	**10.1**	9.9
	In 2010, a subsidiary of GEL was granted a refund of customs duty which was paid earlier towards the import of plant and machinery. In 2011, the subsidiary received an intimation from the Office of the Joint Director General of Foreign Trade ('DGFT') for cancellation of duty drawback refund order granted thereby seeking refund of the amount that has been received earlier.		
	In the opinion of experts, the management is confident that the duty drawback refund granted earlier was appropriate and that the cancellation of the duty drawback refund is not tenable. During the financial year ended 31 March 2015, the matter has been transferred to the Hon'ble Supreme Court of India and will be concluded along with other similar cases and is pending finalisation.		
(j)	Payment of electricity duty towards Chief Electrical Inspectorate, Government of Andhra Pradesh ('GoAP')	**13.1**	12.9
	The associate and a subsidiary received demands from the Chief Electrical Inspectorate, GoAP for electricity duties on generation and sale of electrical energy since the commencement of commercial operations date of its plants.		
	Based on internal assessment and expert legal opinion, the management of GEL is confident that the provisions of Electricity Duty Act and Rules, 1939 in respect of payment of electricity duty are not applicable to GEL.		
(k)	Appeals and disputes	**49.8**	48.8
	GEL is in dispute with its fuel supplier which is currently being heard at the District Civil Court of Bangalore.		
	Based on independent legal opinion and internal assessment, the management of GEL is confident that it has a strong defense against these claims.		
(l)	Amount payable to vendors	**9.9**	10.6
	GEL Group has an amount payable in foreign currency to certain vendors, which is outstanding for more than 3 years. The GEL Group has applied for condonation of delay with the Reserve Bank of India.		
(m)	General Electricity International Inc ('GE') Arbitration	**1.6**	1.6
	GEL has a remaining amount payable in foreign currency to GE for the outstanding invoices for scheduled maintenance of gas turbines. GEL is in the process of filing the application for condonation of delay with the Reserve Bank of India.		
		348.4	431.0
Gama Enerji			
Letters of guarantee, mainly provided to certain regulators within the energy market and Ministry of Water and Irrigation of Jordan.		**20.5**	28.2
Total		**368.9**	459.2

10 GOODWILL ON CONSOLIDATION

Accounting Policy

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any NCI in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred is less than the fair value of the net identifiable assets of the acquire in the case of a bargain purchase, the resulting gain is recognised in statement of profit or loss.

Goodwill is recognised in the statement of financial position as non-current asset at cost less accumulated impairment losses and tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The carrying value of goodwill is compared to the recoverable amount, which is the higher of VIU and the fair value less costs of disposal. Any impairment is recognised immediately to the statement of profit or loss and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

	Group	
	2021 RM'million	2020 RM'million
As at the beginning of the financial year	**434.0**	241.3
Acquisition of a subsidiary*	**0**	192.1
Effect of changes in exchange rate	**4.4**	0.6
As at the end of the financial year	**438.4**	434.0

	Group	
Classification of goodwill by CGU	2021 RM'million	2020 RM'million
Local (In Malaysia)	**211.0**	211.0
Foreign (Other than Malaysia)	**227.4**	223.0
	438.4	434.0

* *The goodwill arising from acquisition of a subsidiary is in relation to VSI became a subsidiary of the Group with 55.0% equity interest during the financial year 2020 (Note 47).*

Impairment assessment for goodwill

Goodwill is tested for impairment on an annual basis. The carrying value of goodwill is allocated to the Group's CGUs. The recoverable amount of the CGU including goodwill, is determined based on its VIU. This VIU calculation applies a discounted cash flow model using cash flow projections based on forecast approved by management. The forecasts reflect management's expectations of revenue growth, operating costs and margins for the CGUs based on current assessment of market share, expectations of market and industry growth.

The discount rate applied to the cash flow forecast refers to the industry's pre-tax Weighted Average Cost of Capital ('WACC').

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10 GOODWILL ON CONSOLIDATION (CONTINUED)

Impairment assessment for goodwill (continued)

(i) Local investments and operations goodwill

The discounted cash flow model used cash flow projections which covered a five-year period and cash flows beyond the projection years are extrapolated using an estimated terminal growth rate.

The following key assumptions have been applied in the VIU calculation:

	2021 %	2020 %
Revenue growth rate	**2.1**	3.3
Pre-tax discount rate	**9.9**	7.1
Terminal growth rate	**1.4**	3.3

Based on the Group's assessment, no impairment losses were required as at 31 December 2021 as the recoverable amount exceeded the carrying amount.

The Group's review includes an impact assessment of changes in key assumptions used. Based on the sensitivity analysis performed, it was concluded that no reasonable change in the base case assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

(ii) Foreign investments and operations goodwill

The discounted cash flow model used cash flow projections which covered a thirty-year period.

The following key assumptions has been applied in the VIU calculation:

	2021 %	2020 %
Revenue growth rate	**(1.6)**	(0.8)
Pre-tax discount rate	**4.4**	5.8

Based on the Group's assessment, no impairment losses were required as at 31 December 2021 as the recoverable amounts exceeded the carrying amounts.

The Group's review includes an impact assessment of changes in key assumptions used. The effects of the movement in the key assumptions to the recoverable amount are as follows:

	Changes in assumptions	Impact on recoverable amount	
		Increase RM'million	Decrease RM'million
2021			
Revenue growth rate	**1.0%**	**44.3**	**(44.3)**
Pre-tax discount rate	**1.0%**	**(222.0)**	**255.8**
2020			
Revenue growth rate	1.0%	37.8	(37.8)
Pre-tax discount rate	1.0%	(227.4)	262.4

11 INVESTMENT IN UNQUOTED DEBT SECURITIES

Accounting Policy

Investment in unquoted debt securities are financial instruments and the accounting policy is disclosed in Note 45.

	Note	Group 2021 RM'million	Group 2020 RM'million	Company 2021 RM'million	Company 2020 RM'million
Current					
Sukuk Prihatin	(a)	**50.0**	0	**50.0**	0
Non-current					
Unsecured Loan Notes		**277.5**	253.4	**277.5**	253.4
Less: Loss allowance		**(27.4)**	(37.6)	**(27.4)**	(37.6)
	(b)	**250.1**	215.8	**250.1**	215.8
Sukuk Prihatin	(a)	**0**	50.0	**0**	50.0
		250.1	265.8	**250.1**	265.8
		300.1	265.8	**300.1**	265.8

(a) The Sukuk Prihatin, issued by the Government, is a Commodity Murabahah (via Tawarruq) with a maturity period of 2 years and matures on 22 September 2022. The profit rate is fixed at 2.0% per annum.

(b) The Unsecured Loan Notes primarily related to the Islamic Medium Term Notes ('MTN') facility subscription with a maturity period of 14 years and matures on 5 May 2034.

Credit risks relating to debt instruments above are disclosed in Note 45(b) of the financial statements.

12 DEFERRED TAXATION

Accounting Policy

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements including those arising from business combinations. Deferred tax is not recognised on goodwill and those arising from initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unutilised tax credits can be utilised. Deferred tax is recognised on temporary differences arising on investment in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is receivable.

Deferred tax is measured at the tax rates (and laws) that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The Group and the Company will adopt the amendments to MFRS 112 effective 1 January 2023 and recognise deferred tax on its lease transactions of which the company is a lessee. The Group and the Company will recognise a deferred tax asset and a deferred tax liability for any temporary differences arising on initial recognition of a lease transaction. Where applicable, a deferred tax asset is recognised as the Group and the Company is able to benefit from the tax deductions in the future. Any differences between the deferred tax asset and deferred tax liability will be recognised in the profit and loss. Upon adopting the amendments, the Group and the Company do not expect material adjustments to the retained earnings as the initial recognition of the lease transactions gave rise to equal and offsetting temporary differences.

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12 DEFERRED TAXATION (CONTINUED)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Deferred tax assets:				
- Deferred tax assets to be realised after more than 12 months	**305.4**	50.1	**0**	0
- Deferred tax assets to be realised within 12 months	**67.2**	80.9	**0**	0
	372.6	131.0	**0**	0
Deferred tax liabilities:				
- Deferred tax liabilities to be settled after more than 12 months	**(7,634.7)**	(7,203.8)	**(6,000.9)**	(5,429.0)
- Deferred tax liabilities to be settled within 12 months	**(543.5)**	(602.0)	**(264.4)**	(577.9)
	(8,178.2)	(7,805.8)	**(6,265.3)**	(6,006.9)
Net total	**(7,805.6)**	(7,674.8)	**(6,265.3)**	(6,006.9)

The movements during the financial year relating to deferred tax are as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
As at the beginning of the financial year	**(7,674.8)**	(7,658.7)	**(6,006.9)**	(6,486.4)
(Charged)/Credited to statement of profit or loss: (Note 38)				
- Property, plant and equipment	**2,317.6**	(2,214.6)	**(464.9)**	(495.4)
- Provisions and allowances	**(1,182.5)**	1,802.6	**146.5**	42.8
- Contract assets	**24.0**	45.1	**24.3**	45.1
- Lease liabilities	**(996.6)**	269.5	**396.5**	345.4
	162.5	(97.4)	**102.4**	(62.1)
Credited to OCI:				
- Provisions and allowances	**(293.3)**	127.3	**(293.3)**	127.3
Transfer as part of internal reorganisation	**0**	0	**(67.5)**	414.3
Acquisition of a subsidiary	**0**	(46.0)	**0**	0
As at the end of the financial year	**(7,805.6)**	(7,674.8)	**(6,265.3)**	(6,006.9)
Subject to income tax				
Deferred tax assets (before offsetting):				
- Provisions and allowances	**5,926.5**	7,402.3	**3,618.9**	3,765.7
- Lease liabilities	**24.9**	15.9	**0**	0
- Property, plant and equipment	**46.7**	68.8	**0**	0
Offsetting	**(5,625.5)**	(7,356.0)	**(3,618.9)**	(3,765.7)
Deferred tax assets (after offsetting)	**372.6**	131.0	**0**	0

12 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred tax are as follows: (continued)

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	**(11,416.8)**	(13,756.5)	**(9,077.6)**	(8,545.2)
- Contract assets	**(735.6)**	(759.6)	**(735.3)**	(759.6)
- Lease liabilities	**(1,651.3)**	(645.7)	**(71.3)**	(467.8)
Offsetting	**5,625.5**	7,356.0	**3,618.9**	3,765.7
Deferred tax liabilities (after offsetting)	**(8,178.2)**	(7,805.8)	**(6,265.3)**	(6,006.9)

The amount of deductible temporary differences, unused tax losses, reinvestment allowance and investment tax allowance for which no deferred tax assets are recognised in the statement of financial position are as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Deductible temporary differences	**316.5**	951.1	**0**	0
Tax losses*	**2,234.2**	3,254.8	**0**	0
Reinvestment allowance and investment tax allowance	**5,826.0**	5,821.9	**0**	0

No deferred tax assets are recognised from the above due to uncertainty of their recoverability. The unabsorbed capital allowances and investment tax allowance do not expired under current tax legislation.

* *The unutilised tax losses arising from a year of assessment ('YA') are allowed to be carried forward for utilisation up to 10 consecutive YAs from that YA. The accumulated unabsorbed tax losses brought forward are expected to expire between YA2028 to YA2030.*

13 LONG TERM RECEIVABLES

Accounting Policy

Long term receivables is a financial instrument and the accounting policy is disclosed in Note 45.

	Note	Group		Company	
		2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
<u>Financial asset</u>					
- Other receivables	(a)	**79.9**	89.2	**56.4**	68.2
Less: Loss allowances		**(14.8)**	(16.5)	**(14.8)**	(16.5)
		65.1	72.7	**41.6**	51.7
<u>Non-financial assets</u>					
- Advance payment to contractors	(b)	**0**	0.3	**0**	0
- Indirect tax	(c)	**102.0**	154.8	**0**	0
		167.1	227.8	**41.6**	51.7

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13 LONG TERM RECEIVABLES (CONTINUED)

(a) Included in the Group and the Company are advances given to staff and other non trade receivables, which are not expected to be received within 12 months from the statement of financial position date.

Credit risks are disclosed in Note 45(b) to the financial statements.

(b) Advance payment to contractors primarily relates to construction of plants which will be utilised against milestone payment invoices, which is more than 12 months.

(c) Included in the Group is indirect tax receivables which are not expected to be received within 12 months from the statement of financial position date.

14 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Accounting Policy

The amounts due from/(to) subsidiaries is a financial instrument and the accounting policy is as disclosed in Note 45.

	Note	Company 2021 RM'million	Company 2020 RM'million
Non-current			
Amounts due from subsidiaries		**5,403.0**	12,977.3
Less: Loss allowances		**(392.6)**	(1,104.1)
	(a)	**5,010.4**	11,873.2
Current			
Amounts due from subsidiaries		**3,316.6**	2,436.8
Less: Loss allowances		**(326.0)**	(538.3)
	(b)(c)	**2,990.6**	1,898.5
Amounts due to subsidiaries	(c)	**(4,136.3)**	(1,411.9)

(a) The amounts due from subsidiaries classified as non-current as at 31 December 2020, was inclusive of amounts due from TPGSB amounting to RM11,211.3 million. On 27 January 2021, the Board of Directors had approved the conversion of the amounts due from a subsidiary in respect of TPGSB totalling RM11,211.3 million, into 60.0% equity and 40.0% shareholder loan. The equity comprises RM225.0 million ordinary shares and RM6,495.0 million RPS as disclosed in Note 7.

In February 2021, the Company had finalised and agreed on the terms of reference of the shareholder loan amounting to RM4,491.3 million, based on the Islamic financing structure, for a profit rate of 3.75% per annum repayable over 15 years.

(b) The amounts due from subsidiaries include amount due from Vantage RE No. 1 Ltd. which is subject to an interest rate of 2.0% per annum, is unsecured and has no fixed term of repayment.

(c) Amounts due from/(to) subsidiaries classified as current are unsecured, interest free and repayable on demand.

Credit risks are disclosed in Note 45(b) to the financial statements.

15 LEASES

Accounting Policy

(a) The Group and the Company as lessors

When the Group and the Company act as lessors, they determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; otherwise, then it is an operating lease.

Operating leases
Leases where the Group and the Company retain substantially all of the risks and rewards of ownership of the leased assets are classified as operating leases. The Group and the Company recognise lease payments received under operating leases as operating income on a straight-line basis over the lease term.

Finance leases
If the Group and the Company transfer substantially all of the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases. The Group and the Company derecognise the leased assets and recognise the net investment in the lease as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(b) The Group and the Company as lessees

The accounting policy on ROU assets and lease liabilities for lessees are disclosed in Note 6.

(a) Finance lease receivables

The Group's finance lease receivables arise predominantly from Cooling Energy Supply Agreement ('CESA') and Energy Performance Contract ('EPC').

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Within 1 year	**2.2**	2.2	**1.3**	1.1
After 1 year and not later than 2 years	**2.0**	2.5	**1.2**	1.4
After 2 years and not later than 3 years	**2.0**	2.0	**1.3**	1.2
After 3 years and not later than 4 years	**2.0**	2.0	**1.5**	1.3
After 4 years and not later than 5 years	**2.0**	2.0	**1.6**	1.5
After 5 years	**3.7**	5.7	**3.1**	4.7
	11.7	14.2	**8.7**	10.1
	13.9	16.4	**10.0**	11.2
Less: Unearned finance income	**(3.9)**	(5.2)		
Present value of minimum lease payment receivable	**10.0**	11.2		

The effective interest rate implicit in the finance lease is approximately 9.5% (2020: 9.5%). The carrying amount of the finance lease receivables approximate to their fair values.

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15 LEASES (CONTINUED)

(b) Lease liabilities

	Note	Group 2021 RM'million	Group 2020 RM'million	Company 2021 RM'million	Company 2020 RM'million
Lease liabilities	(i)	**29,241.9**	28,728.4	**71,190.5**	65,519.1
Hire purchase creditors	(ii)	**0**	0.4	**0**	0
		29,241.9	28,728.8	**71,190.5**	65,519.1

(i) The Group's and the Company's obligations under lease liabilities arise predominantly from the power purchase agreements with several Independent Power Producers ('IPPs').

	Group 2021 RM'million	Group 2020 RM'million	Company 2021 RM'million	Company 2020 RM'million
Minimum lease payments:				
- Within 1 year	**4,550.0**	4,689.8	**9,335.3**	9,300.5
- After 1 year and not later than 2 years	**3,674.5**	3,848.0	**7,339.3**	7,450.9
- After 2 years and not later than 3 years	**3,536.4**	3,628.6	**7,080.0**	6,428.1
- After 3 years and not later than 4 years	**3,095.0**	2,985.0	**6,872.3**	6,281.2
- After 4 years and not later than 5 years	**2,956.5**	2,837.9	**6,715.5**	6,069.7
- After 5 years	**22,619.8**	21,543.3	**75,792.0**	69,923.9
	35,882.2	34,842.8	**103,799.1**	96,153.8
Total minimum lease payments	**40,432.2**	39,532.6	**113,134.4**	105,454.3
Future finance charges	**(11,190.3)**	(10,804.2)	**(41,943.9)**	(39,935.2)
	29,241.9	28,728.4	**71,190.5**	65,519.1
Amount payable under lease liabilities:				
- Within 1 year	**3,098.9**	3,257.4	**5,393.5**	5,611.4
- After 1 year and not later than 2 years	**2,351.0**	2,547.6	**3,604.6**	3,999.2
- After 2 years and not later than 3 years	**2,329.1**	2,452.4	**3,535.1**	3,169.9
- After 3 years and not later than 4 years	**1,990.7**	1,919.5	**3,514.8**	3,196.6
- After 4 years and not later than 5 years	**1,956.8**	1,869.8	**3,550.3**	3,155.3
- After 5 years	**17,515.4**	16,681.7	**51,592.2**	46,386.7
	26,143.0	25,471.0	**65,797.0**	59,907.7
	29,241.9	28,728.4	**71,190.5**	65,519.1

The weighted average effective interest rate applicable to the lease liabilities as at the financial year end for the Group and the Company are 5.3% (2020: 5.3%) and 5.8% (2020: 5.9%) per annum respectively. The carrying amounts of the lease liabilities approximate to their fair values.

15 LEASES (CONTINUED)

(b) Lease liabilities (continued)

(ii) This represents future instalments under hire purchase of motor vehicles, repayable as follows:

	Group	
	2021 RM'million	2020 RM'million
Minimum lease payments:		
- Within 1 year	**0**	0.4
- After 1 year and not later than 2 years	**0**	0
Total minimum lease payments	**0**	0.4
Future finance charges	**0**	0
	0	0.4
Amount payable under hire purchase:		
- Within 1 year	**0**	0.4
- After 1 year and not later than 2 years	**0**	0
	0	0.4

Hire purchase creditors are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

The weighted average effective interest rate applicable to the hire purchase creditors as at the financial year end is NIL (2020: 5.0%) per annum and interest for the financial year is at NIL (2020: 2.7%) per annum for the Group. The carrying amounts of the hire purchase payables approximate to their fair values.

Reconciliation of lease liabilities during the financial year is as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
As at the beginning of the financial year	**28,728.8**	31,306.1	**65,519.1**	67,438.9
Cash flows	**(4,160.0)**	(4,335.9)	**(7,871.8)**	(7,298.6)
Non-cash changes				
- Additional lease	**3,268.2**	120.4	**10,016.3**	1,888.3
- Acquisition of a subsidiary	**0**	175.0	**0**	0
- Payables	**(55.2)**	(123.3)	**(520.9)**	(374.4)
- Finance charges (Note 37(b))	**1,460.1**	1,587.9	**4,047.8**	3,864.9
- Reclassification of liabilities directly associated with assets classified as held for sale (Note 23)	**0**	(1.4)	**0**	0
As at the end of the financial year	**29,241.9**	28,728.8	**71,190.5**	65,519.1

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15 LEASES (CONTINUED)

(b) Lease liabilities (continued)

The statement of profit or loss includes the following amounts relating to leases:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Depreciation charge of ROU assets (Note 6)	**3,498.1**	3,625.1	**5,898.5**	5,465.5
Finance charges (Note 37(b))	**1,460.1**	1,587.9	**4,047.8**	3,864.9
Expense relating to leases of low-value assets (Note 33)	**40.4**	25.3	**39.8**	24.4
Expense relating to variable lease payments not included in lease liabilities	**335.9**	231.5	**281.4**	139.2

16 FINANCIAL ASSETS AT FVOCI

Accounting Policy

Financial assets at FVOCI are financial instruments and the accounting policy is disclosed in Note 45.

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Financial assets at FVOCI	**62.8**	57.6	**62.1**	56.9

The Group and the Company have at initial recognition, irrevocably elected to present the fair value changes of these non-trading equity securities in OCI. The Group and the Company consider this classification to be more relevant as these instruments are strategic investments of the Group and of the Company and not held for trading purposes.

During the financial year, dividend income was recognised and no investment was disposed. The details of the financial assets at FVOCI are as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Labuan Reinsurance (L) Ltd.	**62.1**	56.9	**62.1**	56.9
Al-Imtiaz Operation and Maintenance Company Ltd.	**0.4**	0.4	**0**	0
Club Memberships				
- Sultan Salahuddin Abdul Aziz Shah Club	**0.1**	0.1	**0**	0
- Glenmarie Gold Country Club	**0.1**	0.1	**0**	0
- Leisure Holidays Bhd	**0.1**	0.1	**0**	0

17 CONTRACT BALANCES

Accounting Policy

(a) Contract cost assets – Costs to fulfil a contract

The Group recognises a contract cost that relates directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group which will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(b) Trade contract assets

A trade contract asset is recognised when the Group's and the Company's rights to consideration are conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9 'Financial Instruments' (Note 45). Typically, the amount will be billed within 30 days of the supply of electricity for electricity customers and 60 to 180 days for satisfying the performance obligation for other revenue streams. An assessment of electricity supplied to customers between the date of the last meter reading and the financial year end of the Group and the Company (unread and unbilled) was made and it is recognised as trade contract assets. Payment is expected within 30 days from the billing date for all trade receivables.

(c) Trade contract liabilities

A trade contract liability represents the obligation of the Group and of the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

Trade contract liabilities primarily relate to contributions paid by electricity customers for the construction of electricity network assets. The customers' contributions are expected to be recognised as revenue over a period of 20 years, being the estimated average useful life of the electricity network assets used to connect the customers to the electricity supply.

Other trade contract liabilities within the Group are relating to students fees. All other trade contract liabilities are expected to be recognised as revenue over the next 12 months.

(d) Non trade contract assets and liabilities

Non trade contract balances are pertaining to insurance and reinsurance contracts which are recognised in accordance to MFRS 4 'Insurance Contracts'.

Contracts under which the Group accepts significant insurance risk from ceding insurers by agreeing to compensate the ceding insurance if a specified uncertain future event (the insured event) adversely affects the ceding insurers are classified as insurance contracts.

Assets, liabilities and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expenses from the related insurance contracts because reinsurance arrangements do not relieve the Group from its direct obligations to its insured.

Reinsurers' share of insurance contract liabilities, written premiums ceded to reinsurers, reinsurers' share of change in the reserve for unearned premiums and outstanding claims are recognised in the same accounting period as the original policy to which the reinsurance relates and are presented on the statement of financial position on a gross basis.

Reinsurance assets include reinsurers' share of insurance contract liabilities and balances due from reinsurers. The amounts recognised as reinsurers' share of insurance contract liabilities are measured on a basis that is consistent with the measurement of the liabilities held in respect of the related insurance contracts.

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17 CONTRACT BALANCES (CONTINUED)

Accounting Policy (continued)

(d) Non trade contract assets and liabilities (continued)

Reinsurance assets are assessed for impairment at each date of the statement of financial position. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact of the amount that the Group will receive from the reinsurer. The impairment loss is recognised in profit or loss.

The Group and the Company have recognised the following assets and liabilities related to contracts with customers:

		Group		Company	
	Note	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Contract cost assets					
- Current		**111.0**	125.3	**0**	0
- Non-current		**0.8**	0	**0**	0
Contract assets					
- Trade	(a)	**3,169.7**	3,197.8	**2,982.0**	3,084.5
- Non trade		**148.5**	0	**0**	0
		3,318.2	3,197.8	**2,982.0**	3,084.5
Contract liabilities					
- Current trade		**341.1**	420.5	**241.9**	259.3
- Non-current trade		**4,355.7**	3,753.7	**3,631.6**	3,020.9
	(b)	**4,696.8**	4,174.2	**3,873.5**	3,280.2
- Current non trade		**151.2**	0	**0**	0
		4,848.0	4,174.2	**3,873.5**	3,280.2
(a) Trade contract assets	(i)				
As at the beginning of the financial year		**3,197.8**	3,508.2	**3,084.5**	3,356.8
Performance obligations completed		**3,297.9**	3,239.2	**3,046.0**	3,121.2
Transfer to receivables		**(3,255.7)**	(3,505.8)	**(3,084.5)**	(3,356.8)
Less: Loss allowances		**(70.3)**	(43.8)	**(64.0)**	(36.7)
As at the end of the financial year		**3,169.7**	3,197.8	**2,982.0**	3,084.5
(b) Trade contract liabilities	(i),(ii)				
As at the beginning of the financial year		**4,174.2**	3,784.4	**3,280.2**	2,990.1
Received during the financial year		**1,038.7**	938.6	**817.8**	527.1
Release to statement of profit or loss:					
- Customers' contribution		**(269.1)**	(283.0)	**(224.5)**	(237.0)
- Deferred income		**(247.0)**	(265.8)	**0**	0
As at the end of the financial year		**4,696.8**	4,174.2	**3,873.5**	3,280.2

17 CONTRACT BALANCES (CONTINUED)

The Group and the Company have recognised the following assets and liabilities related to contracts with customers: (continued)

(i) Significant changes in trade contract assets and liabilities

Trade contract assets have increased as the Group and the Company have provided more services ahead of the agreed payment schedules for fixed-price contracts. The Group and the Company also recognised a loss allowance for trade contract assets.

Trade contract liabilities have increased for the Group and the Company due to larger prepayments or contributions received from customers.

(ii) Revenue recognised in relation to trade contract liabilities

The following table shows how much of the revenue recognised in the current financial year relates to carried-forward trade contract liabilities and how much relates to performance obligations that were satisfied in a prior financial year:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Revenue recognised, included in the trade contract liabilities balances in relation to preceding year	**(233.3)**	(369.4)	**(183.8)**	(229.2)
Revenue recognised, included in the trade contract liabilities balances in relation to current year	**(282.8)**	(179.4)	**(40.7)**	(7.8)
	(516.1)	(548.8)	**(224.5)**	(237.0)

(iii) Unsatisfied performance obligations in long term contracts

The following table shows unsatisfied performance obligations resulting from long term contracts:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied	**4,696.8**	4,174.2	**3,873.5**	3,280.2

Management expects 6.2% (2020: 7.9%) of the transaction price allocated to the unsatisfied contracts will be recognised as revenue during the next financial year. The remaining 93.8% (2020: 92.1%) will be recognised from financial years 2023 to 2042.

In respect of the supply of electricity, the Group and the Company applied the practical expedient to not disclose information related to the transaction price allocated to the remaining performance obligations, on the basis that revenue is recognised from the satisfaction of the performance obligations upon the consumption of electricity by the customers.

All contracts for period of one year or less are billed based on services provided. The transaction price allocated to these unsatisfied contracts is not disclosed.

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18 FINANCIAL ASSETS AT FVTPL

Accounting Policy

Financial assets at FVTPL are financial instruments and the accounting policy is disclosed in Note 45.

