



**A BRIGHTER  
TOMORROW  
BEGINS WITH A  
BETTER TODAY.**

# BETTER TODAY. BEGINNING WITH A TOMORROW A BRIGHTER

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# ABOUT US

## WHO WE ARE

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Tenaga Nasional Berhad (TNB) is the largest electricity utility in Malaysia. With our core business of providing electricity to the country's businesses, homes and industries, we are a key contributor to Nation building.

Our activities represent the entire electricity production and supply value chain. In recent years, we have also embarked on our sustainability agenda through efforts such as Renewable Energy and other environmental as well as social initiatives as we seek to add value to all our stakeholders. We believe these activities will not only take TNB into the future, but also continue to grow our business in the long-term.

## WHO WE SERVE

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Our customers consist mainly of commercial, industrial and residential customers.



### 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 31.7 million population. As our largest market, they drive us to deliver excellence in our products and services.

### CUSTOMER BASE

---

# 9.2 MILLION

CUSTOMERS IN  
PENINSULAR MALAYSIA,  
SABAH AND LABUAN

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Our residential customers represent the majority of Malaysia's 31.7 million population. As our largest market, they drive us to deliver excellence in our products and services.



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



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

### CUSTOMER BASE

# 9.2 MILLION

CUSTOMERS IN  
PENINSULAR MALAYSIA,  
SABAH AND LABUAN

# OUR DOMESTIC BUSINESSES

## GENERATION

As the key component of our electricity production, Generation Division is entrusted to operate and maintain TNB's portfolio of power generating assets, comprising of thermal generation facilities and major hydro-generation schemes in Peninsular Malaysia. In addition, the Division also supports the operations and maintenance of four Independent Power Producers (IPPs).



### CAPACITY

TOTAL GENERATING CAPACITY:

**12,013.4MW**



### AVAILABILITY

EQUIVALENT AVAILABILITY FACTOR (EAF)

**89.3%**



### RELIABILITY

EQUIVALENT UNPLANNED OUTAGE FACTOR (EUOF)

**3.74%**

## TRANSMISSION

The Transmission Division links the power produced by our Company and IPPs throughout Peninsular Malaysia with the Distribution Division's network. Electricity is also transmitted directly to large industrial customers via the National Grid.

### SYSTEM MINUTES

**1.47**

MINUTES

IN FY2016, CONSISTENTLY REMAINING BELOW THE 2-MINUTE THRESHOLD SINCE FY2009

### SYSTEM AVAILABILITY

**99.77%**

### TRANSMISSION

**1.28%**

LOSSES

SUSTAINING LOW TRANSMISSION LOSSES (INCLUDING DISTRIBUTION TRANSFORMERS)

### SYSTEM RESILIENCE

**ZERO**

TRIPPING

WITH LOAD LOSS FOR THE 500KV AND 275KV SYSTEM FOR THE 8<sup>TH</sup> CONSECUTIVE YEAR

## DISTRIBUTION

The Distribution Division is responsible for distributing electricity to the end users, ensuring an uninterrupted supply of power to business and homes, with a focus on customer experience.

### SAIDI

**49.71**

MIN/CUST/YEAR

(FY2010: 87.4 MIN/CUST/YEAR)

### CUSTOMER SATISFACTION INDEX

**8.1**



2006

2014

2015

2016



# OUR INTERNATIONAL FOOTPRINT

With our 67 years of existence, we pride ourselves as Malaysia's leading electricity utility with a presence throughout Peninsular Malaysia, Sabah and Labuan. We have also established a name for ourselves in the region, making TNB one of the largest electricity companies in Asia as we transform ourselves into a Domestic and Regional Champion.

## TURKEY

**GAMA ENERJI A.S** - Acquisition of 30% Stake in Gama Enerji A.S

## SAUDI ARABIA

**MTM** supply of transformers to Saudi Arabia

**TNB** Owned 6% shared in Shuaibah Independent Water & Power Project (IWPP): Shuaibah 900MW Power 880,000m<sup>3</sup>/day water 150,000m<sup>3</sup>/day water

**REMACO O&M Services** for Shuaibah IWPP

## KUWAIT

**REMACO O&M** for Shuaibah North Co-Gen 780MW Power; 204,000m<sup>3</sup>/day water

**REMACO O&M** for 225MW Sabiya Power Generation & Water Distillation Plant

**REMACO O&M** for 210MW Doha West Power Generation & Water Distillation Plant

## UNITED ARAB EMIRATES

**TNEC** JV with Abu Dhabi Al Samah for District Cooling

**TNEC** JV Al Reef District Cooling, UAE 8,000 RT

**TNEC** JV BMC District Cooling, UAE 30,000 RT

## PAKISTAN

**TNB** Wholly owned: Liberty Power Ltd 235MW

**TSG** supply of switchgears to Pakistan

**REMACO O&M Services** - HUBCO (Narowal)

**REMACO O&M Services** - BONG Hydro Plant

**REMACO O&M Services** for Liberty Power Ltd

## BRUNEI

**MTM** supply of transformers to Brunei

## THAILAND

**TSG** supply of services to Thailand

## VIETNAM

**TSG** supply of switchgears to Vietnam

## INDONESIA

**MTM** supply of transformers to Indonesia

**TSG** supply of switchgears & services to Indonesia



# OUR INTERNATIONAL FOOTPRINT

With our 67 years of existence, we pride ourselves as Malaysia's leading electricity utility with a presence throughout Peninsular Malaysia, Sabah and Labuan. We have also established a name for ourselves in the region, making TNB one of the largest electricity companies in Asia as we transform ourselves into a Domestic and Regional Champion.



## TURKEY

GAMA ENERJI A.Ş. - Acquisition of 30% Stake in Gama Enerji A.Ş.

## SAUDI ARABIA

RMACO O&M Services for Shuaibah IWPP  
 Shuaibah 900MW Power 880,000m<sup>3</sup>/day water 150,000m<sup>3</sup>/day water  
 TNB Owned 6% shared in Shuaibah Independent Water & Power Project (IWPP):  
 MTM supply of transformers to Saudi Arabia

## KUWAIT

RMACO O&M for 210MW Doha West Power Generation & Water Distillation Plant  
 RMACO O&M for 255MW Sabiya Power Generation & Water Distillation Plant  
 RMACO O&M for 204,000m<sup>3</sup>/day water for Shuaibah North Co-Gen 780MW Power; 204,000m<sup>3</sup>/day water  
 RMACO O&M for Shuaibah North Co-Gen 780MW

## UNITED ARAB EMIRATES

TNEC JV BMC District Cooling, UAE 30,000 RT  
 TNEC JV Al Reef District Cooling, UAE 8,000 RT  
 TNEC JV with Abu Dhabi Al Samah for District Cooling

## PAKISTAN

RMACO O&M Services for Liberty Power Ltd  
 RMACO O&M Services - BONG Hydro Plant  
 RMACO O&M Services - HUBCO (Narwal)  
 TSG supply of switchgears to Pakistan  
 TNB Wholly owned: Liberty Power Ltd 235MW

## BRUNEI

MTM supply of transformers to Brunei

## THAILAND

TSG supply of services to Thailand

## VIETNAM

TSG supply of switchgears to Vietnam

## INDONESIA

TSG supply of switchgears & services to Indonesia  
 MTM supply of transformers to Indonesia





THE STRENGTH  
OF OUR  
FUNDAMENTALS  
POWERS  
A BETTER  
TOMORROW.





## our vision

**TO BE AMONG  
THE LEADING CORPORATIONS  
IN ENERGY AND RELATED  
BUSINESSES GLOBALLY**

## our mission

**WE ARE COMMITTED  
TO EXCELLENCE IN OUR  
PRODUCTS AND SERVICES**

## BRIGHT WAYS TO SAVE ENERGY



### / ENERGY SAVING LIGHT BULBS /

Energy saving light bulbs consume less energy and last longer.



### / SWITCH OFF YOUR COMPUTER /

Computer and laptops still consume energy while on standby. Switch them off completely to save even more energy.



### / A FULL LOAD OF LAUNDRY /

Washing machines consume a lot of energy. Full loads will save energy by reducing the amount of times you'll have to do your laundry.



### / 5-STAR APPLIANCES GIVE YOU 5-STAR SAVINGS /

5-star rated appliances are designed to run more efficiently, reducing your consumption.



Scan here for more energy saving tips

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## our vision

TO BE AMONG  
THE LEADING CO  
IN ENERGY AND  
BUSINESSES GLO

## our mission

WE ARE COMMIT  
TO EXCELLENCE  
PRODUCTS AND



### • WHAT IS I-TENAGA? •

i-Tenaga is a feature within The TNB Mobile App. It combines image recognition and Augmented Reality (AR) technology to deliver messages that go beyond print. i-Tenaga this page to find out how you can get the most out of this amazing technology.



#### STEP 1/ GET IT

Get The TNB Mobile App from the App Store or Google Play.



#### STEP 2/ LOAD IT

Launch the app and tap the i-Tenaga icon.



#### STEP 3/ SHOOT IT

Place device over i-Tenaga article.



#### STEP 4/ HIT IT

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# NOTICE OF THE 26<sup>TH</sup> ANNUAL GENERAL MEETING

## 26<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT the Twenty-Sixth Annual General Meeting (“26<sup>th</sup> AGM”) of Tenaga Nasional Berhad (“TNB” or “the Company”) will be held on Thursday, 15 December 2016 at 10.00 a.m. at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur, Malaysia to transact the following businesses:**

### AGENDA

#### AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the Financial Year ended 31 August 2016 together with the Reports of the Directors and Auditors thereon.

**(Please refer to Note (i) of the Explanatory Notes on Ordinary Businesses)**

2. To approve the declaration of a final single-tier dividend of 22.0 sen per ordinary share for the Financial Year ended 31 August 2016.

**Ordinary Resolution 1**

3. To approve the payment of Directors’ fees of RM2,544,516.11 for the Financial Year ended 31 August 2016.

**Ordinary Resolution 2**

4. To re-elect the following Directors who were appointed to the Board during the year and retire in accordance with Article 133 of the Company’s Articles of Association:

- |  |                              |
|--|------------------------------|
| (i) Datuk Seri Hashmuddin bin Mohammad | <b>Ordinary Resolution 3</b> |
| (ii) Gee Siew Yoong                    | <b>Ordinary Resolution 4</b> |
| (iii) Noraini binti Che Dan            | <b>Ordinary Resolution 5</b> |

5. To re-elect the following Directors who retire by rotation in accordance with Article 135 of the Company’s Articles of Association:

- |                                    |                              |
|------------------------------------|------------------------------|
| (i) Dato’ Abd Manaf bin Hashim     | <b>Ordinary Resolution 6</b> |
| (ii) Datuk Sakthivel a/l Alagappan | <b>Ordinary Resolution 7</b> |

6. To consider and if thought fit, to pass the following Resolutions:

- (i) “THAT Tan Sri Leo Moggie who retires in accordance with Section 129(6) of the Companies Act, 1965 (“Act”) be and is hereby re-appointed as Company Director to hold office until the conclusion of the next Annual General Meeting (“AGM”).”

**Ordinary Resolution 8**

- (ii) “THAT Tan Sri Dato’ Seri Siti Norma binti Yaakob who retires in accordance with Section 129(6) of the Act be and is hereby re-appointed as Company Director to hold office until the conclusion of the next AGM.”

**Ordinary Resolution 9**

- (iii) “THAT Dato’ Zainal Abidin bin Putih who retires in accordance with Section 129(6) of the Act be and is hereby re-appointed as Company Director to hold office until the conclusion of the next AGM.”

**Ordinary Resolution 10**

7. To re-appoint Messrs PricewaterhouseCoopers, 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 11**

# NOTICE OF THE 26<sup>TH</sup> ANNUAL GENERAL MEETING

## AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Resolutions:

8. Proposed Grant and Allotment of Shares to Nur Aishah binti Azman.

“THAT the Board (save for Datuk Seri Ir. Azman bin Mohd) be and is hereby authorised at any time and from time to time, to cause or procure the offering and the allocation to Nur Aishah binti Azman, System Analyst of the Company, of up to 4,000 new ordinary shares of RM1.00 each 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 her at a future date, subject to such terms and conditions of the By-Laws of the LTIP.”

“AND THAT the Board be and is hereby authorised to allot and issue new TNB Shares pursuant to the LTIP to her from time to time pursuant to the vesting of her Grant.”

### Ordinary Resolution 12

9. Proposed Grant and Allotment of Shares to Ahmad Firdaus bin Azman.

“THAT the Board (save for Datuk Seri Ir. Azman bin Mohd) be and is hereby authorised at any time and from time to time, to cause or procure the offering and the allocation to Ahmad Firdaus bin Azman, Civil Engineer of the Company, of up to 3,800 TNB Shares under the LTIP as they shall deem fit, which will be vested to him at a future date, subject to such terms and conditions of the By-Laws of the LTIP.”

“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 pursuant to the vesting of his Grant.”

### Ordinary Resolution 13

10. Proposed Grant and Allotment of Shares to Aswad bin Ameir.

“THAT the Board (save for Dato’ Zainal Abidin bin Putih) be and is hereby authorised at any time and from time to time, to cause or procure the offering and the allocation to Aswad bin Ameir, Manager of the Company, of up to 24,800 TNB Shares under the LTIP as they shall deem fit, which will be vested to him at a future date, subject to such terms and conditions of the By-Laws of the LTIP.”

“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 pursuant to the vesting of his Grant.”

### Ordinary Resolution 14

11. Proposed renewal of authority for the Company to purchase its own shares:

“THAT subject to compliance with the Act, the Company’s Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and all other applicable laws, guidelines, rules and regulations for the time being in force or as may be amended from time to time, and the approvals from all relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company’s issued and paid-up share capital through Bursa Malaysia Securities Berhad (“BMSB”) upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company (“Proposed Share Buy-Back”);
- (ii) the maximum amount of funds to be utilised for the purpose of the Proposed Share Buy-Back shall not exceed the Company’s aggregate retained profits and/or share premium account at the time of purchase be allocated by the Company for the Proposed Share Buy-Back;
- (iii) the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:
  - (a) the conclusion of the next AGM of the Company at which time the authority shall lapse unless by an ordinary resolution passed by the shareholders of the Company in a general meeting, the authority is renewed either unconditionally or subject to conditions;
  - (b) the expiry of the period within which the next AGM of the Company is required by law to be held;
  - (c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier.”

“AND THAT authority be and is hereby given to the Board to decide in its discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares or to cancel them or a combination of both and/or to resell them on BMSB and/or to distribute them as share dividends.”

“AND THAT the Board be and is hereby authorised to take such steps to give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.”

### Ordinary Resolution 15



# NOTICE OF THE 26<sup>TH</sup> ANNUAL GENERAL MEETING

12. To transact any other business of which due notice shall have been given in accordance with the Act.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 26<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") in accordance with Article 87(B)(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 ("SICDA") to issue a General Meeting Record of Depositors ("ROD") as at 7 December 2016. Only a depositor whose name appears on the ROD as at 7 December 2016 shall be entitled to attend the said Meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

## NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the approval of Members at the 26<sup>th</sup> AGM to be held on 15 December 2016, a final single-tier dividend of 22.0 sen per ordinary share for the Financial Year ended 31 August 2016 will be paid on 30 December 2016 to Depositors whose names appear in the ROD on 20 December 2016.

**FURTHER NOTICE IS HEREBY GIVEN THAT** a Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares transferred into the Depositor's securities account before 4.00 p.m. on 20 December 2016 in respect of ordinary transfers; and
- (b) shares bought on BMSB on a cum entitlement basis according to the Rules of the BMSB.

## BY ORDER OF THE BOARD

**NORAZNI BINTI MOHD ISA**  
(LS 0009635)  
Company Secretary

Kuala Lumpur  
18 November 2016

## EXPLANATORY NOTES ON ORDINARY BUSINESSES:

(i) **Agenda No. 1** is meant for discussion only as the provision of Section 169(1) of the Act does not require shareholders' approval for the Audited Financial Statements. As such, it is not put forward for voting.

(ii) **Ordinary Resolutions 4, 5, 6 & 7 – Proposed Re-election of Directors**

The Board and Board Nomination and Remuneration Committee ("BNRC") have conducted an assessment on the independence of all Independent Directors including Gee Siew Yoong, Noraini binti Che Dan, Dato' Abd Manaf bin Hashim and Datuk Sakthivel a/l Alagappan and are satisfied that they have complied with the independence criteria as required by the MMLR and continue to bring independent and objective judgment to the Board deliberations.

(iii) **Ordinary Resolutions 9 & 10 – Proposed Re-appointment of Directors in accordance with Section 129(6) of the Act**

The Board and BNRC have conducted an assessment on the independence of all Independent Directors including Tan Sri Dato' Seri Siti Norma binti Yaakob and Dato' Zainal Abidin bin Putih and are satisfied that they have complied with the independence criteria as required by the MMLR and with the skills, competency, contribution and independent judgment that they bring to the Board. They demonstrated that they are independent of management and free from any business or other relationship of which could interfere with the exercise or the ability to act in the best interest of the Company.

The Board and BNRC have also considered the evaluation of Gee Siew Yoong, Noraini binti Che Dan, Dato' Abd Manaf bin Hashim, Datuk Sakthivel a/l Alagappan, Tan Sri Dato' Seri Siti Norma binti Yaakob and Dato' Zainal Abidin bin Putih and agree that they have met the Board's expectation in terms of experience, expertise, integrity, competency and time commitment by continuously performing their duties diligently as Directors of the Company.

## EXPLANATORY NOTES ON SPECIAL BUSINESSES:

(i) **Ordinary Resolutions 12, 13 & 14 – Proposed Grant and Allotment of Shares**

The proposed Ordinary Resolutions, if passed, are to empower the Board (save for Datuk Seri Ir. Azman bin Mohd and Dato' Zainal Abidin bin Putih) at any time and from time to time to cause or procure the offering and the allocation to Nur Aishah binti Azman, Ahmad Firdaus bin Azman and Aswad bin Ameir of up to 4,000, 3,800 and 24,800 TNB Shares respectively as they shall deem fit, which will be vested to them at future dates, subject to such terms and conditions of the By-Laws of the LTIP, which was approved at the Extraordinary General Meeting of the Company held on 18 December 2014.



# NOTICE OF THE 26<sup>TH</sup> ANNUAL GENERAL MEETING

## (ii) **Ordinary Resolution 15 – Proposed Renewal of Share Buy-Back Authority**

The proposed Ordinary Resolution, if passed, is to empower the Directors to purchase the Company's shares of up to 10% of the issued and paid-up share capital of the Company by utilising the funds allocated out of the retained profits and the share premium account of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

Information on the Proposed Renewal of Share Buy-Back Authority is set out in the Statement to Shareholders dated 18 November 2016 dispatched together with the 2016 Integrated Annual Report.

Any Interested Director shall abstain from voting for the relevant resolution.

### **Additional Information on Ordinary Resolutions 3 to 10**

Additional Information on the particulars of the retiring Directors, as required under Appendix 8A of the MMLR is detailed out in the Statement Accompanying Notice of 26<sup>th</sup> AGM in the Integrated Annual Report.

## **NOTES:**

1. Only members whose names appear in the ROD as at 7 December 2016 shall be eligible to attend the AGM or appoint proxy(ies) to attend and/or vote on their behalf.
2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that, 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.
4. 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 Article 107(6) of the Company's Articles of Association.

7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for the Meeting or **no later than 13 December 2016 at 10.00 a.m.**

8. Pursuant to Paragraph 8.29A of the MMLR, voting at the 26<sup>th</sup> AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.

### **Registration of Members/Proxies**

Registration of members/proxies attending the Meeting will start from 7.00 a.m. on the day of the Meeting and shall remain open until such time as may be determined by the Chairman of the Meeting. At the closure thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents for registration.

# STATEMENT ACCOMPANYING NOTICE OF THE 26<sup>TH</sup> ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

**The Directors who were appointed to the Board during the year and are retiring in accordance with Article 133 of the Company's Articles of Association and seeking re-election:**

- (i) Datuk Seri Hashmuddin bin Mohammad
- (ii) Gee Siew Yoong
- (iii) Noraini binti Che Dan

**The Directors who are retiring by rotation in accordance with Article 135 of the Company's Articles of Association and seeking re-election:**

- (i) Dato' Abd Manaf bin Hashim
- (ii) Datuk Sakthivel a/l Alagappan

**The Directors who are standing for re-appointment in accordance with Section 129(6) of the Companies Act, 1965:**

- (i) Tan Sri Leo Moggie
- (ii) Tan Sri Dato' Seri Siti Norma binti Yaakob
- (iii) Dato' Zainal Abidin bin Putih

The profiles of the above Directors are set out in the Profile of Directors on pages 57 to 68 of this Integrated Annual Report.

Save for Tan Sri Dato' Seri Siti Norma binti Yaakob and Dato' Zainal Abidin bin Putih, none of the above Directors has any interest in the securities of the Company or its Subsidiaries. The details of their shareholdings in the Company are set out in the Directors' Report on page 146 of the Audited Financial Statements of this Integrated Annual Report.



# OUR BUSINESS

# 01

We are Malaysia’s largest electricity utility with a growing presence in foreign markets. We are also one of the few companies in the world operating along the entire electricity supply value chain. From Generation, Transmission and Distribution to Renewable Energy, and with sustainability becoming a top agenda for our Company, our activities place us firmly among Asia’s leading electricity utilities.

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Five-Year Group Financial Summary .....	12	Our Approach to Risk Management .....	44	Our Management Team .....	70
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# FACTS AT A GLANCE

## NO. OF EMPLOYEES

# 35,684

PEOPLE



 TNB: 28,807  
GROUP: 35,684

## CUSTOMER BASE APPROXIMATELY

# 9.2 MILLION

CUSTOMERS

IN PENINSULAR  
MALAYSIA, SABAH  
AND LABUAN



## REVENUE GROWTH

# ↑ 2.9%

SALES OF ELECTRICITY IN  
PENINSULAR MALAYSIA\* AT 4.6%,  
SESB AT 5.6%

\*EXCLUDES IMBALANCE COST PASS-THROUGH



## ASSETS FIGURE

# RM 132.9

## BILLION

IN ASSETS

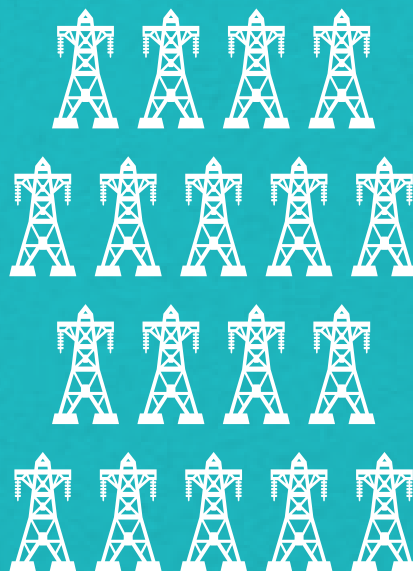


## CAPEX

# RM 11.4

## BILLION

POWER STATIONS  
AND SYSTEM  
IMPROVEMENTS



# OUR REPORTING JOURNEY

OUR INTEGRATED ANNUAL REPORT THIS YEAR IS OUR FIRST INTEGRATED REPORT, MARKING AN IMPORTANT STEP FORWARD FOR OUR ORGANISATION. WHILST WE CONTINUE TO RECORD IMPROVED ECONOMIC AND COMMERCIAL PERFORMANCE, WE ALSO JUDGE OUR PERFORMANCE FROM THE MEANINGFUL CONTRIBUTIONS THAT WE MAKE TO SOCIETY THROUGH OUR BUSINESS. THIS APPROACH HAS BECOME IMPORTANT AS WE FOCUS ON BUILDING A SUSTAINABLE BUSINESS, WHICH WE BELIEVE IS ABOUT MEETING FUTURE DEMANDS TODAY. OUR ABILITY TO RESPOND AND DISCLOSE ON THE IMPACT THAT WE ARE CREATING IS ESSENTIAL MOVING FORWARD.

THIS INTEGRATED REPORT COVERS THE ECONOMIC, ENVIRONMENTAL AND SOCIAL (EES) ASPECTS OF OUR BUSINESS. WITHIN THE SOCIAL ASPECT, WE HAVE INCLUDED OUR INVOLVEMENT IN THE COMMUNITY AS CORPORATE SOCIAL RESPONSIBILITY.

We are committed towards providing clear and transparent reporting of our business activities in all areas: economic, environment and society (EES). In this context, this report is guided by international standards such as the International Integrated Reporting Council (IIRC) framework, Global Reporting Initiative (GRI) G4, Malaysian Code on Corporate Governance (MCCG) and Bursa Malaysia Securities Berhad's Main Market Listing Requirements for Sustainability Statement.

This report presents our performances for the Financial Year ended 31 August 2016 (FY2016), and covers the Malaysian and international operations of TNB. We have identified the key sustainability progress and challenges to our organisation, and have laid out the measures to address them.

We want our business to be future-proof and as a result, are continuously improving our approach. We are constantly integrating new services and technologies to better serve our customers. At the same time, we are conscious of the need to ensure that our activities are conducted in ways that will meet societal needs, while harnessing the potential of environmental innovation. Both environmental and societal transformation needs to happen in tandem. Similarly, we have ongoing plans to improve our annual disclosure in these related areas.

## NAVIGATION

TNB's impact on and contributions to the six capitals of value creation described in the <IR> Framework are addressed in an integrated manner throughout this report, including all elements previously reported on in a separate sustainability section.

The following navigation icons are used throughout this report to highlight our reporting of the respective capital:



## AN INTEGRATED APPROACH

HOW WE MEET FUTURE DEMANDS TODAY



Business Performance



Sustainability Performance



Corporate Social Responsibility Value



This icon indicates where more details can be accessed elsewhere in this report.

# KEY HIGHLIGHTS

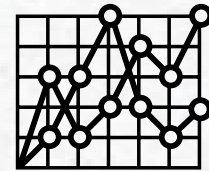
4.0%

UNIT  
DEMAND  
GROWTH  
2.2% in FY2015



1.9%

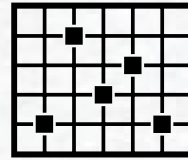
OPERATING  
EXPENSES  
INCREASE/  
(DECREASE)  
(2.2%) in FY2015



RM 7,367.6  
MILLION

NET PROFIT ATTRIBUTABLE TO  
OWNERS OF THE COMPANY

RM6,118.4 million in FY2015

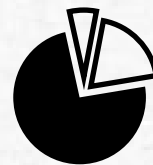


USD 55.7/MT

AVERAGE COAL PRICE

USD66.0/mt in FY2015

2.9%



REVENUE GROWTH

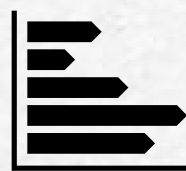
(Sales of Electricity:  
Peninsular Malaysia at 4.6%  
and SESB at 5.6%)

33.2%

EBITDA MARGIN

32.2% in FY2015

6.4%

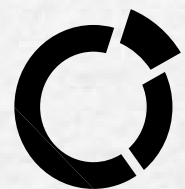


ROA<sup>1</sup>

6.6% in FY2015

<sup>1</sup> Based on adjusted net profit

RM 11.4  
BILLION



CAPEX

RM10.8billion in FY2015

# KEY FINANCIAL HIGHLIGHTS

	Group		Company	
	2015	2016	2015	2016
<b>PROFITABILITY (RM Million)</b>				
Revenue	43,286.8	<b>44,531.5</b>	40,252.0	<b>41,272.1</b>
Operating profit	8,627.6	<b>9,072.0</b>	8,380.7	<b>8,678.9</b>
Profit before taxation and <i>zakat</i>	7,133.7	<b>8,066.8</b>	6,580.5	<b>7,477.4</b>
Net profit attributable to owners of the Company	6,118.4	<b>7,367.6</b>	5,618.9	<b>6,761.0</b>
<b>KEY BALANCE SHEET DATA (RM Million)</b>				
Property, plant and equipment	90,300.3	<b>96,512.7</b>	73,114.4	<b>74,916.3</b>
Total assets	117,135.0	<b>132,902.2</b>	98,779.4	<b>105,513.2</b>
Total borrowings	24,698.9	<b>34,306.7</b>	10,444.0	<b>10,762.9</b>
Total liabilities	69,668.1	<b>80,302.5</b>	56,045.0	<b>58,037.0</b>
Share capital	5,643.6	<b>5,643.6</b>	5,643.6	<b>5,643.6</b>
Shareholders' equity	47,208.0	<b>52,388.6</b>	42,734.4	<b>47,476.2</b>
<b>SHARE INFORMATION</b>				
<b><u>Per share (sen)</u></b>				
Basic earnings	108.41	<b>130.55</b>		
Diluted earnings	108.41	<b>130.16</b>		
Dividend (sen):				
– Interim	10.00	<b>10.00</b>		
– Final	19.00	<b>22.00</b>		
Net assets per share attributable to owners of the Company	836.5	<b>928.3</b>		
<b>FINANCIAL RATIOS</b>				
Return on assets (%)	6.6	<b>6.4</b>		
EBITDA margin (%)	32.2	<b>33.2</b>		
Debt-equity (net of cash) ratio	0.33	<b>0.33</b>		



# FIVE-YEAR GROUP FINANCIAL SUMMARY

YEAR ENDED 31 AUGUST	Group				
	2012 (Restated)	2013 (Restated)	2014	2015	2016
<b>OPERATING RESULTS (RM MILLION)<sup>1</sup></b>					
Revenue	35,848.4	37,130.7	42,792.4	43,286.8	<b>44,531.5</b>
Operating profit	6,680.8	5,906.9	7,181.0	8,627.6	<b>9,072.0</b>
Profit before taxation and zakat	5,821.1	5,925.1	7,114.7	7,133.7	<b>8,066.8</b>
Net profit attributable to owners of the Company	4,410.5	5,356.2	6,467.0	6,118.4	<b>7,367.6</b>
<b>KEY BALANCE SHEET DATA (RM MILLION)<sup>2</sup></b>					
Property, plant and equipment	64,769.9	75,460.5	83,045.1	90,300.3	<b>96,512.7</b>
Total assets	88,469.1	99,999.3	110,665.4	117,135.0	<b>132,902.2</b>
Total borrowings	23,071.8	22,888.4	25,456.0	24,698.9	<b>34,306.7</b>
Total liabilities	53,311.8	62,028.6	67,206.2	69,668.1	<b>80,302.5</b>
Share capital	5,501.6	5,643.6	5,643.6	5,643.6	<b>5,643.6</b>
Shareholders' equity	34,897.7	37,693.1	43,222.0	47,208.0	<b>52,388.6</b>
<b>SHARE INFORMATION</b>					
<b>Per share (sen)</b>					
Basic earnings	80.71	96.13	114.59	108.41	<b>130.55</b>
Diluted earnings	80.51	95.96	114.59	108.41	<b>130.16</b>
Gross dividend	20.09	25.00	29.00	29.00	<b>32.00</b>
Net Assets	634.3	667.9	765.9	836.5	<b>928.3</b>
Share price as @ 31 August (RM)	6.84	8.73	12.38	11.18	<b>14.74</b>
<b>FINANCIAL RATIOS<sup>3</sup></b>					
Return on assets (%)	4.5	5.6	6.2	6.6	<b>6.4</b>
Return on shareholders' equity (%)	11.4	14.7	15.8	16.3	<b>16.1</b>
Gearing (%)	39.6	37.6	36.9	34.2	<b>39.5</b>
EBITDA margin (%)	25.9	28.1	28.2	32.2	<b>33.2</b>
Effective weighted average cost of funds (%)	4.9	4.7	4.9	4.8	<b>5.1</b>
Interest coverage (%)	11.3	11.7	13.8	14.7	<b>14.2</b>
Currency mix (RM:Foreign)	65:35	71:29	77:23	78:22	<b>83:17</b>
Debt-equity (net of cash) ratio <sup>4</sup>	0.41	0.35	0.32	0.33	<b>0.33</b>

<sup>1</sup> Amounts for periods prior to FY2012 have not been restated for the Amendments to MFRS 119 which was early adopted in FY2013  
Amounts for periods prior to FY2013 have not been restated for the Amendments to MFRS 10 and MFRS 116 which were adopted during the financial year

<sup>2</sup> Balances prior to 1 September 2011 have not been restated for the Amendments to MFRS 119 which was early adopted in FY2013  
Balances prior to 1 September 2012 have not been restated for the Amendments to MFRS 10 and MFRS 116 which were adopted during the financial year

<sup>3</sup> Based on adjusted net profit; FY2012 - after adjusting for Fuel Cost Compensation in respective periods

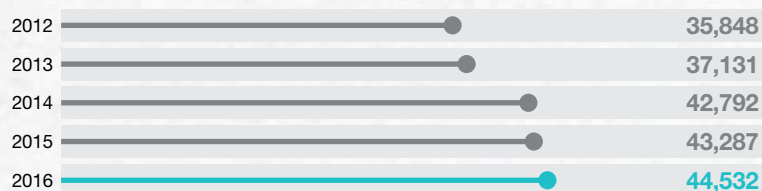
<sup>4</sup> Cash for FY2014, FY2015 & FY2016 includes financial assets at fair value through profit or loss



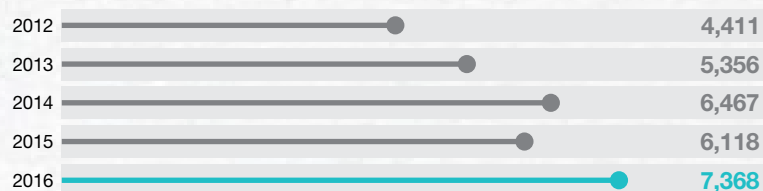
# FIVE-YEAR GROUP GROWTH SUMMARY

## YEAR ENDED 31 AUGUST

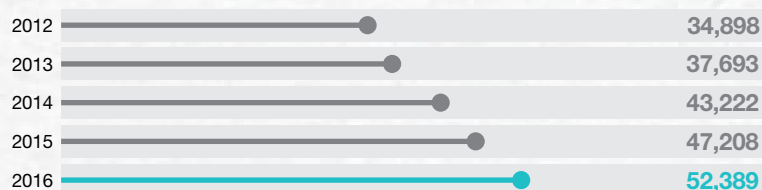
### Revenue (RM Million)



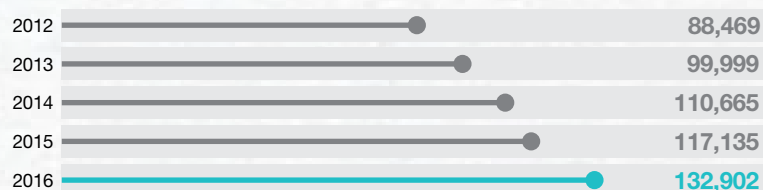
### Net Profit Attributable to Owners of the Company (RM Million)



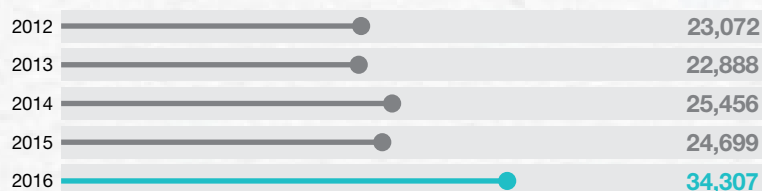
### Shareholders' Equity (RM Million)



### Total Assets (RM Million)



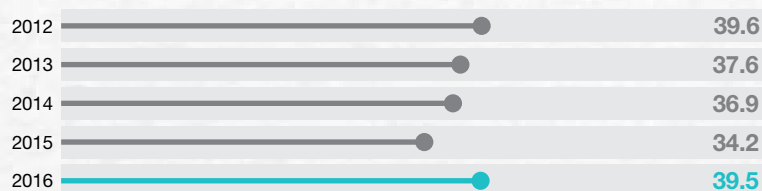
### Total Borrowings (RM Million)



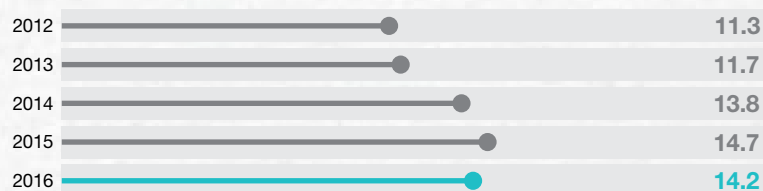
### Return on Assets (%)



### Gearing (%)



### Interest Coverage (%)



### Basic EPS (Sen)



Restated (FY2012, FY2013)

FY2012 - After adjusting for Fuel Cost Compensation in respective periods.

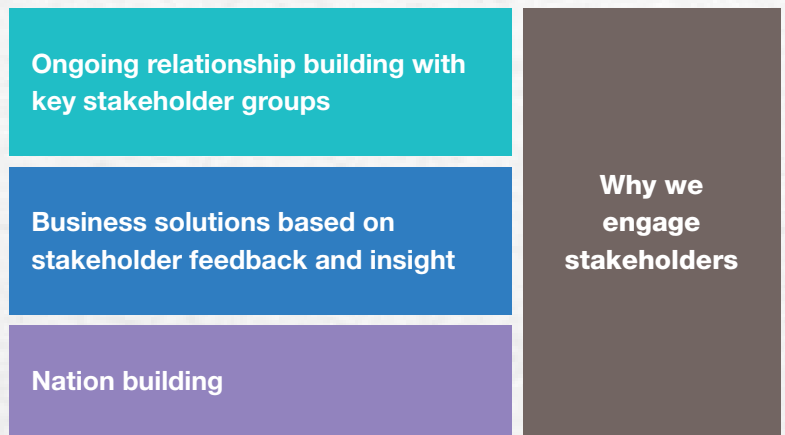
# HOW WE ENGAGE OUR STAKEHOLDERS



Board of Directors and Management during the Annual General Meeting 2015.

Building a strong relationship based on trust with all our stakeholders is key to our business success. To develop the best approach to engage our stakeholders, we have carefully considered our stakeholders' interests and concerns, and analysed how we can respond to relevant issues and concerns.

We balance the importance of maintaining our license to operate with key stakeholders and communities with the risks and challenges of our business. The nature of our business and presence means moving beyond responsibility with a commitment towards nation building. This report is not just an opportunity to account for our engagement but also a review of our nation building efforts.



## HOW WE RESPOND TO KEY STAKEHOLDERS

	<b>NON-GOVERNMENTAL ORGANISATIONS (NGOs)</b> Knowledge sharing sessions on issues related to electricity industry such as energy efficiency, electricity tariffs and electricity laws
	<b>SHAREHOLDERS</b> Strong financial returns and good governance
	<b>LOCAL COMMUNITY</b> Enhanced community activities and reach
	<b>COMMUNITY AND GOVERNMENT</b> Nation building and services at most equitable cost
	<b>EMPLOYEES</b> Continuous improvement and engagement
	<b>CUSTOMERS</b> Enhanced and superior service, including innovation in regular services and new products

# REPORTING ON MATERIAL ISSUES

**Identifying material sustainability issues is the first step towards understanding how we are impacted by non-financial issues. To identify the most material sustainability issues, we adapted the GRI G4 standard, especially to highlight ‘issues of importance’ to TNB. We reviewed key internal policies and operating procedures as well as business indicators through consultation with key members of management. The consultation was supported by assessment of relevant internal documents, investor kits and press releases.**

We followed the consultation and document review with a materiality workshop involving selected internal stakeholders including various Heads of Departments and employee representatives. During the workshop, identified material indicators that are of impact were ranked according to frequency and importance to the organisation. The material sustainability issues were then aligned with our business strategies and classified into the six capitals following the IIRC framework, namely Financial Capital, Manufactured Capital, Human Capital, Social and Relationship Capital, Natural Capital and Intellectual Capital.








As an innovation-driven organisation, intellectual capital is the basis for continuous improvement as well as new approaches. For example, environmental related breakthroughs seen under Natural Capital in the organisation continues to thrive due to Intellectual Capital achievements, especially spearheaded by TNB Research (TNBR). Under Human Capital, we have also innovated programmes like Building Leadership at All Levels, which have become part of our internal organisational Intellectual Capital. We will also continue to nurture various IP assets that will enable us to be at the forefront of performance excellence.

In terms of ‘issues of importance’ to stakeholders, we are committed to undertake a more comprehensive mapping of impact and will be able to report on issues that affect stakeholder assessment in a more robust manner in the coming year.



**AN INTEGRATED APPROACH**

The six capitals categorisation of the International Integrated Reporting Framework informed how we approach this Report. As a first step, we have used the capitals as a means of showing the interdependence of the different forms of resources to our business.

PERFORMANCE	RESOURCES	OUTPUT	CROSS-REFERENCING
<b>BUSINESS PERFORMANCE</b>	Financial Capital	<b>RM44.53 billion</b> revenue	
		<b>RM1.64 billion</b> dividends paid to shareholders	
		<b>RM746 million</b> contribution in taxes and zakat	
		<b>RM4.14 billion</b> provided for employees' wages and salaries	
		<b>RM7.44 billion</b> spent on over 4,550 supplier engagements	
	Natural Capital	Renewable Energy (RE) connected to the grid <b>326.05MW</b>	
	Manufactured Capital	Total generating capacity (Peninsular Malaysia) <b>12,013.4MW</b>	
	Social and Relationship Capital	Customer Satisfaction Index (CSI) of <b>8.1</b>	
<b>SUSTAINABILITY PERFORMANCE</b>	Human Capital	Over <b>35,684 people</b> in direct employment <b>20%</b> of female employment	
		Over <b>8.0 man-days</b> per employee of training conducted at a cost of <b>RM192 million</b>	
		All TNB power stations are certified with OHSAS 18001 (OSH Management System) and ISO 14001 (Environmental Management System)	
<b>CSR VALUE</b>	Social and Relationship Capital	<b>RM537,000</b> spent on Community Outreach Programme (COP) with <b>3,600 customers at 13 locations nationwide</b>	
		Yayasan Tenaga Nasional (YTN) disbursed <b>RM54 million</b> to sponsor <b>2,014 students</b> for higher education	
		Home For Needy - <b>385 number</b> of families benefited	 
		PINTAR - <b>13 schools</b> adopted nationwide and positively impacted lives of <b>3,818 students</b> and <b>387 teachers</b>	
		SL1M - <b>514 trainees</b>	





**OUR COMPANY  
MAINTAINED  
ITS GROWTH  
TRAJECTORY IN  
THE FINANCIAL  
YEAR ENDED  
31 AUGUST 2016.**

**TAN SRI LEO MOGGIE**  
Chairman

## DEAR SHAREHOLDERS OF TENAGA NASIONAL BERHAD




Briefing by Cameron Highlands Power Stations General Manager, Mohammad Zaki Jalaluddin, to the Board of Directors during their visit to the Sultan Abu Bakar dam.

### THIS INTEGRATED ANNUAL REPORT DETAILS OUR ACTIVITIES THROUGHOUT THE YEAR AS WE CONTINUED BUILDING SHAREHOLDER VALUE AND A SUSTAINABLE FUTURE FOR US ALL.

I would like to highlight that this year, we have embarked on producing an Integrated Annual Report as we seek to tell a more holistic story of our business. This Integrated Annual Report marks a first in our industry and makes us one of the few Malaysian companies to have adopted this global reporting standard.

We believe this report will further facilitate stakeholders' decision-making process as it documents how our entire Company works together to achieve our goal of building shareholder value, while also focusing on how we deliver value beyond the financials. The Board is also pleased to embrace this new style of reporting as it promotes further transparency and accountability of our business.

 In the year under review, TNB recorded a 2.9% year-on-year increase in revenue to RM44.5 billion primarily due to 4% electricity demand growth in Peninsular Malaysia.

For FY2016, our net profit was recorded at RM7.3 billion. Our financial results for FY2016 demonstrate TNB's continued ability to deliver sustainable and stable earnings. This has enabled us to carry on creating

value for our shareholders. Thus, I am pleased to announce that for the year under review, TNB, subject to shareholders' approval, will be paying a final dividend of 22.0 sen. Together with an interim dividend for FY2016 paid on 31 May 2016 totalling RM564.4 million, this will bring our total dividend payout to RM1.8 billion for the year.

I would also like to note that our Company's exposure to the foreign exchange rate remains limited. With our foreign currency denominated loans accounting for just 17.4% as at the end of FY2016, we have continued to safeguard TNB against risks encountered from the foreign exchange movements seen this past year.

		FY2015 RM Million	FY2016 RM Million
Revenue		43,286.8	44,531.5
Net Profit		6,060.9	7,320.8
Dividend (sen)	Interim	0.10	0.10
	Final	0.19	0.22



# CHAIRMAN'S LETTER TO SHAREHOLDERS

## Championing Stability in the Malaysian Electricity Supply Industry (MESI)

The Imbalance Cost Pass-Through (ICPT) mechanism, implemented by Suruhanjaya Tenaga as part of a wider regulatory framework called Incentive Based Regulation (IBR), continued to play an important role in ensuring stability to our financial performance this year.

The ICPT mechanism allows pass through of fuel and generation cost variances in the consumers' electricity tariff every six months subject to the Government's decision and approval. This mechanism has helped to create stability and transparency in which the Company neither makes any profit nor loss from the fluctuation in fuel and generation costs whilst the consumers will be charged the actual cost of electricity generation. For the past four cycles of ICPT implementation, consumers have benefited from the ICPT rebate in their monthly electricity bills, primarily due to the lower market prices of fuels as compared to benchmark prices.

The Company will continue to engage the Government, Suruhanjaya Tenaga and all stakeholders in ensuring the continuous support and commitment for the successful implementation of ICPT. This will promote stability to our operating environment and hence will translate to continued resilience in the Company's earnings.



Staff monitoring the daily operations at the Sultan Azlan Shah Power Station, Manjung, Perak.

## Rewarding Our Employees



TNB is proud to serve customers throughout Peninsular Malaysia, Sabah and Labuan. To do so, however, requires a concerted effort from our over 35,000 employees. These employees dedicate their time and expertise to powering up the nation, ensuring Malaysians receive the energy they need to go about their daily lives and run their businesses.

In recognition of our workers' untiring efforts to serve the Nation, I am delighted to announce the introduction of TNB's Long Term Incentive Plan (LTIP) for all our employees. Under the programme, high-performing staff will receive an allocation of shares in our Company, provided they and TNB maintain their respective performances.

The LTIP was designed with our employees' best interests at heart, as we look to share our Company's prosperity with those who drive our operations. We hope this programme will motivate our staff to remain dedicated in serving not just our Company, but also our valued customers as we seek to cement the longevity of our business.

## Building a Sustainable Future



At TNB, we believe that a bright future is a sustainable future. This does not only mean identifying opportunities that will grow our business sustainably and achieve long-term shareholder value. It also calls for us to play a part in creating a sustainable future for all our stakeholders.

It is for this reason that our Corporate Responsibility initiatives represent a vital component of our Company's identity. As we continuously seek ways to improve outcomes for our stakeholders and the environment, this financial year we launched our *Projek Komuniti Lestari* in collaboration with the Social Welfare Department, Ministry of Women, Family and Community Development.

The project will see our Company installing solar photovoltaic (PV) panels at selected welfare organisations. In addition to promoting the use of Renewable Energy (RE), the project will allow these organisations to generate income by selling back the electricity produced to TNB, utilising the community quota allocated under the Government's Feed-in Tariff (FiT) mechanism.

The first phase of the project kicked off in November 2015 with the installation of solar PV panels at 19 charities. Phase two of the project will involve 26 more welfare organisations.

In addition to advocating RE to our stakeholders, we have also put in place internal policies in our push towards producing cleaner, greener energy. As will be discussed further by our President/Chief Executive Officer, Datuk Seri Ir. Azman bin Mohd in his Strategic & Operational Review, this financial year TNB also launched our new Strategic Plan 2015-2025 to follow on from our 1TNB Transformation Programme.

The Board of Directors is optimistic about the prospects of this new plan. It is a bold and ambitious strategy which will propel TNB's transformation and ensure it continues to thrive in the face of rapid changes and emerging trends in the energy industry.



## CHAIRMAN'S LETTER TO SHAREHOLDERS



Duli Yang Maha Mulia Paduka Seri Sultan Nazrin Muizzuddin Shah Ibni Almarhum Sultan Azlan Muhibuddin Shah Al-Maghfur-lah, Sultan of Perak Darul Ridzuan, launching Manjung 4, Sultan Azlan Shah Power Station on 2 February 2016.

### A Bright Outlook for TNB

Driven by our new Strategic Plan, the Board of Directors remains confident of TNB's prospects. We continue to keep our sights set on becoming a Domestic and Regional Champion. This new plan will set our Company on a fresh growth trajectory driven by mergers and acquisitions at home and abroad. However, I would like to reiterate that the Board will ensure the Company evaluates new endeavours based on shareholder interests.

As your Chairman, I assure you that we are always mindful of our responsibility to our shareholders while providing good service to our customers. This is as TNB strives to not only create shareholder returns, but also protect the value of your investment in our Company.

Looking forward to the near future, we continue to see stability in our regulated earnings within the current Regulatory Period (2014-2017) under the IBR framework. We also remain fully supportive of the Government's efforts towards a more sustainable, efficient and transparent Electricity Supply Industry and will continue to work with the relevant Government agencies, consumer associations and key MESI stakeholders to ensure the well-being of our business ecosystem.