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Financial assets at FVTPL	**2,522.3**	7,114.4	**700.7**	5,326.6
Current	**2,452.3**	6,973.9	**631.8**	5,244.3
Non-current	**70.0**	140.5	**68.9**	82.3
	2,522.3	7,114.4	**700.7**	5,326.6

Financial assets at FVTPL mainly represent investments in unit trusts and students' loans.

Credit risks relating to financial assets at FVTPL are disclosed in Note 45(b) to the financial statements.

19 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the statement of profit or loss when the changes arise.

	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
Non-hedge accounting qualified derivative financial instruments:				
Group				
2021				
Current				
Outstanding foreign currency contracts				
Spot foreign currency contract	(a)	**38.9**	**0**	**0**
Forward foreign currency contracts	(b)	**39.2**	**0**	**(0.4)**
Non-current				
Outstanding foreign currency contracts				
Interest rate swap contracts	(c)	**1,703.5**	**0**	**(31.0)**
Profit rate swap contracts	(d)	**342.8**	**1.2**	**(7.7)**
		2,046.3	**1.2**	**(38.7)**

19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
Non-hedge accounting qualified derivative financial instruments: (continued)				
Group				
2020				
Current				
Outstanding foreign currency contracts				
Forward foreign currency contracts	(b)	93.3	0	(1.3)
Non-current				
Outstanding foreign currency contracts				
Interest rate swap contracts	(c)	1,746.1	0	(150.2)
Profit rate swap contracts	(d)	361.3	0	(25.5)
		2,107.4	0	(175.7)
Company				
2021				
Current				
Outstanding foreign currency contracts				
Spot foreign currency contract	(a)	**38.9**	**0**	**0**
Forward foreign currency contracts	(b)	**39.2**	**0**	**(0.4)**
2020				
Current				
Outstanding foreign currency contracts				
Forward foreign currency contracts	(b)	93.3	0	(1.3)

(a) The Group and the Company entered into a spot foreign currency contract with a spot rate at RM4.1700 (2020: RM NIL) for 1 US Dollar.

(b) The Group and the Company entered into forward foreign currency contracts with forward rates of RM4.1865 (2020: RM4.0520 to RM4.1075) for 1 US Dollar and RM3.6820 (2020: RM3.9630) for 100 Japanese Yen.

(c) The Group entered into two Interest Rate Swap ('IRS') contracts that entitled the Group to receive interest at floating rates and obliged to pay interest at fixed rates of 1.33% per annum and 1.67% per annum on aggregate notional principal of GBP30.7 million and GBP89.3 million respectively.

The Group had an additional IRS contract during the financial year 2020 through VSI, which became a subsidiary of the Group on 1 September 2020 (Note 47). In June 2017, Vortex Solar UK Limited, a wholly-owned subsidiary of VSI has entered into an IRS contract that entitled the Group to receive interest at floating rates and obligated it to pay interest at fixed rate of 1.37% per annum on aggregate notional amount principal of GBP252.7 million.

(d) The Group entered into a Profit Rate Swap ('PRS') contract that entitled TNB Bukit Selambau Solar Sdn. Bhd. to receive profit at floating rates and obliged to pay profit at a fixed rate of 4.31% per annum on aggregate notional principal of RM134.7 million.

In addition, the Group entered into a PRS contract with effect from 13 February 2020 that entitled TNB Sepang Solar Sdn. Bhd. to receive profit at floating rates and obliged to pay profit at a fixed rate of 3.15% per annum on aggregate notional principal of RM236.2 million.

Credit risks relating to derivative financial instruments are disclosed in Note 45(b) to the financial statements.

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20 INVENTORIES

Accounting Policy

Inventories are stated at the lower of cost and net realisable value.

Cost of work-in-progress and finished goods comprise raw materials, direct labour and a proportion of the production overheads. Cost is determined on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Fuel and consumables	**1,955.2**	1,559.8	**167.5**	376.5
Work-in-progress	**12.1**	14.0	**0**	0
Finished goods	**9.8**	10.0	**0**	0
	1,977.1	1,583.8	**167.5**	376.5

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS

Accounting Policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and the Company. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value, which is the amount of consideration that is unconditional unless they contain significant financing components. The Group and the Company hold the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less accumulated impairment losses. The impairment is determined based on the ECL model and is further disclosed in Note 45.

		Group		Company	
	Note	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Trade receivables		**6,817.0**	5,450.7	**5,570.8**	4,563.5
Staff advances/loans		**55.9**	58.5	**41.9**	42.9
Deposits and prepayments	(a)	**856.5**	1,825.2	**516.8**	1,586.6
Other receivables	(b)	**5,527.6**	416.8	**4,786.1**	20.4
Rechargeable job orders debtors	(c)	**341.6**	1,452.3	**194.9**	1,296.0
Partial payment to contractors		**31.2**	21.0	**1.5**	0
		13,629.8	9,224.5	**11,112.0**	7,509.4
Impairment losses on:					
- Trade receivables		**(2,853.3)**	(2,139.5)	**(2,698.1)**	(2,011.2)
- Others		**(228.8)**	(191.3)	**(153.7)**	(114.5)
		(3,082.1)	(2,330.8)	**(2,851.8)**	(2,125.7)
		10,547.7	6,893.7	**8,260.2**	5,383.7

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The Group's and the Company's credit policies provide trade receivables with a range between 30 days to 90 days (2020: 30 days to 90 days) credit period.

Credit risks relating to receivables are disclosed in Note 45(b)(i) to the financial statements.

(a) The recoverable amount of contractual obligation of RM1,161.4 million recognised in financial year 2020 has been utilised and offset against the purchases of gas over and above the committed volume.

(b) Included in other receivables of the Group and of the Company are amounts due from the Government amounting to RM4,783.0 million (2020: RM124.2 million) under the Imbalanced Cost Pass Through ('ICPT') mechanism and RM373.8 million (2020: RM NIL) for the sales discount given to the customers.

(c) Included in rechargeable job orders debtors of the Group and of the Company is an amount due from the Government amounting to RM NIL (2020: RM1,084.0 million) for the sales discount given to the customers.

22 DEPOSITS, BANK AND CASH BALANCES

Accounting Policy

For the purpose of the consolidated statement of cash flows, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash in hand, deposits held at call with financial institutions, other short term investments with original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Cash in hand and at bank	**3,845.3**	2,520.1	**1,844.5**	350.8
Deposits with licensed banks and financial institution	**2,860.8**	3,921.4	**1,501.6**	2,044.2
	6,706.1	6,441.5	**3,346.1**	2,395.0

The interest rates per annum of bank balances and deposits with licensed banks that were effective as at the end of the reporting date were as follows:

	Group		Company	
	2021 %	2020 %	2021 %	2020 %
Bank balances	**0.1 – 1.7**	0.1 – 1.7	**0.1 – 1.7**	0.1 – 1.7
Deposits with licensed banks and financial institution	**0.1 – 2.1**	0.1 – 3.2	**0.1 – 0.3**	0.1 – 2.3

Deposits with licensed banks have maturity periods ranging from 1 to 365 days (2020: 1 to 365 days) for the Group and 1 to 160 days (2020: 1 to 90 days) for the Company.

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22 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Cash and cash equivalents comprise:				
- Cash in hand and at bank	**3,845.3**	2,520.1	**1,844.5**	350.8
- Deposits with licensed banks and financial institution	**2,860.8**	3,921.4	**1,501.6**	2,044.2
Deposits, bank and cash balances	**6,706.1**	6,441.5	**3,346.1**	2,395.0
Debt reserve account* (Note 27(b)(iii))	**(149.6)**	(137.1)	**0**	0
Cash at bank held in trust**	**(323.9)**	(401.2)	**0**	0
Restricted cash	**(1.3)**	(107.2)	**0**	0
Deposits with maturity 90 days and more	**(596.4)**	(773.0)	**0**	0
Total cash and cash equivalents	**5,634.9**	5,023.0	**3,346.1**	2,395.0

* *Debt reserve account relates to deposits placed with licensed financial institution as part of security obligations for bond financing.*
** *The cash at bank held in trust is in respect of grants received from the Government by a subsidiary for designated capital projects.*

23 ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

Accounting Policy

Non-current assets or groups of assets are classified as 'held for sale' if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Similarly, liabilities directly associated with the disposal group are also presented separately from other liabilities in the statement of financial position.

Depreciation ceases when an asset is classified as an asset held for sale. Assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

On 30 November 2021, the Group has completed the divestment of its entire 100.0% equity stake in TPD and LPL, subsidiaries of the Group for a consideration of RM226.9 million (USD54.5 million).

Details of the sale of the subsidiaries are as follows:

	2021 RM'million
Consideration received or receivables:	
- Cash	**221.7**
- Deferred consideration	**5.2**
Total disposal consideration	**226.9**
Carrying amount of net liabilities sold	**192.0**
Inter-company settlement	**(200.5)**
Gain on sale before transaction cost and reclassification of foreign currency translation reserve	**218.4**
Transaction cost	**(6.4)**
Reclassification of foreign currency translation reserve	**(186.9)**
Gain on disposal of subsidiaries	**25.1**

23 ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

The carrying amounts of the assets and liabilities as at the date of sale, 30 November 2021 are:

	30 November 2021		
	TPD RM'million	LPL RM'million	Total RM'million
Assets			
Property, plant and equipment	0	159.4	159.4
Right-of-use assets	0	1.4	1.4
Inventories	0	1.1	1.1
Receivables, deposits and prepayments	0	353.4	353.4
Tax recoverable	0	9.0	9.0
	0	524.3	524.3
Liabilities			
Payables	(0.1)	(300.0)	(300.1)
Lease liabilities	0	(1.2)	(1.2)
Employee benefits	0	0	0
Borrowings	0	(179.1)	(179.1)
Other liabilities	0	(235.9)	(235.9)
	(0.1)	(716.2)	(716.3)
Net carrying amount of liabilities	(0.1)	(191.9)	(192.0)

The Group did not have any assets held for sale as at 31 December 2021 as the divestment was completed during the financial year. The details of the assets held for sale and liabilities directly associated with assets held for sale as at 31 December 2020 are as follows:

	2020		
	TPD RM'million	LPL RM'million	Total RM'million
Assets classified as held for sale			
Property, plant and equipment	0	161.5	161.5
Right-of-use assets	0	1.7	1.7
Inventories	0	1.3	1.3
Receivables, deposits and prepayments	0	443.1	443.1
Tax recoverable	0	9.4	9.4
	0	617.0	617.0
Liabilities directly associated with assets classified as held for sale			
Payables	(0.1)	(241.3)	(241.4)
Lease liabilities	0	(1.4)	(1.4)
Employee benefits	0	(0.6)	(0.6)
Borrowings	0	(2.4)	(2.4)
Other liabilities	0	(260.3)	(260.3)
	(0.1)	(506.0)	(506.1)
Net (liabilities)/assets classified as held for sale	(0.1)	111.0	110.9

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24 PAYABLES

Accounting Policy

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables generally arise from transactions outside the usual operating activities of the Group and the Company. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, which is the fair value of the consideration to be paid in the future for the goods and services received.

Provisions are recognised when the Group and the Company have a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and reliable estimates of the amounts can be made. Where the Group and the Company expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

	Note	Group		Company	
		2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Trade payables	(a)	**5,025.2**	7,188.0	**2,519.7**	5,688.4
Payroll liabilities		**1,714.8**	1,538.0	**1,503.4**	1,379.6
Deposits		**27.3**	28.1	**10.4**	10.3
Provisions	(b)	**325.3**	285.6	**147.0**	139.0
Financial guarantee contracts		**291.1**	282.9	**293.4**	285.2
Other payables and accruals		**1,213.0**	1,211.5	**505.0**	405.9
		8,596.7	10,534.1	**4,978.9**	7,908.4

(a) Included in trade payables of the Group and the Company are obligations amounting to RM791.2 million (2020: RM3,448.8 million), relating to the Electricity Industry Fund under the IBR mechanism.

Credit terms of trade payables of the Group and of the Company vary from 30 to 60 days (2020: 30 to 60 days) depending on the terms of the contracts.

The loss allowance on financial guarantee contracts are mainly arising from financial guarantees provided by the Company to an associate arising from the ECL model (Note 45(b)(iv)).

(b) The movements in provision during the financial year are as follows:

	RMK* RM'million	CESS Fund^ RM'million	Legal/ Disputes RM'million	Capital Expenditure RM'million	Levy Tax RM'million	Others RM'million	Total RM'million
Group							
2021							
As at the beginning of the financial year	**99.8**	**101.5**	**17.4**	**9.2**	**55.4**	**2.3**	**285.6**
(Reversal)/Provisions during the financial year	**(94.8)**	**42.8**	**37.5**	**66.3**	**0**	**(2.3)**	**49.5**
Utilised during the financial year	**0**	**(9.8)**	**0**	**0**	**0**	**0**	**(9.8)**
As at the end of the financial year	**5.0**	**134.5**	**54.9**	**75.5**	**55.4**	**0**	**325.3**

24 PAYABLES (CONTINUED)

(b) The movements in provision during the financial year are as follows: (continued)

	RMK* RM'million	CESS Fund^ RM'million	Legal/ Disputes RM'million	Capital Expenditure RM'million	Levy Tax RM'million	Others RM'million	Total RM'million
Group							
2020							
As at the beginning of the financial year	99.4	58.3	57.8	15.7	61.3	424.9	717.4
Provisions/(Reversal) during the financial year	95.6	48.8	(40.4)	26.0	(4.3)	43.9	169.6
Utilised during the financial year	(95.2)	(5.6)	0	(32.5)	(1.6)	(466.5)	(601.4)
As at the end of the financial year	99.8	101.5	17.4	9.2	55.4	2.3	285.6

	RMK* RM'million	CESS Fund^ RM'million	Legal/ Disputes RM'million	Capital Expenditure RM'million	Others RM'million	Total RM'million
Company						
2021						
As at the beginning of the financial year	**99.8**	**22.6**	**5.1**	**9.2**	**2.3**	**139.0**
(Reversal)/Provisions during the financial year	**(94.8)**	**1.7**	**37.1**	**66.3**	**(2.3)**	**8.0**
Utilised during the financial year	**0**	**0**	**0**	**0**	**0**	**0**
As at the end of the financial year	**5.0**	**24.3**	**42.2**	**75.5**	**0**	**147.0**
2020						
As at the beginning of the financial year	99.4	12.2	13.2	15.7	13.5	154.0
Provisions/(Reversal) during the financial year	95.6	10.4	(8.1)	26.0	0	123.9
Utilised during the financial year	(95.2)	0	0	(32.5)	(11.2)	(138.9)
As at the end of the financial year	99.8	22.6	5.1	9.2	2.3	139.0

* *The RMK is provisions in relation to the development cost of Eleventh Malaysia Plan.*
^ *CESS Fund is relating to contribution for Electricity Supplies Industry Trust Account ('AAIBE').*

25 EMPLOYEE BENEFITS

Accounting Policy

(a) Short term employee benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Post-employment benefits

The Group and the Company have various post-employment benefit schemes which are either defined contribution or defined benefit plans. A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and the Company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee services in the current and prior periods.

NOTES TO THE FINANCIAL STATEMENTS

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25 EMPLOYEE BENEFITS (CONTINUED)

Accounting Policy (continued)

(b) Post-employment benefits (continued)

Defined contribution plans

The Group's and the Company's contributions to the defined contribution plans are charged to the statement of profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

Defined benefit plans

The Group and the Company make contributions to the Company's Retirement Benefit Plan, a defined benefit plan and an approved fund independent of the Company's finances. A book provision is also provided by the Group and the Company as the contribution rate required to fund the benefits under the said plan is in excess of the Inland Revenue maximum limit. The Group and the Company also provided for a Post-Retirement Medical Plan for certain employees, which is unfunded.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the statement of financial position date minus the fair value of plan assets. The Group and the Company determine the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting date.

The defined benefit obligation, calculated using the Projected Unit Credit Method, is determined by an independent actuarial firm, considering the estimated future cash outflows using market yields at the statement of financial position date of high-quality corporate bonds which have currency and terms to maturity approximating the terms of the related liability.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee services in the current year. It is recognised in the statement of profit or loss as employee benefits expense.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefits obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly to the OCI in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to the statement of profit or loss.

(i) Retirement Benefit Trust Fund ('RBTF')

The Group and the Company operate a final salary defined benefit plan. The benefit is made as lump sum payment at retirement or earlier exits due to death and early retirement. The RBTF has been closed to new entrants since January 2008. Currently, there is no minimum funding requirement under the law.

The RBTF exposes the Group and the Company to risks from interest rates from defined benefit being greater than expected due to assumptions such as salary increment or turnover rates not being borne out. The RBTF is also exposed to investment risks in relation to the assets of the plan.

The funding of the RBTF is based on recommendation of the actuary and approved by the Group and the Company. The contributions by the Group and the Company are based on 6.0% (2020: 7.0%) of the annual basic salaries of the members. The employees are not required to contribute to the plan.

The Group and the Company expect to contribute 6.0% (2020: 6.0%) of the annual basic salaries of members to the plan in the next financial year.

25 EMPLOYEE BENEFITS (CONTINUED)

Accounting Policy (continued)

(b) Post-employment benefits (continued)

Defined benefit plans (continued)

(ii) Post-Retirement Medical Benefit Scheme ('PRMBS')

The Group and the Company operate a post-retirement medical benefits plan in Malaysia. The PRMBS is closed to new entrants. There is no minimum funding requirement under the current law. The PRMBS is unfunded.

The PRMBS exposes the Group and the Company to risks from interest rates and from defined benefits being greater than expected due to assumptions such as projection of medical benefit costs and mortality not being borne out.

There has not been any settlement or curtailment during the current financial year.

The movements in the financial statements are as follows:

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
Group					
At 1 January 2021	2,536.4	(1,877.3)	659.1	13,193.6	13,852.7
Included in profit or loss					
Current service costs	95.3	0	95.3	0	95.3
Interest cost/(income)	88.1	(69.0)	19.1	531.3	550.4
	183.4	(69.0)	114.4	531.3	645.7
Included in OCI					
Remeasurement of gain (Note 38):					
- Actuarial (gain)/loss arising from:					
- financial assumptions	(95.3)	0	(95.3)	(1,018.3)	(1,113.6)
- experience assumptions	(92.8)	0	(92.8)	(90.2)	(183.0)
- demographic assumptions	0	0	0	3.0	3.0
- Return on plan assets excluding interest income	0	11.2	11.2	0	11.2
	(188.1)	11.2	(176.9)	(1,105.5)	(1,282.4)
Others					
Contribution paid by the employer	0	(281.5)	(281.5)	0	(281.5)
Benefits paid	(299.8)	296.8	(3.0)	(497.0)	(500.0)
	(487.9)	26.5	(461.4)	(1,602.5)	(2,063.9)
At 31 December 2021	2,231.9	(1,919.8)	312.1	12,122.4	12,434.5
Current			217.7	550.5	768.2
Non-current			94.4	11,571.9	11,666.3
			312.1	12,122.4	12,434.5

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

25 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
Group					
At 1 January 2020	2,653.5	(1,700.9)	952.6	12,472.2	13,424.8
Included in profit or loss					
Current service costs	108.3	0	108.3	0	108.3
Interest cost/(income)	100.9	(72.9)	28.0	550.4	578.4
	209.2	(72.9)	136.3	550.4	686.7
Included in OCI					
Remeasurement of loss (Note 38):					
- Actuarial (gain)/loss arising from:					
- financial assumptions	(66.5)	0	(66.5)	677.7	611.2
- experience assumptions	48.7	0	48.7	(26.1)	22.6
- Return on plan assets excluding interest income	0	(104.5)	(104.5)	0	(104.5)
	(17.8)	(104.5)	(122.3)	651.6	529.3
Others					
Contribution paid by the employer	0	(295.1)	(295.1)	0	(295.1)
Benefits paid	(307.9)	296.1	(11.8)	(480.6)	(492.4)
Reclassification of liabilities directly associated with assets classified as held for sale (Note 23)	(0.6)	0	(0.6)	0	(0.6)
	(326.3)	(103.5)	(429.8)	171.0	(258.8)
At 31 December 2020	2,536.4	(1,877.3)	659.1	13,193.6	13,852.7
Current			268.8	515.0	783.8
Non-current			390.3	12,678.6	13,068.9
			659.1	13,193.6	13,852.7

25 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
Company					
At 1 January 2021	2,506.9	(1,875.5)	631.4	12,447.7	13,079.1
Included in profit or loss					
Current service costs	69.0	0	69.0	0	69.0
Interest cost/(income)	87.3	(69.0)	18.3	500.3	518.6
	156.3	(69.0)	87.3	500.3	587.6
Charged to subsidiaries	23.9	0	23.9	0	23.9
	180.2	(69.0)	111.2	500.3	611.5
Included in OCI					
Remeasurement of gain (Note 38):					
- Actuarial (gain)/loss arising from:					
- financial assumptions	(95.3)	0	(95.3)	(957.3)	(1,052.6)
- experience assumptions	(92.8)	0	(92.8)	(91.1)	(183.9)
- demographic assumptions	0	0	0	3.0	3.0
- Return on plan assets excluding interest income	0	11.5	11.5	0	11.5
	(188.1)	11.5	(176.6)	(1,045.4)	(1,222.0)
Others					
Contribution paid by the employer	0	(281.5)	(281.5)	0	(281.5)
Benefits paid	(296.8)	296.8	0	(476.3)	(476.3)
	(484.9)	26.8	(458.1)	(1,521.7)	(1,979.8
At 31 December 2021	2,202.2	(1,917.7)	284.5	11,426.3	11,710.8
Current			217.7	528.0	745.7
Non-current			66.8	10,898.3	10,965.1
			284.5	11,426.3	11,710.8

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

25 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
Company					
At 1 January 2020	2,613.3	(1,703.8)	909.5	11,743.6	12,653.1
Included in profit or loss					
Current service costs	83.6	0	83.6	0	83.6
Interest cost/(income)	106.0	(72.9)	33.1	518.0	551.1
	189.6	(72.9)	116.7	518.0	634.7
Charged to subsidiaries	17.9	0	17.9	0	17.9
	207.5	(72.9)	134.6	518.0	652.6
Included in OCI					
Remeasurement of loss (Note 38):					
- Actuarial (gain)/loss arising from:					
- financial assumptions	(66.5)	0	(66.5)	663.9	597.4
- experience assumptions	48.7	0	48.7	(15.9)	32.8
- Return on plan assets excluding interest income	0	(99.8)	(99.8)	0	(99.8)
	(17.8)	(99.8)	(117.6)	648.0	530.4
Others					
Contribution paid by the employer	0	(295.1)	(295.1)	0	(295.1)
Benefits paid	(296.1)	296.1	0	(461.9)	(461.9)
	(313.9)	(98.8)	(412.7)	186.1	(226.6)
At 31 December 2020	2,506.9	(1,875.5)	631.4	12,447.7	13,079.1
Current			268.8	495.7	764.5
Non-current			362.6	11,952.0	12,314.6
			631.4	12,447.7	13,079.1

25 EMPLOYEE BENEFITS (CONTINUED)

The latest actuarial revaluation for RBTF and PRMBS was carried out in February 2022. The principal actuarial assumptions used in respect of defined benefit plans are as follows:

	Group		Company	
	RBTF %	PRMBS %	RBTF %	PRMBS %
2021				
Discount rates	**4.4 - 4.5**	**4.9**	**4.4**	**4.8**
Salary increment rate	**5.0 - 6.0**	**N/A**	**6.0**	**N/A**
Medical cost inflation:				
- Inpatient	**N/A**	**5.5**	**N/A**	**5.5**
- Outpatient	**N/A**	**4.5**	**N/A**	**4.5**
Others:				
- Specialist	**N/A**	**4.5**	**N/A**	**4.5**
- Dialysis	**N/A**	**5.5**	**N/A**	**5.5**
2020				
Discount rates	3.7 - 4.5	4.1	3.7	4.1
Salary increment rate	5.0 - 6.0	N/A	6.0	N/A
Medical cost inflation:				
- Inpatient	N/A	5.5	N/A	5.5
- Outpatient	N/A	4.5	N/A	4.5
Others:				
- Specialist	N/A	4.5	N/A	4.5
- Dialysis	N/A	5.5	N/A	5.5

The effect of a 1.0% movement in the key assumptions to the defined benefit obligation balances are as follows:

	RBTF		PRMBS	
	Increase RM'million	Decrease RM'million	Increase RM'million	Decrease RM'million
Group				
2021				
Medical cost trend rate	**N/A**	**N/A**	**1,558.0**	**(1,313.0)**
Discount rate	**(127.3)**	**141.1**	**(1,349.1)**	**1,635.9**
Salary increment rate	**156.1**	**(143.1)**	**N/A**	**N/A**
2020				
Medical cost trend rate	N/A	N/A	1,840.4	(1,536.2)
Discount rate	(149.6)	166.6	(1,584.1)	1,942.5
Salary increment rate	180.6	(164.9)	N/A	N/A

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25 EMPLOYEE BENEFITS (CONTINUED)

The effect of a 1.0% movement in the key assumptions to the defined benefit obligation balances are as follows: (continued)

	RBTF		PRMBS	
	Increase RM'million	Decrease RM'million	Increase RM'million	Decrease RM'million
Company				
2021				
Medical cost trend rate	**N/A**	**N/A**	**1,448.8**	**(1,223.7)**
Discount rate	**(124.9)**	**138.3**	**(1,258.0)**	**1,522.1**
Salary increment rate	**153.1**	**(140.4)**	**N/A**	**N/A**
2020				
Medical cost trend rate	N/A	N/A	1,711.2	(1,432.0)
Discount rate	(149.6)	166.6	(1,477.4)	1,807.1
Salary increment rate	180.6	(164.9)	N/A	N/A

The sensitivity analysis have been provided based on membership data as at 31 December 2021 and considered a change of each principal assumption in isolation. The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the Group's and of the Company's liabilities are estimated at approximately 7 and 14 years for RBTF and PRMBS respectively.

Plan assets for RBTF comprise:

		Group and Company	
		2021 %	2020 %
Equity instruments	- quoted	**53.7**	53.0
Debt instruments	- quoted	**17.4**	20.8
	- unquoted	**21.3**	17.8
Others		**7.6**	8.4
		100.0	100.0

The plan assets for RBTF did not include any ordinary share of the Company.

The Group's and the Company's RBTF are conditional on future employment of the members of the plan. The Group's and the Company's PRMBS are not conditional on future employment and has been fully vested as at 31 December 2021.

26 CONSUMER DEPOSITS

Consumers (with the exception of employees and government departments/agencies) are required to deposit a sum sufficient to cover charges for two months supply of electricity as allowed under the regulation of the Licensee Supply (Amendment) Regulations 2002. In default of payment of the deposit within the time specified, the supply to the consumer's installation may be disconnected, subject to certain conditions laid out in the regulations.

An interest of 2.5% per annum is credited to the consumer's cash deposit.

Consumer deposits are classified as current liabilities as the amounts shall be refunded within 30 days upon request for termination of electricity supply by the consumer.