### Acknowledgements

As always, I would like to extend our appreciation to the Government and regulatory bodies, especially the Ministry of Energy, Green Technology and Water, as well as the Energy Commission, for their guidance. On behalf of the Board of Directors, I would like to express our gratitude to TNB's Management and employees for their contributions in our Company's operations. Our suppliers, contractors and vendors also deserve a word of thanks for their dedication in meeting their obligations to us, which plays a vital role in our ability to serve our customers.

I offer a personal note of appreciation to my esteemed colleagues on the Board of Directors for helping to steer our Company. Finally, our deepest gratitude is reserved for our shareholders and our customers who consistently support us in our continuous effort to be Better. Brighter.

**TAN SRI LEO MOGGIE**  
Chairman

# CEO'S STRATEGIC & OPERATIONAL REVIEW

## TO THE VALUED SHAREHOLDERS OF TENAGA NASIONAL BERHAD:

In recent years, your Company has been laying the foundation towards becoming a Domestic and Regional Champion (DRC). The financial year ended 31 August 2016 marked the beginning of our final push towards this vision. During the year, we also continued to demonstrate our capabilities in achieving stable earnings. This reiterates our sustainable growth trajectory that will enable the delivery of shareholder returns for years to come.



**DATUK SERI IR.  
AZMAN BIN MOHD**  
President/Chief Executive Officer

## MESI Reform Foster Stability



We are pleased to note that the Government's MESI reform initiatives, particularly the Incentive Based Regulation (IBR) and the Imbalance Cost Pass-Through (ICPT) mechanism have continued to foster a stable environment. The IBR framework has provided us with the required revenue to meet our efficient operational expenditure requirements, invest efficiently in new assets, pay taxes and deliver a commercially reasonable return to investors. The ICPT mechanism on the other hand, has enabled us to sustain a stable financial performance for the past two years by periodically passing through the variations in fuel and generation costs in consumers' electricity bills. Since March 2015, the electricity consumers in the peninsula have been enjoying ICPT rebates in their monthly electricity bills as a result of savings in fuel and generation costs.

## Enhancing Shareholder Value



The results of our solid financial performance in the past two years have translated into notable gains in shareholder value.

As the shareholders of TNB, your interests are of paramount importance to us. Hence it is vital that we continue to produce sustained and stable shareholder returns for the part you play in our growth story. We are proud to have been able to do this while ensuring our Nation continues to enjoy an electric system that is on par with the world's best. This is reflected in the ranking we received in the World Bank Doing Business report, where we have been ranked 8<sup>th</sup> out of more than 188 countries in our ability to deliver electricity supply. The ranking by World Bank assesses the efficiency of our connection process, power reliability and the transparency of our tariffs. Amid this scenario of earnings growth and operational performance, we are confident of continuing to deliver value at a sustainable pace over the long term.

## Reshaping TNB's Future

While our efforts to grow our business have served us well thus far, we are fully aware of the risks of stagnation. Although we are already Malaysia's leading energy company and a rising force in Asia, TNB must stay relevant by anticipating changes and responding

appropriately to industry trends. This will assure us of continued growth that we can sustain into the future. To maintain our growth trajectory, for our next phase of development we have identified a clear goal to emerge as one of the world's top 10 utilities by market capitalisation by 2025. Although ambitious, there has never been a better time to reach for this goal. The world is changing at unprecedented speeds. In response to this, we have formulated a new Strategic Plan for the period 2015 to 2025 based on four major trends we have identified. These trends comprise the shift in economic power to Asia, technology disruptions, the end of cheap capital and evolving regulatory developments. We believe that these trends will substantially reshape our future, yet present exciting opportunities. Capitalising on these trends will enable TNB to unlock new growth areas, win a new generation of customers, realise our regional ambitions and unleash greater productivity. In view of these trends, our new Strategic Plan is anchored on four key pillars of value that will help us attain our growth aspirations. These pillars are: Future Generation Sources, Grid of the Future, Winning the Customer and Anticipating Future Regulations Changes.

### EBIT

**RM9,072.0 mil**

2015: RM8,627.6 mil

YoY +5.2%

### Basic Earning Per Share (EPS)

**130.55 sen**

2015: 108.41 sen

YoY +20.4%

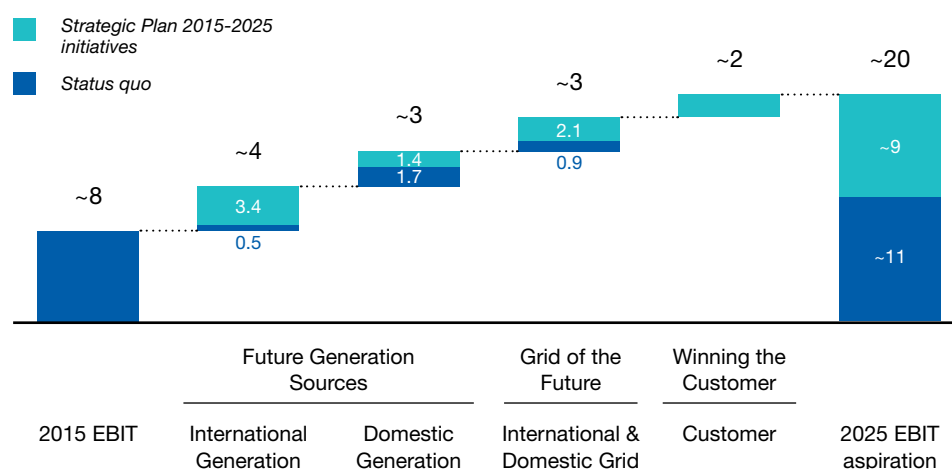
### Total Shareholder Return (TSR)

**34.40%**

2015: -7.6%

YoY +552.6%

TNB 2025 Growth Aspiration (in RM Billion)



TNB aspires to grow our EBIT from RM8 billion currently to RM20 billion in 2025 through domestic and international investment

Source: TNB analysis



### Future Generation Sources

The Future Generation Sources pillar is underscored by our commitment to driving the use of Renewable Energy (RE) as we aspire to be the ASEAN leader in renewables. This will be driven by RE initiatives undertaken in agreement with the Malaysian Government.

As part of this plan, we aspire to deliver most of Malaysia's RE by investing in solar, wind, biomass, biogas and mini hydro projects as we build on our current experience in RE. We believe the knowledge and experience from our various community grid solar projects<sup>1</sup>, and mini hydropower projects<sup>2</sup>, in addition to the 5,777 RE projects<sup>3</sup> in Peninsular Malaysia we, as the offtaker, have commissioned under the FIT programme, will put us in good stead to take advantage of the upcoming burgeoning opportunities in renewables. In anticipation of this drive for RE, we had previously entered into joint ventures with plantation giants, Felda and Sime Darby Berhad, to set up a pilot biomass and a biogas plant, respectively. We are confident of their performances and look forward to expand beyond these ventures going forward.

We will also be aggressively expanding our global footprint under this key pillar. This will be achieved by building up our businesses in

Southeast Asia, South Asia and the Middle East with the aim of generating a healthy return on international investment. We aspire to have international investments account for 20% of our earnings by 2025. I am proud to announce that we have already made headway in our global expansion with an acquisition in Turkey during the year in review, which I will share more on later.

### Grid of the Future

As the backbone of the electricity system, the grid represents the single most impactful component of the energy industry and a country's energy needs. However, we do not expect grid operations to stay the same as we progress into the future. Technology advancements will allow for greater digitisation and automation of the grid. This will lead to improved performance and reliability, ultimately benefiting our customer. In line with this key pillar, we will be introducing smart meter/Advanced Metering Infrastructure (AMI) facilities to our customers, which will provide close to real time information on consumption, leading to more timely bills and the ability of our customers to better control their consumption. This, in turn, will help us improve our services, gain better control of the grid and enhance efficient use of energy. We believe in addition to these inherent benefits, the AMI will facilitate us to better serve our customers beyond just the sale of kWh.



An aerial view of Manjung 4, Sultan Azlan Shah Power Station, Manjung, Perak.

# OUR PEOPLE ARE THE DRIVING FORCE BEHIND OUR BUSINESS OPERATIONS.

On top of the benefits mentioned previously, enabling a smarter, next-generation grid will allow for bi-directional energy flow, which is crucial in encouraging the distribution of RE generation across the grid; promoting sustainability by improving and protecting the environment for future generations.

I am pleased to report that we have completed the AMI pilot project with the installation of 1,000 smart meters in Malacca and Putrajaya. Results of the pilot have been positive thus far, giving us greater confidence to translate this initiative to scale. As such we will be expanding the trial to an additional 340,000 customers in Malacca. This will constitute the first phase of our AMI roll-out nationwide and is targeted to be launched in 2017.

### Winning the Customer

With our history spanning close to seven decades, TNB is a pioneer in a utility industry that is rapidly changing. Our growth has been anchored on strong customer values which put our customers first by providing service excellence.

In our next chapter of growth, we will need to shift towards a value-centric understanding of our customers. This means looking at them as more than just a meter and understanding their values and needs beyond their kWh consumption. With these insights, TNB can then identify products and services we can offer beyond the meter

<sup>1</sup> We have to-date delivered and continue to maintain 8 solar hybrid stations generating a total of 195kWp

<sup>2</sup> Currently we are operating more than 19 mini "run of the river" hydro stations with a combined capacity of more than 9MW

<sup>3</sup> With installed capacity of 326.05MW



1TNB Total Wellness Programme - one of our efforts to promote healthy lifestyle amongst the employees.

which can benefit customers in this increasingly environmentally conscious and digitally connected era.

Doing so will require TNB to adopt new models of business. We have thus identified several specific projects ranging from energy management to smart city utility services with various Government agencies and corporate entities that will launch our initiative of Winning the Customer from 2017 onwards.

We will also need to strengthen the capabilities of our workforce to keep pace with rapid change and increasingly complex customer needs and to harness new opportunities. While TNB is today known as an organisation of good engineers, we will need to equip ourselves with a broader set of capabilities to nurture world-class leaders, deal makers, digital talent and data scientists, and more as we look to become the TNB of the future.

### Anticipating Future Regulations Changes

The final pillar of our Strategic Plan represents how we respond to the ever-evolving regulatory environment. Regulations make up a vital enabler of our business. We must therefore continue to work closely with the relevant stakeholders to maintain a conducive operating environment and ensure we have the regulatory support we need to achieve both our and the regulator's aspirations. Additionally, it is imperative that we remain perceptive and responsive to regulatory developments both domestic and foreign so we can work harmoniously with the electricity industry laws that govern our sector.

Towards this end, we have established our Regulatory Economics and Planning Division, a dedicated unit to analyse the various regulatory regimes in the global power industry and act as a thought leader on

energy regulation. This will allow us to educate our staff and engage our stakeholders on developments of relevant regulations as well as provide feedback to the Government and NGOs on energy policy - all of which will contribute to a sustainable regulatory model that will benefit all parties.

I would like to take this opportunity to highlight that while new, this Strategic Plan is very much in line with our current growth trajectory, and is designed to propel us towards our desired long-term goals. As at the end of FY2016, we have completed the blueprint for this new phase for TNB and have started evaluating its implementation. This new strategic plan will enhance our Company's performance and we are excited to step into a future that will only keep getting Better. Brighter.

### Re-energising Our People



Our people are the driving force behind our business operations. As we embark on a new phase in TNB's evolution, we will continue to focus on driving the productivity, efficiency and career development of our valued employees. Our efforts in this area have delivered encouraging results thus far, as reflected by our rising Employee Engagement Score (EES). In 2016, we recorded an EES of 89% from 85% previously, which puts us amongst the top scores within the top quartile of Asia-Pacific organisations<sup>4</sup>.

We have also begun to realise early results from our Leadership Drive introduced in 2015 to identify employees with the potential to lead TNB in the future. In its first two seasons, the initiative identified 49 successful candidates from a total of 891 applicants group-wide. These candidates have been assigned to complete specific missions within our group over the next three years. As we drive towards our growth aspiration, we fully expect to see more pivotal positions being created with the formation of

<sup>4</sup> Analyst findings





Prime Minister, Dato' Seri Mohd Najib Tun Haji Abdul Razak witnessing TNB's entry into Turkey's energy sector in Istanbul, Turkey, with Tan Sri Leo Moggie and Datuk Seri Ir. Azman Mohd.

our new Career Enhancement Management setup. Successful Leadership Drive candidates will help ensure that we always have successor candidates ready for every pivotal position.

The Value Unlocking Programme (VUP) introduced last year is currently going through its delivery phase. Delivery of the VUP design is proceeding as planned with some of the smaller divisions having already completed their design delivery. This design requires a reorganisation of our offices to optimise productivity and efficiency as we move towards a more centralised model of operations with the introduction of Centre of Expertise, Business Partners and Shared Service Centres.

We are beginning to see productivity improvements in the divisions that have implemented their designs coming from a centralised and flatter organisation design, reduction and automation of work processes, and higher degree of empowerment, facilitating faster decision-making. We are confident that once we complete the delivery phase for all divisions, you will be able to see a re-energised TNB.

### Expanding Our Physical Presence

Much of the work we have done thus far to realise our ambition of becoming a Domestic and Regional Champion has focused on strengthening the foundations of our business. This has geared us towards the expansion of

our footprint at home and regionally, in line with our aspiration to become one of the top 10 utilities globally.

In the year under review, we achieved significant gains in extending our reach with the conclusion of our first foreign acquisition. This was our purchase of a 30% interest in Turkish power company GAMA Enerji AS for US\$255 million. In considering this acquisition, the Management, guided by the Board of Directors, took full account of its impact on shareholder value. Based on the expertise of our strategic partners in Turkey, as well as the strong Turkish domestic electricity growth potential, the decision was made to pursue the acquisition, giving us a firm foothold in an attractive energy market.

In addition to gaining entry into Turkey through our interest in GAMA Enerji, our partnership with its parent company GAMA Holding, which is an established name in engineering, procurement and construction, will pave the way for TNB to capitalise on latent opportunities in the region's power plant operation and maintenance services sector. We will also be able to leverage on this new partnership to provide our talents with exposure in this region to help further grow our presence here.

Even as we set our sights on expansion abroad, Malaysia will remain our primary market. We continue to install new domestic capacity and during this financial year we are proud to have brought online a total of 1,882MW with another 3,201MW in the pipeline to be commissioned between the end of 2016 to 2019.

### Building a Sustainable Future

Sustainability has emerged as an important issue to TNB in recent years, as we as an energy company become increasingly aware of how our business may deliver value to all our stakeholders for the long term. To this end, we have embarked on the adoption of reporting on the Environmental and Social aspects of our business, as illustrated in our Sustainability Statement in this Integrated Annual Report.



In this way, we hope to more clearly share on how we use our resources to create better outcomes for our stakeholders and the environment, such as through our flagship "Tree for a Tree" programme which we have conducted since 2009 to replace any tree removed during the development of new electrical installations. As at the end of this financial year, we have planted a total of 5,800 trees.

We have participated in the Government's village street light initiative to light up public areas in rural areas throughout Peninsular Malaysia since 2002. We feel strongly for this initiative as we believe that doing so not only brightens up the rural community areas but also improves their livelihood through improved security. We are happy to once again be involved in this initiative as part of the 11<sup>th</sup> Malaysia Plan 2016-2020. To date, we have installed 19,119 street lighting units across Peninsular Malaysia, or 51.72% of the total allocation under the 11<sup>th</sup> Malaysia Plan.

As an active advocate of education, we have been collaborating with the PINTAR Foundation since its inception in 2007, through which we had previously adopted 40 schools nationwide. This year we decided to expand our adoption with another 18 schools. We are also an ardent supporter of sports, and have contributed to the development of hockey at all levels through our Hockey Development Programme, which is aimed at developing talents from the grass roots level via schools right up to the professional level. We are immensely proud that our direct involvement at the grass root level via our partnerships with Sekolah Sukan Tunku Mahkota Ismail, Sekolah Menengah

Anderson, Sekolah Menengah Kebangsaan Seberang, and Sekolah Sukan Bukit Jalil has helped contribute 14 players to the Malaysian National team.

As part of our commitment to build national talents we continue to support the Skim Latihan 1Malaysia (SL1M) programme which was introduced by the Government to help improve the employability of students. For this year, we have taken up 514 trainees to participate in our in-house development programme. I am pleased to note that our track record in improving the employability of participants via our programme has been exemplary, with 94% of participants from our previous SL1M intake securing jobs upon completion.

### Acknowledgements

TNB's progress would not have been possible without the support and guidance of the Board of Directors, who have been crucial in steering our business decisions. Our employees, both on the frontlines and the back-end, also continue to play a vital role in carrying out our operations and executing our plans. I would like to express my appreciation to the Board and our employees for driving TNB forward in its journey towards becoming a DRG.

I would also like to record our gratitude to the Government, especially the Ministry of Energy, Green Technology and Water, the Energy Commission and the Economic Planning Unit for their support in the growth of the electricity industry.

To you, our valued and loyal shareholders, we offer our most sincere thanks for your continued trust in TNB. We look forward to sharing with you the results of our efforts to grow your company in the years to come.

My final word of appreciation is extended to our customers, business partners and other stakeholders who have been just as essential in helping us to advance our growth ambition.

**Datuk Seri Ir. Azman Bin Mohd**  
President/Chief Executive Officer

**DURING THIS  
FINANCIAL YEAR  
WE ARE PROUD TO  
HAVE BROUGHT  
ONLINE A TOTAL  
OF 1,882MW  
WITH ANOTHER  
3,201MW IN THE  
PIPELINE TO BE  
COMMISSIONED  
BETWEEN THE END  
OF 2016 TO 2019.**

WE ASPIRE TO BE  
A DOMESTIC AND  
REGIONAL CHAMPION  
THROUGH OUR  
COMMITMENT TO THE  
CREATION OF VALUE,  
QUALITY OF LIFE,  
SECURITY OF  
ELECTRICITY SUPPLY,  
PROTECTION OF THE  
ENVIRONMENT AND  
CUSTOMER FOCUS.





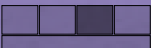

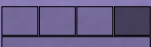

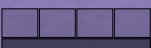



# OUR STRATEGY

TNB's strategy to achieve our aspiration of becoming amongst the leading corporations in the energy & related business globally is centred on five focus areas: Enabling a stable regulatory environment, exceeding customer expectations, driving operational excellence and cost efficiencies, growing profitable business, and transforming our people and leadership.

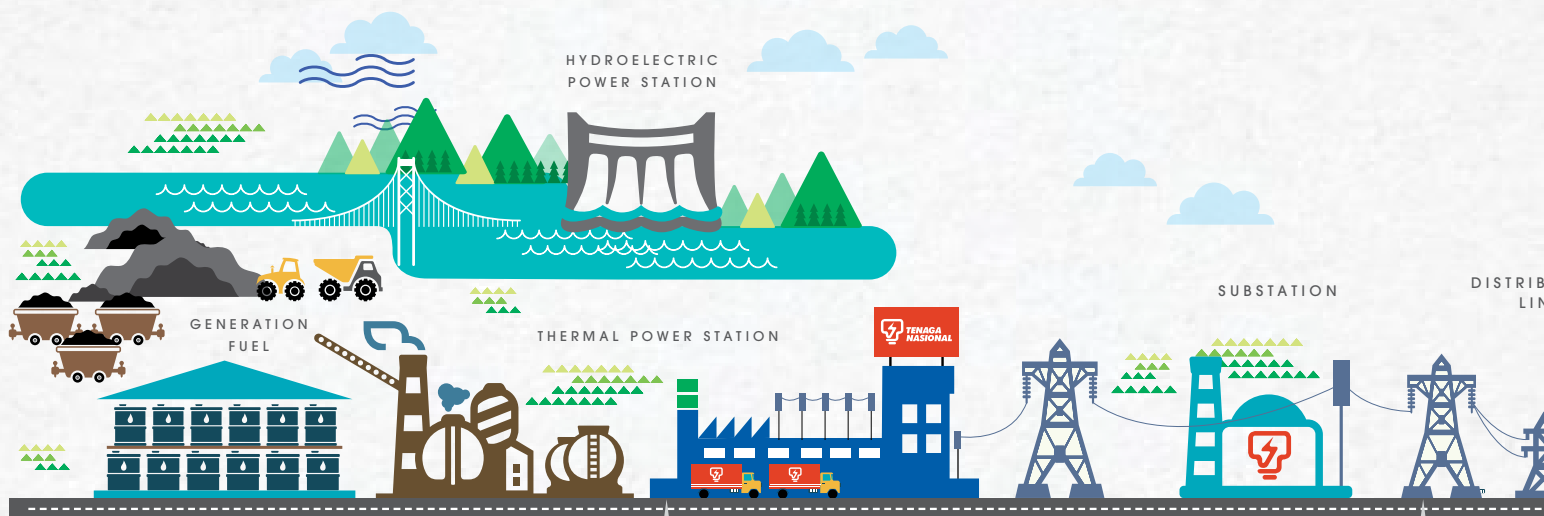
## DOMESTIC & REGIONAL CHAMPION



	Strategy	Top Priorities	Target Metrics	Strategy Risk
	<b>Enabling a Stable Regulatory Environment</b> 	<ul style="list-style-type: none"> <li>Deliver equitable regulatory earnings and value</li> <li>Minimise regulatory risks</li> </ul>	<ul style="list-style-type: none"> <li>Return on Assets</li> <li>Generation Market Share</li> </ul>	<ul style="list-style-type: none"> <li>Uncertain implementation of regulatory reforms</li> <li>Reputational Risk</li> </ul>
	<b>Exceeding Customer Expectations</b> 	<ul style="list-style-type: none"> <li>Customer service</li> <li>New products and services</li> </ul>	<ul style="list-style-type: none"> <li>Product and service quality scores</li> <li>Customer loyalty and retention</li> </ul>	<ul style="list-style-type: none"> <li>Inability to meet increasing customer expectations</li> </ul>
	<b>Driving Operational Excellence and Cost Efficiencies</b> 	<ul style="list-style-type: none"> <li>Improve operational performances</li> <li>Optimise cost efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Availability performance metrics</li> <li>Reliability performance metrics</li> <li>Cost per unit</li> </ul>	<ul style="list-style-type: none"> <li>Failure to provide sustainable, reliable and secure supply of electricity</li> <li>Cyber intrusion</li> </ul>
	<b>Growing Profitable Business</b> 	<ul style="list-style-type: none"> <li>Improve non-regulated business performance and revenue</li> </ul>	<ul style="list-style-type: none"> <li>Non-regulated revenue</li> </ul>	<ul style="list-style-type: none"> <li>Inability to secure profitable new businesses internationally</li> <li>Inability to maximise investment value</li> </ul>
	<b>Transforming Our People and Leadership</b> 	<ul style="list-style-type: none"> <li>Workforce engagement</li> <li>Talent sourcing and development</li> <li>Talent diversity</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement scores</li> <li>Internal talent development</li> </ul>	<ul style="list-style-type: none"> <li>Not having right leaders at pivotal positions to drive business growth</li> </ul>

/GENERATION/

/TRANSMISSION/



GENERATION #

**12,013.4MW\***  
TOTAL GENERATING CAPACITY

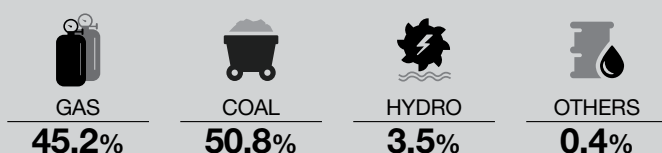
COMPRISING OF:

**5,694.8MW**  
GAS POWER STATIONS

**3,971.6MW**  
COAL POWER STATIONS

**2,347.0MW\*\***  
HYDRO POWER STATIONS

GENERATION SYSTEM FUEL MIX



\* Total generating capacity is correct as of 31 August 2016.

\*\* Including 11.9MW of Mini Hydro Power Stations.