27 BORROWINGS

Accounting Policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method, any differences between proceeds (net of transaction costs) and the redemption value are recognised in the statement of profit or loss over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawdown. In this case, the fee is deferred until the drawdown occurs. The transaction costs are amortised over the tenure of the loan and recognised in the statement of profit or loss.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

As for Government loans at an interest rate which is below the market rate of interest, the differential between the initial carrying value of the loan based on market rate and the Government rate is recognised as a deferred income and is credited to the statement of profit or loss over the period necessary to match the interest costs.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

		Group		Company	
	Note	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
<u>Current</u>					
Secured:					
- Short term loans		**201.3**	652.0	**0**	450.6
- Term loans	(a)	**864.0**	697.6	**0**	0
- Bonds	(b)	**832.3**	1,098.6	**0**	0
Unsecured:					
- Short term loans		**1,650.8**	237.6	**1,403.2**	0
- Bankers' acceptances		**872.6**	48.4	**801.0**	0
- Term loans	(a)(d)	**1,191.3**	884.1	**1,130.7**	830.6
- Bonds	(b)	**769.1**	2,211.0	**769.1**	2,211.0
- Redeemable Unsecured Loan Stocks	(c)	**611.1**	579.8	**0**	0
Total short term borrowings		**6,992.5**	6,409.1	**4,104.0**	3,492.2
<u>Non-current</u>					
Secured:					
- Term loans	(a)	**4,051.9**	4,244.5	**0**	0
- Bonds	(b)	**18,441.5**	18,908.2	**0**	0
Unsecured:					
- Term loans	(a)(d)	**2,240.9**	3,243.4	**1,971.0**	2,941.7
- Bonds	(b)	**19,951.4**	16,647.4	**18,961.3**	15,657.4
Total long term borrowings		**44,685.7**	43,043.5	**20,932.3**	18,599.1
Total borrowings		**51,678.2**	49,452.6	**25,036.3**	22,091.3

The short term borrowings carry interest at rates ranging from 0.8% to 8.0% (2020: 0.8% to 8.0%) per annum for the Group and from 0.8% to 9.4% (2020: 0.8% to 9.4%) per annum for the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

27 BORROWINGS (CONTINUED)

	Group 2021 RM'million	Group 2020 RM'million	Company 2021 RM'million	Company 2020 RM'million
Portion of borrowings due within 1 year:				
- Short term loans	**1,852.1**	889.6	**1,403.2**	450.6
- Bankers' acceptances	**872.6**	48.4	**801.0**	0
- Term loans	**2,055.3**	1,581.7	**1,130.7**	830.6
- Bonds	**1,601.4**	3,309.6	**769.1**	2,211.0
- Redeemable Unsecured Loan Stocks	**611.1**	579.8	**0**	0
	6,992.5	6,409.1	**4,104.0**	3,492.2
Borrowings repayable after 1 year:				
- After 1 and up to 2 years	**1,217.0**	929.9	**115.9**	124.5
- After 2 and up to 5 years	**3,853.1**	5,252.6	**1,742.0**	2,413.8
- After 5 and up to 10 years	**14,242.8**	13,390.1	**8,179.3**	7,384.4
- After 10 and up to 20 years	**21,636.8**	20,703.2	**10,577.6**	8,370.9
- After 20 and up to 30 years	**3,418.5**	2,462.2	**0**	0
- After 30 years	**317.5**	305.5	**317.5**	305.5
	44,685.7	43,043.5	**20,932.3**	18,599.1
Total borrowings	**51,678.2**	49,452.6	**25,036.3**	22,091.3

	Group 2021 RM'million	Group 2020 RM'million
Net book values of assets pledged as security for borrowings:		
Machinery, lines and equipment	**30,665.8**	29,534.2
Buildings	**3,377.8**	2,793.8
Land	**503.5**	528.7
	34,547.1	32,856.7

27 BORROWINGS (CONTINUED)

(a) Term loans

(i) Term Loan – SESB Federal Government Loans

The Federal Government loans obtained by SESB are secured by the following:

- A debenture creating:
  - a first fixed charge over all present and future freehold and leasehold properties including all buildings and fixtures; and
  - a first floating charge over all present and future assets of SESB not effectively charged by way of the fixed charge.
- A deed of assignment transferring all SESB's present and future rights and interests in all sales proceeds or revenue derived from the sale of electricity generated from the projects funded.
- A deed of assignment transferring all SESB's present and future rights and interests in the bank accounts in which the loan proceeds are credited.

The tenure of the loans ranges from 20 to 25 years with a fixed interest rate applicable during the financial year ranging from 0% to 4.0% per annum.

(ii) Term Loan - TNB Engineering Corporation Sdn. Bhd. ('TNEC')

On 20 December 2010, TNEC entered into a 15-year RM73.3 million secured loan, bearing interest at a fixed rate of 5.9% per annum. The loan will mature on 24 December 2025. The principal is payable in 12 annual instalments.

The term loan is secured by a corporate guarantee from the Company. The term loan also requires TNEC to comply with certain affirmative and restrictive non-financial covenants.

(iii) Term Loan - Malaysia Transformer Manufacturing Sdn. Bhd. ('MTM')

On 2 May 2017, MTM entered into a RM25.0 million unsecured financing facilities under Commodity Murabahah Financing-i with a floating profit rate of 1.6% plus prevailing Kuala Lumpur Interbank Offered Rate ('KLIBOR') per annum and RM50.0 million under Revolving Financing-i with floating profit rate of 0.75% plus prevailing KLIBOR per annum to partly finance the construction and development of a new plant at Kapar, Klang. The loan will mature on 29 May 2023.

In addition, on 28 August 2017, MTM obtained a RM35.0 million unsecured Commodity Murabahah Flexi Term Financing-i for the purpose of part financing the new plant in Kapar, Klang. The loan will mature on 1 November 2023.

(iv) Term Loan - TNB Sepang Solar Sdn. Bhd. ('TSS')

On 19 July 2017, TSS entered into a 20-year secured Istisna' Term Financing-i for a maximum principal of RM280.0 million with a KLIBOR floating rate plus prevailing margin of 1.2% per annum (for pre-commercial operation date ('COD')) and 1.3% per annum (for post-COD) to finance the construction of a 50MW solar power plant at Kuala Langat.

The borrowings which are repayable from six months after the COD are required to be settled in full by the final maturity date of 30 June 2037.

(v) Term Loan - TNB Bukit Selambau Solar Sdn. Bhd. ('TNBBSS')

On 13 December 2018, TNBBSS obtained a RM135.0 million Islamic Facility Agreement from MUFG Bank (Malaysia) Berhad to finance the construction of a 30MW solar power plant. The tenure of the facility agreement is up to 20 years with a profit rate for pre-COD (KLIBOR+1.0%) and post-COD (KLIBOR+0.75%) per annum.

The borrowings are repayable from six months after the COD and is required to be settled in full by the final maturity date of 10 December 2038.

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27 BORROWINGS (CONTINUED)

(a) Term loans (continued)

(vi) Term Loan - Tenaga Wind Ventures UK Ltd. ('TWV')

On 28 March 2018, TWV entered into a new debt facility of GBP120.0 million for the purpose of refinancing the senior debt facility held by GVO Wind Limited ('GVO') and Bluemerang Capital Limited ('BCL'). Based on London Interbank Offered Rate ('LIBOR') transition exercise, TWV has entered into addendum agreement in 2021 to reflect the new reference rate which is Sterling Overnight Index Average (SONIA) effective from January 2022. There has been no material impact for the year ended 31 December 2021.

(vii) Term Loan – Vantage Solar Investments S.A.R.L. (Formerly known as Vortex Solar Investments S.A.R.L.) ('VSI')

On 22 June 2017, Vortex Solar UK4 Limited ('VSUK'), a wholly-owned subsidiary of VSI obtained a bank loan for the purpose of refinancing the senior debt facility held by Terraform UK3 Intermediate Holdings Ltd. VSUK entered into a loan agreement with the total of eight (8) lenders including Santander UK Plc ('Santander') acting as the facility agent for an amount of GBP337.0 million, that will mature in March 2035. The facility bears interest at a rate per annum equal to LIBOR plus an applicable margin of 1.9% for the first 3 years, 2.1% for subsequent 3 years, 2.3% for subsequent 3 years and thereafter at 2.5% until maturity. As at 31 December 2021, the facility continues to apply LIBOR as there is a refinancing exercise being initiated. The refinancing exercise is then completed on 23 February 2022 as disclosed in Note 48. Upon completion, the refinanced facility bears a fixed interest rate 2.8% per annum with no changes to the maturity date.

(b) Bonds or Sukuk

(i) Sukuk - TNB Janamanjung Sdn. Bhd. ('TNBJ')

On 25 November 2011, TNBJ established a RM4.9 billion Islamic Securities Programme to finance the construction of a 1,010MW coal-fired power plant. The tenure of the Sukuk issued from the Islamic Securities Programme ranges from 5 to 20 years with profit rates between 3.8% and 4.9% per annum.

The Islamic Securities Programme was issued by Manjung Island Energy Berhad ('MIEB') which is a special purpose vehicle company incorporated in Malaysia with a paid up capital of RM2.00 ordinary share. All of the issued shares of MIEB are held by Equity Trust (Malaysia) Berhad as share trustee for the benefit of certain specified charities, under the terms of a declaration of trust.

The Sukuk issued from the Islamic Securities Programme consists of 2 series and the details of the series are as follows:
(a) Series 1 consists of 15 tranches, with tenures ranging from 5 to 19 years.
(b) Series 2 consists of 1 tranche, with a tenure of 20 years.

(ii) Sukuk - TNB Northern Energy Berhad ('TNEB')

On 22 May 2013, TNEB entered into a RM1.6 billion sukuk facility agreement to finance the construction of a 1,071MW gas-fired power plant. The tenure of the sukuk is 23 years with profit rates between 3.6% and 4.8% per annum. The sukuk facility agreement consists of 39 tranches with tenures ranging from 4 to 23 years and the sukuk is secured.

(iii) Sukuk - Kapar Energy Ventures Sdn. Bhd. ('KEV')

On 5 July 2013, KEV issued a sukuk facility based on the Shariah principles of Ijarah ('Sukuk Ijarah') of RM2.0 billion in nominal value. The tenure of the sukuk ranging from 1 to 13 years with profit rates of 3.8% to 5.0% per annum and the sukuk is secured. The Sukuk proceeds were utilised for Shariah-compliant purposes, which include refinancing the outstanding Bai' Bithaman Ajil Islamic Debt Securities ('BaIDS'), payment of fees and expenses in relation to the Sukuk Ijarah facility and to meet the general working capital purposes of KEV.

27 BORROWINGS (CONTINUED)

(b) Bonds or Sukuk (continued)

(iv) Sukuk - TNB Western Energy Berhad ('TWEB')

On 24 January 2014, TWEB entered into a RM3.7 billion sukuk facility agreement to finance the construction of a 1,000MW coal-fired power plant. The sukuk facility agreement consists of 20 tranches with tenures ranging from 10 to 20 years with profit rates ranging from 5.1% and 5.8% per annum. The sukuk TWEB will be secured and credit-enchanced by the company in the form of Sponsor's completion support and sponsor's rolling guarantee.

(v) Sukuk – Jimah East Power Sdn. Bhd. ('JEP')

On 4 December 2015, JEP issued a Sukuk Murabahah of RM9.0 billion in nominal value. The proceeds from the Sukuk Murabahah were utilised by JEP for shariah-compliant purposes in connection with the financing, design, engineering, procurement, construction, installation, testing, commissioning, ownership, operation and maintenance of a 2,000MW coal-fired power plant and associated facilities, including the transmission line and interconnection facilities. The tenure of the facility agreement is 23 years with profit rates between 5.0% and 6.8% per annum. The sukuk facility agreement consists of 36 tranches with tenures ranging from 6 to 23 years.

(vi) Sukuk - Southern Power Generation Sdn. Bhd. ('SPG')

On 31 October 2017, SPG issued a Sukuk Wakalah of RM3.7 billion in nominal value to finance the construction of a 1,440MW gas-fired power plant and associated facilities, including the interconnection facilities.

The tenure of the facility agreement is 18 years with profit rates between 4.7% and 5.6% per annum. The sukuk facility agreement consists of 28 tranches with tenures ranging from 4.5 years to 18 years.

The Sukuk Wakalah is secured by the following securities:

(a) all property, plant and equipment including the plant, machinery, motor vehicle, furniture, fittings and other equipment of the SPG.

(b) all shares, bonds and securities whether marketable or otherwise and all other interests including but not limited loan capital.

(vii) Sukuk - TNB Global Ventures Capital Berhad ('TGVC')

On 4 October 2016, TGVC established a USD2.5 billion Multi-Currency Medium Term Note Sukuk Programme to provide flexibility to the Company's fund raising exercise for its future investments.

The Sukuk Programme is unsecured and has the benefit of an unconditional and irrecoverable guarantee from the Company, to meet the payment obligations of TGVC.

On 19 October 2016, the Company issued a USD750.0 million sukuk for a tenure of 10 years with profit rate of 3.2% per annum.

On 1 November 2018, the Company had a second issuance of USD750.0 million for a tenure of 10 years with a profit rate of 4.9%.

(viii) Sukuk - Islamic Medium Term Note Sukuk Wakalah

On 6 July 2017, the Company established a RM5.0 billion Islamic Medium Term Note Sukuk Wakalah to finance capital expenditure, investment, general corporate purpose, working capital requirements and/or refinance any existing financing facilities of the issuer and/or its subsidiaries and to defray any fees and expenses of the Sukuk Programme.

On 3 August 2017, the Company issued RM2.0 billion Sukuk Wakalah which comprised RM500.0 million with 15 years tenure and RM1.5 billion with 20 years tenure, with profit rates of 5.0% and 5.2% respectively.

On 29 August 2018, the Company issued RM3.0 billion Sukuk Wakalah which comprised RM1.0 billion with 15 years tenure and RM2.0 billion with 20 years tenure, with profit rates of 4.8% and 5.0% per annum respectively.

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27 BORROWINGS (CONTINUED)

(b) Bonds or Sukuk (continued)

(ix) Sukuk - Islamic Medium Term Note Sukuk Wakalah

On 30 June 2020, the Company established a RM10.0 billion Islamic Medium Term Note Sukuk Wakalah to finance capital expenditure, investment, general corporate purposes, working capital requirement and/or refinance any existing financing facilities of the Company and/or subsidiaries and to defray any fees and expenses of Sukuk Wakalah Programme.

On 12 August 2020, the Company issued RM3.0 billion Sukuk Wakalah which comprised RM750.0 million with 10 years tenure, RM750.0 million with 15 years tenure and RM1.5 billion with 20 years tenure, with profit rates of 2.9%, 3.3% and 3.6% per annum respectively.

On 25 November 2021, the Company issued RM3.0 billion Sukuk Wakalah which comprised RM300.0 million with 7 years tenure, RM300.0 million with 10 years tenure, RM1.2 billion with 15 years tenure and RM1.2 billion with 20 years tenure, with profit rates of 3.9%, 4.1%, 4.5% and 4.7% per annum respectively.

(c) Redeemable Unsecured Loan Stock ('RULS') - KEV

On 29 June 2004, KEV issued RM957.6 million of RULS to the Company and Malakoff Corporation Berhad to finance the acquisition of Stesen Janaelektrik Sultan Salahuddin Abdul Aziz, Kapar. The RULS bears an interest of 8.0% per annum on the outstanding nominal value of the RULS. The interest is repayable semi-annually on the last day of the relevant six months period from the issue date of RULS. The RULS is repayable from the third year from the issue date of RULS as stipulated in the agreement dated 29 June 2004. The RULS has to be settled in full by the final maturity date of 8 July 2029. During the financial year 2020, the RULS has been novated to TPGSB under the internal reorganisation initiative.

(d) Preferred Equity Certificates ('PEC')

On 22 December 2017, Kumpulan Wang Persaraan ('KWAP') had provided a shareholder loan of GBP46.2 million to VSI through the subscription of PEC. The financial instrument bears a fixed interest rate of 8.0% per annum and will mature in 2047.

Reconciliation of borrowings from financing activities during the financial year is as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
As at the beginning of the financial year	**49,452.6**	45,411.7	**22,091.3**	19,488.1
Cash flows:				
- Drawdowns	**7,266.1**	6,454.5	**6,750.0**	5,490.0
- Repayments	**(5,380.1)**	(4,450.0)	**(3,955.5)**	(2,845.5)
- Finance cost paid	**(2,280.3)**	(2,224.8)	**(982.0)**	(940.3)
Non-cash changes:				
- Finance cost (Note 37(b))	**2,452.7**	2,393.4	**1,005.0**	981.1
- Translation loss/(gain) - foreign term loans (Note 36)	**127.5**	(82.1)	**127.5**	(82.1)
- Transfer from payables	**39.7**	75.4	**0**	0
- Acquisition of a subsidiary	**0**	1,876.9	**0**	0
- Reclassification of liabilities directly associated with assets classified as held for sale (Note 23)	**0**	(2.4)	**0**	0
As at the end of the financial year	**51,678.2**	49,452.6	**25,036.3**	22,091.3

28 GOVERNMENT DEVELOPMENT GRANTS

Accounting Policy

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to construction of PPE are included in non-current liabilities as deferred income and are credited to the statement of profit or loss on the straight line method over the expected lives of the related assets.

A subsidiary of the Group obtained Government loans at an interest rate which is below the market rate of interest. The differential between the initial carrying value of the loan based on market rate and the Government rate is recognised as a deferred income and is credited to the statement of profit or loss over the period necessary to match the interest costs.

Reconciliation of government development grants from financing activities during the financial year is as follows:

	Group	
	2021 RM'million	2020 RM'million
As at the beginning of the financial year	**961.2**	1,031.3
Received during the financial year:		
- Cash	**2.2**	9.3
- Assets	**73.2**	7.4
- Government loans	**0**	1.5
Released to statement of profit or loss:		
- Other operating income (Note 35)	**(62.8)**	(66.8)
- Finance cost (Note 37(b))	**(25.4)**	(21.5)
As at the end of the financial year	**948.4**	961.2

The government development grants are provided by the Government mainly for the construction of PPE of RM740.2 million (2020: RM723.0 million) and the Government loan below market interest rate is RM186.5 million (2020: RM211.9 million).

29 OTHER LIABILITIES

	Note	Group		Company	
		2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Payable to State Government		**13.2**	16.4	**0**	0
Retention monies	(a)	**651.3**	590.0	**681.0**	603.5
Others	(b)	**310.8**	295.9	**2.8**	2.8
		975.3	902.3	**683.8**	606.3

(a) Retention monies primarily relates to the vendor retention monies for projects with completion period of more than 12 months.

(b) Mainly relates to the provision for restoration cost for certain assets for which there is an obligation to dismantle, remove and restore the sites at the end of their useful lives amounting RM301.8 million (2020: RM293.1 million).

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30 SHARE CAPITAL

Accounting Policy

Classification

Ordinary shares and non-redeemable preference shares with dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends to shareholders of the Company

Dividends are recognised as liability in the period in which they are declared.

	Note	Group and Company 2021	Group and Company 2020
Issued and fully paid:			
Ordinary Shares		**5,726,091,371**	5,704,653,871
Special Rights Redeemable Preference Share	(a)	**1**	1
Total share capital issued and fully paid		**5,726,091,372**	5,704,653,872

	Note	Group and Company Number of shares 2021 Million	Amount 2021 RM'million	Number of shares 2020 Million	Amount 2020 RM'million
Issued and fully paid:					
Ordinary Shares					
As at the beginning of the financial year		**5,704.7**	**11,675.2**	5,686.9	11,446.1
LTIP shares issued during the financial year	(b)	**21.4**	**252.4**	17.8	229.1
As at the end of the financial year		**5,726.1**	**11,927.6**	5,704.7	11,675.2

(a) Special Rights Redeemable Preference Share ('Special Share')

(i) The Special Share would enable the Government through the Minister of Finance Incorporated ('MOF Incorporated') to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policies. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but not to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

The Special Shareholder has the right to appoint any person, but not more than six at any time, to be a member of the Board of Directors of the Company.

30 SHARE CAPITAL (CONTINUED)

(a) Special Rights Redeemable Preference Share ('Special Share') (continued)

(ii) Certain matters, in particular the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover, require the prior consent of the Special Shareholder.

(iii) The Special Shareholder does not have any right to participate in the capital or profits of the Company.

(iv) The Special Shareholder has the right to require the Company to redeem the Special Share, at par, at any time.

(b) The Company issued and allotted ordinary shares of 21,426,100 on 27 May 2021 and 11,400 on 2 June 2021 to eligible employees, pursuant to the letter of offer dated 18 April 2018, 30 April 2019, 6 July 2020 and 27 July 2020 respectively in accordance with the by-laws of the LTIP scheme of the Company during the financial year ended 31 December 2021.

31 OTHER RESERVES

The Group's and the Company's other reserves comprise:

Nature	Description
LTIP reserve	Arising from the corresponding increase in equity from expenses recognised in profit or loss over the vesting period of the equity-settled shares based compensation plan for the Group's and the Company's employees as disclosed in Note 34.
Employee benefits reserve	Arising from the remeasurements of the net defined employee benefit liability.
Foreign currency translation reserve	Arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.
FVOCI reserve	Arising from changes in fair value of financial assets at FVOCI.

The movements in each category of reserves are as follows:

	LTIP reserve RM'million	Employee benefits reserve RM'million	Foreign currency translation reserve RM'million	FVOCI reserve RM'million	Total RM'million
Group					
2021					
As at the beginning of the financial year	**315.4**	**(7,718.7)**	**(859.0)**	**19.6**	**(8,242.7)**
Arising in the financial year	**43.1**	**978.7**	**402.4**	**5.2**	**1,429.4**
As at the end of the financial year	**358.5**	**(6,740.0)**	**(456.6)**	**24.8**	**(6,813.3)**
2020					
As at the beginning of the financial year	319.3	(7,317.3)	(786.7)	20.9	(7,763.8)
Arising in the financial year	(3.9)	(401.4)	(72.3)	(1.3)	(478.9)
As at the end of the financial year	315.4	(7,718.7)	(859.0)	19.6	(8,242.7)

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31 OTHER RESERVES (CONTINUED)

The movements in each category of reserves are as follows: (continued)

	LTIP reserve RM'million	Employee benefits reserve RM'million	FVOCI reserve RM'million	Total RM'million
Company				
2021				
As at the beginning of the financial year	**315.4**	**(7,252.9)**	**18.9**	**(6,918.6)**
Arising in the financial year	**43.1**	**928.7**	**5.2**	**977.0**
As at the end of the financial year	**358.5**	**(6,324.2)**	**24.1**	**(5,941.6)**
2020				
As at the beginning of the financial year	319.3	(6,849.8)	20.2	(6,510.3)
Arising in the financial year	(3.9)	(403.1)	(1.3)	(408.3)
As at the end of the financial year	315.4	(7,252.9)	18.9	(6,918.6)

32 REVENUE

Accounting Policy

Revenue which represents income arising in the course of the Group's and the Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contracts with customers. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or services promised in the contract. Depending on the substance of the respective contract with the customer, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group and the Company do not expect any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group and the Company do not adjust any of the transaction prices for the time value of money.

(a) Electricity revenue

Revenue from the supply of electricity in Peninsular Malaysia is regulated based on certain formulae and parameters as set out in the regulatory implementation guidance under the IBR framework and as agreed with the regulators.

The contract with customers is for the supply of electricity based on tariff rates as set out in the provision of the Electricity Supply Act 1990. Collection of the contract consideration from customers is considered probable.

The promise to supply electricity represents a promise to transfer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. The performance obligation to deliver electricity is satisfied over time as the customers simultaneously received and consumed the benefits provided by the Group's and the Company's performance. Hence, electricity revenue is recognised over time by the Group and the Company when electricity is consumed by customers.

Generally, customers are billed on a monthly basis. As the amount at which the Group and the Company have a right to invoice corresponds directly with the value to the customer, the revenue from electricity sales is also recognised on a monthly basis. Payment should be made by customers within 30 days from the date the bill is issued. An interest charge will be imposed if payment is made later than 30 days after the bill date.

32 REVENUE (CONTINUED)

Accounting Policy (continued)

(a) Electricity revenue (continued)

Electricity revenue includes an estimated value of the electricity consumed by customers from the date of their last meter reading and the reporting period end. Accrued unbilled revenues recognised as contract assets are reversed in the following month when actual billings occur.

ICPT, a mechanism established under the IBR allows the Company to pass through the volatility in fuel and other generation specific costs (termed as the 'Single Buyer Generation Cost') to the customers, such that the Company remains financially neutral. The Company's claims and undertakings under the ICPT mechanism are such that any over or under recovery of costs would be payable to or reimbursable from the Government, and would be recognised as part of revenue in the period the costs are incurred. Actual base tariff billed to the customers remains unchanged.

Included in the revenue, is the Annual Regulatory Adjustment ('ARA') for the over or under recovery of revenue and other income earned during the year. The Company has taken into account the principles laid out in the Guidelines on Electricity Tariff Determination under the IBR for Peninsular Malaysia 2018, where the allowed revenue in each year is calculated as the sum of actual revenue earned and any applicable adjustments, such as those related to the revenue-cap, price-cap and other income adjustment mechanisms as described in the Guidelines. Other income which is earned from services not directly related to electricity supply, but are provided using the assets and/or staff of a licensee is deducted from the revenues to be earned from regulated tariffs.

(b) Goods and services

(i) Sale of goods

Sale of goods is recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been transported to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term of an average between 30 to 60 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Rendering of services

Revenue from providing services is recognised over the period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer received and uses the benefits simultaneously.

In cases of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payments, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes hourly fees, revenue is recognised at the amount to which the Group has a right to invoice. The amounts are billed within 60 to 180 days from satisfying the performance obligations and payment is expected within 30 days from the billing date.

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32 REVENUE (CONTINUED)

Accounting Policy (continued)

(c) Construction contracts

Revenue from construction contracts is recognised over time or at a point in time in accordance with performance obligations being satisfied. Where revenue is recognised over time, the satisfaction of performance obligation is by reference to the stage of completion which is assessed by reference to the contract costs incurred over the total estimated costs for each contract as at the reporting date. Otherwise, revenue is recognised at a point in time when the customer obtains control of the assets. The related costs are recognised in profit or loss when they are incurred.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include sale of goods as a separate performance obligation, revenue from this sale is recognised at a point in time when the goods are delivered, the legal title has passed and the customer has accepted the goods.

When the consideration of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of profit or loss.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The amounts will be billed within 60 to 180 days from satisfying the performance obligations and payment is expected within 30 days from billing date. Advances received are included in contract liabilities.

(d) Customers' contributions

Contributions received from customers consist of cash and assets in the form of PPE. It is capital contributions for the construction of assets, used to connect the customers to a network or to provide them with the service.

The customers' contributions are viewed as indirectly related to the promise of providing supply of electricity to the customers. Supply of electricity and customers' contributions are not distinct because the customers cannot benefit from these two services on their own. The connection infrastructures are to fulfil the obligation to supply electricity to the customers. Both the supply of electricity and customers' contributions are substantially the same, and have the same pattern of transfer to the customers.

Therefore, connection and the supply of electricity are one performance obligation. It is considered as part of the transaction price for the overall service provided to the customers and is recognised over time. The customers' contributions are deferred and recognised over the period the constructed assets are used to provide electricity to the customers. The contributions are recognised as contract liabilities and amortised over 20 years, being the estimated average useful life of the assets.

32 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers for the Group and the Company are categorised as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Sales:				
- Electricity*	**51,189.9**	42,835.4	**48,606.8**	40,521.3
- Goods and services	**708.9**	440.4	**0**	0
Tariff support subsidy	**368.2**	367.9	**0**	0
Construction contracts	**93.4**	49.3	**0**	0
Customers' contributions	**269.1**	283.0	**224.5**	237.0
	52,629.5	43,976.0	**48,831.3**	40,758.3
Over time	**51,655.0**	43,273.6	**48,831.3**	40,758.3
At a point in time	**974.5**	702.4	**0**	0
	52,629.5	43,976.0	**48,831.3**	40,758.3

* *Included in the sales of electricity are under recovery of ICPT amounting RM4,509.6 million (2020: over recovery of RM3,034.4 million) and other regulatory adjustments of RM551.9 million (2020: RM621.0 million).*

The revenue of the Group and of the Company are predominantly derived in Malaysia.