TRANSMISSION #

MAXIMUM DEMAND  
**17,788MW**

ON 20/04/2016

CONNECTION  
**22,478KM**  
LENGTH OF TRANSMISSION NETWORK

SUBSTATIONS  
**426**

TRANSMISSION SUBSTATIONS

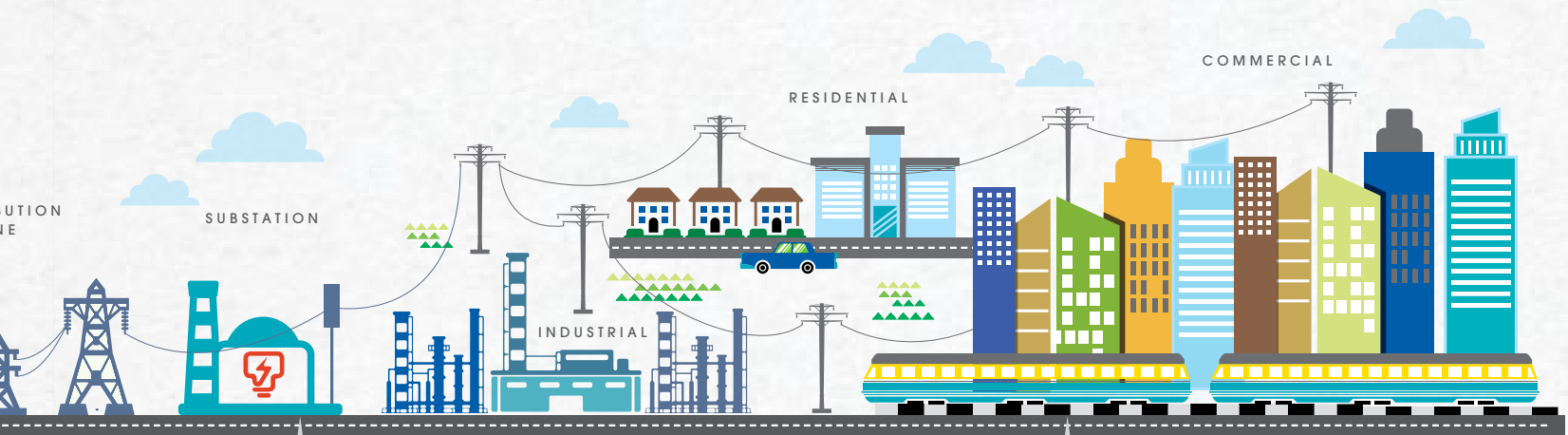
TRANSFORMERS  
**1,218 UNITS**  
OPERATED

# Peninsular Malaysia only.

# ESS MODEL

TRANSMISSION /

/ DISTRIBUTION /



## DISTRIBUTION #

UNITS SOLD

**108,858GWH**

(2015: 104,653GWH)

CONNECTION

**1,222,562KM**

LENGTH OF DISTRIBUTION NETWORK

SUBSTATIONS

**74,417**

DISTRIBUTION SUBSTATIONS

TRANSFORMERS

**78,542UNITS**

OPERATED

## CUSTOMER #

CUSTOMER BASE

**8.45MILLION**

CUSTOMERS IN PENINSULAR MALAYSIA

CUSTOMER DEMOGRAPHIC

(NUMBER OF CUSTOMERS)



## MARKET REVIEW

The global energy industry remained at a crossroads in 2016, as growing action against climate change continues to drive power players towards a more sustainable way of doing business. While the current climate of depressed prices for commodities such as oil and gas and coal bodes well for the industry, energy companies have in recent years recognised the need to produce cleaner and more efficient electricity. This is to ensure the sustainability of not only the environment, but also the well-being of all stakeholders. This is especially as electricity remains the world's fastest-growing form of end-use energy consumption, with electricity demand continuing to increase even despite slower global economic growth.<sup>1</sup>

### MACROECONOMIC DRIVERS

Against this backdrop, TNB sees several macroeconomic drivers which will impact our business:

- **Emerging economies** which are driving not only global growth, but also energy consumption in the key regions that we are targeting to expand in: Southeast Asia, South Asia and the Middle East.

- **Climate change and sustainability** have emerged as a leading agenda for companies all around the world. Energy companies, in particular, must confront the pressures of growing public interest in environmental protection and concerns on the sustainability of natural resources.
- **Rapid urbanisation** will push for the development of new solutions to electricity generation, transmission, distribution and even storage as emerging economies drive the growth of cities, in turn impacting existing resources and infrastructure.
- **Technology at our fingertips and the digitally connected era** are changing the products customers use and the way they consume electricity, presenting new opportunities and challenges for energy companies. Online and mobile channels usage is increasing as customers look towards easy ways to communicate and order goods and services via the Internet.

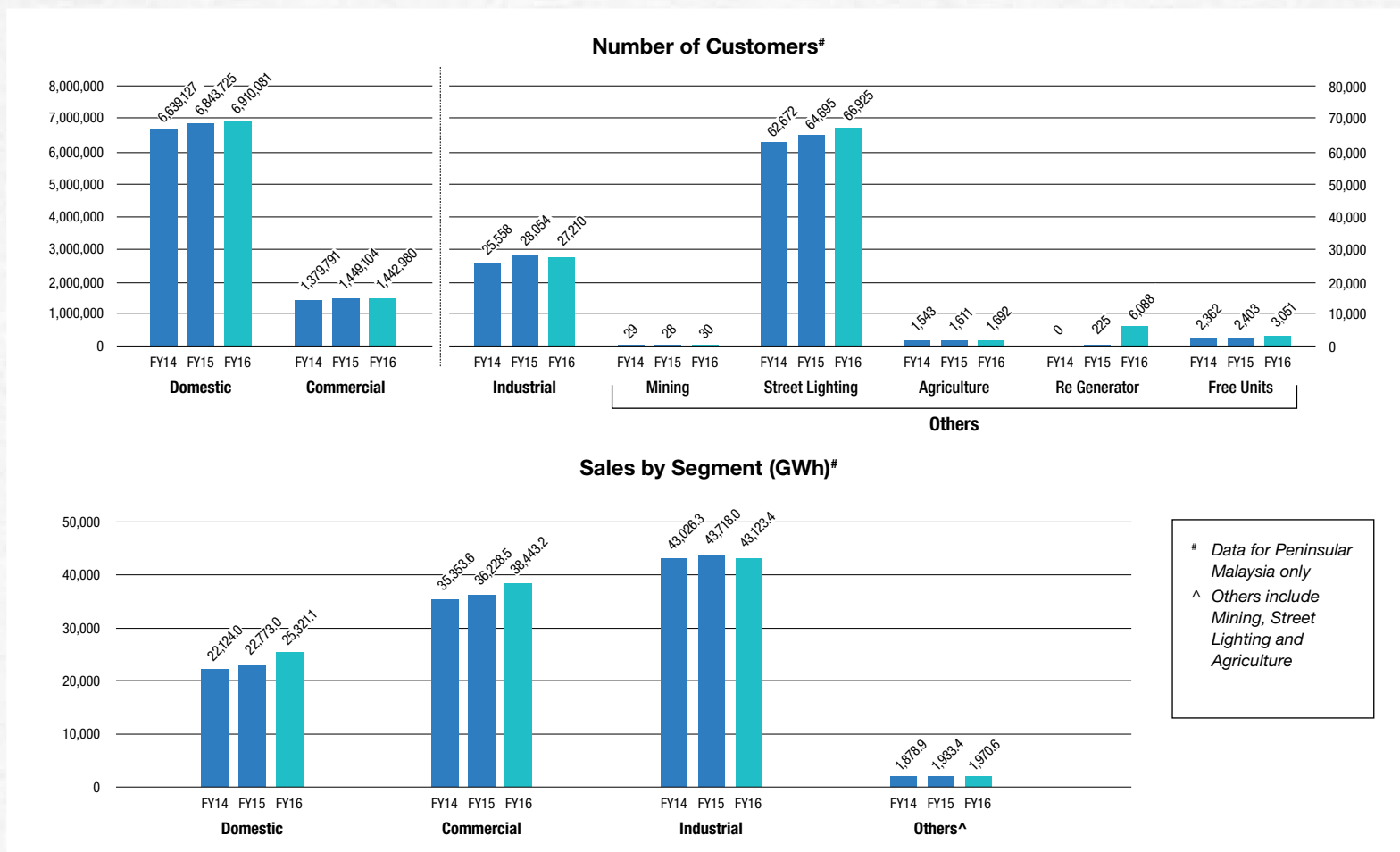
In view of these macroeconomic drivers and other major trends impacting the energy industry, TNB has developed our new Strategic Plan 2015-2025 (see Reshaping TNB's Future, page 23). This Strategic Plan addresses the way forward for TNB in retaining its position in the domestic market, taking into account the developments in the domestic energy sector, and also growing our presence internationally in selected regional areas.



Night view of Kuala Lumpur city centre.

<sup>1</sup> International Energy Outlook 2016, US Energy Information Administration





## DOMESTIC POWER SECTOR OUTLOOK

We expect electricity sales to continue to rise in tandem with the country's economic growth, projected to be at 3.0% per annum for the period of 2015 – 2025<sup>2</sup>. As Malaysia moves forward to become a developed economy beyond 2025, we expect this GDP-electricity growth correlation to slightly weaken with the country's structural shift towards more growth from the service-based economy at the expense of industrialisation. The Government is also expected to pursue more energy efficiency and renewable energy initiatives during the period leading up to 2020. The Government, as part of the 11<sup>th</sup> Malaysian Plan, is targeting Renewable Energy sources to contribute to 2,080MW of Malaysian installed capacity by 2020.

The Malaysian energy industry has also witnessed regulatory reform in recent years. This has been driven by the Government's efforts to increase competitiveness and transparency within the industry. Following the implementation of the IBR and ICPT in 2014, the Energy Commission is expected to introduce the Phase 2 of the New Enhanced Dispatch Arrangement (NEDA) in 2017.

This Phase 2 NEDA mechanism will introduce an optional price-based bidding system for generation dispatch to complement the existing cost-based bidding system to achieve more competitive energy prices. As a key stakeholder of the Malaysian energy supply industry, TNB is supportive of NEDA as it enhances cost efficiency in generation through short-run (daily) competition, which will result in lower electricity costs, benefiting our customers.

## OUR COMPETITIVE ADVANTAGE

TNB remains confident we possess firm competitive advantages to grow to meet our aspiration during this rapidly changing period in our industry.

- **Experience as Malaysia's first electricity provider:** We have the wealth of 67 years experience behind us. We have gained the required expertise and technical knowledge needed to navigate the future ahead of us.
- **Presence across the value chain:** We operate across the entire electricity supply value chain from Generation, Transmission and Distribution including support energy services ranging from asset operation and maintenance to industry-related training and accreditation.
- **Technical expertise:** We are continuously able to provide industry-standard performance in developing and operating our assets.
- **Customer insights:** Our long history and the trust we have developed with our customers allow us to gain better insight on our customer values and needs.
- **Our talents:** We have always been proud of how our talents are able to step up to overcome challenges that come our way. We believe in developing all talents and have a strong history of leaders rising from our ranks thanks to our upskilling and upward mobility programmes.

<sup>2</sup> Peninsular Malaysia Electricity Supply Industry Outlook 2010, Energy Commission

ENABLING A STABLE REGULATORY ENVIRONMENT

STAKEHOLDER ENGAGEMENT

As Malaysia’s leading electricity company, we at TNB take pride in our keen understanding of our stakeholders’ needs. Our regulators pay close attention to our stakeholders in order to develop appropriate energy policies that benefit the country. Therefore, maintaining close ties with our stakeholders is important to us, as we seek to meet all their energy and non-energy needs.

HOW WE RESPOND TO KEY STAKEHOLDERS



Who They Are	What They Want	How We Respond
<b>Customers:</b> <ul style="list-style-type: none"> <li>• Domestic customers</li> <li>• Commercial customers</li> <li>• Industrial customers</li> </ul>	Accessible, reliable and affordable electricity	<ul style="list-style-type: none"> <li>• Enhanced and superior service, including innovation in regular service and new products such as renewables</li> </ul>
<b>Nation and Government</b>	Nation-building and services at lowest possible cost to the system	<ul style="list-style-type: none"> <li>• Continuous improvement of electrification rate by connecting rural and remote customers through off the grid solutions</li> </ul>
<b>Shareholders</b>	Sustainable value	<ul style="list-style-type: none"> <li>• Delivering strong financial returns and good governance</li> </ul>
<b>Employees</b>	Career development and employee welfare	<ul style="list-style-type: none"> <li>• Capacity-building at all levels</li> <li>• Continuous evaluation of remuneration and benefits to ensure competitive and equitable pay</li> <li>• Upskilling and upward mobility programme</li> </ul>
<b>Community</b>	Improved community security	<ul style="list-style-type: none"> <li>• Enhanced community activities and reach</li> </ul>
<b>Non-Governmental Organisations (NGOs):</b> <ul style="list-style-type: none"> <li>• Consumer rights groups</li> <li>• Chambers of commerce</li> <li>• Academia</li> </ul>	Oversight on electricity industry activities	<ul style="list-style-type: none"> <li>• Knowledge-sharing sessions on issues related to electricity industry such as energy efficiency, electricity tariffs and electricity laws</li> </ul>
<b>Vendors</b>	Industry support for business growth	<ul style="list-style-type: none"> <li>• Fair and competitive procurement policies</li> <li>• Local Vendor Development Programme to help improve their competitiveness</li> </ul>

NEW GENERATION CAPACITY

We continue to install new domestic capacity and 1,882MW of this capacity was successfully commissioned during the Financial Year, with more than 3,000MW of capacity to be brought online over the next three years.

The new capacity for this year comprises:

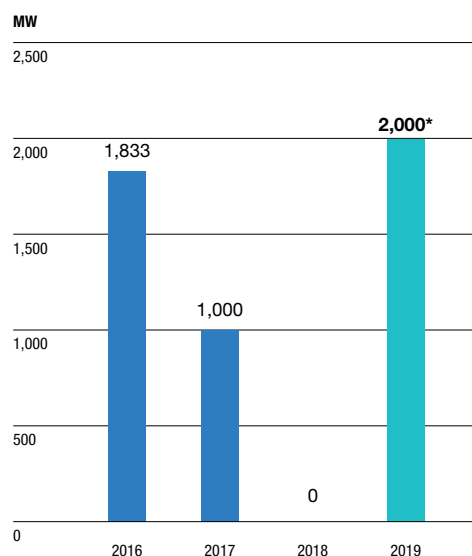
- 250MW Hulu Terengganu Hydro Power Station which achieved its Commercial Operations Date (COD) on 3 December 2015;
- 1,071MW Prai Combined Cycle Power Station which achieved its COD on 20 February 2016;
- 375MW new Combined Cycle Plant at Connaught Bridge Power Station which achieved its COD on 27 February 2016; and
- 186MW Ulu Jelai Unit 2 at the Ulu Jelai Hydro Power Station which achieved its COD on 15 August 2016.

# STRATEGIC REVIEW



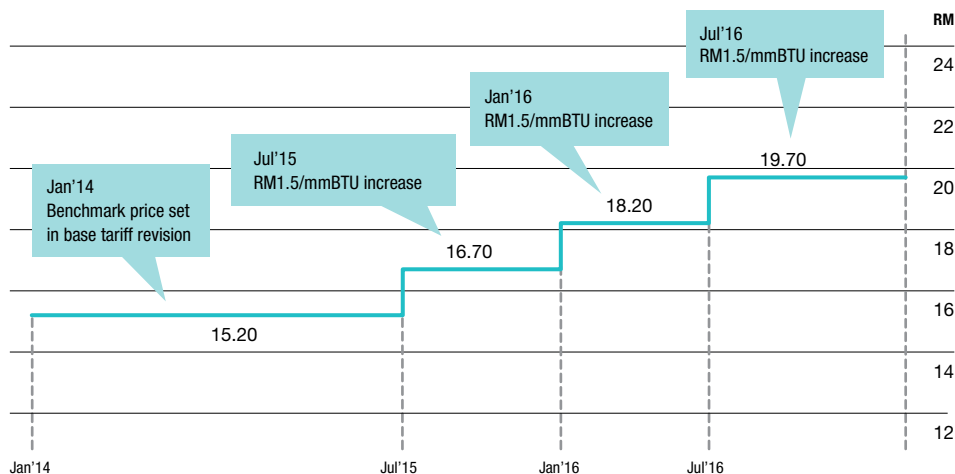
Ulu Jelai Hydroelectric Project, Cameron Highlands, Pahang.

## TNB Capacity Plant Up



\* Jimah East Power (2,000MW) is expected to come online in 2019. TNB has a 70% stake in the plant.

## Regulated Piped Gas Price to Power Sector (RM/mmBTU)



**Note:**

1. From Jan 2014, the regulated gas price is only applicable for gas consumption  $\leq$  1,000 mmscfd. Consumption beyond this will be priced at LNG

## COST PASS-THROUGH

With the cost pass-through mechanism implemented under IBR, any additional increase in fuel and generation costs as a result of the increase in piped gas price, is passed through to the customer. Historically, the domestic piped gas price to the power sector which is regulated by the Government, has been kept relatively lower than the market price to ensure affordable and competitive tariff to consumers. As part of subsidy rationalisation plan, the Government has begun to gradually move the domestic piped gas price in line with market prices. As such, the piped gas price has been revised upward by RM1.50/mmBTU over the benchmark price set in the base tariff every six months since July 2015.

In spite of this, our customers have been able to enjoy rebates in their electricity bills during the past four cycles of ICPT implementation. This is primarily due to savings realised from the lower market prices of liquefied natural gas and coal as compared to benchmark prices as well as higher performance of coal power plants resulting in less usage of LNG. For the six month period of January to June 2016, RM758.03 million of net savings was realised and approved to be passed-through via 1.52sen/kWh ICPT rebate in consumers' monthly electricity bills effective from 1 July 2016 until 31 December 2016.



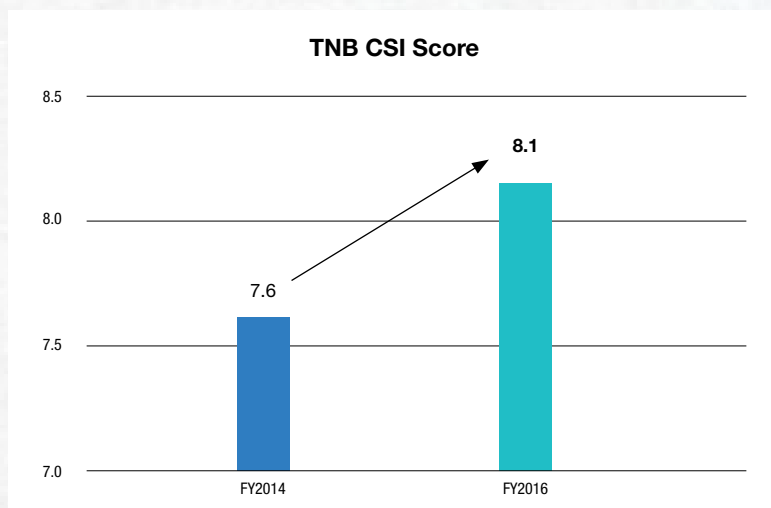
EXCEEDING CUSTOMER EXPECTATIONS



**IMPROVE CUSTOMER SATISFACTION**

We have always put our customers first in whatever we do. Key to this has been our insight into our customers' values and needs, and our ability to satisfy those same values and needs through quality, reliable and efficient electricity services at fair and reasonable costs.

To this end we have continued to enhance our services. We are pleased that our continued efforts have been reflected by the continued increase in our Customer Satisfaction Index (CSI) score. In FY2016 we recorded a CSI score of 8.1 an increase from 8.0 in FY2015. The improvement in our score was seen across all our customer segments, with a significant increase noted among our B2B segments. We believe the improved score amongst our B2B segments is reflected by our 7<sup>th</sup> position in the World Bank Doing Business 2016 report<sup>3</sup>. We are also pleased to note our CSI score has been on an upward trend since FY2014 (7.6).



**VALUE ADDING OUR SERVICES**

**Introducing Advanced Metering Infrastructure**

During the year, we implemented the Smart Meter/Advanced Metering Infrastructure (AMI) pilot roll-out. The AMI facility will provide close to real-time information on consumption to allow for more accurate billing and improve energy consumption management by consumers. (See Grid of the Future, page 24)



In the pilot project, which was completed in four phases, a total of 1,000 smart meters were installed in Malacca and Putrajaya. Amongst the features that were introduced during this pilot project were monthly auto-billing, load profile, In-Home Display (IHD) and the smart meter Web Portal. Three different communication technologies were verified as being suitable AMI communication mediums namely cellular (GPRS or General Packet Radio Service), meshed radio frequency (RF mesh) and Power Line Carrier (PLC).

The monthly auto-billing allows meters to be read remotely, while the IHD device provides customers with information on their daily energy usage. This is complemented by the Smart Meter Web Portal, launched in 2015, which also allows customers to receive more information on their energy usage.

We are now embarking on providing more features such as alarm detection for non-technical losses analysis, reconnection, outage management, time-of-use tariff, pre-payment bill and demand-side management. As such we will be expanding the trial to an additional 340,000 customers in Malacca in 2017. This will represent the first phase of our nationwide AMI roll-out.

**Kedai Tenaga Enhancements**

We have introduced multiservice counters in our retail outlets (“Kedai Tenaga”) to reduce customer waiting times. These enhanced service counters have provided several options for customers to pay their bills or perform other services at Kedai Tenaga.

Additionally, 124 payment kiosks have been put in place at our Kedai Tenaga throughout Peninsular Malaysia. These facilities provide greater convenience for our customers to carry out transactions with us, even after office hours.

Through the implementation of these enhancements, we have seen a reduction in the time taken to serve our customers at Kedai Tenaga to 8 minutes.

**Home Energy Report**

Our Home Energy Report (HER) pilot programme from August 2015 to July 2016 has also produced encouraging results. The personalised HERs, which provide customers with information to help manage their energy use and reduce monthly electricity bills, has enabled the 200,000 selected customers in Klang Valley, Negeri Sembilan and Malacca involved in the pilot programme to save 13,979 megawatt hours. This is equivalent to the removal of 9,967 metric tonnes of CO<sub>2</sub> from the atmosphere.

We also recorded a 9% increase in customer satisfaction among customers involved in the pilot, marking the largest improvement in customer satisfaction over seven years and across 100 programmes around the world.<sup>4</sup>

TNB is the first utility in Southeast Asia to introduce a programme of this kind, which has been successfully adopted by utilities in developed countries in Europe as well as Japan, Hong Kong, New Zealand and the US.

<sup>3</sup> “Getting Electricity” segment under World Bank’s Doing Business 2016 report

<sup>4</sup> Opower analysis



GOING BEYOND CUSTOMER SERVICE



In addition to ensuring quality services for our existing customers, we are focused on providing access to electricity for all Malaysians, especially those in rural areas. We have participated in the Government’s Rural Electrification Scheme, which aims to provide electricity to remote locations.

For 2016, we undertook 37 projects throughout Peninsular Malaysia, involving 1,728 houses. The projects are now at various stages of completion:



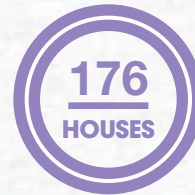
**Work in Progress**  
BELB Talian Grid  
Peninsular Malaysia



**100% Completion**  
BELB Agropolitan  
Chemomoi, Bentong  
Pahang



**100% Completion**  
BELB Sg. Mok



**100% Completion**  
BELB Pos Simpor  
Pulat, Gua Musang,  
Kelantan



**81% Completion**  
BELB Kampung  
Orang Asli Sg. Siput,  
Perak



**To be completed  
by July 2017**  
BELB KKLW  
Peninsular Malaysia  
2014-2015

Further to this initiative, we also participate in the Government’s Lampu Jalan Kampung project for the installation of street lights in public areas to help promote safer communities especially for our rural customers. As at June 2016, we have installed 19,119 street lights throughout Peninsular Malaysia out of the 36,964 units we have committed to.



TNB employees explaining the myTNB mobile application to customers.

## DRIVING OPERATIONAL EXCELLENCE & COST EFFICIENCIES

As a utility, we cannot ensure sustainable profitability without ensuring that profitability is backed by operational excellence and cost efficiencies.

### DRIVING OPERATIONAL EXCELLENCE

Since the launch of our 1TNB Transformation Programme (1TTP) in 2014, we have been focusing on improving our operational performance to achieve operational excellence. This is clearly reflected in our technical performance over the past two years as the initiatives set out under the 1TTP become embedded into our daily operations. Our core divisions, Generation, Transmission and Distribution, continued to improve their technical performance in the year under review.

### Improving Plant Performance

During the year under review, our power stations continued to operate at a high level of availability, maintaining a healthy Equivalent Availability Factor (EAF) of 89.3%, the highest plant's availability recorded over the last 5 years. This is the result of our Generation Excellence Programme initiated under the 1TTP. Under this programme, we have designed and implemented breakthrough initiatives to enhance our plant's performance through the establishment of Centre of Excellence (CoE) as well as sustaining our capability building through Generation Academy Programme. We are also utilising our internally developed Asset Maintenance Philosophy Guideline at all of our power stations in providing a systematic and standardised approach in asset management and accurate asset management decision-making.

In addition to our improve availability, we have also recorded our highest plant reliability in four years, achieving an Equivalent Unplanned Outage Factor (EUOF) of 3.7% for FY2016.



Ensuring operational excellence in the Control Room.

# STRATEGIC REVIEW

## Maintaining Grid Excellence

During the year under review, we continue to record seven years of maintaining the reliability of our transmission grid to being below the 2 system minutes threshold, with a total of 1.47 system minutes. In addition, 2016 also represented the 11<sup>th</sup> consecutive year that we have maintained a Zero Major Disturbance and the 8<sup>th</sup> consecutive year in which we have sustained Zero Tripping with Load Loss for the 500kV and 275kV transmission system. These reliability performances along with our annual System Availability of 99.77% have been the results of innovative maintenance works methodology employed such as our live line maintenance works and line patrol utilising aerial drones.

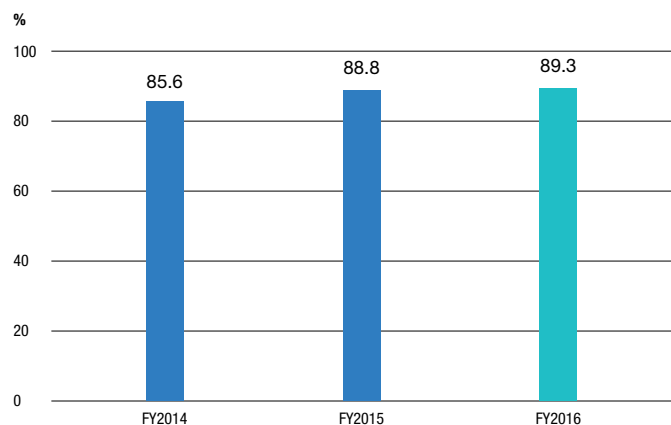
For 2016, our distribution network recorded a System Average Interruption Duration Index (SAIDI) of 49.71 minutes per customer per year, maintaining our distribution network under the 50-minute threshold for two consecutive years. This performance ensures that our distribution network is well on par with those distribution networks in developed countries such as Australia and the UK.

## ENSURING COST EFFICIENCIES

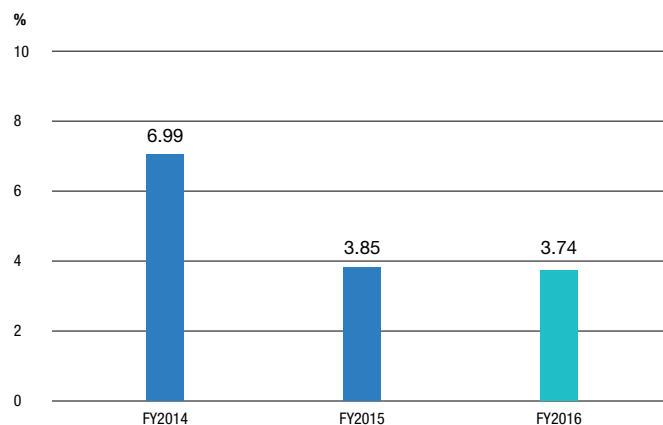
Under the IBR framework, the regulated entities are incentivised for prudent and efficient spending of their actual capital and operational expenditures as compared to the amount approved by the regulator which is set at the beginning of every regulatory period. As such, the regulated entities must ensure that their costs remain within the allowed threshold amount. This, in turn, benefits the customers as they are not made to bear the cost of inefficient spending by utilities.

In line with this, TNB has, since 2014, commenced efforts to optimise its capital and operational expenditures. These efforts, along with other initiatives put in place through our 1TTP, have allowed us to not only optimise our expenditures, but also to practise prudent spending. For the year under review, we have ensured that our capital and operational expenses are within the boundaries set by the regulator.

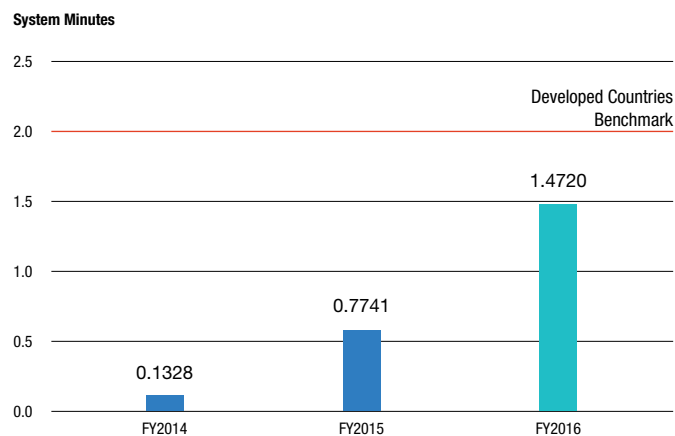
**Equivalent Availability Factor (EAF)**



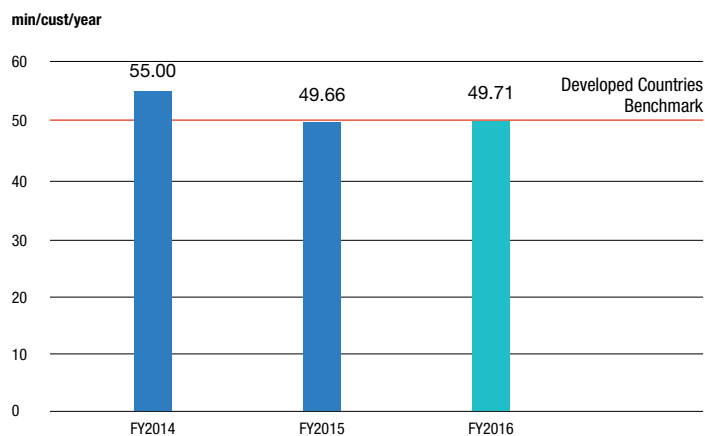
**Equivalent Unplanned Outage Factor (EUOF)**



**System Minutes**



**System Average Interruption Duration Index (SAIDI)**

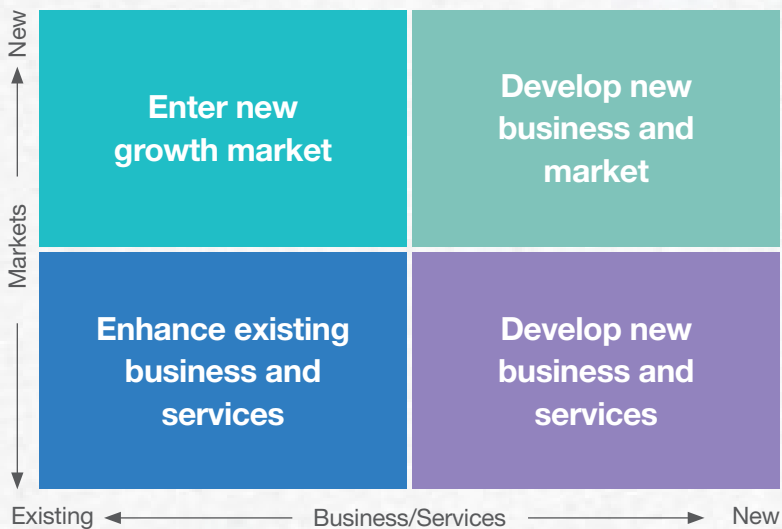




GROWING PROFITABLE BUSINESS

In our effort to cement our sustainability and grow our business further, TNB will be implementing several growth strategies focused on:

1. Enhancing profitability in the current electricity supply business in our core market while increasing our share in targeted growth regions.
2. Developing accessible, customer-centric and energy-related services beyond our customers' electricity needs.



DEVELOP NEW BUSINESS AND SERVICES



We have taken an active step forward in pursuing our first Large Scale RE capacity. We have put together a dedicated team to drive forward our RE aspiration. We aim to participate in Malaysia's first Large Scale Solar bidding programme. We are certain of our competitiveness and are confident that we will be able to secure the means to our first Large Scale Solar facility.

We believe our role with respect to RE is beyond that of a RE generator, we aspire to nurture the domestic RE sector and propel Malaysia to become the ASEAN RE champion. To this end, TNB has been engaging with the Government and corporate agencies on how we can leverage on our proven track record in nurturing local vendors, to help boost the nation's RE sector.



Independently we are piloting new and innovative RE technologies such as floating solar and waste-to-energy installations with various water utilities and sewerage service providers respectively. The lessons learned from these trials will not just be used to launch new RE installations but also to improve the local RE sector's capabilities and capacity.

ENHANCE EXISTING BUSINESS AND SERVICES



In a bid to strengthen our domestic generation portfolio, we are currently executing four projects which will be operationalised between 2016 and 2019. These new projects will not only increase our share of the domestic capacity but also update our generation fleet with new and more efficient power plants.

Ulu Jelai Hydroelectric Power Plant (Unit 1)  
1 x 186MW = 186MW 99%

Expected COD: **27 September 2016**

Hulu Terengganu Hydroelectric Power Plant (Tembat Dam) 2 x 7.5MW = 15MW 99%

Expected COD: **Unit 1: 23 November 2016 | Unit 2: 28 November 2016**

Manjung V Coal Fire Power Plant  
1 x 1,000MW 96%

Expected COD: **1 October 2017**

Jimah East Power Coal Fire Power Plant  
(TNB owns 70% share in the plant)  
2 x 1,000MW = 2,000MW 22%

Expected COD: **Unit 1: 15 June 2019 | Unit 2: 15 December 2019**

ENTER NEW GROWTH MARKET



During the year, we completed our acquisition of a 30% stake in GAMA Enerji AS, which is a power and water infrastructure development company which owns and operates a large and well-balanced portfolio of thermal, wind and hydro assets in Turkey as well as a large water conveyance project in Jordan.

GAMA Enerji currently has a 840MW natural gas-fired plant and a 45MW wind power plant under construction in Turkey which will come online at the end of 2016. It has also developed and operates a large water conveyance project in Jordan.

Our acquisition of a stake in GAMA Enerji will provide us with a foothold in an emerging market with one of the fastest growing energy markets in the world and also help diversify our RE capabilities with the inclusion of wind generation.

In addition to GAMA Enerji, we are also looking at completing the acquisition of a 30% stake in GMR Energy. GMR Energy is a power generation company which owns and operates 2,298MW of coal, gas and solar assets in India. We believe that an acquisition in GMR Energy will provide us with a foothold in India, another fast growing energy market.

Beyond the electricity business, we are also looking to grow our energy related services such as in the district cooling systems taking advantage of recognition we have gained in the Asia-Pacific, and the Middle East.



## STRATEGIC REVIEW

Similarly, we are also looking to push our plant operation and maintenance services to the Middle East, South Asia and within ASEAN. We are currently servicing clients in Pakistan, Kuwait and Saudi Arabia through our subsidiary TNB REMACO and believe that we are able to grow this business bigger.

### DEVELOP NEW BUSINESS AND MARKET



We are also looking at RE internationally. Our RE team has qualified to bid for Sweihan 350MW solar PV independent power plant project in Abu Dhabi, UAE. While this will be our maiden attempt in bidding for RE capacity internationally, we believe that we are competitive and that our solution will stand out amongst other bidders come 19 September 2016.



Minister of Energy, Green Technology and Water, Datuk Seri Panglima Dr. Maximus Johnity Ongkili during the launch of Kimanis Main Intake Substation in Papar, Sabah.

**Sabah Electricity Sdn Bhd (SESB)** recorded profit after tax of RM128.68 million in FY2016, as electricity sales rose to RM2.14 billion from RM1.68 billion in FY2015. For the year in review, SESB achieved a record low SAIDI of 350 minutes, and an increase CSI score of 73%. In addition, SESB was conditionally awarded a concession for a 60MW generating facility in the Sandakan Palm Oil Industrial Cluster.

As part of the transformation initiative to improve SESB's performance, security supply and business growth, we embarked on the following activities in the year under review:

- Commenced the upgrading of the Sabah Load Dispatch Centre to prepare for future expansion and enable faster restoration times
- Upgraded protection schemes and slope protection for tower site to improve the reliability of transmission lines
- Intensified repair and replacement works for distribution overhead lines to further improve system reliability
- Widened the roll-out of our new service application process which reduces the time taken to connect a customer from 48 days to 10 days
- Commenced the roll-out of Smart meters to our large power consumers
- Introduced our "SESB Go To School" initiative to connect and communicate better with students and teachers on electricity safety and energy efficiency

Following the implementation of the IBR mechanism in Peninsular Malaysia, SESB will be regulated under the IBR mechanism starting with a trial year in 2017 before its first Regulatory Period between 2018 to 2020. We believe that the introduction of the IBR to Sabah and Federal Territory of Labuan will have a positive impact as the IBR will enable fuel prices to be passed through, therefore improving SESB's ability to recover its costs so long as SESB continues to operate within the predetermined cost boundaries.

Moving forward, in line with TNB's Strategic Plan, SESB will also seek investment opportunities in RE generation and will be participating in the upcoming bidding for the development of a 200MW Large-Scale Solar Photovoltaic Plant in Sabah and Labuan. Bidders will be required to bid for capacity ranging from 1-10MW, with a target aggregate capacity of 50MW to be awarded every year until total capacity reaches 200MW. The outcome of this bidding process is expected in January 2017.

TRANSFORMING OUR PEOPLE AND LEADERSHIP



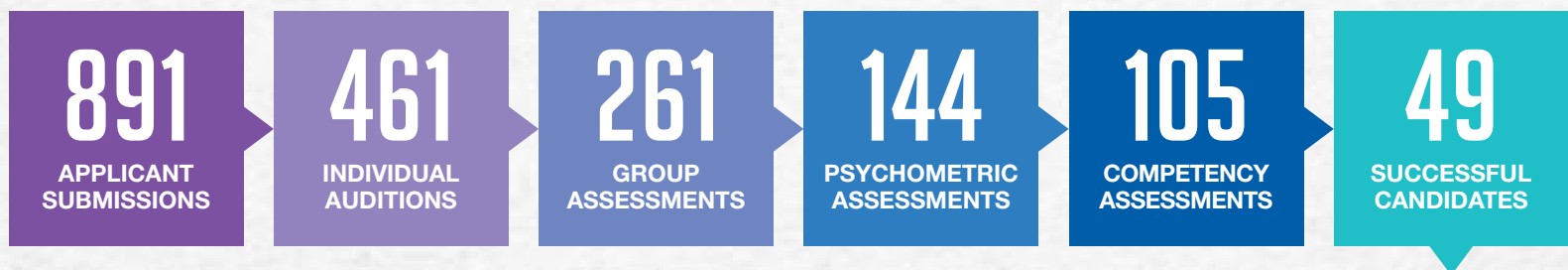
We believe in developing leadership at all employee levels and provide leadership training programmes for all our employees. For the year under review, 2.8% of our profit was allocated for employees development.

Employee category	Objective	Highlights	Number of employees trained
<b>Top Management (Vice Presidents &amp; Senior General Managers)</b>	<ul style="list-style-type: none"> <li>Enhance leadership capabilities</li> <li>Coaching skills</li> </ul>	<ul style="list-style-type: none"> <li>FED Leadership Programme is conducted by TNB Leadership Development Centre (LDC)</li> <li>Prestigious Programme – conducted by Centre of Excellence (CoE) PD GHR</li> </ul>	20
<b>Management</b>	<ul style="list-style-type: none"> <li>Build leadership competencies</li> <li>Business acumen</li> <li>Professional networking</li> </ul>	Programmes conducted were identified and designed by the team from TNB LDC and CoE for People Development.	350
<b>Executive</b>	<ul style="list-style-type: none"> <li>Advanced managerial skills</li> <li>Problem-solving and strategic decision making skills</li> <li>Technical and financial competencies</li> </ul>	The training programmes for this group are tailored by our Group Human Resource division working in tandem with all the business units to identify the current and future capability needs.	6,000
<b>Non-executive</b>	<ul style="list-style-type: none"> <li>Upskilling and upward mobility programme for non-executives</li> <li>Technical and clerical competencies</li> </ul>	The majority of the programmes are designed and conducted by subsidiary TNB Integrated Learning Solution (ILSAS).	30,000

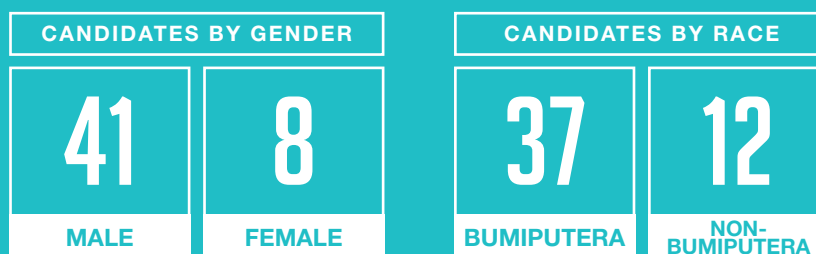
LEADERSHIP DRIVE

In addition to our corporate talent development programme, we introduced the Leadership Drive initiative to democratise our search for potential leaders throughout our Company to allow us to identify leaders at all levels. We advertise within TNB for any interested executives to apply to the Leadership Drive. Applicants are then screened to determine their potential after which successful candidates will undergo extensive leadership development implemented using experiential learning methodology which blends together theoretical lessons in classes and mission based work assignments.

LEADERSHIP DRIVE SEASONS 1 & 2



DEMOGRAPHICS OF SUCCESSFUL CANDIDATES





Future leaders in the making.

**SAFETY AT THE WORKPLACE**

The nature of our business demands an uncompromising approach to the safety and well-being of our employees. Our Occupational Safety and Health policy ensures a high safety standard throughout our operations, while our employees participate in OSH courses and must attend at least one day of OSH training every year.

At TNB, we believe that a proactive approach and personal commitment from every employee is vital in ensuring a high safety standard. Our efforts in ensuring safety at the workplace are reflected in our LTIF and accident rate for FY2016, whereby both recorded values were at a three-year low.

Description	2014	2015	2016
<b>Lost time injury frequency (LTIF)</b> Number of cases per one million man-hours	1.30	1.47	<b>1.29</b>
<b>Accident rate</b> Recordable incident per 1,000 workers	2.58	2.92	<b>2.57</b>

**TNB SAFETY AND HEALTH INITIATIVES**

**‘BEHAVIOUR-BASED SAFETY’ PILOT PROGRAMME**  
at Sultan Azlan Shah Power Station in Manjung, Perak, which has shown a reduction in occupational accidents

**TNB SAFETY INFORMATION SYSTEM (TSIS)**  
Online system to enhance efficiency and effectiveness of accident reporting, follow-up action monitoring, and Hazard Identification, Risk Assessment and Risk Control (HIRARC) documentation

**STRENGTHENING OF AUDIT AND ENFORCEMENT PROGRAMMES**

- a) Safety Compliance Audit (SAFCA) at project site
- b) Yearly Safety Excellence Management Systems (SEMS) audit
- c) Safety Quality Enforcement (SQE)
- d) OHSAS 18001 certification audit

**‘TENAGA SAFE’**  
A holistic approach towards effective safety management

**‘12 SAFETY RULES’**  
Introduced to power stations to inculcate a culture of safety at work



TRANSFORMING OUR PEOPLE AND LEADERSHIP

VALUE UNLOCKING PROGRAMME

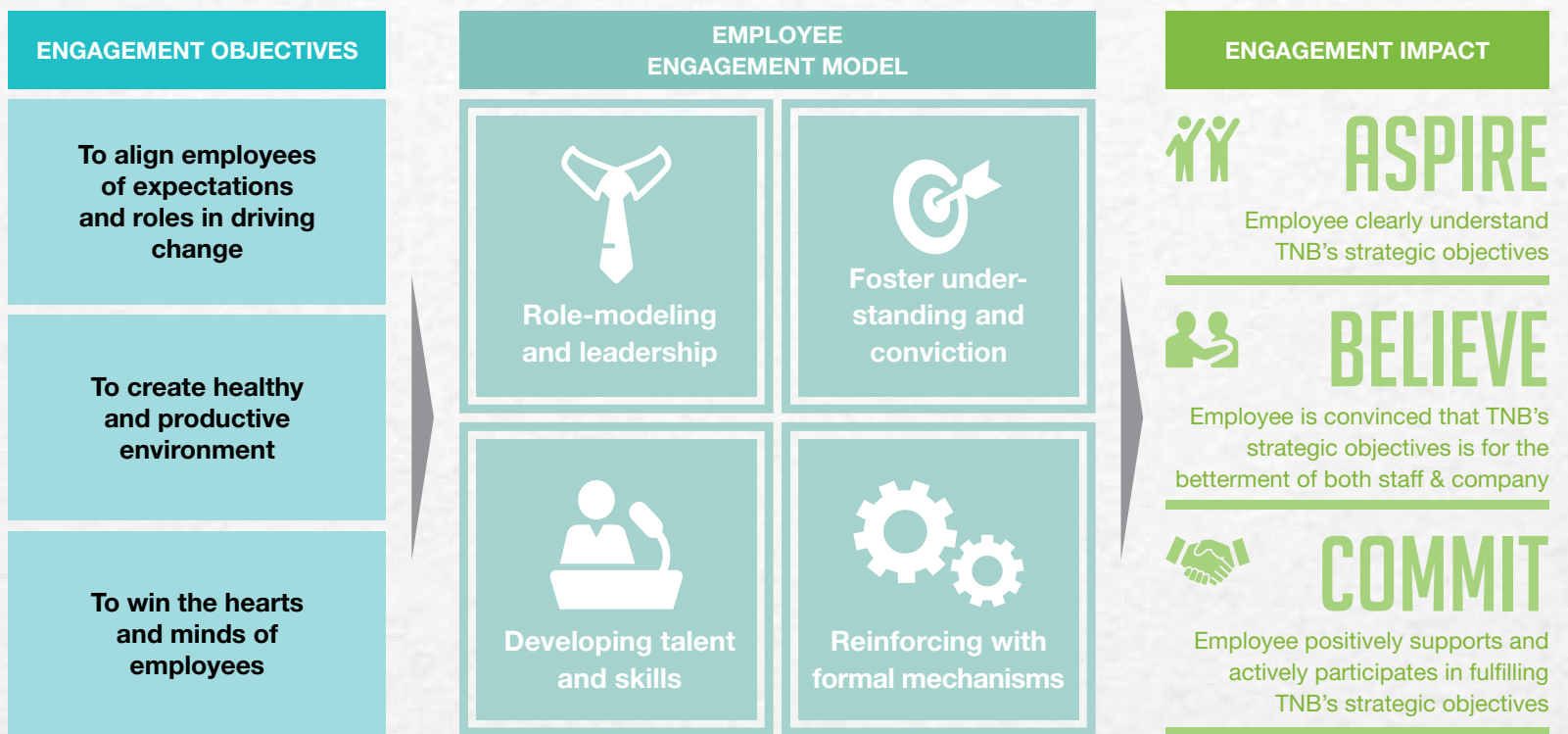
We completed the design phase of our Value Unlocking Programme (VUP) in FY2016, which is aimed at unlocking our People, Financial and Customer values. All our divisions are currently undergoing the delivery phase of the VUP design. While we fully expect the delivery phase to occur over the next 24 months, we are pleased to see that several values are already being unlocked this early in our delivery phase.

The values that are being unlocked are:

<p>Flatter organisational structure resulting in <b>FASTER DECISION-MAKING AND EMPOWERMENT</b></p>	<p>Development of strategic corporate functions enabled by <b>CLEAR SEPARATION</b> into Centres of Excellence (for strategic activities) and Shared Service Centres (for transactional activities)</p>	<p><b>IMPROVED EMPLOYEE PRODUCTIVITY TO RM1.55</b> million (revenue/employee) from <b>RM1.46</b> million in FY15 </p>
<p>Creation of functional specialisation to <b>LEVERAGE SCALE, EXPERTISE AND PROVIDE CAREER OPPORTUNITIES</b></p>	<p>Efficient organisation through <b>DELAYERING, OPTIMISED SPANS</b> of control and staff empowerment</p>	

ENGAGING OUR EMPLOYEES

We conduct a study on our Employee Engagement every two years. For the year under review, our Company achieved an Employee Engagement Score (EES) of 89%, an increase of 4% from our previous score. The EES also identified senior leadership, performance management as well as talent and staffing as our key impact drivers to our increased scoring.