33 OPERATING EXPENSES

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Cost of sales:				
- Energy cost	**29,868.0**	23,787.3	**30,649.5**	23,288.7
- Transmission cost	**1,945.6**	1,881.6	**1,805.4**	1,739.4
- Distribution cost	**6,694.0**	6,420.5	**6,379.2**	6,091.4
	38,507.6	32,089.4	**38,834.1**	31,119.5
Administrative expenses	**3,142.6**	2,915.3	**1,903.1**	1,764.6
Other operating expenses	**2,874.2**	2,127.7	**1,546.6**	1,149.6
	44,524.4	37,132.4	**42,283.8**	34,033.7

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33 OPERATING EXPENSES (CONTINUED)

Operating expenses include the following items:

	Group		Company	
	2021 RM'million	**2020 RM'million**	**2021 RM'million**	**2020 RM'million**
Purchases from Independent Power Producers ('IPPs')	**8,863.8**	8,271.3	**18,641.8**	15,572.8
Fuel costs	**15,225.4**	9,514.4	**5,213.9**	1,498.1
Directors' remuneration:				
- Fees and allowances	**3.4**	3.2	**3.3**	3.1
- Other emoluments	**1.0**	3.4	**1.0**	3.4
Auditors' remuneration:				
- PricewaterhouseCoopers PLT, Malaysia				
- Statutory audit	**3.4**	3.7	**1.2**	1.8
- Audit related services	**1.5**	2.2	**1.5**	2.2
- Member firm of PricewaterhouseCoopers International Limited				
- Statutory audit	**1.9**	1.1	**0**	0
- Others				
- Statutory audit	**0**	1.1	**0**	0
- Non-audit services				
- Tax related services	**0.4**	0.5	**0**	0
- Other non-audit services	**1.6**	0.2	**0.2**	0.2
Staff costs (Note 34)*	**3,954.2**	3,825.8	**2,771.7**	2,771.6
Property, plant and equipment:				
- Depreciation	**7,193.4**	6,997.3	**4,640.8**	4,758.5
- Written off	**199.5**	27.3	**197.2**	27.3
- Abandoned projects	**106.7**	30.8	**5.5**	30.8
Right-of-use assets:				
- Depreciation	**3,498.1**	3,625.1	**5,898.5**	5,465.5
Impairment losses on investment in:				
- Subsidiaries	**0**	0	**719.4**	164.5
- Associates	**291.8**	51.6	**0**	0
Inventories:				
- Provision for obsolescence	**182.8**	163.7	**85.2**	105.6
- Write back of obsolescence	**(85.4)**	(117.9)	**(65.4)**	(117.9)
- Written off	**172.9**	82.5	**73.8**	78.2
Telecommunication expenses	**37.3**	78.1	**37.2**	77.9
Expenses arising from leases:				
- Low-value assets (Note 15)	**40.4**	25.3	**39.8**	24.4
Research and development expenses	**68.3**	88.3	**67.8**	81.5
Receipt of Government subsidies#	**(310.4)**	(200.6)	**0**	0

* *This includes the remuneration of the Executive Directors amounting to RM5.0 million (2020: RM4.1 million) for the Group and the Company.*

\# *This represents the subsidies that SESB received for diesel and medium fuel oil from the Government. The total amount credited in the current year has been offsetted against energy cost.*

The estimated monetary value of benefits received by the Directors was RM984,022 (2020: RM3,412,000) for the Group and the Company.

All non-audit services were procured competitively in accordance with TNB Procurement Policies and Procedures. Non-audit services can be offered by the external auditors of the Group if there are clear efficiencies and value added benefits to the Group.

34 STAFF COST

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Wages, salaries and bonuses	**2,320.4**	2,212.1	**1,468.6**	1,446.0
Defined contribution retirement plan	**403.8**	403.0	**303.6**	311.0
Long Term Incentive Plan	**295.5**	225.2	**209.4**	146.3
Retirement Benefit Plan	**114.4**	136.3	**87.3**	116.7
Post-Retirement Medical Plan	**531.3**	550.4	**500.3**	518.0
Other employee benefits	**288.8**	298.8	**202.5**	233.6
	3,954.2	3,825.8	**2,771.7**	2,771.6

Details of the retirement benefit and post-retirement medical plans of the Group and of the Company are set out in Note 25.

Long Term Incentive Plan ('LTIP')

The Group and the Company operate an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received in exchange for the grant of the Company's shares is recognised as an expense in the statement of profit or loss over the vesting period of the grant, with a corresponding increase in share-based payment reserve in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

Non-market vesting conditions are included in the assumptions to arrive at the number of shares that are expected to vest. At the end of the reporting period, the Company revises its estimates of the number of shares that are expected to be vested. The impact of the revision of original estimates, if any, is recognised in the statement of profit or loss, with a corresponding adjustment to share-based payment reserve in equity.

The fair value of shares granted to employees of subsidiaries is allocated to the subsidiaries.

The Company implemented a LTIP on 30 April 2015 for a period of 10 years. The LTIP is governed by the by-laws, which was approved by the shareholders at an Extraordinary General Meeting on 18 December 2014. LTIP is intended to allow the Company to award the grant of new shares to be vested to selected employees for the attainment of identified performance objectives.

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34 STAFF COST (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

(a) The main features of the LTIP

The LTIP comprises a Restricted Share Grant ('RS Grant') and a Performance Share Grant ('PS Grant'). The main difference in the features of the RS Grant and the PS Grant is the eligibility of the selected employees in terms of their job grades in the Group and the performance targets and/or performance conditions to be met prior to the offer and vesting of the grant to the selected employees.

The details of the grant are as follows:

(i) RS Grant

The RS Grant is a restricted share grant for all eligible employees selected on a basis designated by the LTIP Committee. The RS Grant will be awarded annually to the selected employees to be vested over a period of 3 years on a pro-rata basis and after fulfilment of individual performance targets based on the Group's performance management system (such as individual performance rating) and certain performance conditions (such as financial targets) as determined by the LTIP Committee from time to time at its discretion in accordance with the terms and conditions of the LTIP.

(ii) PS Grant

The PS Grant is a performance share grant for senior executives of the Group and the Executive Director as well as key employees of the Group selected on a basis designated by the LTIP Committee. The PS Grant will be awarded annually to the selected employees to be vested at the end of the 3-year period and after fulfilment of certain performance targets and/or conditions at the time of grant and vesting, which may include, among other factors, total shareholders' return and the long term financial performance targets/ratios of the Group as determined by the LTIP Committee from time to time at its discretion in accordance with the terms and conditions of the LTIP. At the point of vesting, the final award of the PS Grant is based on a multiple of the initial grant whereby the multiple is determined according to the performance targets and/or conditions. In the event the performance targets and/or conditions are not met by the selected employees, the grant will not be vested to them at the end of the performance period.

The new ordinary shares to be allotted and issued upon the vesting of the ordinary shares pursuant to the RS Grant and PS Grant will not be subjected to any retention period or restriction on transfer.

In implementing the LTIP, the grant will be satisfied by way of allotment and issuance of new ordinary shares to the respective RS and PS grantees upon vesting of the grant.

The LTIP Committee shall decide from time to time at its discretion to determine or vary the terms and conditions of the offer, such as the eligibility criteria and allocation in each grant, the timing and frequency of the award of the grant, the performance targets and/or performance conditions to be met prior to the offer and vesting of the grant and the vesting period.

34 STAFF COST (CONTINUED)

<u>*Long Term Incentive Plan ('LTIP')*</u> *(continued)*

(b) Maximum number of new ordinary shares available under the LTIP

The maximum number of new ordinary shares which may be made available under the LTIP and/or allotted and issued upon vesting of the new ordinary shares under the LTIP shall not be more than 10.0% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any point in time during the duration of the LTIP.

(c) Basis of allocation and maximum allowable allotment

The total number of new ordinary shares that may be offered to any one of the selected employees and/or to be vested in any one of the grantees under the LTIP at any time shall be at the discretion of the LTIP Committee (subject to the by-laws and any applicable law).

(d) Eligibility

Employees of the Group and of the Company (including the Executive Director) who meet the following criteria as at the date of offer shall be eligible to be considered as an eligible employee to participate in the LTIP:

(i) Has attained the age of 18 years;
(ii) Has entered into a full-time or fixed-term contract of employment with, and is on the payroll of any company within the Group and has not served a notice of resignation or received a notice of termination;
(iii) Whose service/employment has been confirmed in writing;
(iv) Is not a non-executive or independent director of the Company; and
(v) Has fulfilled any other eligibility criteria which has been determined by the LTIP Committee at its discretion from time to time, as the case may be.

The LTIP Committee may determine any other eligibility criteria for the purpose of selecting an eligible employee at any time and from time to time, at its discretion.

(e) Ranking of the new ordinary shares

The new ordinary shares to be allotted and issued pursuant to the LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued ordinary shares.

The new ordinary shares to be allotted and issued pursuant to the vesting of the grant under the LTIP shall not be entitled to any dividends, rights, allotments and/or any other distributions, for which the entitlement date is prior to the date on which the new ordinary shares are credited into the Central Depository System ('CDS') accounts of the respective grantees upon vesting of the grant under the LTIP.

(f) Alteration of share capital and adjustment

If the LTIP Committee so decides (but not otherwise), in the event of any alteration in the capital structure of the Company during the duration of LTIP, which expires on 29 April 2025, such corresponding alterations (if any) may be made to the LTIP in:

(i) The number of unvested new ordinary shares comprised in a grant; and/or
(ii) The method and/or manner in the vesting of the new ordinary shares comprised in a grant.

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34 STAFF COST (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

The movement in the total number of share grants during the financial year is as follows:

	At 1.1.2021 '000	Granted '000	Forfeited '000	Vested '000	At 31.12.2021 '000
2021					
Group					
LTIP 4					
RS Grant	4,269.4	0	(411.1)	(3,858.3)	0
PS Grant	1,384.0	0	(1,384.0)	0	0
LTIP 5					
RS Grant	14,773.2	0	(981.1)	(7,542.3)	6,249.8
PS Grant	2,259.0	0	(375.9)	0	1,883.1
LTIP 5 Special Grant					
RS Grant	24.4	0	0	(12.2)	12.2
PS Grant	83.4	0	0	0	83.4
LTIP 6					
RS Grant	29,192.0	0	(1,640.8)	(10,024.7)	17,526.5
PS Grant	3,130.4	0	(502.8)	0	2,627.6
LTIP 7					
RS Grant	0	37,633.7	(1,145.4)	0	36,488.3
PS Grant	0	3,734.4	(272.6)	0	3,461.8
Company					
LTIP 4					
RS Grant	2,659.3	0	(145.9)	(2,513.4)	0
PS Grant	944.9	0	(944.9)	0	0
LTIP 5					
RS Grant	9,992.4	0	(492.7)	(5,329.4)	4,170.3
PS Grant	1,607.4	0	(259.2)	0	1,348.2
LTIP 5 Special Grant					
RS Grant	24.4	0	0	(12.2)	12.2
PS Grant	83.4	0	0	0	83.4
LTIP 6					
RS Grant	19,895.3	0	(845.6)	(7,078.7)	11,971.0
PS Grant	2,321.4	0	(350.3)	0	1,971.1
LTIP 7					
RS Grant	0	25,930.5	(771.4)	0	25,159.1
PS Grant	0	2,737.7	(207.3)	0	2,530.4

34 STAFF COST (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

The movement in the total number of share grants during the financial year is as follows: (continued)

	At 1.1.2020 '000	Granted '000	Transferred* '000	Forfeited '000	Vested '000	At 31.12.2020 '000
2020						
Group						
LTIP 3						
RS Grant	5,092.4	0	0	(666.3)	(4,426.1)	0
PS Grant	1,576.9	0	0	(1,576.9)	0	0
LTIP 4						
RS Grant	10,282.4	0	0	(972.6)	(5,040.4)	4,269.4
PS Grant	1,634.8	0	0	(250.8)	0	1,384.0
LTIP 5						
RS Grant	24,783.1	0	0	(1,723.5)	(8,286.4)	14,773.2
PS Grant	2,575.3	0	0	(316.3)	0	2,259.0
LTIP 5 Special Grant						
RS Grant	0	36.6	0	0	(12.2)	24.4
PS Grant	0	83.4	0	0	0	83.4
LTIP 6						
RS Grant	0	29,755.5	0	(563.5)	0	29,192.0
PS Grant	0	3,262.2	0	(131.8)	0	3,130.4
Company						
LTIP 3						
RS Grant	3,740.0	0	0	(360.3)	(3,379.7)	0
PS Grant	1,387.4	0	0	(1,387.4)	0	0
LTIP 4						
RS Grant	7,704.9	0	(557.8)	(537.9)	(3,949.9)	2,659.3
PS Grant	1,450.1	0	(321.9)	(183.3)	0	944.9
LTIP 5						
RS Grant	19,198.4	0	(1,465.7)	(1,133.4)	(6,606.9)	9,992.4
PS Grant	2,298.8	0	(433.9)	(257.5)	0	1,607.4
LTIP 5 Special Grant						
RS Grant	0	36.6	0	0	(12.2)	24.4
PS Grant	0	83.4	0	0	0	83.4
LTIP 6						
RS Grant	0	23,662.1	(3,357.4)	(409.4)	0	19,895.3
PS Grant	0	2,983.4	(548.5)	(113.5)	0	2,321.4

* *It relates to transfer of shares from the Company to TPGSB.*

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34 STAFF COST (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

The fair value of the share granted is estimated using the Monte Carlo Simulation Model with the following inputs:

	Group and Company					
	LTIP 3		LTIP 4		LTIP 5	
	RS Grant	PS Grant	RS Grant	PS Grant	RS Grant	PS Grant
Fair value at grant date	RM12.33 - RM13.21	RM11.67^	RM13.96 - RM15.21	RM12.60^	RM11.24 - RM12.18	RM10.20^
Share price at grant date	RM13.74	RM13.74	RM15.92	RM15.92	RM12.28	RM12.28
Expected volatility*	16.5%	16.5%	13.3%	13.3%	14.3%	14.3%
Expected dividend yield	3.6%	3.6%	4.4%	4.4%	4.1%	4.1%
Risk-free interest rate**	3.5%	3.6%	3.4%	3.5%	3.4%	3.4%
Grant date	28 March 2017	28 March 2017	18 April 2018	18 April 2018	30 April 2019	30 April 2019
Vesting date		30 April 2020		30 April 2021		30 April 2022
- Tranche 1	30 April 2018	N/A	30 April 2019	N/A	5 June 2020	N/A
- Tranche 2	30 April 2019	N/A	5 June 2020	N/A	27 May 2021	N/A
- Tranche 3	5 June 2020	N/A	27 May 2021	N/A	30 April 2022	N/A

	Group and Company					
	LTIP 5 (Special Grant)		LTIP 6		LTIP 7	
	RS Grant	PS Grant	RS Grant	PS Grant	RS Grant	PS Grant
Fair value at grant date	RM10.00 - RM11.62	RM9.49^	RM10.08 - RM10.99	RM9.08^	RM8.78 - RM9.60	RM7.90^
Share price at grant date	RM11.64	RM11.64	RM11.34	RM11.34	RM9.93	RM9.93
Expected volatility*	19.3%	19.3%	19.5%	19.5%	22.5%	22.5%
Expected dividend yield	8.6%	8.6%	4.5%	4.5%	4.0%	4.0%
Risk-free interest rate**	2.2%	2.4%	1.7%	2.1%	2.1%	2.6%
Grant date	6 July 2020	6 July 2020	27 July 2020	27 July 2020	25 May 2021	25 May 2021
Vesting date		30 April 2022		28 April 2023		25 June 2024
- Tranche 1	13 July 2020	N/A	27 May 2021	N/A	30 April 2022	N/A
- Tranche 2	27 May 2021	N/A	28 April 2022	N/A	28 April 2023	N/A
- Tranche 3	30 April 2022	N/A	28 April 2023	N/A	30 April 2024	N/A

^ *Market considerations have been included in the consideration of fair value.*
* *Expected volatility is based on TNB's 3-year average daily historical volatility.*
** *Risk-free interest is based on Malaysian Government Securities yield.*

35 OTHER OPERATING INCOME

Accounting Policy

Other operating income are the non-core revenue received for sales of goods and services rendered by the Group and the Company. Leasing income is accrued, unless collectability is in doubt. Dividend income is recognised when the shareholders' rights to receive payment is established. Interest on late payments is the 1.0% late payment interest charge imposed if payment of electricity bill is made later than 30 days after the bill date in accordance with the Licensee Supply Regulations 1990. Accounting policy on gain on disposals of PPE are disclosed in Note 5. All others are recognised upon completion of the rendering of services or sales of goods not in the ordinary course of the Group's and of the Company's business.

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Dividend income from:				
- Quoted shares	**1.8**	3.1	**1.7**	3.1
- Unquoted shares	**0.6**	0	**0.6**	0
- Subsidiaries	**0**	0	**2.4**	114.9
- Associates	**0**	0	**46.1**	57.6
Leasing income	**42.7**	44.0	**56.4**	67.7
Release of Government development grants (Note 28)	**62.8**	66.8	**0**	0
(Loss)/Gain on disposals of PPE	**(2.4)**	8.2	**(2.4)**	6.5
Gain on disposals of ROU	**4.1**	0.1	**4.1**	0.1
Interest on late payments	**230.0**	263.2	**207.8**	207.6
Minimum charges	**51.5**	47.5	**51.5**	47.5
Gain on redemption of Redeemable Preference Shares in subsidiaries	**0**	0	**0**	110.8
Sundry receipts	**70.2**	100.2	**135.5**	185.3
Project management and consultancy	**0**	0	**0**	0
Theft of electricity	**113.0**	47.5	**107.6**	43.6
Liquidated damages	**57.1**	56.3	**23.5**	56.3
Remeasurement gain on previously held interest in an associate (Note 9 (c))	**0**	231.3	**0**	0
Gain/(Loss) on disposals of subsidiaries	**25.1**	0	**(29.3)**	0
Insurance recoveries	**72.6**	42.4	**0**	0
Other income	**189.0**	150.8	**158.4**	99.1
	918.1	1,061.4	**763.9**	1,000.1

Other income comprises primarily income from sales of scrap and rechargeable works.

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36 FOREIGN EXCHANGE GAIN/(LOSS)

Accounting Policy

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia ('RM'), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. However, exchange differences are deferred in OCI when they are attributable to items that form part of the net investment in a foreign operation.

(c) Group companies

The results and financial positions of the Group's entities (none of which has the currency of a hyperinflationary economy) that have functional currencies which are different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of profit or loss and OCI are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising on these items are recognised in OCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), the cumulative amount of the exchange differences relating to that foreign operation recognised in OCI, and accumulated in the separate component of equity, are reclassified from equity to profit or loss, as part of the gain or loss on disposal.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences recognised in OCI are re-attributed to NCI in that foreign operation, and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

	Group		Company	
	2021 RM'million	**2020 RM'million**	**2021 RM'million**	**2020 RM'million**
Foreign exchange gain/(loss) comprises:				
Translation (loss)/gain – foreign term loans	**(127.5)**	82.1	**(127.5)**	82.1
Translation gain/(loss) – others	**60.1**	(10.5)	**108.9**	(9.4)
Total foreign exchange translation (loss)/gain	**(67.4)**	71.6	**(18.6)**	72.7
Transaction loss – foreign term loans	**(14.9)**	(20.6)	**(14.9)**	(20.6)
Transaction loss – others	**(86.2)**	(24.8)	**(13.4)**	(17.2)
	(168.5)	26.2	**(46.9)**	34.9

37 FINANCE INCOME/COST AND FAIR VALUE CHANGES OF FINANCIAL INSTRUMENTS

Accounting Policy

Finance income are interests received from investments or financial instruments.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Finance income is calculated by applying the effective interest method to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowances). The accounting policy on fair value changes are as per disclosed in Note 45.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily takes substantial period of time to get ready for their intended use. Other borrowing costs are expensed in the period in which they are incurred.

Accounting policy on finance charges for lease liabilities and government grants are disclosed in Note 15 and Note 28, respectively.

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
(a) Finance income:				
Interest from subsidiaries	**0**	0	**269.3**	40.3
Interest from deposits, staff loans and associates	**224.2**	320.7	**124.8**	183.1
Less: Reduction of borrowing costs capitalised into PPE	**(2.4)**	(3.0)	**0**	0
	221.8	317.7	**394.1**	223.4
(b) Finance cost:				
Finance cost on:				
- Borrowings	**2,452.7**	2,393.4	**1,005.0**	981.1
- Lease liabilities (Note 15)	**1,460.1**	1,587.9	**4,047.8**	3,864.9
- Consumer deposits	**170.3**	158.7	**161.8**	151.9
- Others	**12.4**	19.5	**14.8**	0.1
Release of government grants (Note 28)	**(25.4)**	(21.5)	**0**	0
Less: Amount capitalised into PPE	**(276.8)**	(469.3)	**(249.4)**	(259.6)
	3,793.3	3,668.7	**4,980.0**	4,738.4
(c) Fair value changes of financial instruments:				
Gain/(Loss) on changes in fair value of financial assets	**191.3**	206.0	**(3.5)**	189.4
Gain/(Loss) on changes in fair value of financial liabilities	**10.5**	(81.1)	**1.0**	(1.1)
	201.8	124.9	**(2.5)**	188.3

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38 TAXATION AND ZAKAT

Accounting Policy

(a) Income tax

Current tax expense is determined by the expected income taxes payable in respect of the taxable profit for the financial year and is measured using the applicable tax rates according to the tax laws enacted or substantively enacted at the end of the reporting period in the countries in which the Company and its subsidiaries operate and generate the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in OCI. In this case, the item is recognised in OCI, net of tax.

The Group and the Company recognise non-current tax recoverable on an undiscounted basis.

(b) Zakat

The Group and the Company recognise its obligation towards the payment of zakat on business income in the statement of profit or loss. Zakat payment is an obligation and is accrued based on 2.5% of profit before tax and determined according to the percentage of Muslim shareholding in the Company.

The taxation and zakat for the Group and the Company comprise:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Current tax:				
- Malaysian corporate income tax	**1,011.2**	498.8	**433.3**	310.3
Deferred tax (Note 12)	**(162.5)**	97.4	**(102.4)**	62.1
Tax expense	**848.7**	596.2	**330.9**	372.4
Zakat	**24.9**	22.8	**17.8**	22.8
	873.6	619.0	**348.7**	395.2
The analysis of the tax expense is as follows:				
Current tax:				
- Current financial year	**1,040.8**	475.1	**502.8**	297.9
- (Over)/Under accrual in prior financial years	**(29.6)**	23.7	**(69.5)**	12.4
	1,011.2	498.8	**433.3**	310.3
Deferred tax:				
- Origination and reversal of temporary differences (Note 12)	**(162.5)**	97.4	**(102.4)**	62.1
	848.7	596.2	**330.9**	372.4

38 TAXATION AND ZAKAT (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation and zakat is as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Profit before taxation and zakat	**4,738.3**	4,235.4	**2,334.0**	3,070.5
Tax calculated at the Malaysian corporate income tax rate of 24% (2020: 24%)	**1,137.2**	1,016.5	**560.2**	736.9
Tax effects of:				
- Share of results of associates and joint ventures	**(46.4)**	(18.3)	**0**	0
- Income not subject to tax	**(297.8)**	(308.7)	**(136.8)**	(228.6)
- Expenses not deductible for tax purposes	**1,047.9**	560.1	**536.5**	402.1
- Expenses qualifying for double deduction	**(14.3)**	(19.6)	**(9.3)**	(16.0)
- Current financial year unrecognised temporary differences and unused tax losses	**0**	0	**0**	0
- Foreign jurisdictions	**0**	11.9	**0**	0
(Over)/Under accrual of tax in prior financial years	**(29.6)**	23.7	**(69.5)**	12.4
Recognition and utilisation of previously unrecognised temporary differences	**(377.9)**	(152.5)	**20.2**	(17.5)
Zakat	**24.9**	22.8	**17.8**	22.8
Real Property Gains Tax	**0.2**	0	**0.2**	0
Utilisation of reinvestment allowance*	**(570.6)**	(516.9)	**(570.6)**	(516.9)
Tax and zakat charge	**873.6**	619.0	**348.7**	395.2
Average effective tax rate (%)	**18.4**	14.6	**14.9**	12.9

* *The reinvestment allowance incentive was enacted by the Government through the Finance Act 2020.*

The tax charge relating to components of OCI is as follows:

	2021			2020		
	Before tax RM'million	Tax charged RM'million	After tax RM'million	Before tax RM'million	Tax charged RM'million	After tax RM'million
Group						
Defined benefit plan actuarial gain/(loss) (Note 25)	**1,282.4**	**(293.3)**	**989.1**	(529.3)	127.3	(402.0)
Foreign currency translation differences	**384.9**	**0**	**384.9**	(34.3)	0	(34.3)
Financial assets at FVOCI	**5.2**	**0**	**5.2**	(1.3)	0	(1.3)
Share of OCI of associates accounted for using the equity method	**17.5**	**0**	**17.5**	(38.7)	0	(38.7)
	1,690.0	**(293.3)**	**1,396.7**	(603.6)	127.3	(476.3)
Company						
Defined benefit plan actuarial gain/(loss) (Note 25)	**1,222.0**	**(293.3)**	**928.7**	(530.4)	127.3	(403.1)
Financial assets at FVOCI	**5.2**	**0**	**5.2**	(1.3)	0	(1.3)
	1,227.2	**(293.3)**	**933.9**	(531.7)	127.3	(404.4)

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39 EARNINGS PER SHARE ('EPS')

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares issued during the financial year.

	Group	
	2021	**2020**
Profit attributable to owners of the Company (RM'million)	**3,661.8**	3,592.7
Weighted average number of ordinary shares in issue ('000)	**5,717,516**	5,697,069
Basic earnings per share (sen)	**64.05**	63.06

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit attributable to owners of the Company for the financial year and the weighted average number of ordinary shares issued during the financial year has been adjusted for the dilutive effects of all potential ordinary shares such as the LTIP granted to employees.

	Group	
	2021	**2020**
Profit attributable to owners of the Company (RM'million)	**3,661.8**	3,592.7
Weighted average number of ordinary shares in issue ('000)	**5,717,516**	5,697,069
Adjustment for LTIP ('000)	**28,592**	24,443
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,746,108**	5,721,512
Diluted earnings per share (sen)	**63.73**	62.79

40 DIVIDENDS

	Group and Company	
	2021 RM'million	**2020 RM'million**
Interim single tier dividend for the financial year 2021 of 22.0 sen per share on 5,726,091,371 ordinary shares (2020: interim single tier dividend of 22.0 sen per share on 5,704,653,871 ordinary shares)	**1,259.7**	1,255.0
Approved final single tier dividend for the financial year 2021 of 18.0 sen per share on 5,726,091,371 ordinary shares (2020: final single tier dividend of 18.0 sen per share and a special single tier dividend of 40.0 sen per share on 5,704,653,871 ordinary shares)	**1,030.7**	3,308.7
	2,290.4	4,563.7

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained profits in the financial year.