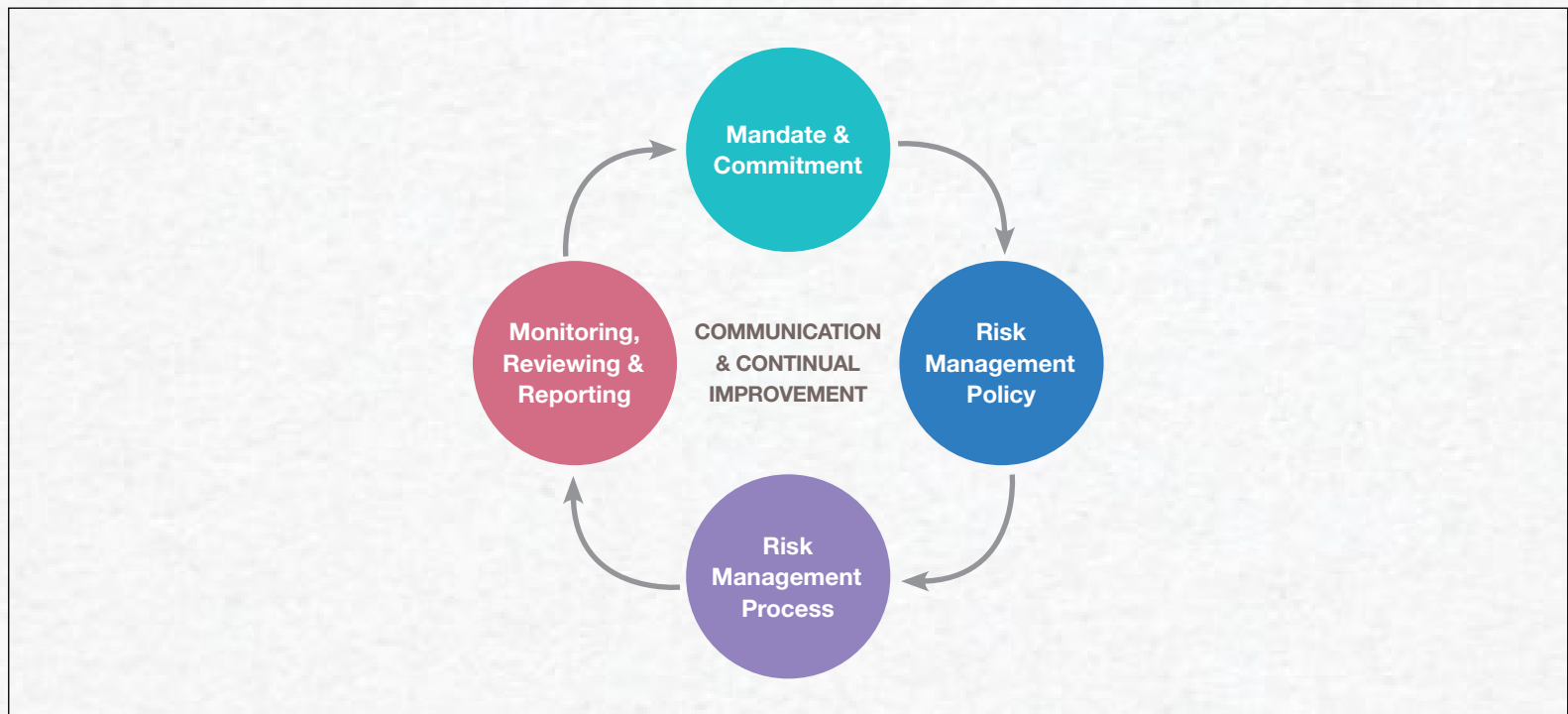


The Annual TNB Staff Assembly held at Multipurpose Hall, Sports Complex, TNB Headquarters, Kuala Lumpur.

# OUR APPROACH TO RISK MANAGEMENT

TNB has established its risk management framework that is aligned to 'ISO 31000:2009 Risk Management - Principles and Guidelines', which provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Group.

## TNB RISK MANAGEMENT FRAMEWORK



<b>Mandate &amp; Commitment</b>	<ul style="list-style-type: none"> <li>The establishment of the Board Risk Committee (BRC) reaffirms the Board of Directors' commitment to safeguard stakeholders' interests and Group assets. The BRC ensures that a sound and robust enterprise risk management framework is in place and effectively implemented.</li> <li>At the Management level, the TNB Leadership Group regularly convenes to deliberate on strategic and emerging risk and to ensure that the risks are effectively mitigated.</li> </ul>
<b>Risk Management Policy</b>	<ul style="list-style-type: none"> <li>The policy expresses TNB's commitment to:             <ol style="list-style-type: none"> <li>identify and assess risks,</li> <li>integrate risk management in all decision-making processes,</li> <li>anticipate potential risks in response to changes, and</li> <li>communicate risk information through a clear monitoring and reporting structure.</li> </ol> </li> </ul>
<b>Risk Management Process</b>	<ul style="list-style-type: none"> <li>A detailed process of risk assessment and risk treatment is applied in TNB to determine risk profiles for each division, department and subsidiary.</li> <li>In addition, the TNB Investment Risk Assessment (TIRA) guideline has been developed with the purpose of providing a standardised risk assessment methodology for investment proposals.</li> </ul>
<b>Monitoring, Reviewing and Reporting</b>	<ul style="list-style-type: none"> <li>Risk profiles are recorded and monitored through the TNB Risk Information System (TRIS), which is accessible online across the Group.</li> <li>The TNB Risk Dashboard was introduced in 2015 to serve as a precautionary mechanism to alert management and Board of possible threats.</li> <li>A concept called "stress test" is adopted whereby key risk parameters are stress tested against justified triggering and breaking points. In the year under review, 29 risk parameters with their triggering and breaking points had been identified and approved as well as reported to the BRC on a quarterly basis.</li> </ul>
<b>Communication &amp; Continual Improvement</b>	<ul style="list-style-type: none"> <li>Divisions, departments and subsidiaries regularly communicate with internal and external stakeholders on relevant risk related topics.</li> <li>TNB continually strives to improve its risk management maturity alongside all other aspects of its organisational processes.</li> </ul>

# OUR APPROACH TO RISK MANAGEMENT

## TNB STRATEGIC RISK

Strategic Risk Management is one of management's key efforts to ensure TNB focuses not only on challenges and opportunities, but also on any high-level risks that could affect the Group's long-term positioning and performance. A strategic risk review is conducted annually to ensure that TNB's strategic risks reflect changes in internal and external environments.

Eight strategic risks have been identified that could hinder the Group from achieving our aspiration. These strategic risks have been identified in accordance with our 5 Key Result Areas.

NO.	KEY RESULT AREA	STRATEGIC RISK	KEY MITIGATION PLAN
1.	<b>Enabling a Stable Regulatory Environment</b>	<p><b><u>Uncertain implementation of regulatory reforms</u></b></p> <p>The Government embarked on an industry restructuring effort based on the MESI Reform programme encompassing Tariff, Fuel, Market Structure and Governance in 2009. Progress thus far has been favourable on most fronts.</p> <p>However, significant work remains as certain critical reform packages such as the implementation of competitive capacity bidding and the implementation of NEDA. The success of these reform packages would require unified commitment from various stakeholders.</p>	<ol style="list-style-type: none"> <li>1. Formation of a centralised regulation team to streamline regulatory-related activities and ensure effective communication and engagement with the Government.</li> <li>2. Formulate comprehensive stakeholder engagement plan to facilitate an informed discussion on regulatory topics.</li> </ol>
		<p><b><u>Reputational risk</u></b></p> <p>Reputational risk is the risk of TNB's reputation being adversely affected, to the extent that stakeholders do not see TNB as the preferred utility provider.</p>	<ol style="list-style-type: none"> <li>1. Formulate strategic stakeholder engagement to strengthen our brand and our commitment to customers and the communities.</li> <li>2. Revitalisation of our brand.</li> <li>3. Establish necessary communication policies, crisis communication plan and Corporate Identity Manual.</li> </ol>
2.	<b>Exceeding Customer Expectations</b>	<p><b><u>Inability to meet increasing customer expectations</u></b></p> <p>Customer expectation is changing due to rapid evolution of technology. The passive customers of yesterday are rapidly giving way to customers that are more engaged, empowered and informed. There is a clear need for us to step up our services and communication in all channels as we seek to continue to exceed our customers' expectations.</p>	<ol style="list-style-type: none"> <li>1. Focus on operating performance, customer service and brand building to reinforce TNB's performance and commitment to our customers and the communities.</li> <li>2. Target and improve the services that have the highest impact towards customer satisfaction for all customer segmentations.</li> </ol>
3.	<b>Driving Operational Excellence &amp; Cost Efficiencies</b>	<p><b><u>Failure to provide sustainable, reliable and secure supply of electricity</u></b></p> <p>Risk reliability to our inability to provide electricity supply at the agreed levels of sustainability, reliability and security.</p>	<ol style="list-style-type: none"> <li>1. Ensure compliance with the necessary conditions of licence, operating codes and standards as set by the regulators.</li> <li>2. Continuous strengthening of asset management across the value chain; from generation to distribution.</li> <li>3. Reduce over-reliance on any one fuel source to minimise interruptions in supply.</li> </ol>
		<p><b><u>Cyber intrusion</u></b></p> <p>TNB is exposed to cyber intrusions due to our online activities, electronic and network systems, as well as digital storage of business and operation information.</p>	<ol style="list-style-type: none"> <li>1. Establishment of a centralised team responsible for managing and improving our cyber security level.</li> <li>2. Regular review and monitoring of cyber threats globally.</li> <li>3. Certification in ISO/IEC 27001 Information Security Management System (ISMS) for our control systems.</li> </ol>



# OUR APPROACH TO RISK MANAGEMENT

NO.	KEY RESULT AREA STRATEGIC RISK	KEY MITIGATION PLAN
4.	<p><b>Growing Profitable Business</b></p> <p><b><u>Inability to secure profitable new businesses internationally</u></b></p> <p>Critical to our strategy is the ability to grow our business in profitable and high growth markets.</p>	<ol style="list-style-type: none"> <li>1. A comprehensive investment policy that is flexible and dynamic is in place.</li> <li>2. Regular stakeholder engagement sessions to advocate our position on all international acquisitions/bids.</li> <li>3. Formulation of centralised market intelligence team to monitor country and regional risks.</li> </ol>
	<p><b><u>Inability to maximise investment value</u></b></p> <p>The inability to maximise investment value can be caused by failure to drive an effective equity portfolio leading to the deterioration of the investment value.</p>	<ol style="list-style-type: none"> <li>1. Conduct comprehensive and regular strategic fit review for all our investee companies.</li> <li>2. Periodical monitoring of investee performance and compliance.</li> <li>3. Monitor and review macro external factors impacting investee performance.</li> </ol>
5.	<p><b>Transforming Our People and Leadership</b></p> <p><b><u>Not having right leaders at pivotal positions to drive business growth</u></b></p> <p>Critical to the success of our growth plan is the ability to identify and groom the right leaders to fill up various pivotal positions in the Company.</p>	<ol style="list-style-type: none"> <li>1. Reorganisation of our HR function in line with best practices.</li> <li>2. Formulation of a multi-pronged talent management strategy to ensure adequate leaders/talents are developed.</li> <li>3. Enhance our productivity by redesigning the structure based on roles and functions, creating a focused organisation with flatter structure to allow empowerment across the organisation.</li> </ol>



Our people - our most valuable assets.



# OPERATIONS SCORECARD

	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Enabling Regulatory Environment</b>					
Return on asset	4.5%	5.6%	6.2%	6.6%	<b>6.4%</b>
Generation market share	48%	48%	47%	48%	<b>54%</b>
<b>Exceeding Customer Expectations</b>					
Customer satisfaction index	7.2	7.5	7.6	8.0	<b>8.1</b>
Corporate reputation index <sup>1</sup>	-	-	74%	76%	<b>82%</b>
<b>Driving Operation Excellence and Cost Efficiencies</b>					
Cost per unit	31.9sen/kWh	31.0sen/kWh	36.3sen/kWh	35.1sen/kWh	<b>34.2sen/kWh</b>
Equivalent availability factor	88.68%	88.09%	85.60%	88.76%	<b>89.28%</b>
Equivalent unplanned outage factor	3.55%	6.22%	6.99%	3.85%	<b>3.74%</b>
Transmission system minutes	1.03 minute	0.44 minute	0.13 minute	0.77 minute	<b>1.47 minute</b>
System average interruption duration index (SAIDI) <i>minutes/customer/year</i>	62.32	64.20	55.00	49.66	<b>49.71</b>
Transmission losses	1.67%	1.69%	1.63%	1.47%	<b>1.28%</b>
Distribution losses	6.58%	6.66%	6.52%	6.21%	<b>6.11%</b>
<b>Transforming People and Leadership</b>					
Employee engagement score <sup>2</sup>	83%	83%	85%	85%	<b>89%</b>
<b>Growing Profitable Business</b>					
Non regulated revenue <sup>3</sup>	RM2.3b	RM2.2b	RM2.5b	RM2.6b	<b>RM2.9b</b>

<sup>1</sup> TNB did not conduct any corporate reputation index prior to FY2014

<sup>2</sup> TNB conducts its employee engagement survey biannually. The scores for both FY2014 and FY2015 are based on survey conducted in FY2014 which consist both, TNB and SESB

<sup>3</sup> Starting from 2016, non-regulated revenue has been expanded to include generation related revenue, for 2016 non-regulated revenue including generation RM13.6 billion

# FINANCIAL CALENDAR

## FINANCIAL YEAR 2015-2016

### ANNOUNCEMENT OF QUARTERLY RESULTS 2016

#### 28 JANUARY 2016

Unaudited consolidated results for the first (1<sup>st</sup>) quarter ended 30 November 2015

#### 27 APRIL 2016

Unaudited consolidated results for the second (2<sup>nd</sup>) quarter ended 29 February 2016

#### 28 JULY 2016

Unaudited consolidated results for the third (3<sup>rd</sup>) quarter ended 31 May 2016

#### 27 OCTOBER 2016

Audited consolidated results for the fourth (4<sup>th</sup>) quarter and Financial Year ended 31 August 2016

### DIVIDENDS

#### 2015

Final Single-Tier Dividend of 19.0 sen per ordinary share for the Financial Year ended 31 August 2015

Notice of Book Closure : 19 November 2015  
Entitlement Date : 17 December 2015  
Payment Date : 31 December 2015

#### 2016

Interim Single-Tier Dividend of 10.0 sen per ordinary share for the Financial Year ending 31 August 2016

Notice of Book Closure : 3 May 2016  
Entitlement Date : 20 May 2016  
Payment Date : 31 May 2016

### ANNUAL GENERAL MEETINGS

#### 2015

#### 20 NOVEMBER 2015

Notice of 25<sup>th</sup> Annual General Meeting and Issuance of Annual Report for the Financial Year ended 31 August 2015

#### 14 DECEMBER 2015

25<sup>th</sup> Annual General Meeting

#### 2016

#### 18 NOVEMBER 2016

Notice of 26<sup>th</sup> Annual General Meeting and Issuance of Integrated Annual Report for the Financial Year ended 31 August 2016

#### 15 DECEMBER 2016

26<sup>th</sup> Annual General Meeting

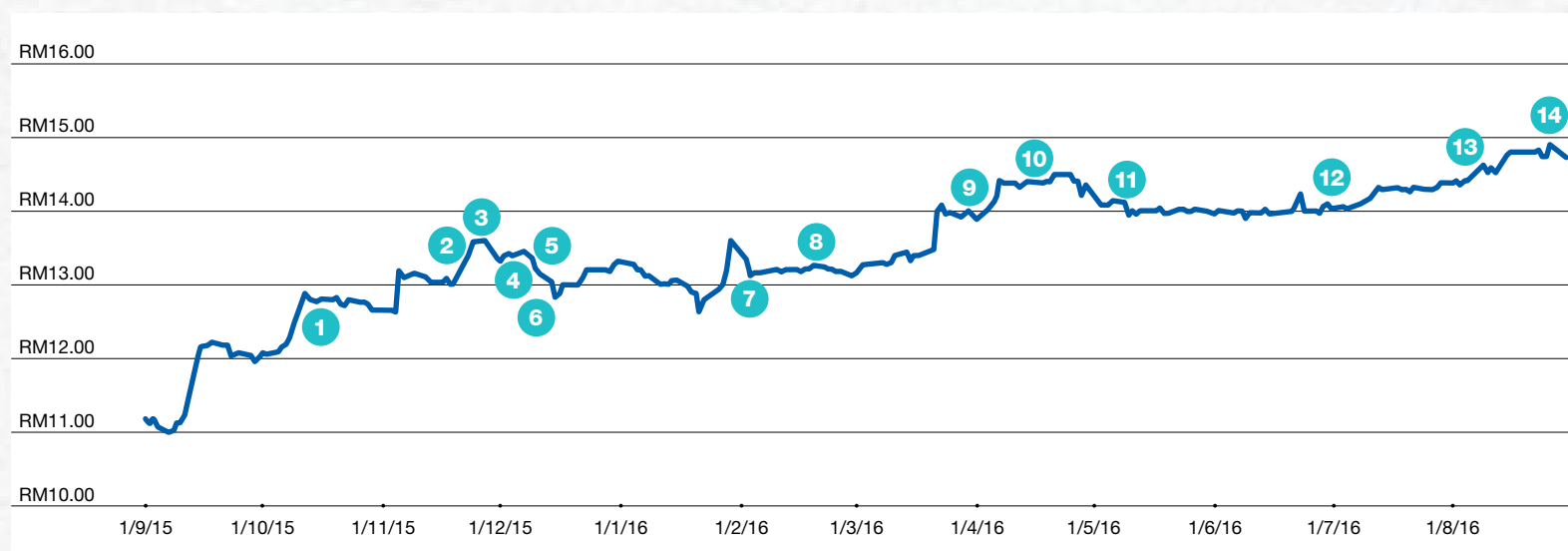
# INVESTOR RELATIONS

TNB recognises the importance of engaging with our valued stakeholders towards supporting our long-term vision of becoming a leading energy corporation globally by year 2025.

In our effort to maximise shareholder value, we apply the principles of effective and clear communication towards greater transparency. These will facilitate informed decision making by the investors to enhance their investment values.

TNB has been keeping with high standard of dissemination of relevant and material information through significant events as follows:

## SIGNIFICANT EVENTS



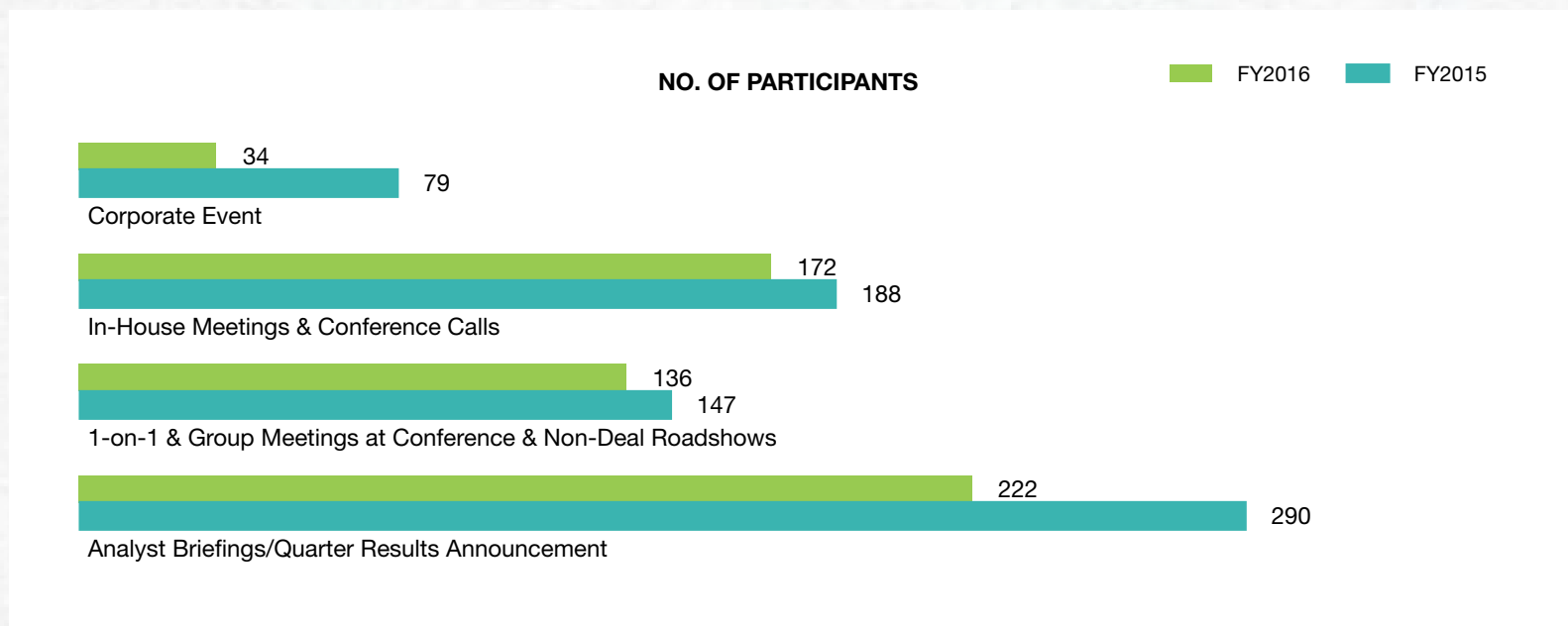
DATE	SIGNIFICANT EVENTS
1	16 Oct 2015 Conditional offer to acquire Edra Global Energy's power assets & ceased to be part of Track 4A consortium
2	23 Nov 2015 Edra Global Energy's power assets sold to China General Nuclear Power Corp (CGN)
3	27 Nov 2015 Received Notices of additional assessment for Year of Assessment 2013 & 2014 of RM2.1 billion
4	4 Dec 2015 Issuance of Sukuk of RM8.98 billion for Jimah East Power (JEP)
5	8 Dec 2015 ICPT rebate of 1.52sen/kWh effective 1 January-30 June 2016
6	14 Dec 2015 <ul style="list-style-type: none"> <li>• Conditional Share Sale Agreement to purchase approximately 30% equity interest in a Turkey-based Gama Enerji A.S.</li> <li>• High Court granted leave to set aside the Inland Revenue Board Notices, allowed an interim stay of all further proceedings</li> </ul>
7	4 Feb 2016 Entered into a Deed of Adherence pursuant to the transfer of 50% shares by Mitsui & Co. Ltd. to Chugoku Electric Power Co. Inc. in JEP
8	23 Feb 2016 Transfer of the remaining shares for Integrax Berhad was completed and Integrax is now a wholly-owned subsidiary of TNB
9	5 Apr 2016 MARC affirmed TNB's issuer rating with stable outlook
10	20 Apr 2016 New peak demand of 17,788MW
11	9 May 2016 Conditional Subscription Agreement to subscribe for new equity shares in GMR Energy Limited (GEL) through its wholly owned subsidiary, Power & Energy International (Mauritius) Ltd, representing a 30% equity interest in GEL on a fully diluted basis, for a total cash consideration of USD 300 million
12	29 Jun 2016 ICPT rebate of 1.52sen/kWh effective 1 July-31 December 2016
13	10 Aug 2016 Received a copy of the letter from Energy Commission (EC) in relation to the conditional award to Tadmax Resources Berhad in consortium with TNB to develop a new 1,000MW combined cycle gas-fired power plant in Pulau Indah, Selangor
14	26 Aug 2016 Share price hit the highest in FY2016; RM14.90

**ENGAGEMENT ACTIVITIES**

TNB through our dedicated Investor Relations and Management Reporting Department, under Group Finance Division maintains continuous engagement with the financial community. In Financial Year 2016, various engagement activities were carried out that include Quarterly and Full Year Financial Results Announcements, IR conferences and roadshows, in-house meetings, conference calls and site visits. These activities enabled the management to provide comprehensive insights about the Group’s business performances, strategies and directions.

**ENGAGEMENT ACTIVITIES IN FINANCIAL YEAR 2016**

Provided accurate and timely information to the financial community through...

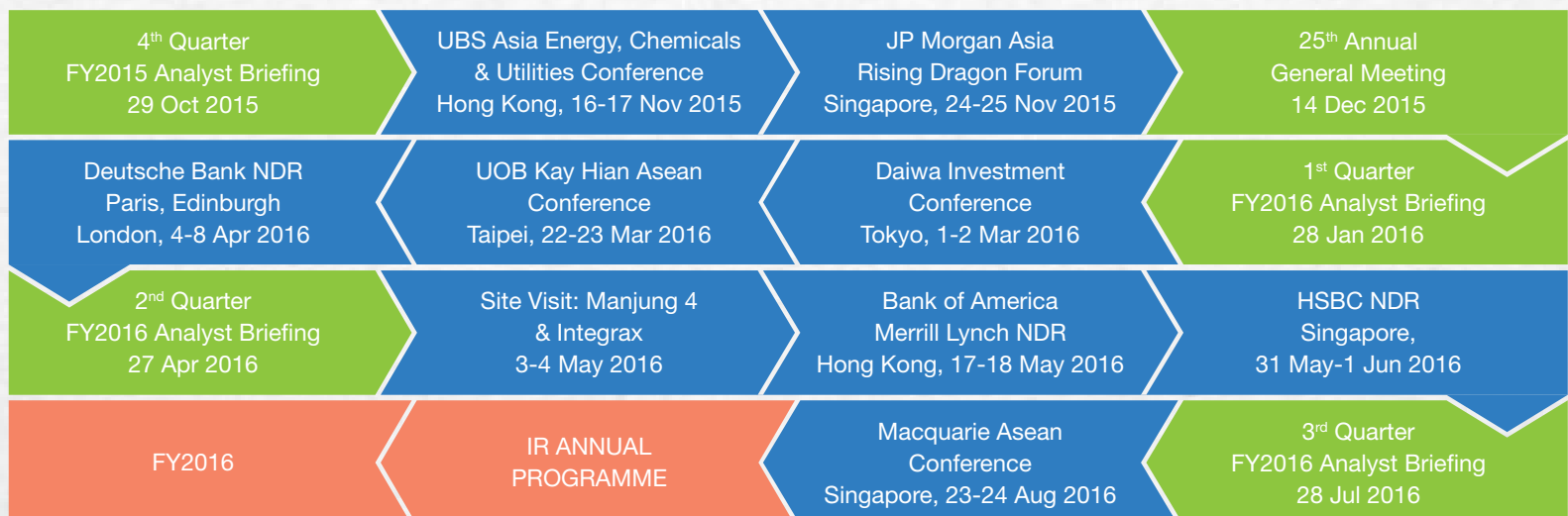


**FINANCIAL YEAR 2016 IR ANNUAL PROGRAMME**

**Shareholder Value and Engagement**

In achieving our objective to broaden our investor base and ensuring a more balanced coverage globally, TNB Investor Relations Annual Programme is developed prior to the commencement of each Financial Year. The programme is spread throughout the year and major activities are scheduled immediately after the Quarterly and Full Year Financial Results Announcements to promote further understanding of the company performances and the latest developments.