The Directors have approved a final single tier dividend of 18.0 sen per share on 5,726,091,371 ordinary shares in respect of the financial year ended 31 December 2021 amounting to a total of RM1,030.7 million. The dividends will be paid on 15 April 2022.

41 COMMITMENTS

(a) Capital commitments for 5 years

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Authorised capital expenditure not provided in the financial statements:				
Property, plant and equipment				
- Contracted	**642.8**	988.5	**258.4**	637.1
- Not contracted	**53,628.5**	55,365.5	**40,618.2**	44,093.3
	54,271.3	56,354.0	**40,876.6**	44,730.4

(b) Operating lease commitments - as lessor

The Group and the Company lease out its plants and equipment under non-cancellable operating leases. The lessees are required to pay absolute fixed lease payments during the lease period. Total future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Receivable not later than 1 year	**23.5**	23.5	**61.2**	61.5
Receivable later than 1 year and not later than 2 years	**0.9**	0.9	**33.9**	34.5
Receivable later than 2 years and not later than 3 years	**0.7**	0.9	**21.1**	34.3
Receivable later than 3 years and not later than 4 years	**0.3**	0.7	**21.1**	21.5
Receivable later than 4 years and not later than 5 years	**0.3**	0.3	**21.1**	21.4
Receivable more than 5 years	**0.3**	0.7	**112.6**	122.8
	26.0	27.0	**271.0**	296.0

42 CONTINGENT LIABILITIES

Accounting Policy

The Group and the Company do not recognise contingent assets and liabilities other than those arising from business combinations, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company. The Group and the Company do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not certain.

Determination of the treatment of contingent liabilities is based on the Group's and the Company's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group and the Company for matters in the ordinary course of business.

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42 CONTINGENT LIABILITIES (CONTINUED)

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Claims by third parties:				
- Contractors	**138.1**	87.0	**138.1**	87.0
- Customers	**13.9**	15.7	**13.9**	15.7
- Others	**271.8**	145.0	**107.3**	116.3
	423.8	247.7	**259.3**	219.0
Trade guarantees and performance bonds	**54.4**	26.2	**0**	0
	478.2	273.9	**259.3**	219.0

All third party claims are being resolved and the Directors are of the opinion that their outcomes will not have a material adverse effect on the financial positions of both the Group and the Company.

On 7 December 2016, the Company and the IRB entered into a consent judgement before the Kuala Lumpur High Court to substitute the judicial review proceedings with regard to the notices of additional assessment dated 23 November 2015 ('Notices') for the YAs 2013 and 2014 arising from the disallowance of the Company's reinvestment allowance claims by filing an appeal to the SCIT.

The consent judgement also provides that the IRB will not commence any proceedings relating to the Notices until this matter is determined by the SCIT and by the High Court, if there is a subsequent appeal by either party. On 15 December 2016, the Company filed notices of appeal against the Notices to the SCIT according to Section 99(1) of the Income Tax Act 1967. The appeals have since been registered before the SCIT. Meanwhile, for the notices of additional assessment issued for the YAs 2015, 2016 and 2017, on 30 December 2020, both TNB and IRB have recorded a consent order. Pursuant to the consent order, the Court has granted a stay of proceedings against the enforcement of the IRB's notices of additional assessment and leave to commence judicial review. The substantive hearing which was initially fixed on 16 March 2022 has been vacated by the High Court. The High Court proceeded to reschedule the hearing to 21 June 2022.

With regards to the notice of additional assessment for the YA 2018, on 21 January 2021, both TNB and IRB have recorded a consent order. Pursuant to the consent order, the High Court has granted a stay of proceedings against the enforcement of the IRB's notice of additional assessment. Subsequently on 13 January 2022, the High Court heard TNB's judicial review application and on 8 February 2022, the High Court had allowed with cost the Company's judicial review application to set aside the IRB's notice of additional assessment dated 13 July 2020 for the YA 2018. The High Court agreed with the submission of TNB's legal counsel that TNB is in the business of manufacturing electricity and as such, TNB is entitled to claim RIA on the capital expenditure which was incurred in YA 2018 in the course of expanding, modernising and automating TNB's business. Separately on 8 February 2022, the IRB had filed a notice of appeal before the Court of Appeal against the decision of the High Court. The Court of Appeal had fixed a case management on 28 March 2022.

The Company has obtained legal advice from its tax solicitors on the merits of the cases mentioned above and on this basis the Directors are of the opinion that no provision is required in the financial statements for the potential tax liability up to the reporting date.

On 29 October 2021, IRB had disallowed the interest expenses incurred by KEV's in relation to the Redeemable Unsecured Loan Stock granted to KEV by TNB and Malakoff Corporation Berhad under Section 33(1)(a) of the Income Tax Act 1967 and KEV's revision of revenue for the YAs 2004 to 2009 and had issued notices of assessment YAs 2011, 2012 and 2014 and notices of additional assessment for the YAs 2013, 2015, 2016, 2017 and 2018 amounting in aggregate to RM595.9 million.

On 16 November 2021, KEV had commenced a judicial review against the Minister of Finance at the High Court to challenge the matters arising from the said Notices. The High Court fixed the hearing of the application for leave for judicial review on 10 February 2022. Due to the request of the Attorney General Chamber to vacate the hearing for leave for Judicial Review on 10 February 2022, the High Court proceeded to fix the hearing for leave for Judicial Review on 27 June 2022. The High Court has granted an extension of the interim stay on the enforcement of the Notices until 27 June 2022.

Based on the legal advice obtained from its tax solicitors, KEV is of the view that it has a good basis in law to contend that the said Notices were incorrectly raised by the IRB and on this basis the Directors are of the opinion that no provision is required in the financial statements for the potential tax liability up to the reporting date.

Notwithstanding the two tax litigation matters above, the Company continued to claim the tax incentive for YAs 2020 and 2021 whilst KEV continued to claim tax deductions for YAs 2019, 2020 and 2021 as permitted by the law.

43 SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence.

The related parties of the Group and of the Company are:

(a) Subsidiary companies

Details of the subsidiary companies are shown in Note 7.

(b) Associate companies

Associate companies are those entities in which the Group has significant influence but not control as disclosed in Note 9.

(c) Key Management Personnel ('KMP')

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The KMP of the Group or of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Company.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any KMP or their close family members.

(d) Government-related entities

Government-linked corporations are related to the Group and the Company by virtue of the substantial shareholdings of Khazanah Nasional Berhad ('KNB'), with 25.4% (2020: 25.7%) equity interest. KNB is a wholly-owned entity of MoF Incorporated which is in turn owned by the Ministry of Finance. KNB and entities directly controlled by the Government are collectively referred to as government-related entities to the Group and the Company.

The Government and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group and of the Company. The Group and the Company enter into transactions with many of these bodies, which include but are not limited to purchasing of goods, including use of public utilities and amenities, and the placing of bank deposits.

All the transactions entered into by the Group and the Company with the government-related entities are conducted in the ordinary course of the Group's and of the Company's businesses on negotiated terms or terms comparable to those with other entities that are not government-related, except otherwise disclosed elsewhere in the financial statements.

The Group and the Company are principally involved in the provision of electricity as part of their ordinary operations. These services are carried out generally on commercial terms that are consistently applied to all customers. These transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Apart from the individually significant transactions and balances as disclosed elsewhere in the financial statements, the Group and the Company have collectively, but not individually significant transactions with related parties.

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43 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with the following related parties based on agreed terms during the financial year:

	Associate companies		KMP	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Group				
Income:				
- Sales of electricity	**1.2**	1.3	**0**	0
- Interest income	**35.2**	9.9	**0**	0
- Dividend income	**66.5**	63.7	**0**	0
- Leasing income	**25.6**	24.0	**0**	0
Expenses:				
- Purchase of electricity	**3,379.4**	2,956.6	**0**	0
- Finance cost on lease liabilities	**310.5**	364.0	**0**	0
- Key management compensations:				
- Salaries, allowances and bonuses	**0**	0	**22.6**	27.9
- Benefits-in-kind	**0**	0	**0.9**	3.4
- Defined contribution retirement plan	**0**	0	**2.9**	3.6
- Other staff benefits	**0**	0	**0.2**	0.4
- LTIP expense	**0**	0	**4.9**	8.5
- Leasing expense	**0.2**	18.9	**0**	0
Amounts due from	**342.7**	183.5		
Amounts due to	**(183.8)**	(237.8)		
Investment in unquoted debt security	**250.1**	215.8		

43 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with the following related parties based on agreed terms during the financial year: (continued)

	Subsidiary companies		Associate companies		KMP	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Company						
Income:						
- Sales of electricity	**30.1**	33.4	**1.2**	1.3	**0**	0
- Interest income	**269.3**	33.5	**35.2**	9.9	**0**	0
- Dividend income	**2.4**	114.9	**46.1**	57.6	**0**	0
- Leasing income	**19.1**	36.3	**25.6**	24.0	**0**	0
- Redemption of RPS	**0**	110.8	**0**	0	**0**	0
Expenses:						
- Purchase of electricity	**14,888.4**	11,759.1	**3,379.4**	2,956.6	**0**	0
- Training fees	**2.3**	4.2	**0**	0	**0**	0
- Finance cost on lease liabilities	**2,863.2**	2,546.8	**310.5**	364.0	**0**	0
- Key management compensations:						
- Salaries, allowances and bonuses	**0**	0	**0**	0	**22.5**	27.9
- Benefits-in-kind	**0**	0	**0**	0	**0.9**	3.4
- Defined contribution retirement plan	**0**	0	**0**	0	**2.9**	3.6
- Other staff benefits	**0**	0	**0**	0	**0.2**	0.4
- LTIP expenses	**0**	0	**0**	0	**4.9**	8.5
- Leasing expenses	**0**	0	**0.2**	18.9	**0**	0
Amounts due from	**8,001.0**	13,771.7	**10.5**	3.4		
Amounts due to	**(4,136.3)**	(1,411.9)	**(173.7)**	(228.1)		
Investment in unquoted debt security	**0**	0	**250.1**	215.8		

44 SEGMENTAL REPORTING

Segmental reporting is not presented as the Group is principally engaged in the generation, transmission, distribution and sales of electricity and the provision of other related services, which are substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

45 FINANCIAL INSTRUMENTS

Accounting Policy

Financial instruments comprise financial assets and financial liabilities. The financial assets and liabilities are offset and presented as net amounts in the statement of financial position. Financial guarantees are part of the financial liabilities and recognised at fair value.

Financial assets

(a) Classification

The Group and the Company classify its financial assets in the following categories: at amortised cost ('AC'), at FVOCI or FVTPL. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Financial assets at AC:
- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

(ii) Financial assets at FVOCI:
- Equity securities which are not held for trading, and which the Group and the Company have irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group and the Company consider this classification to be more relevant; and
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's and of the Company's business model is achieved both by collecting cash flows and selling financial assets.

(iii) Financial assets at FVTPL:
- Debt instruments that do not qualify for measurement at either AC or FVOCI;
- Equity instruments that are held for trading; and
- Equity instruments for which the Group and the Company have not elected to recognise fair value gains and losses through OCI.

The Group and the Company reclassify debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and the Company commit to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(c) Measurement

(i) Initial recognition

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

45 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting Policy (continued)

Financial assets (continued)

(c) Measurement (continued)

(ii) Subsequent measurement

- Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify its debt instruments:

- AC: Interest income from financial assets at AC is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Movements in the carrying amount of debt instruments classified under FVOCI are taken through OCI. Upon derecognition of the assets, the cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit or loss. The interest income from these financial assets is included in the finance income using the effective interest rate method. The foreign exchange gains and losses and impairment expenses are presented as a separate line item in the statement of profit or loss.
- FVTPL: Financial assets that do not meet the criteria for AC or FVOCI are measured at FVTPL. A gain or loss on debt instruments which are measured at FVTPL are recognised in the profit or loss.

- Equity instruments

The Group and the Company have elected to present fair value gains and losses on equity instruments in OCI. The fair value gains and losses of these instruments will not be reclassified subsequently to the profit or loss. Dividends from such investments are recognised in the statement of profit or loss as other income. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are also reported as other changes in fair value.

(d) Impairment

The Group and the Company assess on a forward looking basis the expected credit losses associated with its debt instruments carried at AC and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have the following financial instruments that are subject to the ECL model:
(i) Trade receivables
(ii) Trade contract assets
(iii) Non trade receivables:
- intercompany balances
- amounts due from associates/joint ventures
- rechargeable job orders ('RJO') debtors
- sundry deposits for rental spaces
- rental receivables
- staff loans/advances
- investment in unquoted debt securities

(iv) Financial guarantee contracts issued

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between the present value of the cash flows according to the contract and present value of the cash flows the Group and the Company are expected to receive, over the remaining life of the financial instruments. For financial guarantee contracts, the ECL is the difference between the expected payments to be reimbursed to the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

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45 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting Policy (continued)

Financial assets (continued)

(d) Impairment (continued)

The measurement of ECL reflects:

(i) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) The time value of money; and

(iii) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, trade contract assets and lease receivables, the Group and the Company apply the MFRS 9 simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, except for those which are in default or credit impaired are assessed individually.

For non trade receivables, at each reporting date the Group and the Company measure ECL through a loss allowance at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

The Group and the Company use the three-stage approach for non trade receivables which reflect their credit risks and how the loss allowances are determined for each of those stages. Summary of the assumptions underpinning the Group's and the Company's ECL model for non trade receivables are as follows:

Types of non trade receivables	Stage 1 Low credit risk (12 months ECL Model)	Stage 2 Significant increase in credit risk (Lifetime ECL Model)	Stage 3 Credit impaired (Lifetime ECL Model)
• Intercompany balances	Positive operating cash flows/ Net assets (Total Assets - Total Liabilities) /Subsidiaries with assets under construction having guaranteed long term revenue contract and agents	Negative operating cash flows and net liabilities (Total Assets - Total Liabilities)/ without defaulting on loan repayments	Dormant/History of default
• Amounts due from associates/joint ventures/ investment in unquoted debt securities	Positive operating cash flows/ Net assets (Total Assets - Total Liabilities)	Negative operating cash flows and net liabilities (Total Assets - Total Liabilities)/ No current default	History of default and currently defaulted
• RJO debtors	Covered by indent/ downpayment/Letter of Undertaking ('LOU')	No indent/downpayment/LOU	Accident cases
• Sundry deposits for rental spaces	Active contracts	Inactive contracts and amounts outstanding less or equal to 12 months	Inactive contracts and amounts outstanding more than 12 months
• Rental receivables (net deposits)	Active contracts and amounts outstanding less or equal to 3 months	Active contracts and amounts outstanding more than 3 months	Inactive contracts
• Staff loans/advances	Current employees	Ex-employees with no default in payment	Ex-employees with default in payment

45 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting Policy (continued)

Financial assets (continued)

(d) Impairment (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment including forward looking information, where available.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when either the Group or Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery of amounts due.

Financial liabilities

The Group and the Company classify its financial liabilities in the following categories: at AC or at FVTPL.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts are presented in the statement of financial position ('SOFP') when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of;

(i) The amount determined in accordance with the ECL model; and
(ii) The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments

The financial instruments are categorised as follows:
(i) Financial assets and financial liabilities at AC;
(ii) Financial assets and financial liabilities at FVTPL; and
(iii) Financial assets at FVOCI.

	Carrying amount RM'million	AC RM'million	FVTPL RM'million	FVOCI RM'million
Financial assets				
2021				
Group				
Investment in unquoted debt securities	**300.1**	**300.1**	**0**	**0**
Long term receivables	**65.1**	**65.1**	**0**	**0**
Finance lease receivables	**10.0**	**10.0**	**0**	**0**
Derivative financial instruments	**1.2**	**0**	**1.2**	**0**
Financial assets at FVOCI	**62.8**	**0**	**0**	**62.8**
Trade receivables	**3,963.7**	**3,963.7**	**0**	**0**
Non trade receivables	**6,788.1**	**6,788.1**	**0**	**0**
Amounts due from joint ventures	**43.5**	**43.5**	**0**	**0**
Amounts due from associates	**342.7**	**342.7**	**0**	**0**
Financial assets at FVTPL	**2,522.3**	**0**	**2,522.3**	**0**
Deposits, bank and cash balances	**6,706.1**	**6,706.1**	**0**	**0**
	20,805.6	**18,219.3**	**2,523.5**	**62.8**
Company				
Investment in unquoted debt securities	**300.1**	**300.1**	**0**	**0**
Long term receivables	**41.6**	**41.6**	**0**	**0**
Financial assets at FVOCI	**62.1**	**0**	**0**	**62.1**
Trade receivables	**2,872.7**	**2,872.7**	**0**	**0**
Non trade receivables	**5,591.5**	**5,591.5**	**0**	**0**
Amounts due from subsidiaries	**8,001.0**	**8,001.0**	**0**	**0**
Amounts due from associates	**10.5**	**10.5**	**0**	**0**
Financial assets at FVTPL	**700.7**	**0**	**700.7**	**0**
Deposits, bank and cash balances	**3,346.1**	**3,346.1**	**0**	**0**
	20,926.3	**20,163.5**	**700.7**	**62.1**

45 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM'million	AC RM'million	FVTPL RM'million	FVOCI RM'million
Financial assets				
2020				
Group				
Investment in unquoted debt securities	265.8	265.8	0	0
Long term receivables	72.7	72.7	0	0
Finance lease receivables	11.2	11.2	0	0
Financial assets at FVOCI	57.6	0	0	57.6
Trade receivables	3,311.2	3,311.2	0	0
Non trade receivables	908.2	908.2	0	0
Amounts due from joint ventures	19.4	19.4	0	0
Amounts due from associates	183.5	183.5	0	0
Financial assets at FVTPL	7,114.4	0	7,114.4	0
Deposits, bank and cash balances	6,441.5	6,441.5	0	0
	18,385.5	11,213.5	7,114.4	57.6
Company				
Investment in unquoted debt securities	265.8	265.8	0	0
Long term receivables	51.7	51.7	0	0
Financial assets at FVOCI	56.9	0	0	56.9
Trade receivables	2,552.3	2,552.3	0	0
Non trade receivables	178.1	178.1	0	0
Amounts due from subsidiaries	13,771.7	13,771.7	0	0
Amounts due from associates	3.4	3.4	0	0
Financial assets at FVTPL	5,326.6	0	5,326.6	0
Deposits, bank and cash balances	2,395.0	2,395.0	0	0
	24,601.5	19,218.0	5,326.6	56.9

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM'million	AC RM'million	FVTPL RM'million
Financial liabilities			
2021			
Group			
Payables	**7,001.5**	**7,001.5**	**0**
Financial guarantee contracts	**291.1**	**291.1**	**0**
Lease liabilities	**29,241.9**	**29,241.9**	**0**
Amounts due to associates	**183.8**	**183.8**	**0**
Borrowings	**51,678.2**	**51,678.2**	**0**
Derivative financial instruments	**39.1**	**0**	**39.1**
Other liabilities	**953.1**	**953.1**	**0**
	89,388.7	**89,349.6**	**39.1**
Company			
Payables	**3,381.4**	**3,381.4**	**0**
Financial guarantee contracts	**293.4**	**293.4**	**0**
Lease liabilities	**71,190.5**	**71,190.5**	**0**
Amounts due to subsidiaries	**4,136.3**	**4,136.3**	**0**
Amounts due to associates	**173.7**	**173.7**	**0**
Borrowings	**25,036.3**	**25,036.3**	**0**
Derivative financial instruments	**0.4**	**0**	**0.4**
Other liabilities	**681.0**	**681.0**	**0**
	104,893.0	**104,892.6**	**0.4**

45 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM'million	AC RM'million	FVTPL RM'million
Financial liabilities			
2020			
Group			
Payables	6,524.3	6,524.3	0
Financial guarantee contracts	282.9	282.9	0
Lease liabilities	28,728.8	28,728.8	0
Amounts due to associates	237.8	237.8	0
Borrowings	49,452.6	49,452.6	0
Derivative financial instruments	177.0	0	177.0
Other liabilities	883.1	883.1	0
	86,286.5	86,109.5	177.0
Company			
Payables	3,896.3	3,896.3	0
Financial guarantee contracts	285.2	285.2	0
Lease liabilities	65,519.1	65,519.1	0
Amounts due to subsidiaries	1,411.9	1,411.9	0
Amounts due to associates	228.1	228.1	0
Borrowings	22,091.3	22,091.3	0
Derivative financial instruments	1.3	0	1.3
Other liabilities	603.5	603.5	0
	94,036.7	94,035.4	1.3

(b) Financial risk management

The Group and the Company have exposures to the following risks embedded in its financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposures to credit risk arise principally from its receivables from customers, investment in unquoted debt securities, deposits, bank and cash balances and derivative financial instruments. In addition, the Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks in respect of banking facilities granted to certain subsidiaries and an associate.

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

Net loss on impairment of financial instruments are mainly from:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Net (losses)/gains on:				
Trade receivables				
- recognised in profit or loss	**(961.4)**	(576.4)	**(764.5)**	(388.8)
- reversed	**78.7**	109.5	**77.4**	55.6
Trade contract assets				
- recognised in profit or loss	**(70.8)**	(43.8)	**(64.0)**	(36.7)
- reversed	**44.3**	50.5	**36.7**	44.0
Investment in unquoted debt securities				
- recognised in profit or loss	**(102.1)**	(37.6)	**(102.1)**	(37.6)
- reversed	**112.3**	0	**112.3**	0
Intercompany balances				
- recognised in profit or loss	**0**	0	**(343.5)**	(290.0)
- reversed	**0**	0	**751.3**	299.1
Other non trade receivables				
- recognised in profit or loss	**(42.2)**	(47.3)	**(40.0)**	(17.1)
- reversed	**6.6**	23.9	**2.4**	8.7
Amounts due from associates				
- recognised in profit or loss	**(0.2)**	(0.2)	**(0.1)**	(0.2)
- reversed	**0.2**	0	**0.2**	0
Amounts due from joint ventures				
- recognised in profit or loss	**0**	(28.4)	**0**	0
- reversed	**2.6**	3.6	**0**	0
Financial guarantee contracts				
- recognised in profit or loss	**(8.2)**	0	**(8.2)**	0
- reversed	**0**	0	**0**	0.6
	(940.2)	(546.2)	**(342.1)**	(362.4)

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Trade receivables and trade contract assets

Risk management objectives, policies and processes for managing the risk

The Group and the Company have a credit policy in place and the exposures to credit risk are monitored on an ongoing basis. Normally, financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

The Group's and the Company's credit policy provide trade receivables with a 30 to 90 days (2020: 30 to 90 days) credit period. The Group and the Company have no major significant concentration of credit risk due to their diverse customer base. An impairment has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtors and collection portfolios.

The total trade receivables and trade contract assets and the impairment provided are as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Trade receivables	**6,817.0**	5,450.7	**5,570.8**	4,563.5
Less: Loss allowances	**(2,853.3)**	(2,139.5)	**(2,698.1)**	(2,011.2)
	3,963.7	3,311.2	**2,872.7**	2,552.3
Trade contract assets	**3,388.5**	3,241.6	**3,046.0**	3,121.2
Less: Loss allowances	**(70.3)**	(43.8)	**(64.0)**	(36.7)
	3,318.2	3,197.8	**2,982.0**	3,084.5

The Group and the Company have other financial assets which are lease receivables, investment in unquoted debt securities and others.

Given the varied nature of the Group's and of the Company's customer base, the following analysis of trade receivables by type of customer is considered the most appropriate disclosure of credit concentration.

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Industrial	**1,438.2**	1,263.3	**1,430.0**	1,249.9
Commercial	**2,110.8**	1,814.8	**2,032.1**	1,725.8
Domestic	**2,190.6**	1,655.8	**2,043.4**	1,517.7
Specific agriculture	**13.8**	13.8	**13.8**	13.8
Mining	**3.3**	3.4	**3.3**	3.4
Public lighting	**54.8**	60.9	**48.2**	52.9
Others	**1,005.5**	638.7	**0**	0
Trade receivables	**6,817.0**	5,450.7	**5,570.8**	4,563.5
Trade contract assets	**3,388.5**	3,241.6	**3,046.0**	3,121.2

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Trade receivables and trade contract assets (continued)

Impairment losses

The loss allowance for the trade receivables and the trade contract assets are as follows:

	Gross RM'million	Individual impairment RM'million	Expected loss rate %	Collective impairment RM'million	Net RM'million
2021					
Group					
Not past due	1,541.1	(34.6)	0.9	(12.9)	1,493.6
Past due 0-30 days	459.0	(2.4)	5.2	(23.7)	432.9
Past due 31-120 days	950.6	(53.5)	13.4	(119.9)	777.2
Past due 121-240 days	729.6	(93.8)	38.8	(246.6)	389.2
Past due 241-365 days	461.7	(82.0)	52.8	(200.6)	179.1
Past due more than 365 days	2,675.0	(1,388.3)	46.2	(595.0)	691.7
Trade receivables	6,817.0	(1,654.6)		(1,198.7)	3,963.7
Trade contract assets	3,388.5	(11.7)	1.7	(58.6)	3,318.2
Company					
Not past due	1,232.4	(34.3)	0.7	(8.7)	1,189.4
Past due 0-30 days	344.4	(2.2)	6.1	(20.9)	321.3
Past due 31-120 days	774.9	(53.4)	14.1	(101.6)	619.9
Past due 121-240 days	606.9	(93.8)	43.4	(222.5)	290.6
Past due 241-365 days	382.3	(81.9)	59.8	(179.6)	120.8
Past due more than 365 days	2,229.9	(1,382.4)	61.0	(516.8)	330.7
Trade receivables	5,570.8	(1,648.0)		(1,050.1)	2,872.7
Trade contract assets	3,046.0	(11.7)	1.7	(52.3)	2,982.0

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Trade receivables and trade contract assets (continued)

Impairment losses (continued)

The loss allowance for the trade receivables and the trade contract assets are as follows: (continued)

	Gross RM'million	Individual impairment RM'million	Expected loss rate %	Collective impairment RM'million	Net RM'million
2020					
Group					
Not past due	1,396.2	(44.3)	0.7	(9.0)	1,342.9
Past due 0-30 days	385.9	(6.9)	0.9	(3.5)	375.5
Past due 31-120 days	888.7	(113.7)	4.4	(34.3)	740.7
Past due 121-240 days	564.9	(96.4)	9.8	(45.9)	422.6
Past due 241-365 days	355.1	(76.5)	62.8	(174.9)	103.7
Past due more than 365 days	1,859.9	(1,099.5)	57.2	(434.6)	325.8
Trade receivables	5,450.7	(1,437.3)		(702.2)	3,311.2
Trade contract assets	3,241.6	(9.0)	1.1	(34.8)	3,197.8
Company					
Not past due	1,146.4	(44.1)	0.6	(6.4)	1,095.9
Past due 0-30 days	289.6	(6.7)	1.0	(2.8)	280.1
Past due 31-120 days	743.9	(113.5)	3.0	(19.1)	611.3
Past due 121-240 days	483.5	(96.3)	8.6	(33.3)	353.9
Past due 241-365 days	303.2	(76.4)	67.4	(152.9)	73.9
Past due more than 365 days	1,596.9	(1,093.4)	72.8	(366.3)	137.2
Trade receivables	4,563.5	(1,430.4)		(580.8)	2,552.3
Trade contract assets	3,121.2	(9.0)	0.9	(27.7)	3,084.5

The Group and the Company apply MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and trade contract assets.

For certain large customers with high risk of default, the Group and the Company assessed the risk of loss for each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable.

To measure the expected credit losses, trade receivables and trade contract assets have been grouped based on shared credit risk characteristics and the days past due. The trade contract assets that relate to unbilled customers have substantial same risk characteristics as the trade receivables for the same types of contracts. The Group and the Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates of the trade contract assets.

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Trade receivables and trade contract assets (continued)

Impairment losses (continued)

The expected loss rates are based on the payment profiles of sales over a period of 2 to 10 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group and the Company have identified growth rates of real Gross Domestic Product ('GDP') of Malaysia to be the most relevant factor, and accordingly, adjusts the historical loss rates based on the expected changes in this factor. As at 31 December 2021, for non-government customers, a combination of growth rates of real GDP and inflation rates were identified as the most relevant factors.

During the current financial year, as a result of a prolonged COVID-19 impact, the Group and the Company have considered matters such as lower collection of outstanding debts, suspension of disconnection activities, introduction of Instalment Plan Package which are limited to certain category of customers, and some other relief packages introduced by the Government in assessing the ECL.

On that basis, the loss allowance was determined for both trade receivables and trade contract assets as reflected in the tables above.

The opening loss allowances for trade receivables and trade contract assets reconciled to the closing loss allowances are as follows:

Trade receivables

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
As at the beginning of the financial year	**(2,139.5)**	(1,766.0)	**(2,011.2)**	(1,677.8)
Impairment loss recognised	**(961.4)**	(576.4)	**(764.5)**	(388.8)
Impairment loss reversed	**78.7**	109.5	**77.4**	55.6
Impairment written off/(write back)	**168.9**	93.4	**0.2**	(0.2)
As at the end of the financial year (Note 21)	**(2,853.3)**	(2,139.5)	**(2,698.1)**	(2,011.2)

Trade contract assets

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
As at the beginning of the financial year	**(43.8)**	(56.6)	**(36.7)**	(44.0)
Impairment loss recognised	**(70.8)**	(43.8)	**(64.0)**	(36.7)
Impairment loss reversed	**44.3**	50.5	**36.7**	44.0
Impairment written off	**0**	6.1	**0**	0
As at the end of the financial year (Note 17(a))	**(70.3)**	(43.8)	**(64.0)**	(36.7)

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Trade receivables and trade contract assets (continued)

Impairment losses (continued)

Trade receivables are secured by deposits in the form of cash and bank guarantees. ECL is not provided on receivable balances fully secured by deposits. The deposit amounts are reviewed on an individual basis periodically.

Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

Impairment losses on trade receivables and trade contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Investment in unquoted debt securities, deposits, bank and cash balances, derivative financial instruments and financial assets at FVTPL

Risk management objectives, policies and processes for managing the risk

Investments, deposits, bank and cash balances, derivative financial instruments and financial assets measured at FVTPL are liquid securities and mainly with reputable financial institutions.

Investment in unquoted debt securities are investment in an associate's financial instruments. The credit risk of this associate is monitored on a quarterly basis and the loss allowances are provided for accordingly.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts in the SOFP.

In view of the sound credit rating of counterparties, the Group and the Company do not expect any counterparty to fail to meet its obligations. The Group and the Company do not have overdue investments that have not been impaired.

The investments, deposits, cash and bank balances and derivative financial instruments are unsecured.

Bank and cash balances are held with banks and financial institutions which have lower credit risks. In addition, some of the bank balances are insured by Government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

The total investment in unquoted debt securities and the impairment provided are as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Investment in unquoted debt securities	**327.5**	303.4	**327.5**	303.4
Less: Loss allowances	**(27.4)**	(37.6)	**(27.4)**	(37.6)
	300.1	265.8	**300.1**	265.8

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(ii) Investment in unquoted debt securities, deposits, bank and cash balances, derivative financial instruments and financial assets at FVTPL (continued)

Impairment losses

The impairment for the remaining investment in unquoted debt securities, deposits, bank and cash balances, derivative financial instruments and financial assets at FVTPL during the financial year and previous financial year was insignificant.

The loss allowances for investment in unquoted debt securities for the Group and the Company using the general 3-stage approach reconciled to the opening loss allowances for that provision are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
2021				
As at the beginning of the financial year	**(37.6)**	**0**	**0**	**(37.6)**
Impairment loss recognised	**(102.1)**	**0**	**0**	**(102.1)**
Impairment loss reversed	**112.3**	**0**	**0**	**112.3**
As at the end of the financial year	**(27.4)**	**0**	**0**	**(27.4)**
2020				
As at the beginning of the financial year	0	0	0	0
Impairment loss recognised	(37.6)	0	0	(37.6)
As at the end of the financial year	(37.6)	0	0	(37.6)

The impact on the carrying value of the investment in unquoted debt securities presented by the stages are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
2021				
Gross carrying amount	**327.5**	**0**	**0**	**327.5**
Less: Loss allowances	**(27.4)**	**0**	**0**	**(27.4)**
Net carrying amount	**300.1**	**0**	**0**	**300.1**
2020				
Gross carrying amount	303.4	0	0	303.4
Less: Loss allowances	(37.6)	0	0	(37.6)
Net carrying amount	265.8	0	0	265.8

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables

- Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

At the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the SOFP.

The total amounts due from subsidiaries and impairment provided are as follows:

	Company	
	2021 RM'million	2020 RM'million
Amounts due from subsidiaries	**8,719.6**	15,414.1
Less: Loss allowances	**(718.6)**	(1,642.4)
	8,001.0	13,771.7

Impairment losses

Generally, the Company considers loans and advances to subsidiaries having low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly based on stages determined in the accounting policy part (d) of this note. As the Company is able to determine the timing of payments of the subsidiaries' balances when they are payable, the Company considers the amount payable to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's balances to be impaired when the subsidiary is:
- unlikely to repay its payables to the Company in full;
- having negative operating cash flows and is in net tangible liabilities position; or
- a dormant entity or has a history of default.

At the end of the financial year, there was no indication that the amounts due from the subsidiaries are not recoverable other than those which have already been impaired. The Company does not specifically monitor the ageing of advances to the subsidiaries.

During the financial year, there has been reversal of loss allowances due to repayments received and conversion of intercompany receivables as equity. It is also inclusive of write-off of intercompany receivables due to disposal and liquidations.

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31 December 2021

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables (continued)

- Intercompany balances (continued)

Impairment losses (continued)

The loss allowances for intercompany balances using the general 3-stage approach reconciled to the opening loss allowances for that provision are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
2021				
As at the beginning of the financial year	**(308.2)**	**(413.6)**	**(920.6)**	**(1,642.4)**
Impairment loss recognised	**(248.3)**	**(0.3)**	**(94.9)**	**(343.5)**
Impairment loss reversed	**69.1**	**16.3**	**665.9**	**751.3**
Impairment loss written off	**15.5**	**269.4**	**231.1**	**516.0**
As at the end of the financial year	**(471.9)**	**(128.2)**	**(118.5)**	**(718.6)**
2020				
As at the beginning of the financial year	(261.1)	(1,151.5)	(1,281.6)	(2,694.2)
Impairment loss recognised	(155.4)	(63.0)	(71.6)	(290.0)
Impairment loss reversed	19.9	0.5	278.7	299.1
Impairment loss transferred	88.4	800.4	153.9	1,042.7
As at the end of the financial year	(308.2)	(413.6)	(920.6)	(1,642.4)

The impact on the carrying value of the intercompany balances presented by the stages are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
2021				
Gross carrying amount	**8,469.1**	**132.0**	**118.5**	**8,719.6**
Less: Loss allowances	**(471.9)**	**(128.2)**	**(118.5)**	**(718.6)**
Net carrying amount	**7,997.2**	**3.8**	**0**	**8,001.0**
2020				
Gross carrying amount	13,841.4	652.1	920.6	15,414.1
Less: Loss allowances	(308.2)	(413.6)	(920.6)	(1,642.4)
Net carrying amount	13,533.2	238.5	0	13,771.7

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables (continued)

- Other non trade receivables, amounts due from associates and joint ventures

Risk management objectives, policies and processes for managing the risk

Credit risk on other non trade receivables are mainly arising from RJO debtors which are receivables from specific works requested by customers.

Credit risk also arises from sundry deposits for rental of office spaces from third parties and rental receivables. The Company manages the credit risk together with the specific leasing arrangements.

Staff advances and staff loans have low credit risk as these are mostly provided to existing staff. These balances are managed on a monthly basis.

Amounts due from associates and joint ventures are mostly due to transactions within the Group and have a low credit risk. These balances are managed on a monthly basis.

Exposure to credit risk, credit quality and collateral

At the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Company receives down payments, LOUs or indents for RJO debtors where works are requested by customers.

The Company receives deposits from third parties for rental of office spaces. For staff loans and staff advances, any repayment is done through monthly payroll deductions.

In cases of RJO debtors arising from accidental damages to the Company's assets whereby the third party is identifiable, these amounts are fully impaired as there is very low prospect of recovery.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables (continued)

- Other non trade receivables, amounts due from associates and joint ventures (continued)

The total other non trade receivables, amounts due from associates and amounts due from joint ventures and impairments provided are as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Other non trade receivables	**7,096.8**	1,188.7	**5,800.8**	360.8
Less: Loss allowances	**(243.6)**	(207.8)	**(168.5)**	(131.0)
	6,853.2	980.9	**5,632.3**	229.8
Amounts due from associates	**350.0**	190.8	**10.6**	3.6
Less: Loss allowances	**(7.3)**	(7.3)	**(0.1)**	(0.2)
	342.7	183.5	**10.5**	3.4
Amounts due from joint ventures	**65.7**	44.2	**0**	0
Less: Loss allowances	**(22.2)**	(24.8)	**0**	0
	43.5	19.4	**0**	0

Impairment losses

Generally, the Group and the Company consider other non trade receivables as having low credit risk. The Group and the Company assumes that there is a significant increase in credit risk when there is a history of default in payments.

The loss allowances for other non trade receivables using the general 3-stage approach reconciled to the opening loss allowances for that provision are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
Group				
2021				
As at the beginning of the financial year	**(26.4)**	**(1.1)**	**(180.3)**	**(207.8)**
Impairment loss recognised	**(5.4)**	**(0.2)**	**(36.6)**	**(42.2)**
Impairment loss reversed	**0.8**	**0**	**5.8**	**6.6**
Impairment loss write back	**0**	**0**	**(0.2)**	**(0.2)**
As at the end of the financial year	**(31.0)**	**(1.3)**	**(211.3)**	**(243.6)**
2020				
As at the beginning of the financial year	(19.3)	(0.8)	(132.3)	(152.4)
Impairment loss recognised	(6.0)	(0.2)	(41.1)	(47.3)
Impairment loss reversed	3.0	0.1	20.8	23.9
Impairment loss write back	(4.1)	(0.2)	(27.7)	(32.0)
As at the end of the financial year	(26.4)	(1.1)	(180.3)	(207.8)

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables (continued)

- Other non trade receivables, amounts due from associates and joint ventures (continued)

Impairment losses (continued)

The loss allowances for other non trade receivables using the general 3-stage approach reconciled to the opening loss allowances for that provision are as follows: (continued)

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
Company				
2021				
As at the beginning of the financial year	**(10.0)**	**(0.6)**	**(120.4)**	**(131.0)**
Impairment loss recognised	**0.7**	**0.2**	**(40.9)**	**(40.0)**
Impairment loss reversed	**2.4**	**0**	**0**	**2.4**
Impairment loss written off	**0**	**0**	**0.1**	**0.1**
As at the end of the financial year	**(6.9)**	**(0.4)**	**(161.2)**	**(168.5)**
2020				
As at the beginning of the financial year	(17.6)	(0.4)	(104.6)	(122.6)
Impairment loss recognised	(1.1)	(0.2)	(15.8)	(17.1)
Impairment loss reversed	8.7	0	0	8.7
As at the end of the financial year	(10.0)	(0.6)	(120.4)	(131.0)

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables (continued)

- Other non trade receivables, amounts due from associates and joint ventures (continued)

Impairment losses (continued)

The loss allowances for amounts due from associates using the general 3-stage approach reconciled to the opening loss allowances for that provision are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
Group				
2021				
As at the beginning of the financial year	**(7.3)**	**0**	**0**	**(7.3)**
Impairment loss recognised	**(0.2)**	**0**	**0**	**(0.2)**
Impairment loss reversed	**0.2**	**0**	**0**	**0.2**
As at the end of the financial year	**(7.3)**	**0**	**0**	**(7.3)**
2020				
As at the beginning of the financial year	(7.1)	0	0	(7.1)
Impairment loss recognised	(0.2)	0	0	(0.2)
As at the end of the financial year	(7.3)	0	0	(7.3)
Company				
2021				
As at the beginning of the financial year	**(0.2)**	**0**	**0**	**(0.2)**
Impairment loss recognised	**(0.1)**	**0**	**0**	**(0.1)**
Impairment loss reversed	**0.2**	**0**	**0**	**0.2**
As at the end of the financial year	**(0.1)**	**0**	**0**	**(0.1)**
2020				
As at the beginning of the financial year	0	0	0	0
Impairment loss recognised	(0.2)	0	0	(0.2)
As at the end of the financial year	(0.2)	0	0	(0.2)

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables (continued)

- Other non trade receivables, amounts due from associates and joint ventures (continued)

Impairment losses (continued)

The loss allowances for amounts due from joint ventures using the general 3-stage approach reconciled to the opening loss allowances for that provision are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
Group				
2021				
As at the beginning of the financial year	**(24.8)**	**0**	**0**	**(24.8)**
Impairment loss reversed	**2.6**	**0**	**0**	**2.6**
As at the end of the financial year	**(22.2)**	**0**	**0**	**(22.2)**
2020				
As at the beginning of the financial year	0	0	0	0
Impairment loss recognised	(28.4)	0	0	(28.4)
Impairment loss reversed	3.6	0	0	3.6
As at the end of the financial year	(24.8)	0	0	(24.8)

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables (continued)

- Other non trade receivables, amounts due from associates and joint ventures (continued)

Impairment losses (continued)

The impact on the carrying value of other non trade receivables presented by the stages are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
Group				
2021				
Gross carrying amount	**5,564.3**	**393.4**	**1,139.1**	**7,096.8**
Less: Loss allowances	**(31.0)**	**(1.3)**	**(211.3)**	**(243.6)**
Net carrying amount	**5,533.3**	**392.1**	**927.8**	**6,853.2**
2020				
Gross carrying amount	932.0	65.9	190.8	1,188.7
Less: Loss allowances	(26.4)	(1.1)	(180.3)	(207.8)
Net carrying amount	905.6	64.8	10.5	980.9
Company				
2021				
Gross carrying amount	**5,542.1**	**93.5**	**165.2**	**5,800.8**
Less: Loss allowances	**(6.9)**	**(0.4)**	**(161.2)**	**(168.5)**
Net carrying amount	**5,535.2**	**93.1**	**4.0**	**5,632.3**
2020				
Gross carrying amount	196.3	39.2	125.3	360.8
Less: Loss allowances	(10.0)	(0.6)	(120.4)	(131.0)
Net carrying amount	186.3	38.6	4.9	229.8

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables (continued)

- Other non trade receivables, amounts due from associates and joint ventures (continued)

Impairment losses (continued)

The impact on the carrying value of amounts due from associates presented by the stages are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
Group				
2021				
Gross carrying amount	**350.0**	**0**	**0**	**350.0**
Less: Loss allowances	**(7.3)**	**0**	**0**	**(7.3)**
Net carrying amount	**342.7**	**0**	**0**	**342.7**
2020				
Gross carrying amount	190.8	0	0	190.8
Less: Loss allowances	(7.3)	0	0	(7.3)
Net carrying amount	183.5	0	0	183.5
Company				
2021				
Gross carrying amount	**10.6**	**0**	**0**	**10.6**
Less: Loss allowances	**(0.1)**	**0**	**0**	**(0.1)**
Net carrying amount	**10.5**	**0**	**0**	**10.5**
2020				
Gross carrying amount	3.6	0	0	3.6
Less: Loss allowances	(0.2)	0	0	(0.2)
Net carrying amount	3.4	0	0	3.4

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31 December 2021

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Non trade receivables (continued)

- Other non trade receivables, amounts due from associates and joint ventures (continued)

Impairment losses (continued)

The impact on the carrying value of amounts due from joint ventures presented by the stages are as follows:

	Stage 1 RM'million	Stage 2 RM'million	Stage 3 RM'million	Total RM'million
Group				
2021				
Gross carrying amount	**65.7**	**0**	**0**	**65.7**
Less: Loss allowances	**(22.2)**	**0**	**0**	**(22.2)**
Net carrying amount	**43.5**	**0**	**0**	**43.5**
2020				
Gross carrying amount	44.2	0	0	44.2
Less: Loss allowances	(24.8)	0	0	(24.8)
Net carrying amount	19.4	0	0	19.4

(iv) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and an associate. The Company monitors the ability of the subsidiaries and the associate to service their loans on an individual basis annually.

Exposure to credit risk, credit quality and collateral

The maximum exposure to the Group and the Company amounts to RM291.1 million (2020: RM282.9 million) and RM8,799.2 million (2020: RM2,663.5 million) respectively, representing banking facilities utilised by the subsidiaries and an associate as at the end of the financial year.

The financial guarantees are provided as credit enhancements to the subsidiaries' and associate's secured loans.

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iv) Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral (continued)

The total financial guarantees and loss allowances provided are as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Financial guarantees	**291.1**	282.9	**8,799.2**	2,663.5
Less: Loss allowances	**(291.1)**	(282.9)	**(293.4)**	(285.2)
	0	0	**8,505.8**	2,378.3

Impairment losses

The Company assumes that there is a significant increase in credit risk when a subsidiary or associate has indication of defaulting on its banking facilities. The Company considers a financial guarantee to be credit impaired when the subsidiary or associate is unlikely to repay its credit obligation to the bank in full.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

Loss allowance has been recognised mainly arising from the financial guarantee provided by the Group in 2016 to support the loan facility offered to İç Anadolu Doğalgaz Elektrik Üretim ve Ticaret A.Ş. ('ICAN'), a subsidiary of Gama Enerji. The ECL is determined based on an internal assessment of Gama Enerji's debt servicing ability taking into account of the current adverse macroeconomic conditions in Turkey. The impairment loss for financial guarantees for the Group and the Company are in Stage 3.

The movement in the loss allowances of financial guarantees during the financial year was:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
As at the beginning of the financial year	**(282.9)**	(282.9)	**(285.2)**	(285.8)
Impairment loss recognised	**(8.2)**	0	**(8.2)**	0
Impairment loss reversed	**0**	0	**0**	0.6
As at the end of the financial year (Note 24)	**(291.1)**	(282.9)	**(293.4)**	(285.2)

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposures to liquidity risk arise principally from its various payables, loans and borrowings. The Group and the Company monitor rolling forecasts of the Group's and of the Company's liquidity requirements.

As of 31 December 2021, the Group's and the Company's current liabilities exceeded their current assets by RM194.3 million (2020: RM998.8 million) and RM6,950.5 million (2020: RM6,151.9 million) respectively.

As the Group's net current liabilities position is mainly contributed by the Company, cash flow forecast has been prepared for the next 12 months for the Company taking into account the expected revenue growth rates, customer collection trends, low rate of termination of electricity account that would crystallise the entire consumer deposit of RM6,685.1 million and one-off transactions expected within the next 12 months. Based on the cash flow forecast, the Company is able to generate sufficient internal cash flows from operations for the next 12 months from the reporting date to meet operational and financing needs as and when they fall due.

In addition, as at 31 December 2021, the Group and the Company have undrawn borrowing facilities amounting to RM10,389.0 million (2020: RM16,902.0 million) and RM9,911.0 million (2020: RM15,612.0 million) respectively to support any cash shortfall while maintaining sufficient headroom on its undrawn borrowing facilities at all times to ensure the Group and the Company have the financial flexibility.

Surplus cash of the Group and of the Company is invested in profit bearing current accounts, money market deposits and other instruments with appropriate maturities and sufficient liquidity level to provide sufficient headroom as determined by the cash flow forecasts and to enable the Group and the Company to discharge liabilities in the normal course of business.

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profiles of the Group's and of the Company's financial liabilities as at the end of the financial year based on the undiscounted contractual payments:

	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
2021						
Group						
Non-derivative financial liabilities						
Payables	7,001.5	7,001.5	7,001.5	0	0	0
Lease liabilities*	29,241.9	40,432.2	4,550.0	3,674.5	9,587.9	22,619.8
Amounts due to associates	183.8	183.8	183.8	0	0	0
Borrowings*	51,678.2	67,528.7	7,638.2	2,781.9	12,204.1	44,904.5
Financial guarantee contracts	291.1	291.1	291.1	0	0	0
Other financial liabilities at AC	953.1	975.3	313.5	319.3	40.6	301.9
	89,349.6	116,412.6	19,978.1	6,775.7	21,832.6	67,826.2
Derivative financial liabilities						
Interest rate swaps	31.0	1,703.5	0	565.6	1,137.9	0
Spot foreign currency contracts	0	38.9	38.9	0	0	0
Profit rate swap contracts	7.7	342.8	0	0	342.8	0
Forward exchange contracts (gross settled):						
- Outflows	0.4	39.2	39.2	0	0	0
	89,388.7	118,537.0	20,056.2	7,341.3	23,313.3	67,826.2
Company						
Non-derivative financial liabilities						
Payables	3,381.4	3,381.4	3,381.4	0	0	0
Lease liabilities*	71,190.5	113,134.4	9,335.3	7,339.3	20,667.8	75,792.0
Amounts due to subsidiaries	4,136.3	4,136.3	4,136.3	0	0	0
Amounts due to associates	173.7	173.7	173.7	0	0	0
Borrowings*	25,036.3	35,536.7	4,716.2	876.6	7,149.6	22,794.3
Financial guarantee contracts	293.4	8,799.2	8,799.2	0	0	0
Other financial liabilities at AC	681.0	703.2	327.3	333.4	42.4	0.1
	104,892.6	165,864.9	30,869.4	8,549.3	27,859.8	98,586.4
Derivative financial liability						
Spot foreign currency contracts	0	38.9	38.9	0	0	0
Forward exchange contracts (gross settled):						
- Outflows	0.4	39.2	39.2	0	0	0
	104,893.0	165,943.0	30,947.5	8,549.3	27,859.8	98,586.4

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profiles of the Group's and of the Company's financial liabilities as at the end of the financial year based on the undiscounted contractual payments: (continued)

	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
2020						
Group						
Non-derivative financial liabilities						
Payables	6,524.3	6,524.3	6,524.3	0	0	0
Lease liabilities*	28,728.8	39,533.0	4,690.2	3,848.0	9,451.5	21,543.3
Amounts due to associates	237.8	237.8	237.8	0	0	0
Borrowings*	49,452.6	63,295.0	6,505.3	2,505.3	8,123.8	46,160.6
Financial guarantee contracts	282.9	282.9	282.9	0	0	0
Other financial liabilities at AC	883.1	890.5	291.2	294.6	7.5	297.2
	86,109.5	110,763.5	18,531.7	6,647.9	17,582.8	68,001.1
Derivative financial liabilities						
Interest rate swaps	150.2	1,746.1	0	95.2	1,650.9	0
Profit rate swap contracts	25.5	361.3	0	0	361.3	0
Forward exchange contracts (gross settled):						
- Outflows	1.3	93.3	93.3	0	0	0
	86,286.5	112,964.2	18,625.0	6,743.1	19,595.0	68,001.1
Company						
Non-derivative financial liabilities						
Payables	3,896.3	3,896.3	3,896.3	0	0	0
Lease liabilities*	65,519.1	105,454.3	9,300.5	7,450.9	18,779.0	69,923.9
Amounts due to subsidiaries	1,411.9	1,411.9	1,411.9	0	0	0
Amounts due to associates	228.1	228.1	228.1	0	0	0
Borrowings*	22,091.3	30,039.7	4,224.3	881.3	2,558.8	22,375.3
Financial guarantee contracts	285.2	2,663.5	2,663.5	0	0	0
Other financial liabilities at AC	603.5	611.0	297.8	301.3	7.7	4.2
	94,035.4	144,304.8	22,022.4	8,633.5	21,345.5	92,303.4
Derivative financial liability						
Forward exchange contracts (gross settled):						
- Outflows	1.3	93.3	93.3	0	0	0
	94,036.7	144,398.1	22,115.7	8,633.5	21,345.5	92,303.4

* *Refer to Note 15 and Note 27 for the average remaining period.*

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

<u>Market risk</u>

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's and the Company's financial positions or cash flows.

(i) Foreign currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group and of the Company. The currencies giving rise to this risk are primarily USD, JPY and GBP.

<u>Risk management objectives, policies and processes for managing the risk</u>

The Group and the Company are required to hedge a minimum of 50.0% of TNB's known foreign currency exposure up to 12 months period. The Group and the Company use forward exchange contracts and maintain foreign currency floats to hedge its foreign currency risk.

<u>Exposure to foreign currency risk</u>

The currency exposure of financial assets and financial liabilities of the Group and of the Company at the end of the financial year, expressed in MYR (if not defined, Malaysian Ringgit) currency units, are as follows:

	USD RM'million	JPY RM'million	GBP RM'million	Others RM'million
2021				
Group				
<u>Financial assets</u>				
Financial assets at FVOCI	0	0	0	0.4
Receivables	2.8	0	0	0.4
Deposits, bank and cash balances	1,444.7	0	107.2	0
	1,447.5	0	107.2	0.8
<u>Financial liabilities</u>				
Payables	7.6	5.5	941.6	3.2
Borrowings	8,035.9	2,092.0	2,357.0	0
	8,043.5	2,097.5	3,298.6	3.2
Company				
<u>Financial assets</u>				
Amounts due from subsidiaries	9.7	0	0	0
Deposits, bank and cash balances	1,444.4	0	0	0
	1,454.1	0	0	0
<u>Financial liability</u>				
Borrowings	8,035.9	2,092.0	0	0

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31 December 2021

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

The currency exposure of financial assets and financial liabilities of the Group and of the Company at the end of the financial year, expressed in MYR (if not defined, Malaysian Ringgit) currency units, are as follows: (continued)

	USD RM'million	JPY RM'million	GBP RM'million	Others RM'million
2020				
Group				
Financial assets				
Financial assets at FVOCI	0	0	0	0.4
Receivables	8.4	0	1.2	0.8
Deposits, bank and cash balances	2,057.4	0	257.7	3.6
	2,065.8	0	258.9	4.8
Financial liabilities				
Payables	12.0	0.7	31.0	3.8
Borrowings	7,729.5	2,372.1	2,390.9	0
	7,741.5	2,372.8	2,421.9	3.8
Company				
Financial assets				
Amounts due from subsidiaries	104.7	0	0	0
Deposits, bank and cash balances	2,054.5	0	0	0
	2,159.2	0	0	0
Financial liability				
Borrowings	7,729.5	2,372.1	0	0

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Currency risk sensitivity analysis

A 10.0% strengthening of the foreign currencies against RM at the end of the financial year would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss/equity	
	2021 RM'million	2020 RM'million
Group		
USD	**(655.7)**	(682.3)
JPY	**(209.2)**	(151.1)
GBP	**(333.2)**	(218.3)
Company		
USD	**(654.3)**	(669.6)
JPY	**(208.7)**	(151.1)

A 10.0% weakening of the foreign currencies against RM at the end of the financial year would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Foreign currency risk for the Group and the Company which have a functional currency other than USD, JPY and GBP are not material and hence, sensitivity analysis is not presented.