The major activities conducted during Financial Year 2016 were as follows:





# INVESTOR RELATIONS

The main subjects of discussion with the financial community during Financial Year 2016 were:

## TNB's Business Direction and Strategy

TNB aspires to become Domestic and Regional champion whereby:

- i. TNB's strategy is now forward looking and centred on growth;
- ii. The focus is to venture into energy related investments in the international front;
- iii. TNB is set to grow in key emerging markets; and
- iv. Operational efficiencies are optimised.

## Regulatory Landscape

With the implementation of Incentive Based Regulation (IBR) in January 2014, TNB remains neutral with regards to any fluctuations in generation costs via the Imbalance Cost Pass-Through (ICPT) mechanism.

To-date four cycles of ICPT review have been implemented on a timely manner as follows:

ICPT	Announcement	Rebate	Period
Jan-Dec 14	RM727 mn	2.25sen/kWh	Mar-Jun 15
Jan-Jun 15	RM1,086 mn	2.25sen/kWh	Jul-Dec 15
Jul-Dec 15	RM762 mn	1.52sen/kWh	Jan-Jun 16
Jan-Jun 16	RM758 mn	1.52sen/kWh	Jul-Dec 16

## Oversea Investment

In-line with TNB aspiration to grow the company at international level with the main objective to create a long term and sustainable value for shareholders, TNB via M&A exercise ventured into Turkey and India.

- i. Turkey: Completed the acquisition of 30% ordinary shares in Gama Enerji A.S. on 13 April 2016.
- ii. India: Entered into conditional subscription agreement for 30% equity interest in GMR Energy Limited on 9 May 2016.

## Demand Outlook

Based on past trends, electricity demand growth move in tandem with Malaysia GDP Growth. However, in Financial Year 2016, higher demand growth was recorded, mainly contributed by an exceptional warm weather season, and this expected to be normalised in following year.

## Capital Management Study

TNB is currently reviewing its capital management framework with the objective to optimise its capital structure and maximise shareholders' value.

## Dividend Policy

TNB is committed to pay out dividend guided by our Dividend Policy; whereby dividend is being paid out based on 40%-60% of the annual free cash flow at Company level.

## Debt and Hedging Policy

Our debt mix is mainly denominated by Ringgit which limits our foreign currency exposure. TNB continuously monitor our debt and gearing level and will consider improvement options if the overall impact is positive to TNB and its shareholders.

TNB Hedging Policy: The Group is required to hedge a minimum of 50% of TNB's known foreign currency exposure up to twelve months period.

## Legal Review

- i. *Notices of additional assessment for Year of Assessment 2013 & 2014 of RM2.1 billion by the Inland Revenue Board*

### Current status

Substantive hearing for Judicial Review is fixed in January 2017.

- ii. *Court case on the judicial review proceedings against the EC and Minister of Energy, Green Technology and Water (KeTTHA) at the High Court of Malaya, Kuala Lumpur (in relation to the proposed new PPA between TNB and YTL Power Generation Sdn. Bhd.)*

### Current status

Hearing of TNB's application for Judicial Review is fixed in November 2016.

## INVESTOR RELATIONS

### COMMUNICATING EFFECTIVELY WITH FINANCIAL COMMUNITY

IR team is committed to maintain effective communications with the shareholders and stakeholders by updating them on material developments and providing periodic updates in our corporate website. Both current and historical information; for instance the quarterly results, Bursa Malaysia announcements, and conference materials are made available at Investors section. Any queries or concerns regarding the Group on IR related matters can be directed to TNB IR at [tenaga\\_ird@tnb.com.my](mailto:tenaga_ird@tnb.com.my).

As one of TNB's continuous improvement and consistent engagement initiatives with the financial community, IR Survey is conducted on bi-annual basis. Through this platform, we welcome valuable feedbacks on our IR initiatives and services.

### EQUITY ANALYST COVERAGE

26 Local and Foreign Sell Side Analysts Coverage

Affin Hwang Capital	Deutsche Bank	MIDF Research
Alliance DBS Research	Hong Leong Investment Bank Research	Morgan Stanley Research
Am Research	HSBC Global Research	Nomura Research
BIMB Securities Research	JP Morgan	Public Invest Research
Bank of America Merrill Lynch	KAF – Seagroatt & Campbell Securities	RHB
CIMB	Kenanga	TA Securities
Citi Research	M & A Securities	UBS Global Research
CLSA	Maybank Investment Bank Research	UOB Kay Hian
Credit Suisse	Macquarie Research	

### CREDIT RATING

TNB is committed to maintaining high quality grade credit ratings. In January 2016, Moody's has changed the outlook on TNB's rating to stable; which was prompted by the change in the outlook of Malaysia's sovereign rating to stable from positive. The reaffirmations by the rest of rating agencies demonstrated TNB's credit strengths; compounded by strong operating track record, and satisfactory debt service coverage; given its critical role to the nation.

Local Rating Agency		International Rating Agency	
	Issuer Rating		Issuer Rating
RAM Rating Services Berhad (RAM)	AAA Stable	Standard & Poor's Ratings Services (S&P)	BBB+ Stable
Malaysian Rating Corporation Berhad (MARC)	AAA AAA <sub>ID</sub> Stable	Moody's Investors Service (Moody's)	A3 Stable

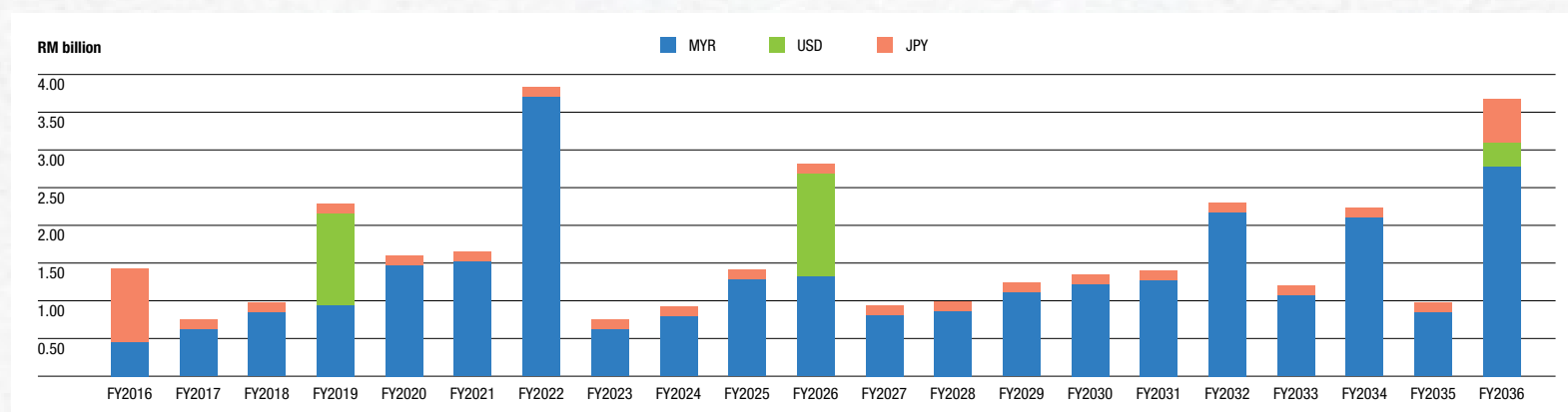
# INVESTOR RELATIONS

## DEBT MATURITY PROFILE

TNB practices a prudent concept in managing its debt to safeguard TNB's position as a going concern entity, as well as to fund for future growth of the business. TNB continuously monitor its debt and gearing level and will consider improvement options if the overall impact is positive to TNB and its shareholders.

During the year under review, the Group made a repayment for American Life Assurance Co. (AFLAC) loan of RM1 billion on 13 October 2015. The Group had also settled the RM250 million Term Loan matured on 15 February 2016.

The following graph illustrates the Group Debt Maturity Profile.

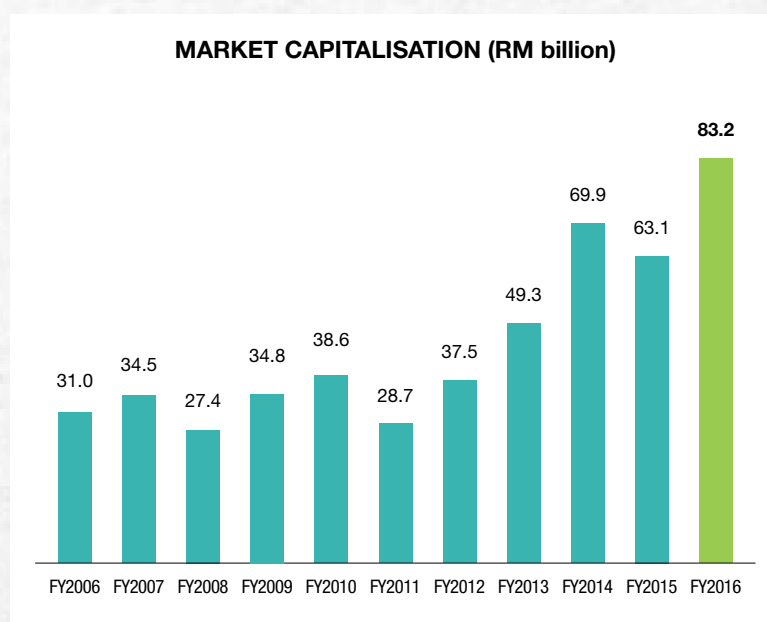
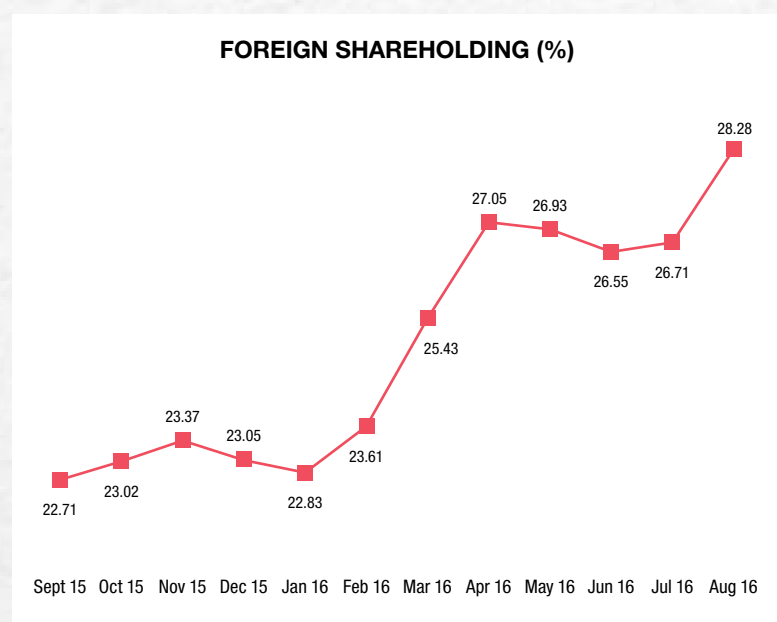


## SHAREHOLDER BASE

### PERFORMANCE OF SHARES

As at 31 August 2016, TNB ranked first at Bursa Malaysia with market capitalisation of RM83.2 billion. Foreign shareholding was registered at 28.28%.

	Dividends Per Share	Earnings Per Share	Market Capitalisation
<b>FY2016</b>	<b>32.00 sen</b>	<b>130.55 sen</b>	<b>RM83.2 billion</b>
FY2015	29.00 sen	108.41 sen	RM63.1 billion



**COMMITMENT TO SHAREHOLDERS – THROUGH DIVIDEND PAYMENTS**

TNB is committed to pay out dividend guided by its Dividend Policy whereby:

**Dividend is paid out based on 40%-60% of its Company's Annual Free Cashflow**

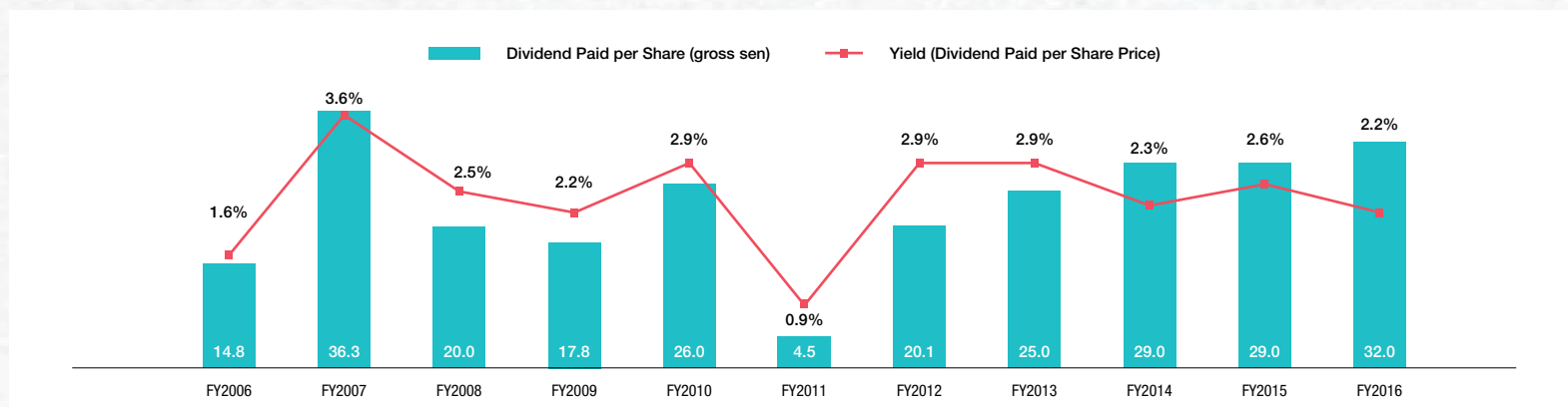
(Cashflow from Operations less Normalised Capex\* and Interest Servicing)

\* excludes capital expenditure for new generation planting up projects

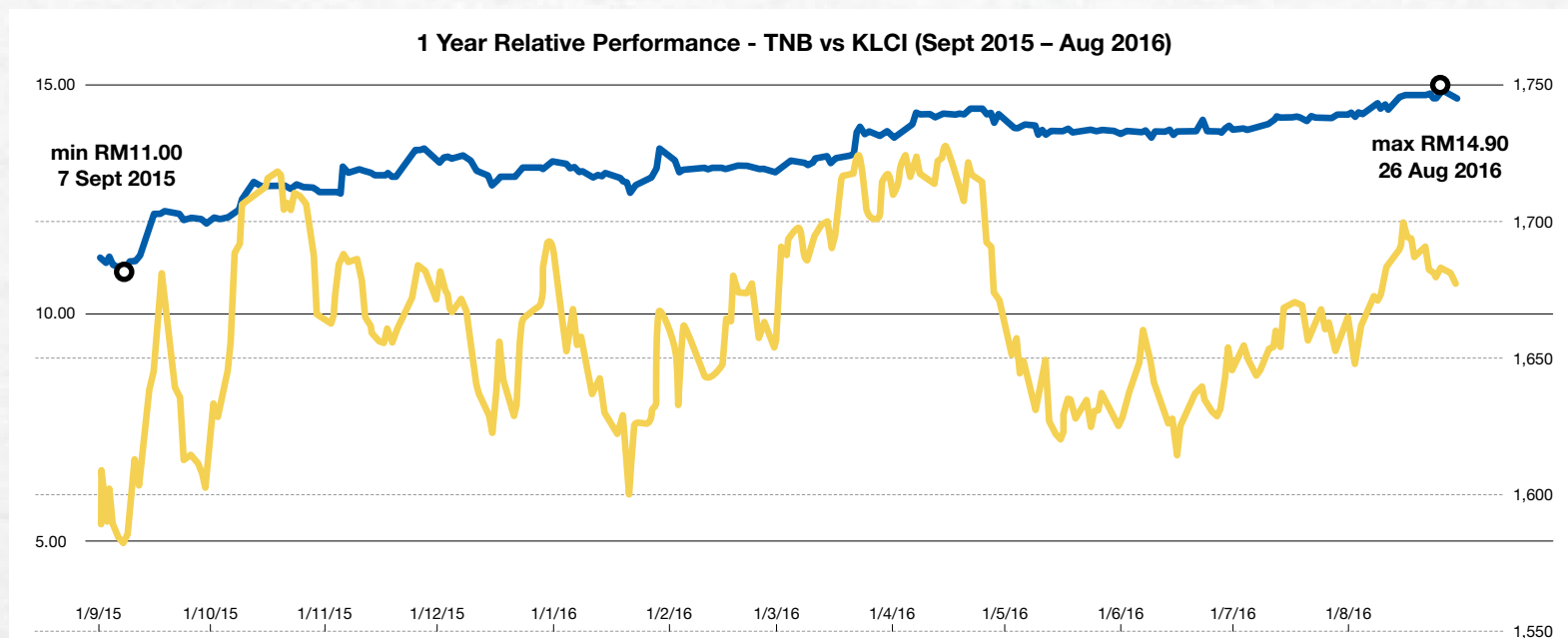
TNB has been rewarding its shareholders with cash returns on a regular basis through the declaration of interim dividend and final dividend in each financial year. In Financial Year 2016, the details of the dividends are:

- A single-tier interim dividend of 10.0 sen per ordinary share amounting to RM564.4 million (paid in May 2016); and
- A proposed single-tier final dividend of 22.0 sen per ordinary share subject to shareholders' approval.

For the year under review, the total dividend payout is proposed to be at 32.0 sen per ordinary share. This represents a dividend yield of 2.2% based on the closing price of RM14.74 as at 30 August 2016.



TNB's share price increased steadily throughout Financial Year 2016 and the stock ended the year with a remarkable surge by 31.8%. During the year under review, the stock recorded its highest closing price of RM14.90 on 26 August 2016 and the lowest closing price of RM11.00 on 7 September 2015. It ended the year at RM14.74, outperforming the FBM KLCI.



	Sept 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16
Volume Traded ('000)	232,270	203,278	295,728	221,106	180,851	168,361	275,109	277,172	205,717	179,915	180,479	216,512
Share Price (RM) max	12.22	12.88	13.60	13.46	13.60	13.34	14.08	14.50	14.14	14.24	14.38	14.90
Share Price (RM) min	11.00	12.06	12.64	12.82	12.62	13.12	13.16	13.88	13.94	13.90	14.04	14.36



# NET BOOK VALUE OF LAND AND BUILDINGS

AS AT 31 AUGUST 2016

Property List Group	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. (10)	Area (sq M) (11)	NBV (RM'000) (12)	
<b>Location</b>													
Perlis	47	156,413	1,796	62	57,304	3,494	109	213,717	5,290	74	11,369	23,714	
Kedah	297	1,056,663	14,560	562	906,145	50,684	859	1,962,808	65,244	356	133,446	229,588	
Pulau Pinang	193	719,486	64,262	603	722,473	72,482	796	1,441,959	136,744	308	125,215	876,088	
Perak	731	5,737,915	344,831	561	4,353,135	255,953	1,292	10,091,050	600,784	913	675,509	2,048,905	
Selangor	819	8,593,701	353,680	1,220	2,505,943	362,333	2,039	11,099,644	716,013	1,604	724,060	2,444,878	
W. Persekutuan	384	300,949	70,613	480	463,994	156,051	864	764,943	226,664	563	272,269	708,463	
Putrajaya/Cyberjaya	6	588,490	13,578	8	1,554	1,693	14	590,044	15,271	62	8,581	42,927	
N. Sembilan	282	1,575,392	59,494	385	1,027,838	44,625	667	2,603,230	104,119	256	447,471	527,994	
Malacca	349	663,753	23,874	381	191,625	35,870	730	855,378	59,744	80	147,718	122,297	
Johor	961	3,218,407	427,478	970	847,007	86,041	1,931	4,065,414	513,519	522	246,091	812,746	
Pahang	354	1,315,844	20,802	415	296,017	51,552	769	1,611,861	72,354	486	266,883	1,915,139	
Terengganu	360	2,119,260	27,914	148	10,981,171	81,218	508	13,100,431	109,132	269	441,434	1,835,445	
Kelantan	360	1,288,093	9,127	332	469,437	30,839	692	1,757,530	39,966	349	662,506	865,038	
Sabah	157	6,261,621	39,950	61	4,501,754	35,488	218	10,763,375	75,438	556	651,954	335,124	
Pakistan	1	38,141	135	1	790,344	1,955	2	828,485	2,090	1	12,713	527	
<b>Total</b>	<b>5,301</b>	<b>33,634,128</b>	<b>1,472,094</b>	<b>6,189</b>	<b>28,115,741</b>	<b>1,270,278</b>	<b>11,490</b>	<b>61,749,869</b>	<b>2,742,372</b>	<b>6,399</b>	<b>4,827,219</b>	<b>12,788,873</b>	

The land and buildings comprise power stations, mini hydros, jetties, dams, substations, residential houses, apartments, holiday bungalows, office buildings, warehouses, stores and workshops.

# board of directors

## introduction of our board

Our Board of Directors is composed of experts in the electricity supply industry as well as business leaders from a range of sectors. They ensure TNB adheres to the highest standards of governance, accountability and transparency.

### BOARD BALANCE AND COMPOSITION

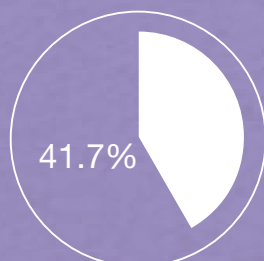
1 SENIOR INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR

7 INDEPENDENT  
NON-EXECUTIVE  
DIRECTORS

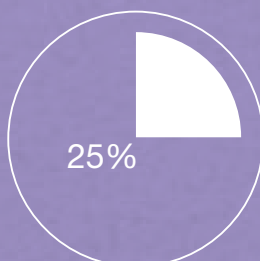
3 NON-INDEPENDENT  
NON-EXECUTIVE  
DIRECTORS

1 NON-INDEPENDENT  
EXECUTIVE  
DIRECTOR

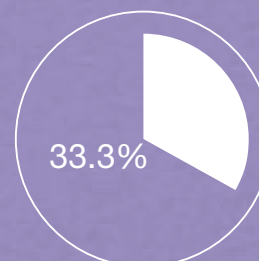
### LENGTH OF TENURE



4 YEARS  
& ABOVE



2-3  
YEARS



0-1  
YEAR

# OUR BOARD

## TAN SRI LEO MOGGIE

*Aged 75, Malaysian*

*Chairman*

*Non-Independent Non-Executive Director*

*Appointed Director by the Minister of Finance (Incorporated) (MoF Inc.), the Special Shareholder of TNB*

---

**Date Appointed to the Board:**

12 April 2004

**Years of Directorship:**

12 years

**Date of Last Re-appointment:**

14 December 2015 (*pursuant to Section 129(6) of the Companies Act, 1965*)

**Number of Board Meetings Attended in the Financial Year:**

20/20

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**Qualifications:**

- Master of Arts in History, University of Otago, New Zealand
- Master of Business Administration, Pennsylvania State University, U.S.A.

---

**Membership of Board Committee:**

- Board Finance and Investment Committee (Chairman)

---

**Present Directorship:****Listed Entity**

- Nil

**Other Public Companies**

- Chubb Insurance Malaysia Berhad (formerly known as ACE Jerneh Insurance Berhad)

**SKILLS, EXPERIENCE AND EXPERTISE:**

Tan Sri Leo Moggie is a prominent and well respected figure in Malaysia's utility industry and had more than 28 years of remarkable career with the Government of Malaysia. He has held several senior ministerial positions since 1976 at both Federal and State level. His positions included as Minister of Energy, Communications and Multimedia (1998-2004), Minister of Works (1989-1995), Minister of Energy, Telecommunications and Posts (1978-1989 and 1995-1998), Minister of Local Government (1977-1978) and Minister of Welfare Services in the State Government of Sarawak (1976-1977). He was also elected as Member of Sarawak State Council (1974-1978) and a Member of Parliament (1974-2004).