(ii) Interest rate risk

The Group's and the Company's investments in fixed rate debt securities and its fixed rate borrowings are not exposed to a significant risk of change in their fair values due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

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45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial year were:

	Group		Company	
	2021 RM'million	**2020 RM'million**	**2021 RM'million**	**2020 RM'million**
Fixed rate instruments:				
Financial assets	**3,268.5**	4,115.1	**1,884.7**	2,140.4
Financial liabilities	**78,477.5**	75,677.1	**96,226.8**	87,610.4
Floating rate instrument:				
Financial liabilities	**2,442.6**	2,504.3	**0**	0

The financial assets are not sensitive to interest rate changes.

A 5.0% change in the interest rates of the financial liabilities with floating interest rates at the end of the financial year would have affected the Group's and the Company's profit or loss and equity by RM0.1 million (2020: RM0.1 million). This analysis assumes that all other variables, in particular foreign currency rates remained constant.

(iii) Other price risk

Other price risk arises from the Group's and the Company's investments in equity securities, debt securities and unit trust funds.

Risk management objectives, policies and processes for managing the risk

The Group and the Company are exposed to price risk because the investments held are classified on the statement of financial position as FVOCI and FVTPL. The Group and the Company mainly invest in unit trust funds, primarily in short term deposits as underlying instruments with minimal price risk.

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments

The carrying amounts of deposits, bank and cash balances, short term receivables and payables, short term borrowings, short term amount due from/(to) subsidiaries and short term derivative financial instruments approximate their fair values and are equivalent to nominal values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

The classifications in the fair value hierarchy of the Group's and of the Company's assets and liabilities measured at fair value are summarised in the table below:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million	RM'million	RM'million
2021										
Group										
Financial assets										
Investment in unquoted debt securities	0	0	0	0	0	300.1	0	300.1	300.1	300.1
Long term receivables	0	0	0	0	0	65.1	0	65.1	65.1	65.1
Derivative financial instruments	0	1.2	0	1.2	0	0	0	0	1.2	1.2
Financial assets at FVOCI	0	62.8	0	62.8	0	0	0	0	62.8	62.8
Financial assets at FVTPL	2,422.3	100.0	0	2,522.3	0	0	0	0	2,522.3	2,522.3
	2,422.3	164.0	0	2,586.3	0	365.2	0	365.2	2,951.5	2,951.5
Financial liabilities										
Borrowings	0	0	0	0	2,087.8	48,022.4	0	50,110.2	50,110.2	51,678.2
Other financial liabilities at AC	0	0	0	0	0	973.0	0	973.0	973.0	953.1
Derivative financial instruments	0	39.1	0	39.1	0	0	0	0	39.1	39.1
	0	39.1	0	39.1	2,087.8	48,995.4	0	51,083.2	51,122.3	52,670.4
Company										
Financial assets										
Investment in unquoted debt securities	0	0	0	0	0	300.1	0	300.1	300.1	300.1
Long term receivables	0	0	0	0	0	59.0	0	59.0	59.0	41.6
Financial assets at FVOCI	0	62.1	0	62.1	0	0	0	0	62.1	62.1
Amounts due from subsidiaries	0	0	0	0	0	5,010.4	0	5,010.4	5,010.4	5,010.4
Financial assets at FVTPL	600.7	100.0	0	700.7	0	0	0	0	700.7	700.7
	600.7	162.1	0	762.8	0	5,369.5	0	5,369.5	6,132.3	6,114.9
Financial liabilities										
Borrowings	0	0	0	0	2,087.8	24,640.1	0	26,727.9	26,727.9	25,036.3
Other financial liabilities at AC	0	0	0	0	0	687.6	0	687.6	687.6	681.0
Derivative financial instruments	0	0.4	0	0.4	0	0	0	0	0.4	0.4
	0	0.4	0	0.4	2,087.8	25,327.7	0	27,415.5	27,415.9	25,717.7

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group's and of the Company's assets and liabilities measured at fair value are summarised in the table below: (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million	RM'million	RM'million
2020										
Group										
Financial assets										
Investment in unquoted debt securities	0	0	0	0	0	265.8	0	265.8	265.8	265.8
Long term receivables	0	0	0	0	0	81.6	0	81.6	81.6	72.7
Financial assets at FVOCI	0	57.6	0	57.6	0	0	0	0	57.6	57.6
Financial assets at FVTPL	6,942.5	171.9	0	7,114.4	0	0	0	0	7,114.4	7,114.4
	6,942.5	229.5	0	7,172.0	0	347.4	0	347.4	7,519.4	7,510.5
Financial liabilities										
Borrowings	0	0	0	0	2,164.2	51,194.1	0	53,358.3	53,358.3	49,452.6
Other financial liabilities at AC	0	0	0	0	0	838.8	0	838.8	838.8	883.1
Derivative financial instruments	0	177.0	0	177.0	0	0	0	0	177.0	177.0
	0	177.0	0	177.0	2,164.2	52,032.9	0	54,197.1	54,374.1	50,512.7
Company										
Financial assets										
Investment in unquoted debt securities	0	0	0	0	0	265.8	0	265.8	265.8	265.8
Long term receivables	0	0	0	0	0	72.4	0	72.4	72.4	51.7
Financial assets at FVOCI	0	56.9	0	56.9	0	0	0	0	56.9	56.9
Amounts due from subsidiaries	0	0	0	0	0	12,108.8	0	12,108.8	12,108.8	11,873.2
Financial assets at FVTPL	5,217.2	109.4	0	5,326.6	0	0	0	0	5,326.6	5,326.6
	5,217.2	166.3	0	5,383.5	0	12,447.0	0	12,447.0	17,830.5	17,574.2
Financial liabilities										
Borrowings	0	0	0	0	2,164.2	22,006.9	0	24,171.1	24,171.1	22,091.3
Other financial liabilities at AC	0	0	0	0	0	601.5	0	601.5	601.5	603.5
Derivative financial instruments	0	1.3	0	1.3	0	0	0	0	1.3	1.3
	0	1.3	0	1.3	2,164.2	22,608.4	0	24,772.6	24,773.9	22,696.1

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during the financial year.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivative financial instruments

The fair value is estimated by the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Non-derivative financial instruments

Fair value, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

(v) Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, ranging between 0.1% to 8.0% (2020: 0.1% to 8.0%).

Although the Group and the Company believe that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using expected cash flows and risk-adjusted discount rates based on the probability weighted average of the Group's and of the Company's ranges of possible outcomes.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

45 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting of financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting arrangements based on Group policies and procedures:

	Group			Company		
	Gross amounts recognised RM'million	Gross amounts set-off in the SOFP RM'million	Net amounts presented in the SOFP RM'million	Gross amounts recognised RM'million	Gross amounts set-off in the SOFP RM'million	Net amounts presented in the SOFP RM'million
Financial assets						
2021						
Amounts due from associates	**342.7**	**0**	**342.7**	**10.5**	**0**	**10.5**
Amounts due from subsidiaries	**0**	**0**	**0**	**10,656.5**	**(2,655.5)**	**8,001.0**
Amounts due from joint ventures	**43.5**	**0**	**43.5**	**0**	**0**	**0**
2020						
Amounts due from associates	183.5	0	183.5	3.4	0	3.4
Amounts due from subsidiaries	0	0	0	14,200.1	(428.4)	13,771.7
Amounts due from joint ventures	19.4	0	19.4	0	0	0
Financial liabilities						
2021						
Amounts due to associates	**(183.8)**	**0**	**(183.8)**	**(173.7)**	**0**	**(173.7)**
Amounts due to subsidiaries	**0**	**0**	**0**	**(6,791.8)**	**2,655.5**	**(4,136.3)**
2020						
Amounts due to associates	(237.8)	0	(237.8)	(228.1)	0	(228.1)
Amounts due to subsidiaries	0	0	0	(1,840.3)	428.4	(1,411.9)

46 CAPITAL RISK MANAGEMENT

The Group's and the Company's main objective of capital management is to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group and the Company will also strive to maintain an optimal capital structure to reduce the cost of capital.

For the purpose of sustaining or changing the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders.

In order to be consistent with industry norms, the Group and the Company monitor its capital structure on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital employed. Total borrowings include non-current borrowings, current borrowings and hire purchase as shown in the consolidated statement of financial position. Capital employed is the summation of total equity and total borrowings.

46 CAPITAL RISK MANAGEMENT (CONTINUED)

The gearing ratios are as follows:

	Group		Company	
	2021 RM'million	2020 RM'million	2021 RM'million	2020 RM'million
Total borrowings	**51,678.2**	49,453.0	**25,036.3**	22,091.3
Total equity	**58,392.4**	57,449.9	**45,401.3**	46,755.0
Total capital employed	**110,070.6**	106,902.9	**70,437.6**	68,846.3
Gearing ratios	**0.47**	0.46	**0.36**	0.32

The Group and the Company have met all externally imposed capital requirements.

47 SIGNIFICANT ACQUISITIONS DURING CURRENT AND PRECEDING FINANCIAL YEARS

(a) Associate acquired by the Group during the financial year ended 31 December 2021 is as follows:

	Note	Purchase consideration RM'million	Group's effective interest acquired	Effective acquisition date
Name of associate				
Blyth Offshore Demonstrator Limited ('BODL')	(i)	674.7	49.0%	18 October 2021

(i) On 18 October 2021, Vantage RE No. 1 Ltd., a wholly-owned subsidiary of Vantage RE Ltd. (formerly known as Tenaga Investments UK Ltd.) completed the subscription of 30,135,049 ordinary shares representing a 49.0% equity interest in BODL for a purchase consideration of GBP118.0 million and transaction cost of GBP1.2 million (amounting to RM674.7 million). BODL is principally involved in the ownership, construction and operation of a 42MW offshore wind farm in Blyth, England as disclosed in Note 9.

(b) Subsidiaries acquired by the Group during the financial year ended 31 December 2020 are as follows:

	Note	Purchase consideration RM'million	Group's effective interest acquired	Effective acquisition date
Name of subsidiaries				
Vantage Solar Investments S.A.R.L. (Formerly known as Vortex Solar Investments S.A.R.L) ('VSI')	(i)	28.4	55.0%	1 September 2020
Southern Power Generation Sdn. Bhd. ('SPG')	(ii)	283.0	70.0%	28 September 2020

47 SIGNIFICANT ACQUISITIONS DURING CURRENT AND PRECEDING FINANCIAL YEARS (CONTINUED)

(b) Subsidiaries acquired by the Group during the financial year ended 31 December 2020 are as follows: (continued)

(i) TNB International Sdn. Bhd. ('TNBI'), a wholly-owned subsidiary of the Company previously acquired 50.0% of the share capital of VSI and categorised VSI as an associate. On 1 September 2020, TNBI completed the acquisition of additional 5.0% equity interest in VSI and subsequently obtained control of VSI resulting in deemed disposal of VSI as an associate (Note 9) and recognition as a subsidiary of the Group (Note 7). TNBI's effective interest in VSI is 55.0%. The remaining 45.0% stake in VSI is owned by KWAP. VSI is an investment holding company and the principal activities of its subsidiary companies are as disclosed in Note 7.

The Group's profit after tax for the financial year ended 31 December 2020 would have been estimated at RM3,576.5 million if VSI had been consolidated at the beginning of the financial year ended 31 December 2020. From the acquisition date up to 31 December 2020, VSI contributed a loss after tax of RM40.3 million.

(ii) On 28 September 2020, the Company acquired an additional 19.0% equity interest in its subsidiary, SPG and 13.0% Class B RPS from SIPP Energy Sdn. Bhd. for a total consideration of RM283.0 million.

SPG was incorporated on 12 August 2016 as a special purpose vehicle company for the development of a Combined Cycle Gas Turbine Power Plant in Pasir Gudang, Johor. Previously, the Company owned 51.0% equity interest in SPG. Upon completion of the acquisition, the Company holds 70.0% equity interest in SPG and SPG remains as a subsidiary of the Group. The principal activities of SPG is as disclosed in Note 7.

48 EVENTS AFTER REPORTING PERIOD

Approval for Regulatory Period 3 implementation

The Government has approved and decided via a letter from Suruhanjaya Tenaga dated 28 January 2022, to implement the Regulatory Period 3 under the IBR framework for the period of February 2022 to December 2024. The Government has decided to maintain the current electricity tariff schedule for all customers in Peninsular Malaysia. This decision complies with the rules and regulations under the Regulatory Implementation Guidelines.

Completion of refinancing exercise by Vantage RE Ltd. (formerly known as Tenaga Investments UK Ltd.)

On 23 February 2022, the Group's wholly-owned subsidiary, Vantage RE Ltd. has completed a GBP275 million (RM1.56 billion) financing exercise through refinancing of its VSUK portfolio of solar power plants in the United Kingdom. The financing facility with Macquarie Asset Management, arranged by Standard Chartered Bank, is part of Vantage RE Ltd.'s management initiative to optimise VSUK's financing structure and providing greater investment certainty over the longer term.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Sri Hasan bin Arifin and Datuk Ir. Baharin bin Din, the Directors of Tenaga Nasional Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 187 to 340 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and financial performance of the Group and of the Company for the financial year ended 31 December 2021 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors, in accordance with a resolution dated 17 March 2022.

DATO' SRI HASAN BIN ARIFIN
CHAIRMAN

DATUK IR. BAHARIN BIN DIN
PRESIDENT/CHIEF EXECUTIVE OFFICER

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Nazmi bin Othman, the Officer primarily responsible for the financial management of Tenaga Nasional Berhad, do solemnly and sincerely declare that the financial statements set out on pages 187 to 340 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

NAZMI BIN OTHMAN

Subscribed and solemnly declared by the abovenamed Nazmi bin Othman at Kuala Lumpur, Malaysia on 17 March 2022, before me.

PESURUHJAYA SUMPAH
W 907
RAJINDER KAUR A/P
SHER SINGH
01/02/2022-31/12/2024
MALAYSIA

COMMISSIONER FOR OATHS

No. 38, Tingkat 8,
Kompleks Mutiara,
Jalan Sultan Azlan Shah,
51200 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 199001009294 (200866-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Tenaga Nasional Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 187 to 340.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 199001009294 (200866-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Revenue recognition for sales of electricity

Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 32 – Revenue

Sales of electricity of RM51,189.9 million and RM48,606.8 million is the most significant component of the Group's and the Company's revenue, respectively, for the financial year ended 31 December 2021.

Revenue from sales of electricity is based on the end customers' consumption and the related tariff rates, which are governed by the Incentive Based Regulations imposed by the Energy Commission.

We focused on the revenue recognition for sales of electricity as it involves the use of complex billing and accounting systems to process large volumes of data with different tariffs based on respective customer categories and consumption.</td><td>We performed the following audit procedures:

• Tested the overall information technology general controls of the billing and accounting systems recording the revenue transactions;

• Tested the application controls within the billing systems over the following:
- maintenance of tariff rates in the billing systems;
- accuracy of calculation of amounts billed to customers; and
- recording of revenue transactions.

• Tested the billings and revenue adjustments on a sampling basis to assess whether the revenue recognised and revenue adjustments are valid and recorded accurately; and

• Examined the correspondence with the Energy Commission and assessed whether there were any material matters that would affect the implementation of the Incentive Based Regulations.

Based on the above procedures performed, we did not find any material exceptions.</td></tr>
<tr><td>Tax litigations

Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 43 – Contingent Liabilities

<u>Reinvestment allowance ('RIA') claims</u>

The Inland Revenue Board ('IRB') had disallowed the Company's RIA claims for the Years of Assessment ('YAs') 2013, 2014, 2015, 2016, 2017 and 2018 and had issued notices of additional assessments ('Notices') to the Company, amounting in aggregate to RM7,858.6 million.

As at 31 December 2021, the Group and Company recorded a tax recoverable of RM3,522.4 million and have not recorded the potential tax liabilities arising from the tax impact if the RIA claims are disallowed and the Company loses its appeal. Based on the legal advice obtained from its tax solicitors on the merits of the cases, the Directors are of the opinion that no provision is required in the financial statements for the potential tax liability up to the reporting date.</td><td>We performed the following audit procedures:

• Evaluated the Directors' assessment on the basis of recoverability of the tax recoverable of RM3,522.4 million in respect of RIA and the potential tax liabilities in respect of RIA and RULS claims by the IRB by assessing the independent legal confirmations obtained from management's external legal counsel; and

• Examined the correspondence between the Company and the tax authority and assessed the matters in dispute based on advice from our tax experts to review the basis of applying the relevant tax laws.

Based on the procedures performed above, we did not find any material exceptions to the Directors' judgement in the treatment of the tax recoverable balance and the potential tax liabilities.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 199001009294 (200866-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Redeemable Unsecured Loan Stock ('RULS') claims On 29 October 2021, IRB had disallowed the interest expenses incurred by Kapar Energy Ventures Sdn. Bhd. ('KEV') in relation to the RULS granted by the shareholders and revision of revenue for the YAs 2004 to 2009 and had issued notices of assessment for the YAs 2011, 2012 and 2014 and notices of additional assessment for the YAs 2013, 2015, 2016, 2017 and 2018 amounting in aggregate to RM595.9 million. As at 31 December 2021, based on the legal advice obtained from its tax solicitors, the Group is of the view that it has a good basis in law to contend the Notices raised by the IRB. The Directors are of the opinion that no provision is required in the financial statements for the potential tax liability up to the reporting date. We focused on this area due to the inherent uncertainties involved in the outcome of judgement on the RIA and RULS claims by the Special Commissioners of Income Tax and the Kuala Lumpur High Court, including if there is a subsequent appeal by either party.	
Assessment on carrying value of post-employment benefits *Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 25 – Employee Benefits* As at 31 December 2021, the Group and Company recorded post-employment benefits of RM12,434.5 million and RM11,710.8 million, respectively. Management assessed the present value of post-employment benefit plans by relying on the actuarial valuation reports from an actuary. The actuarial valuation reports estimated the present value of post-employment benefit plans based on key assumptions that comprised expected rate of salary increases, medical cost inflation and discount rates. We focused on this area because of the significant estimates made by management in determining the present value of post-employment benefit plans.	We performed the following audit procedures: • Obtained an understanding of the terms and conditions of the post-employment benefit plans; and • Tested the present value of post-employment benefit plans based on the actuarial valuation reports by performing the following: - Discussed with the actuary on the valuation method used and checked that the valuation method is acceptable in accordance with MFRS 119 'Employee Benefits'; - Discussed with the actuary on the key assumptions used in the actuarial valuation and checked the reasonableness by comparing to historical data; - Checked the reasonableness of the discount rates with the assistance of our valuation experts by comparing to market yields of high quality government securities at the reporting date; - Checked the membership data used in the actuarial models through inspection of payroll personnel files and other supporting documents; and - Compared the fair value of plan assets based on the actuary report against the trustee's report. Based on the procedures performed above, we did not find any material exceptions to the Director's estimates of the post-employment benefits carrying value.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessments of investments in an associate and a subsidiary *Refer to Note 4 – Critical Accounting Estimates and Judgements, Note 7 – Subsidiaries and Note 9 - Associates* Management performed impairment assessments of its investment in an associate of the Group and a subsidiary of the Company, which had impairment indicators. As a result, impairment losses totalling RM291.8 million and RM300.2 million at the Group and the Company, respectively, in respect of the Group's investment in GMR Energy Limited ('GEL') and Company's investment in Power and Energy International (Mauritius) Ltd., which comprises investments in GEL and Malaysian Shoaiba Consortium Sdn. Bhd. ('MSCSB'), were recognised during the financial year ended 31 December 2021. We focused on this area as the recoverable amounts of the investments in GEL and PEIM are determined based on the estimated cash flows available for distribution from its investments, which require judgement on the part of management on the future financial performance and the key assumptions used, in particular, plant load factor and discount rates for GEL.	We have assessed management's impairment assessments. Our procedures in relation to management's impairment assessment include the following: Group (Investment in an associate) • Assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results; • Discussed with management the key assumptions used in the discounted future cash flows projections, in particular, the plant load factor by comparing with historical results and market outlook; • Engaged our internal valuation experts to assess the reasonableness of the discount rates; and • Assessed the adequacy and reasonableness of the disclosures in the financial statements. Company (Investment in a subsidiary) • Assessed management's cash flows forecasts to estimate the cash flows available for distribution as dividends by the subsidiary from its underlying investments, including tax and financing obligations; • Compared management's cash flows forecasts used for GEL with the Group's impairment assessment of the associate to ensure the same underlying cash flows were used; and • Assessed the adequacy and reasonableness of the disclosures in the financial statements. Based on the procedures performed, we noted no significant exceptions.
Assessment of funding requirements and ability to meet the short term obligations *Refer to Note 45(b) - Financial Instruments - Financial Risk Management - Liquidity risk* As at 31 December 2021, the Group and the Company were in a net current liabilities ('NCL') position of RM194.3 million and RM6,950.5 million respectively.	We performed the following audit procedures: • Assessed the reliability of management's cash flow forecast for the Company over the period of 12 months from the date of the financial statements against previous forecasted results; • Discussed with management on key assumptions used in the cash flow forecast, including the expected revenue growth rates, customer collection trends, low rate of termination of electricity account that would crystallise the entire consumer deposit and significant transactions that may occur within the next 12 months in developing the cash flow forecast for the Company; • Reviewed past trends of consumer deposits refunds to assess the likelihood of repayment; • Checked the borrowing repayment profile of the Company against the loan agreements; and

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 199001009294 (200866-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
As the Group's net current liabilities position is mainly contributed by the Company, cash flow forecast has been prepared for the next 12 months for the Company, taking into account the expected revenue growth rates, customer collection trends, low rate of termination of electricity account that would crystallise the entire consumer deposit which amounts to RM6,685.1 million and any one-off transactions within the next 12 months. Based on the cash flow forecast, the Company is able to generate sufficient internal cash flows from operations for the next 12 months from the reporting date to meet operational and financing needs as and when they fall due. In addition, as at 31 December 2021, the Group and the Company also have undrawn borrowing facilities amounting to RM10,389.0 million and RM9,911.0 million respectively. We focused on this area due to the inherent uncertainties and the judgement taken by management in forecasting future cash flows and determining the availability of financing to fund the operations of the Group and the Company for the next 12 months.	• Checked the extent of undrawn facilities available to the Group and the Company. Based on the procedures performed above, we did not find any material exceptions to the Directors' assessment that the Group and the Company will be able to meet its short term obligations.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Statement on Risk Management and Internal Control and the Board Risk Committee Report, which we obtained prior to the date of this auditors' report, and the remaining Statements to be included within the Integrated Annual Report 2021, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 199001009294 (200866-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 199001009294 (200866-W))

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

PAULINE HO
02684/11/2023 J
Chartered Accountant

Kuala Lumpur
17 March 2022

Section

07

ADDITIONAL INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' SRI HASAN BIN ARIFIN
Chairman
Non-Independent Non-Executive Director
(Appointed w.e.f. 1 October 2021)

DATUK IR. BAHARIN BIN DIN
President/Chief Executive Officer
Non-Independent Executive Director

DATUK SERI ASRI BIN HAMIDIN @ HAMIDON
Non-Independent Non-Executive Director

DATUK AMRAN HAFIZ BIN AFFIFUDIN
Non-Independent Non-Executive Director

JUNIWATI RAHMAT HUSSIN
Independent Non-Executive Director

GOPALA KRISHNAN K.SUNDARAM
Independent Non-Executive Director

ONG AI LIN
Independent Non-Executive Director

DATO' ROSLINA BINTI ZAINAL
Independent Non-Executive Director

DATO' IR. NAWAWI BIN AHMAD
Independent Non-Executive Director

DATUK RAWISANDRAN A/L NARAYANAN
Independent Non-Executive Director

DATUK LAU BENG WEI
Independent Non-Executive Director
(Appointed w.e.f. 1 December 2021)

DATO' MERINA BINTI ABU TAHIR
Independent Non-Executive Director
(Appointed w.e.f. 1 February 2022)

FAISAL @ PISAL BIN ABDUL GHANI
(Alternate Director to Datuk Seri Asri bin Hamidin @ Hamidon)
Non-Independent Non-Executive Director
(Appointed w.e.f. 1 March 2022)

NORAINI BINTI CHE DAN
Senior Independent Non-Executive Director
(Demised on 26 August 2021)

DATO' SERI MAHDZIR BIN KHALID
Chairman
Non-Independent Non-Executive Director
(Resigned w.e.f. 29 August 2021)

AZMIN BIN ISHAK
(Alternate Director to Datuk Seri Asri bin Hamidin @ Hamidon)
Non-Independent Non-Executive Director
(Cessation of Office as Alternate Director w.e.f. 10 February 2022)

COMPANY SECRETARY
Norazni binti Mohd Isa
(LS 0009635)
(SSM Practicing Certificate No. 201908000492)

SHARE REGISTRAR
Boardroom Share Registrars Sdn. Bhd.
199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Telephone : +603-7890 4700
Facsimile : +603-7890 4670
Website : www.boardroomlimited.com/my
Email : bsr.helpdesk@boardroomlimited.com

DIVIDEND SERVICE PROVIDER
Bursa Malaysia Depository Sdn. Bhd.
198701006854 (165570-W)
10th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur
Malaysia

Telephone : +603-2034 7751
Facsimile : +603-2026 3712

PRINCIPAL BANKER
Malayan Banking Berhad
196001000142 (3813-K)

EXTERNAL AUDITORS
Messrs PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

Telephone : +603-2173 1188
Facsimile : +603-2173 1288

REGISTERED OFFICE
Tenaga Nasional Berhad
199001009294 (200866-W)
Pejabat Setiausaha Syarikat, Tingkat 2
Ibu Pejabat Tenaga Nasional Berhad
No. 129, Jalan Bangsar
59200 Kuala Lumpur
Malaysia

Official Communication Channels:

Telephone : +603-2296 5566
Facsimile : +603-2283 3686
Website : www.tnb.com.my
TNB Careline : 15454
(for power outage or
TNB street light malfunction)
: 1-300-88-5454
(for billing and account enquiries)
Online Whistle Blowing Information System : wbis.tnb.com.my
Toll Free : 1-800-888-862

@TNB Careline
@Tenaga_Nasional
@TENAGAofficial
@tenaga_nasional
@Tenaga Nasional Berhad

INVESTOR RELATIONS
CoE Investor Relations
Group Finance Division
Tenaga Nasional Berhad
4th Floor, TNB Headquarters
No. 129, Jalan Bangsar
59200 Kuala Lumpur
Malaysia

Telephone : +603-2296 5566
+603-2108 2128
Facsimile : +603-2108 2034
Email : tenaga_ird@tnb.com.my

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
(Listed since 28 May 1992)
Stock Code : 5347
Stock Name : TENAGA

AMERICAN DEPOSITORY RECEIPTS PROGRAMME (ADR)
ADR Level 1

AGM HELP DESK
Telephone : +603-2107 4515/4517
(Share Administration Section
Company Secretary's Office
Tenaga Nasional Berhad)

STATISTICS OF SHAREHOLDINGS

As at 21 March 2022

SHARE CAPITAL

Issued Shares : 5,726,091,371 Ordinary Shares
One (1) Special Rights Redeemable Preference Share

Voting Right : One (1) vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
1 - 99	1,975	35	2,010	1.58	60,378	1,008	61,386	0.00
100 - 1,000	56,757	392	57,149	45.03	33,071,245	228,082	33,299,327	0.58
1,001 - 10,000	57,353	580	57,933	45.64	195,672,292	2,388,815	198,061,107	3.46
10,001 - 100,000	8,313	413	8,726	6.88	204,924,840	15,173,683	220,098,523	3.84
100,001 - less than 5% of issued shares	652	456	1,108	0.87	1,396,972,672	669,345,214	2,066,317,886	36.09
5% and above of issued shares	4	0	4	0.00	3,208,253,142	0	3,208,253,142	56.03
Total	**125,054**	**1,876**	**126,930**	**100.00**	**5,038,954,569**	**687,136,802**	**5,726,091,371**	**100.00**

ANALYSIS OF EQUITY STRUCTURE

No.	Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
		Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1.	Individuals	98,154	726	370,145,847	5,857,578	6.46	0.10
2.	Body Corporate						
	a. Banks/Finance Companies	102	1	1,693,409,386	46	29.58	0.00
	b. Investment Trusts/Foundation/Charities	7	0	262,362	0	0.00	0.00
	c. Other Type of Companies	809	17	49,980,637	6,941,237	0.87	0.12
3.	Government Agencies/Institutions	20	0	1,468,124,986	0	25.64	0.00
4.	Nominees	25,962	1,132	1,457,031,351	674,337,941	25.45	11.78
5.	Others	0	0	0	0	0.00	0.00
	Total	**125,054**	**1,876**	**5,038,954,569**	**687,136,802**	**88.00**	**12.00**

STATISTICS OF SHAREHOLDINGS

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares	
		Direct Interest	%
1.	Dato' Sri Hasan bin Arifin *(Appointed w.e.f. 1 October 2021)*	0	0.00
2.	Datuk Ir. Baharin bin Din *(Appointed w.e.f. 1 March 2021)*	80,700	0.00
3.	Datuk Seri Asri bin Hamidin @ Hamidon	10,000	0.00
4.	Datuk Amran Hafiz bin Affifudin	0	0.00
5.	Juniwati Rahmat Hussin	0	0.00
6.	Gopala Krishnan K.Sundaram	0	0.00
7.	Ong Ai Lin	0	0.00
8.	Dato' Roslina binti Zainal	18,400	0.00
9.	Dato' Ir. Nawawi bin Ahmad	0	0.00
10.	Datuk Rawisandran a/l Narayanan	0	0.00
11.	Datuk Lau Beng Wei *(Appointed w.e.f. 1 December 2021)*	0	0.00
12.	Dato' Merina binti Abu Tahir *(Appointed w.e.f. 1 February 2022)*	0	0.00
13.	Faisal @ Pisal bin Abdul Ghani *(Appointed w.e.f. 1 March 2022)* *(Alternate Director to Datuk Seri Asri bin Hamidin @ Hamidon)*	*25,000	0.00

Notes:
* *Faisal @ Pisal bin Abdul Ghani*
- Own Account (20,000)
- Registered with Maybank Nominees (Tempatan) Sdn. Bhd. (5,000)

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad*	1,464,756,853	25.58
2.	Employees Provident Fund Board**	917,447,327	16.02
3.	Amanah Saham Bumiputera***	557,399,500	9.73
4.	Kumpulan Wang Persaraan (Diperbadankan)****	419,178,525	7.32
	Total	**3,358,782,205**	**58.65**

Notes:
* *Khazanah Nasional Berhad*
- Registered with Citigroup Nominees (Tempatan) Sdn. Bhd. (4,236,039)
- Registered with CGS - CIMB Nominees (Tempatan) Sdn. Bhd. (4,911,590)
** *Registered with Citigroup Nominees (Tempatan) Sdn. Bhd.*
*** *Registered with AmanahRaya Trustees Berhad*
**** *Kumpulan Wang Persaraan (Diperbadankan)*
- Registered with Citigroup Nominees (Tempatan) Sdn. Bhd. (33,244,734)

TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,455,609,224	25.42
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board*	809,310,627	14.13
3.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera*	557,399,500	9.73
4.	Kumpulan Wang Persaraan (Diperbadankan)	385,933,791	6.74
5.	Permodalan Nasional Berhad	155,611,800	2.72

STATISTICS OF SHAREHOLDINGS

No.	Name of Shareholders	No. of Shares	%
6.	AmanahRaya Trustees Berhad *Amanah Saham Malaysia 2 - Wawasan*	101,714,800	1.78
7.	AmanahRaya Trustees Berhad *Amanah Saham Malaysia*	91,744,100	1.60
8.	Cartaban Nominees (Tempatan) Sdn. Bhd. *PAMB For Prulink Equity Fund*	55,785,750	0.98
9.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA For Vanguard Emerging Markets Stock Index Fund*	54,144,251	0.95
10.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA For Vanguard Total International Stock Index Fund*	51,106,650	0.89
11.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	48,166,525	0.84
12.	Lembaga Tabung Haji	47,685,400	0.83
13.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera 2*	44,895,700	0.79
14.	Maybank Nominees (Tempatan) Sdn. Bhd. *Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)*	43,000,000	0.75
15.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt AN For State Street Bank & Trust Company (West CLT OD67)*	41,507,262	0.73
16.	AmanahRaya Trustees Berhad *Amanah Saham Malaysia 3*	38,532,600	0.67
17.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera 3 - Didik*	36,535,992	0.64
18.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (Nomura)*	34,229,600	0.60
19.	Pertubuhan Keselamatan Sosial	32,210,820	0.56
20.	AmanahRaya Trustees Berhad *Public Islamic Dividend Fund*	31,462,975	0.55
21.	AmanahRaya Trustees Berhad *Public Ittikal Sequel Fund*	23,403,900	0.41
22.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA For Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II*	20,867,600	0.36
23.	AmanahRaya Trustees Berhad *Public Islamic Equity Fund*	19,931,237	0.35
24.	HSBC Nominees (Asing) Sdn. Bhd. *HSBC BK PLC For The Prudential Assurance Company Limited*	19,114,000	0.33
25.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (CIMB PRIN)*	18,502,500	0.32
26.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (Par 3)*	18,428,750	0.32
27.	Cartaban Nominees (Tempatan) Sdn. Bhd. *PBTB For Takafulink Dana Ekuiti*	18,288,450	0.32
28.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *BNYM SA/NV For People's Bank Of China (SICL ASIA EM)*	15,929,600	0.28
29.	AmanahRaya Trustees Berhad *Public Islamic Select Enterprises Fund*	15,091,700	0.26
30.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA For Blackrock Institutional Trust Company, N.A. Investment Funds For Employee Benefit Trusts*	13,615,825	0.24
	Total	**4,299,760,929**	**75.09**

NET BOOK VALUE OF LAND AND BUILDINGS

As at 31 December 2021

Property List / Location	LAND									BUILDINGS		
	Leasehold			Freehold			Total				Built-Up	Total
	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)	No. of Lots (1+4)	Area (sq M) (2+5)	NBV (RM'000) (3+6)	No. (7)	Area (sq M) (8)	NBV (RM'000) (9)
Perlis	51	156,976	1,680	412	88,183	10,081	463	245,159	11,761	64	6,433	18,431
Kedah	299	1,058,263	14,735	789	2,817,145	126,785	1,088	3,875,408	141,520	364	103,869	227,923
Pulau Pinang	195	693,528	83,914	703	988,909	103,337	898	1,682,437	187,251	375	153,652	784,699
Perak	795	6,164,128	322,695	1,256	10,141,279	388,618	2,051	16,305,407	711,313	1,016	677,948	2,464,760
Selangor	1,009	12,975,256	593,441	1,748	4,820,695	920,961	2,757	17,795,951	1,514,402	1,868	928,931	2,809,011
W.Persekutuan	383	288,394	60,105	539	615,138	210,110	922	903,532	270,215	712	205,794	795,858
Putrajaya/Cyberjaya	9	759,954	13,212	16	1,554	1,706	25	761,508	14,918	65	8,905	38,229
N.Sembilan	287	1,808,571	135,716	753	1,113,897	250,432	1,040	2,922,468	386,148	258	392,144	1,107,898
Melaka	365	640,502	22,729	1,063	233,320	318,445	1,428	873,822	341,174	91	161,008	213,749
Johor	960	3,485,668	427,711	1,346	1,005,893	315,995	2,306	4,491,561	743,706	554	222,746	1,581,983
Pahang	388	3,249,727	51,652	1,035	293,437	313,364	1,423	3,543,164	365,016	427	375,165	3,651,617
Terengganu	366	6,977,714	29,573	374	11,009,770	142,824	740	17,987,484	172,397	299	560,153	1,678,933
Kelantan	364	1,288,363	8,771	372	2,296,831	27,828	736	3,585,194	36,599	343	352,660	791,414
Sabah	356	6,262,761	80,530	60	4,501,754	35,523	416	10,764,515	116,053	2,748	651,954	416,155
Kuwait	0	0	0	0	0	0	0	0	0	3	1,000	235
United Kingdom	77	6,523,128	214,176	0	0	0	77	6,523,128	214,176	0	0	0
Total	**5,904**	**52,332,933**	**2,060,640**	**10,466**	**39,927,805**	**3,166,009**	**16,370**	**92,260,738**	**5,226,649**	**9,187**	**4,802,362**	**16,580,895**

The land and buildings comprise power stations, mini hydros, jetties, dams, substations, residential houses, apartments, holiday bungalows, office buildings, warehouses, stores and workshops.

NOTICE OF THE 32ND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty Second Annual General Meeting (32nd AGM) of Tenaga Nasional Berhad (TNB or the Company) will be held on **Thursday, 2 June 2022** at **10.00 a.m.,** virtually via Remote Participation and Voting (RPV) at **Dewan Seminar, Kompleks Balai Islam An-Nur, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia (the Broadcast Venue)** to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the Financial Year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon.
Please refer to Explanatory Note (a)

2. To re-elect the following Directors who retire by rotation in accordance with Clause 64(1) of the Company's Constitution and being eligible offer themselves for re-election:

(i) Datuk Amran Hafiz bin Affifudin — **Ordinary Resolution 1**
(ii) Ong Ai Lin — **Ordinary Resolution 2**
(iii) Dato' Roslina binti Zainal — **Ordinary Resolution 3**
Please refer to Explanatory Note (b)

3. To re-elect the following Directors who were appointed to the Board and retire in accordance with Clause 63(2) of the Company's Constitution and being eligible offer themselves for re-election:

(i) Dato' Sri Hasan bin Arifin — **Ordinary Resolution 4**
(ii) Datuk Lau Beng Wei — **Ordinary Resolution 5**
(iii) Dato' Merina binti Abu Tahir — **Ordinary Resolution 6**
Please refer to Explanatory Note (b)

4. To approve the payment of the following Non-Executive Directors' fees from the 32nd AGM until the next Annual General Meeting (AGM) of the Company:

(i) Director's fee of RM30,000.00 per month for Dato' Sri Hasan bin Arifin, Non-Executive Chairman

(ii) Director's fee of RM7,000.00 and RM5,000.00 per month for TNB Subsidiaries Category II and III respectively to Dato' Sri Hasan bin Arifin, Non-Executive Chairman — **Ordinary Resolution 7**

(iii) Director's fee of RM20,000.00 per month for the following Non-Executive Directors:
a. Datuk Seri Asri bin Hamidin @ Hamidon — **Ordinary Resolution 8**
b. Juniwati Rahmat Hussin — **Ordinary Resolution 9**
c. Gopala Krishnan K.Sundaram — **Ordinary Resolution 10**
d. Ong Ai Lin — **Ordinary Resolution 11**
e. Dato' Roslina binti Zainal — **Ordinary Resolution 12**
f. Dato' Ir. Nawawi bin Ahmad — **Ordinary Resolution 13**
g. Datuk Rawisandran a/l Narayanan — **Ordinary Resolution 14**
h. Datuk Lau Beng Wei — **Ordinary Resolution 15**
i. Dato' Merina binti Abu Tahir — **Ordinary Resolution 16**
Please refer to Explanatory Note (c)

5. To approve the payment of benefits payable to the Non-Executive Directors (excluding Non-Executive Directors' fees) amounting to RM1,956,200.00 from the 32nd AGM until the next AGM of the Company. — **Ordinary Resolution 17**
Please refer to Explanatory Note (c)

6. To re-appoint Messrs PricewaterhouseCoopers PLT, having consented to act, as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 18**
Please refer to Explanatory Note (d)

NOTICE OF THE 32ND ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Resolution:

7. Proposed Grant and Allotment of Shares to Akmal Aziq bin Baharin.

   "THAT the Board (save for Datuk Ir. Baharin bin Din) be and is hereby authorised at any time and from time to time, to cause or procure the offering and allocation to Akmal Aziq bin Baharin, Electrical Engineer of the Company, being Person Connected to Datuk Ir. Baharin bin Din, of up to 900 ordinary shares in TNB (TNB Shares) under the Long Term Incentive Plan for the Eligible Employees of TNB and Its Subsidiaries and Executive Directors of TNB (LTIP) as they shall deem fit, which will be vested to him at a future date, subject to such terms and conditions of the LTIP By-Laws."

   "AND THAT the Board be and is hereby authorised to allot and issue new TNB Shares pursuant to the LTIP to him from time to time in accordance with the vesting of his Grant."
   Please refer to Explanatory Note (e) **Ordinary Resolution 19**

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 (Act).

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 32nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. (Bursa Depository) in accordance with Clause 45(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (SICDA) to issue a General Meeting Record of Depositors (ROD) as at 26 May 2022. Only a depositor whose name appears on the ROD as at 26 May 2022 shall be entitled to attend the said Meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

NORAZNI BINTI MOHD ISA
(LS 0009635)
(SSM Practicing Certificate No. 201908000492)
Company Secretary

Kuala Lumpur
29 April 2022

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

(a) **Agenda No. 1** is meant for discussion only as Section 340(1)(a) of the Act does not require shareholders' approval for the Audited Financial Statements. As such, it is not put forward for voting.

(b) **Ordinary Resolutions 1 to 6 – Proposed Re-election of Directors in accordance with Clauses 64(1) and 63(2) of the Company's Constitution**

Clause 64(1) of the Company's Constitution provides among others, that one-third (1/3) of the Directors at the time being of whom have been longest in office shall retire by rotation at the AGM of the Company and shall be eligible for re-election.

Clause 63(2) of the Company's Constitution provides among others, that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

The Board with the assistance of the Board Nomination and Remuneration Committee (BNRC) conducted an independence assessment of all Independent Directors including Ong Ai Lin, Dato' Roslina binti Zainal and Datuk Lau Beng Wei, and are satisfied that they have complied with the independence criteria as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and continue to bring independent and objective judgment to the Board deliberations.

Through the engagement of Willis Towers Watson (WTW) on 1 July 2021, as Independent Expert for 2021 Board Evaluation Assessment, the BNRC and Board also considered the Board Evaluation Assessment including the Self and Peer Assessment results of Datuk Amran Hafiz bin Affifudin, Ong Ai Lin, Dato' Roslina binti Zainal and Dato' Sri Hasan bin Arifin, and agreed that they have met the Board's expectation in terms of experience, expertise, integrity, competency, commitment and individual contribution by continuously performing their duties diligently as Company Directors.

The Board on 30 September 2021 approved, with the concurrence of Minister of Finance (Incorporated), the Special Shareholder of TNB for the appointment of Dato' Sri Hasan bin Arifin as Chairman, Non-Independent Non-Executive Director with effect from 1 October 2021.

The Board on 25 November 2021 approved, on the appointment of Datuk Lau Beng Wei as Independent Non-Executive Director with effect from 1 December 2021. Subsequently the Board on 27 January 2022 had approved on the appointment of Dato' Merina binti Abu Tahir as Independent Non-Executive Director with effect from 1 February 2022.

Pursuant to Clause 63(2) of the Company's Constitution, Dato' Sri Hasan bin Arifin, Datuk Lau Beng Wei and Dato' Merina binti Abu Tahir are standing for re-election. With their expertise/experience that they bring to the Board, shall further strengthen the Board composition and dynamics.

The BNRC and Board hereby recommend for the re-election of each Director who is retiring at the 32nd AGM.

(c) **Ordinary Resolutions 7 to 17 – Non-Executive Directors' Remuneration**

Section 230(1) of the Act 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. As agreed by the Board, the shareholders' approval shall be sought at the 32nd AGM on the Non-Executive Directors' remuneration of the Company and TNB Subsidiaries Category II and III through separate resolutions as follows:

(i) **Ordinary Resolutions 7 to 16** on the payment of Non-Executive Directors' fees for the Non-Executive Chairman and each Non-Executive Director separately from the 32nd AGM until the next AGM of the Company.

(ii) **Ordinary Resolution 17** on the payment of benefits payable (excluding Non-Executive Directors' fees) to the Non-Executive Directors from the 32nd AGM until the next AGM of the Company.

The last increment of the Non-Executive Directors remuneration/benefits was made in 2013. The Board on 30 September 2021 has engaged WTW to undertake Non-Executive Directors' Remuneration Benchmarking exercise. Based on the findings, the Non-Executive Directors' remuneration, inclusive of benefits, is generally aligned with the market practice. It is recommended for the existing remuneration be retained and reviewed in three (3) years time.

The proposed Ordinary Resolutions 7 to 17 for the payment of Directors' fees and benefits payable to the Non-Executive Directors of the Company from the 32nd AGM until the conclusion of the next AGM are tabled herewith in line with the provision of the Act and Guidance 7.2 of the Malaysian Code on Corporate Governance 2021 to ensure full disclosure.

No separate resolution for Khazanah Nasional Berhad (Khazanah) Nominee Director, Datuk Amran Hafiz bin Affifudin, in lieu of Khazanah's waiver of Director's fees and meeting allowances to its Nominee Directors who are Khazanah employees. The said waiver is applicable to all Khazanah's investee companies.

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

Description	TNB Board		TNB Subsidiaries	
	Chairman	Non-Executive Directors	Chairman	Non- Executive Directors**
Monthly fixed fees	RM30,000 per month	RM20,000 per month	Category I – RM20,000 Category II – RM7,000 Category III – RM5,000	Category I – RM15,000 Category II – RM5,000 Category III – RM3,000
*Meeting Allowances (per meeting)				
(i) Board	RM2,500	RM2,000	Category I – RM2,000 Category II & III – RM1,500	Category I – RM1,500 Category II & III – RM1,000
(ii) Board Committees	RM2,000	RM1,500	Category I – RM1,500 Category II & III – RM1,000	Category I – RM1,000 Category II & III – RM800
Benefits	Medical, Business Peripherals, Utilities Bills, Travelling & Telecommunication and other claimable benefits			

* subject to not more than three (3) payments in a month.
** save for TNB Non-Executive Chairman, none of TNB Non-Executive Directors are currently on the board of TNB subsidiaries.

In determining the estimated total amount of benefits payable, the Board had considered various factors including the number of scheduled and special meetings for the Board, Board Committees and boards of subsidiaries along with the number of Non-Executive Directors involved.

Payment of Non-Executive Directors' benefits payable will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred, provided that the proposed Ordinary Resolution 17 be passed at the 32nd AGM. The Board is of the view that it is fair and justifiable for the payment of benefits payable to the Non-Executive Directors be made as and when incurred, after the Non-Executive Directors have discharged their responsibilities and rendered their services to the Company.

Details of the Directors' Remuneration for the Financial Year ended 31 December 2021 are enumerated on page 96 of the Corporate Governance Overview Statement of this Integrated Annual Report.

(d) **Ordinary Resolution 18 – Re-appointment of Auditors**

Based on the External Auditors Assessment Result for the Financial Year under review, the Board Audit Committee and Board are satisfied with the quality of service, adequacy of resources provided, communication, independence, objectivity and professionalism demonstrated by the External Auditors in carrying out their duties. Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at the forthcoming AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

(e) **Ordinary Resolution 19 – Proposed Grant and Allotment of Shares**

Pursuant to Paragraph 6.06 of the MMLR, any offer and issuance of shares to the director, major shareholder or chief executive and persons connected with them must be approved by the shareholders at the general meeting stating the specific allotment.

The proposed Ordinary Resolution 19, if passed, is to empower the Directors at any time and from time to time to cause or procure the offering and the allocation to Akmal Aziq bin Baharin, being Person Connected to Datuk Ir. Baharin bin Din, such number of TNB Shares as they shall deem fit, which will be vested to him for the remaining LTIP period until 29 April 2025, subject to such terms and conditions of the LTIP By-Laws, which was approved at the Extraordinary General Meeting of the Company held on 18 December 2014.

Datuk Ir. Baharin bin Din and Person Connected to him will abstain from voting on Ordinary Resolution 19.

NOTES:

1. A member of a Company shall be 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 a meeting of members of the Company, in accordance with Section 334(1) of the Act.
2. Where a member is an authorised nominee as defined in accordance with the provisions of the SICDA, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
3. A member entitled to participate and vote at the Meeting is entitled to appoint not more than two (2) proxies to participate and vote on his/her behalf. Where a member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
4. The instrument appointing a proxy/Proxy Form shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/Proxy Form is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
5. A corporation which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Clause 51 of the Company's Constitution.
6. Duly completed Proxy Form must be deposited at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for the taking of the poll or **no later than 31 May 2022 at 12.00 p.m.**
7. Alternatively, you may lodge the Proxy Form online via the Boardroom Smart Portal at https://investor.boardroomlimited.com or by email to bsr.helpdesk@boardroomlimited.com before the abovementioned cut-off time. For further details on proxy lodgement, kindly refer to the Administrative Details of 32nd AGM.
8. Pursuant to Paragraph 8.29A(1) of the MMLR, voting at the 32nd AGM of the Company will be conducted by poll.

STATEMENT ACCOMPANYING NOTICE OF THE 32ND ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) and Appendix 8A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The Directors who are retiring by rotation in accordance with Clause 64(1) of the Company's Constitution and seeking for re-election:

(i) Datuk Amran Hafiz bin Affifudin
(ii) Ong Ai Lin
(iii) Dato' Roslina binti Zainal

The Directors who were appointed to the Board and are retiring in accordance with Clause 63(2) of the Company's Constitution and seeking for re-election:

(i) Dato' Sri Hasan bin Arifin
(ii) Datuk Lau Beng Wei
(iii) Dato' Merina binti Abu Tahir

The profiles of the retiring Directors are set out in Board of Directors' Profile on pages 59 to 71 of this Integrated Annual Report.

Save for Dato' Roslina binti Zainal who holds 18,400 ordinary shares in the Company, none of the above Directors has any interest in the securities of the Company or its Subsidiaries.

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PROXY FORM

32ND ANNUAL GENERAL MEETING

(Before completing the form, please refer to the notes overleaf)

TENAGA NASIONAL
199001009294 (200866-W)

NUMBER OF ORDINARY SHARE(S) HELD	CDS ACCOUNT NO.
	– –

I/We, ____
(FULL NAME OF SHAREHOLDER AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

NRIC No./Passport No./Company No. ______________________ of ______________________
(FULL ADDRESS)

____
(FULL ADDRESS)

Telephone No. ______________________being a Member of Tenaga Nasional Berhad, hereby appoint:

	FULL NAME OF PROXY AS PER NRIC IN CAPITAL LETTERS	NO. OF SHARES	PERCENTAGE (%)	
Proxy 1	 NRIC No./Passport No.:			or failing him/her
Proxy 2	 NRIC No./Passport No.:			or failing him/her
		TOTAL	100%	

*the Chairman of the Meeting, as my/our proxy, to attend and vote for me/us and on my/our behalf at the **32ND ANNUAL GENERAL MEETING (32nd AGM**) of **TENAGA NASIONAL BERHAD ("TNB" or "the Company")** to be held virtually via Remote Participation and Voting (RPV) at Dewan Seminar, Kompleks Balai Islam An-Nur, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia (the Broadcast Venue) on **THURSDAY, 2 JUNE 2022** at **10.00 a.m.**, and/or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS		FOR	AGAINST
ORDINARY BUSINESS				
Re-election of the following Directors who retire in accordance with Clause 64(1) of the Company's Constitution:				
1.	Datuk Amran Hafiz bin Affifudin	**ORDINARY RESOLUTION 1**		
2.	Ong Ai Lin	**ORDINARY RESOLUTION 2**		
3.	Dato' Roslina binti Zainal	**ORDINARY RESOLUTION 3**		
Re-election of the following Directors who retire in accordance with Clause 63(2) of the Company's Constitution:				
4.	Dato' Sri Hasan bin Arifin	**ORDINARY RESOLUTION 4**		
5.	Datuk Lau Beng Wei	**ORDINARY RESOLUTION 5**		
6.	Dato' Merina binti Abu Tahir	**ORDINARY RESOLUTION 6**		
Approval for payment of the following Non-Executive Directors' fees from the 32nd AGM until the next Annual General Meeting (AGM) of the Company:				
7.	(i) Director's fee of RM30,000.00 per month for Dato' Sri Hasan bin Arifin, Non-Executive Chairman (ii) Director's fee of RM7,000.00 and RM5,000.00 per month for TNB Subsidiaries Category II and III respectively to Dato' Sri Hasan bin Arifin, Non-Executive Chairman	**ORDINARY RESOLUTION 7**		
8.	(iii) Director's fee of RM20,000.00 per month for the following Non-Executive Directors: a. Datuk Seri Asri bin Hamidin @ Hamidon b. Juniwati Rahmat Hussin c. Gopala Krishnan K.Sundaram d. Ong Ai Lin e. Dato' Roslina binti Zainal f. Dato' Ir. Nawawi bin Ahmad g. Datuk Rawisandran a/l Narayanan h. Datuk Lau Beng Wei i. Dato' Merina binti Abu Tahir	 **ORDINARY RESOLUTION 8** **ORDINARY RESOLUTION 9** **ORDINARY RESOLUTION 10** **ORDINARY RESOLUTION 11** **ORDINARY RESOLUTION 12** **ORDINARY RESOLUTION 13** **ORDINARY RESOLUTION 14** **ORDINARY RESOLUTION 15** **ORDINARY RESOLUTION 16**		
9.	Approval for payment of benefits payable to the Non-Executive Directors (excluding Non-Executive Directors' fees) from the 32nd AGM until the next AGM of the Company	**ORDINARY RESOLUTION 17**		
10.	Re-appointment of Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration	**ORDINARY RESOLUTION 18**		
SPECIAL BUSINESS				
11.	Proposed Grant and Allotment of Shares to Akmal Aziq bin Baharin	**ORDINARY RESOLUTION 19**		

Please indicate with an "X" in the box provided for each Resolution as how you wish your votes to be cast. If no voting instruction is given, the proxy(ies) is/are hereby authorised to vote or abstain from voting at his/her/their discretion.

*If you do not wish to appoint the Chairman of the Meeting as your proxy/one (1) of your proxies, please strike out the word "the Chairman of the Meeting" and insert the name(s) of the proxy(ies) you wish to appoint in the blank spaces provided.

Dated this __________ day of ____________________ , 2022

____
Signature(s) or Common Seal of Member(s)

NOTES:

1. A member of a Company shall be 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 a meeting of members of the Company, in accordance with Section 334(1) of the Companies Act 2016.
2. Only members whose names appear in the General Meeting Record of Depositors as at 26 May 2022 shall be entitled to attend the Meeting or appoint proxy(ies) to attend and/or vote on their behalf.
3. Where a member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. A member entitled to participate and vote at the Meeting is entitled to appoint not more than two (2) proxies to participate and vote on his/her behalf. Where a member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
5. The instrument appointing a proxy/Proxy Form shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/Proxy Form is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
6. A corporation which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Clause 51 of the Company's Constitution.
7. The Proxy Form may be downloaded from the website at www.tnb.com.my. Duly completed Proxy Form must be deposited at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for the taking of the poll or **no later than 31 May 2022 at 12.00 p.m.**
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9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the Meeting will be conducted by poll.

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AFFIX
STAMP

BOARDROOM SHARE REGISTRARS SDN. BHD.

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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