He is also the Chairman of several companies within TNB Group.

# DATUK SERI IR. AZMAN BIN MOHD

*Aged 59, Malaysian  
President/Chief Executive Officer  
Non-Independent Executive Director*

*Appointed Director by MoF Inc., the Special  
Shareholder of TNB*

---

**Date Appointed to the Board:**

15 April 2010

**Years of Directorship:**

Six (6) years

**Date of Last Re-election:**

14 December 2015

**Number of Board Meetings Attended  
in the Financial Year:**

20/20

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**Qualifications:**

- Master of Business Administration, University of Malaya, Malaysia
- Bachelor of Engineering (Electrical Engineering), University of Liverpool, United Kingdom

---

**Membership of Board Committee:**

- Attends Board Committees' Meetings (By Invitation)

---

**Present Directorships:**

**Listed Entity**

- Nil

**Other Public Companies**

- Integrex Berhad
- TNB Global Ventures Capital Berhad
- Malaysian Industry-Government Group For High Technology



**SKILLS, EXPERIENCE AND EXPERTISE:**

Datuk Seri Ir. Azman bin Mohd was appointed as the President/Chief Executive Officer of Tenaga Nasional Berhad on 1 July 2012. Prior to that, he has served the Company in various technical and engineering capacities particularly within the Distribution Division, one (1) of the Company's core business division. He was made the Executive Director/Chief Operating Officer of TNB from 15 April 2010 until 30 June 2012, after serving as Vice President, Distribution (2008-2010).

He has held various key positions in the Division since 1979, including as Senior General Manager (Operation-Region 2) (2006-2007), Assistant General Manager (Strategic Management & Organizational Development) and subsequently as the General Manager (2003-2005), General Manager (Customer Services) for TNB Selangor (1999-2002), Area Manager for TNB Perlis (1996-1998), District Manager for TNB Kajang (1991-1995) & TNB Rawang (1982-1990) and started off as Assistant District Engineer for TNB Temerloh/Mentakab (1979-1981).

He holds a number of directorships within TNB Group.



# DATUK SERI HASHMUDDIN BIN MOHAMMAD

*Aged 58, Malaysian*

*Non-Independent Non-Executive Director*

*Appointed Director by MoF Inc., the Special Shareholder of TNB*

---

**Date Appointed to the Board:**

1 April 2016

**Year of Directorship:**

Not more than one (1) year

**Number of Board Meetings Attended in the Financial Year (since appointment date):**

5/7

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**Qualifications:**

- Master of Arts in Procurement and Acquisition Management, Webster University, St. Louis, Missouri, U.S.A.
- Bachelor of Arts (Hons.) in Anthropology and Sociology, University of Malaya, Malaysia
- Diploma in Public Administration, National Institute of Public Administration (INTAN), Malaysia
- Certificate in Purchasing & Supply Management, Northern Territory University, Australia

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**Membership of Board Committees:**

- Board Tender Committee (Chairman)
- Board Risk Committee

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**Present Directorship:**

**Listed Entity**

- Nil

**Other Public Companies**

- UDA Holdings Berhad



**SKILLS, EXPERIENCE AND EXPERTISE:**

Datuk Seri Hashmuddin bin Mohammad has more than 30 years of experience specialising in procurement sector and has been serving the Government of Malaysia since 1984. He began his career as an Assistant Secretary, Planning Division under the Ministry of Information and on 28 December 2015, he was appointed to his current position as the Deputy Secretary General (Management), Ministry of Finance.

Prior to assuming this position, he has held various positions in the Government Procurement Division, Ministry of Finance including as Under Secretary (2012-2015), Deputy Under Secretary (Policy and Consultation) (2005-2009 and 2010-2012), Deputy Under Secretary (Operations) (2009-2010), Acting Deputy Secretary (Works) (2003-2005) and Principal Assistant Secretary (1994-2003).

Datuk Seri Hashmuddin is currently a member of Perbadanan Putrajaya and holds directorships in several private limited companies.

# AHMAD FAROUK BIN MOHAMED

*Aged 43, Malaysian  
Non-Independent Non-Executive Director*

*Appointed Director by Khazanah Nasional Berhad, a Major Shareholder of TNB*

**Date Appointed to the Board:**  
26 June 2014

**Years of Directorship:**  
Two (2) years

**Date of Last Re-election:**  
18 December 2014

**Number of Board Meetings Attended in the Financial Year:**  
19/20

**Qualifications:**

- Master of Arts in Mathematics (Hons.), Trinity College, University of Cambridge, United Kingdom
- Bachelor of Arts in Mathematics (Hons.), Trinity College, University of Cambridge, United Kingdom
- Diploma in Actuarial Management, City University of London, United Kingdom
- Diploma in Actuarial Science, City University of London, United Kingdom
- Diploma in Actuarial Techniques, Institute of Actuaries, London, United Kingdom

**Membership of Board Committees:**

- Board Finance and Investment Committee
- Board Tender Committee
- Board Integrity Committee (formerly known as Board Disciplinary Committee)

**Present Directorships:**

**Listed Entity**

- Nil

**Other Public Companies**

- Sun Life Malaysia Assurance Berhad
- Sun Life Malaysia Takaful Berhad
- ACR ReTakaful Berhad



**SKILLS, EXPERIENCE AND EXPERTISE:**

Ahmad Farouk bin Mohamed joined Khazanah Nasional Berhad in early 2006 and currently assumes the position of Executive Director, Investments. Prior to that, he was the Executive Director/Head of Strategic Management Unit in the Managing Director's Office (2009-2012). Before Khazanah Nasional Berhad, Ahmad Farouk was an Associate Director at BinaFikir Sdn. Bhd. (2004-2006), a Consultant in Risk, Finance & Insurance Practice at Mercer Zainal Consulting Sdn. Bhd. (1997-2004) and began his career in risk analysis at International Credit Department, Bank Bumiputra Malaysia Berhad, London, United Kingdom (1996-1997).

# DATO' ZAINAL ABIDIN BIN PUTIH

*Aged 70, Malaysian  
Senior Independent Non-Executive Director*

**Date Appointed to the Board:**  
1 May 2003

**Years of Directorship:**  
13 years

**Date of Last Re-election:**  
18 December 2014

**Number of Board Meetings Attended  
in the Financial Year:**  
18/20

**Qualifications:**

- Chartered Accountant of England and Wales Institute
- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants

**Membership of Board Committees:**

- Board Audit Committee (Chairman)
- Board Finance and Investment Committee
- Board Risk Committee

**Present Directorships:**

**Listed Entities**

- Petron Malaysia Refining & Marketing Bhd.
- Dutch Lady Milk Industries Berhad
- Land & General Berhad

**Other Public Companies**

- CIMB Bank Berhad



**SKILLS, EXPERIENCE AND EXPERTISE:**

Dato' Zainal Abidin bin Putih has extensive experience in public accounting and audit having been involved as a practicing accountant throughout his career. He was the Country Managing Partner in the firm of Hanafiah Raslan & Mohamad which merged with Messrs Arthur Andersen in 1990 and later merged with Ernst & Young in 2002 where he then became its Advisor.

He was formerly the Chairman of Mentakab Rubber Company (Malaya) Berhad, Pengurusan Danaharta Nasional Berhad and Malaysian Accounting Standards Board. He was also the former President of Malaysian Institute of Certified Public Accountants and previously served as member of Malaysian Communications and Multimedia Commission.

Dato' Zainal Abidin presently serves as the Chairman of CIMB Bank Berhad, Dutch Lady Milk Industries Berhad and Land & General Berhad. Apart from that, he holds directorships in a number of private limited companies including as Chairman of Mobile Money International Sdn. Bhd. and Touch 'n Go Sdn. Bhd.

He is also a Trustee of the IJN Foundation, the Perdana Leadership Foundation and MACPA Educational Trust Fund.



# TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB

*Aged 76, Malaysian  
Independent Non-Executive Director*

**Date Appointed to the Board:**

12 September 2008

**Years of Directorship:**

Eight (8) years

**Date of Last Re-appointment:**

14 December 2015 (*pursuant to Section 129(6)  
of the Companies Act, 1965*)

**Number of Board Meetings Attended  
in the Financial Year:**

20/20

**Qualifications:**

- Barrister-at-Law, Gray's Inn, London, United Kingdom
- Certificate in Public International Law in Post-Finals Course, Council of Legal Education, London, United Kingdom

**Membership of Board Committees:**

- Board Nomination and Remuneration Committee (Chairman)
- Board Long Term Incentive Plan Committee (Chairman)
- Board Integrity Committee (formerly known as Board Disciplinary Committee) (Chairman)

**Present Directorships:**

**Listed Entity**

- Nil

**Other Public Companies**

- RAM Holdings Berhad
- RAM Rating Services Berhad



**SKILLS, EXPERIENCE AND EXPERTISE:**

Tan Sri Dato' Seri Siti Norma binti Yaakob is a well-respected member in the international legal community with extensive experience in legal and judicial services and had served the Legal Services of Malaysia for a long stint in various significant positions. She was made the Chief Judge of Malaya in 2005, a position she held until her retirement in 2007.

During her 43 years of exemplary service, she was the Judge of Federal Court, Malaysia (2001-2005), Judge of Court of Appeal, Malaysia (1994-2000) and Judge of High Court, Malaya (1983-1994). A number of other positions which she has held since 1963 to 1983 were Chief Registrar of Federal Court, President of Sessions Court, Deputy Public Trustee and Senior Federal Counsel of the Attorney General's Chambers and Senior Assistant Registrar of High Court.

Presently besides being an active Company Director, Tan Sri Dato' Seri Siti Norma is the Chairman of Malaysia Competition Commission and also sits on the board of Bank Negara Malaysia.



## OUR BOARD

# DATO' ABD MANAF BIN HASHIM

*Aged 60, Malaysian  
Independent Non-Executive Director*

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**Date Appointed to the Board:**

1 February 2010

**Years of Directorship:**

Six (6) years

**Date of Last Re-election:**

18 December 2014

**Number of Board Meetings Attended  
in the Financial Year:**

19/20

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**Qualifications:**

- Higher National Diploma (Engineering),  
Thames Valley University (Slough Campus)
- Ordinary National Diploma, Cambridgeshire  
College of Arts & Technology

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**Membership of Board Committees:**

- Board Risk Committee (Chairman)
- Board Audit Committee
- Board Tender Committee
- Board Nomination and Remuneration  
Committee
- Board Long Term Incentive Plan Committee

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**Present Directorship:****Listed Entity**

- Nil

**Other Public Companies**

- Integrax Berhad

**SKILLS, EXPERIENCE AND EXPERTISE:**

Dato' Abd Manaf bin Hashim is presently a member of the Suruhanjaya Perkhidmatan Awam Negeri Perak since 2009 and serves as Chairman in several private companies that involve in the construction, telecommunication and solar hybrid sectors since 1993. Prior to that, he has held various positions in Shapadu Decloedt Dredging Sdn. Bhd. (1990-1992), Industrial Boilers and Allied Equipment (1984-1986), Hakasa Sdn. Bhd. (1983-1984) and Asie Sdn. Bhd. (1982-1983). Dato' Abd Manaf is currently a member of Perak State Assembly.

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# DATUK SAKTHIVEL A/L ALAGAPPAN

*Aged 46, Malaysian  
Independent Non-Executive Director*

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**Date Appointed to the Board:**  
1 February 2014

**Years of Directorship:**  
Two (2) years

**Date of Last Re-election:**  
18 December 2014

**Number of Board Meetings Attended  
in the Financial Year:**  
19/20

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**Qualification:**

- Bachelor of Engineering (Chemical),  
Universiti Teknologi Malaysia, Malaysia

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**Membership of Board Committees:**

- Board Audit Committee
- Board Finance and Investment Committee
- Board Integrity Committee (formerly known as  
Board Disciplinary Committee)

---

**Present Directorship:**

**Listed Entity**

- Nil

**Other Public Companies**

- Nil



## SKILLS, EXPERIENCE AND EXPERTISE:

Datuk Sakthivel a/l Alagappan is currently a Director of Abseiling Technologies Sdn. Bhd. and Cerdik Sakti Sdn. Bhd. Prior to that he was a working partner of Key Founder Limited and Guangzhou Howay Chemical Technology Co. Ltd. He began his career in 1996 as Production Engineer in Matsushita Sdn. Bhd. He was also former Director of Superindex Leather Sdn. Bhd. and M-Leather Camp Sdn. Bhd.

# DATUK WIRA IR. MD SIDEK BIN AHMAD

*Aged 64, Malaysian  
Independent Non-Executive Director*

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**Date Appointed to the Board:**

1 March 2014

**Years of Directorship:**

Two (2) years

**Date of Last Re-election:**

18 December 2014

**Number of Board Meetings Attended  
in the Financial Year:**

20/20

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**Qualifications:**

- Master of Business Administration, Ohio University, Athens, U.S.A.
- Bachelor of Science (Hons.) (Electrical & Electronic Engineering), University of Manchester, United Kingdom
- Ordinary National Diploma in Electrical Engineering, Brighton Technical College, United Kingdom

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**Membership of Board Committees:**

- Board Tender Committee
- Board Nomination and Remuneration Committee
- Board Risk Committee
- Board Long Term Incentive Plan Committee

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**Present Directorship:****Listed Entity**

- Nil

**Other Public Companies**

- Nil

**SKILLS, EXPERIENCE AND EXPERTISE:**

Datuk Wira Ir. Md Sidek bin Ahmad began his career in 1975, where he had served the Company for more than 30 years in various technical and engineering key positions. He was the Senior Vice President (Operations and Technical) until his retirement (2007-2009). Prior to that, he was the Senior Vice President (Operations) (2004-2007) and Vice President (Corporate Services, Planning and Development) (2002-2004).

A number of other positions he has held during his tenure in the Company were Managing Director of TNB Distribution Sdn. Bhd., Vice President (Customer Services Department), Chief Engineer (Planning and Development) of Lembaga Letrik Sabah, Deputy Regional Manager (South), Regional Manager (North/Penang) and (Wilayah Persekutuan).

With his vast experience in electrical engineering, he is currently a Board Member of Board of Engineers Malaysia, Chairman of Engineering Accreditation Council and Alternate Chairman of National Monitoring Committee for Engineering Services. He is also the former Chairman of Engineering Technologist Accreditation Council Malaysia.

He also holds a number of directorships within TNB Group.

# TAN SRI DATO' SERI CHOR CHEE HEUNG

*Aged 61, Malaysian  
Independent Non-Executive Director*

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**Date Appointed to the Board:**

4 February 2015

**Year of Directorship:**

One (1) year

**Date of Last Re-election:**

14 December 2015

**Number of Board Meetings Attended in the Financial Year:**

18/20

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**Qualifications:**

- Honourable Society of Lincoln's Inn – Barrister
- M.A. (Business Law), London Metropolitan University
- Member of Chartered Institute of Arbitrators, London, United Kingdom

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**Membership of Board Committees:**

- Board Audit Committee
- Board Finance and Investment Committee
- Board Nomination and Remuneration Committee
- Board Long Term Incentive Plan Committee
- Board Integrity Committee (formerly known as Board Disciplinary Committee)

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**Present Directorship:**

**Listed Entity**

- Nil

**Other Public Companies**

- Nil



**SKILLS, EXPERIENCE AND EXPERTISE:**

Tan Sri Dato' Seri Chor Chee Heung has had a distinguished career with the Government of Malaysia where he held several senior ministerial positions since 2000. He was made the Minister of Housing and Local Government (2010-2013) and a Member of Parliament (1990-2013). Prior to that, he served as the Deputy Minister of Home Affairs and Deputy Finance Minister (2000-2009) as well as Parliamentary Secretary for Ministry of Transport (1995-2000).

Before entering the political arena, Tan Sri Dato' Seri Chor Chee Heung practiced law since 1981 until 1995. His other achievements were being appointed as the Chairman of Commonwealth Parliamentary Association, Malaysian Parliament (2000-2002) and a Permanent Member of Asean Inter Parliamentary Organisation Conference Representing Malaysian Parliament (1990-2000).

Tan Sri Dato' Seri Chor Chee Heung is currently the Chairman of Maxim Holdings Sdn. Bhd. and also serves as Advisor of Melati Ehsan Holdings Berhad Group of Companies. Most recent, he has been appointed as a Commissioner of Malaysian Aviation Commission which was formally established on 1 March 2016.



## OUR BOARD

# GEE SIEW YOONG

*Aged 67, Malaysian  
Independent Non-Executive Director*

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**Date Appointed to the Board:**

2 January 2016

**Year of Directorship:**

Not more than one (1) year

**Number of Board Meetings Attended  
in the Financial Year (since appointment  
date):**

10/11

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**Qualifications:**

- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants
- International Banking Summer School, Cambridge, Massachusetts, U.S.A.

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**Membership of Board Committees:**

- Board Audit Committee
- Board Risk Committee

---

**Present Directorships:****Listed Entities**

- Telekom Malaysia Berhad
- SapuraKencana Petroleum Berhad

**Other Public Companies**

- Nil

**SKILLS, EXPERIENCE AND EXPERTISE:**

Gee Siew Yoong has more than 40 years of experience in financial and auditing line within multiple industries. Her professional strengths are in Restructuring, Reorganisation, Change Management and Corporate Governance. She began her career in 1969 with PriceWaterhouse and left as Senior Audit Manager and Continuing Education Manager in 1981.

Gee Siew Yoong was the Group Financial Controller of Selangor Pewter Group and was seconded from 1983 to 1984 to the United States of America as Chief Executive Officer of Senaca Crystal Inc., a company under Selangor Pewter Group which was undergoing reorganisation under Chapter XI of the U.S. Bankruptcy Code. Subsequent to that she became a Personal Assistant to the Executive Chairman of Lipkland Group (1985-1987).

She was then appointed by Bank Negara Malaysia as Executive Director and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of Bank Negara Malaysia where she held the position until its successful completion of reorganisation (1987-1991).

She later joined Land & General Berhad as Group Divisional Chief, Management Development Services (1993-1997) before moving to Multi-Purpose Capital Holdings Berhad as Executive Assistant to the Chief Executive (1997-1999). She then also served as Director of Multi-Purpose Bank Berhad, Multi-Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad.

Gee Siew Yoong has been appointed since 2001 as an Independent Non-Executive Director on the boards of a number of public listed companies.

# NORAINI BINTI CHE DAN

*Aged 60, Malaysian  
Independent Non-Executive Director*

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**Date Appointed to the Board:**

2 January 2016

**Year of Directorship:**

Not more than one (1) year

**Number of Board Meetings Attended  
in the Financial Year (since appointment  
date):**

10/11

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**Qualifications:**

- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants
- Bachelor of Arts (Economics) (Hons.), University of Manchester, United Kingdom

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**Membership of Board Committees:**

- Board Finance and Investment Committee
- Board Risk Committee

---

**Present Directorships:**

**Listed Entities**

- S P Setia Berhad
- BIMB Holdings Berhad

**Other Public Companies**

- Nil



**SKILLS, EXPERIENCE AND EXPERTISE:**

Noraini binti Che Dan has had 31 years of experience in finance and audit sector. Prior being appointed to this Board, she was the Vice President of Finance at MISC Berhad (2013-2015), and had served Pernas International Holdings Berhad for 15 years in various capacities including as Group General Manager Finance and Chief Financial Officer. She was also a Senior Auditor in the firm of Hanafiah Raslan & Mohamad.

Noraini also sits on the boards of several private limited companies.

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**\*Declaration by the Board:**

- Family Relationship with 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, conviction for offences within the past five (5) years and public sanction or penalty imposed by 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 of any public sanction or penalty by the relevant regulatory bodies during the Financial Year under review.
-

# OUR COMPANY SECRETARY

## NORAZNI BINTI MOHD ISA

*Aged 53, Malaysian  
Company Secretary*

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**Date Appointed to the Current Position:**

31 May 2012

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**Qualifications:**

- Master of Laws, University of 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

---

**Present Directorship:****Listed Entity**

- Nil

**Other Public Companies**

- TNB Western Energy Berhad

**SKILLS, EXPERIENCE AND EXPERTISE:**

Norazni binti Mohd Isa is the Group Company Secretary who holds the responsibility of advising the Chairman as well as the Board Members with regards to their duties/responsibilities and governance matters, including ensuring the compliance to the applicable laws and regulatory requirements.

Norazni has been serving TNB for more than 25 years with vast experience in tender and contract management where she has held various positions within TNB. Prior to her current appointment, she was the Deputy Company Secretary and the Joint Company Secretary (2011-2012). Other previous positions she has held were the Head of Tender Management Unit, Procurement Division (2006-2011), Manager of Licensing and Compliance Unit, Corporate Communications Department (2003-2006), Manager of Contract Management, Procurement Division (2002-2003) and Legal Executive in Legal Services Department, Company Secretary's Office (1990-2001).

Currently, Norazni also sits on the Boards of TNB Group.

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**Additional Information:**

- Family Relationship with Director and/or Major Shareholder of TNB: Nil
- Conflict of interest with TNB: Nil
- Other than traffic offences, conviction for offences within the past five (5) years and public sanction or penalty imposed by the relevant regulatory bodies during the Financial Year: Nil



# OUR MANAGEMENT TEAM



## Datuk Seri Ir. Azman bin Mohd

*President/Chief Executive Officer*

*Aged 59, Malaysian*

### **Date Appointed to the Management Team:**

14 November 2008

### **Qualifications:**

- Master of Business Administration, University of Malaya, Malaysia
- Bachelor of Engineering (Electrical Engineering), University of Liverpool, United Kingdom

### **Directorships in Public Companies:**

- Integrax Berhad
- TNB Global Ventures Capital Berhad
- Malaysian Industry-Government Group For High Technology

### **Working Experience:**

- Served the Company in various technical and engineering capacities within the Distribution Division, one (1) of the Company's core business division since 1979 including as Assistant District Engineer, District Manager, Area Manager, Assistant General Manager, General Manager and Senior General Manager.
- Vice President (Distribution) from 14 November 2008 until 14 April 2010.
- Executive Director/Chief Operating Officer from 15 April 2010 until 30 June 2012.
- Appointed as President/Chief Executive Officer of Tenaga Nasional Berhad on 1 July 2012.



## Datuk Fazlur Rahman bin Zainuddin

*Chief Financial Officer/Vice President,  
Group Finance*

*Aged 47, Malaysian*

### **Date Appointed to the Management Team:**

1 July 2012

### **Qualifications:**

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

### **Directorships in Public Companies:**

- Integrax Berhad
- TNB Global Ventures Capital Berhad

### **Working Experience:**

- Served for four years in public accounting practices including three years in Price Waterhouse, Kuala Lumpur as a Tax Consultant.
- He served for 10 years, from 1995, with Shell Malaysia in various financial management and corporate roles.
- Served as Chief Financial Officer of Naza Group. Prior to joining the Naza Group in 2010, he was with Telekom Malaysia Berhad in several capacities since 2005, with his last position as Vice President - Business Development.
- Appointed as Chief Financial Officer/Vice President, Group Finance on 1 July 2012.



## OUR MANAGEMENT TEAM



### **Datuk Zainudin bin Ibrahim**

*Vice President, Generation*

*Aged 59, Malaysian*

**Date Appointed to the Management Team:**

3 September 2012

**Qualifications:**

- Master of Engineering Management, Universiti Tenaga Nasional, Malaysia
- Bachelor of Engineering in Mechanical Engineering, University of Sheffield, United Kingdom

**Directorship in Public Companies:**

- Integrax Berhad

**Working Experience:**

- Began his 36-year career in TNB as a Mechanical Engineer at Tuanku Ja'afar Power Station in 1980.
- Following a two-year stint as a Shift Charge Engineer at Sultan Ismail Power Station, Paka, he returned to Tuanku Ja'afar Power Station and served for the next 20 years in various positions.
- Between 2007 and April 2012, he assumed the post of General Manager, Putrajaya Power Station and later at the Tuanku Ja'afar Power Station.
- He then spent six months as the Senior General Manager (Operations), Generation Division.
- Appointed as the Vice President, Generation on 3 September 2012.



### **Dato' Ir. Ho Peng Choong**

*Vice President, Transmission*

*Aged 60, Malaysian*

**Date Appointed to the Management Team:**

1 February 2016

**Qualifications:**

- Master in Business Administration, University Malaya, Malaysia
- Bachelor in Science (Electrical Engineering), Southern Illinois University, U.S.A.
- Diploma in Electrical Engineering (Power), Universiti Teknologi Malaysia, Malaysia

**Directorship in Public Companies:**

- Nil

**Working Experience:**

- Started his career in TNB, Distribution Division Kota Bharu as Technical Assistant in 1977.
- Served in Distribution, Transmission and Planning Divisions in various technical and engineering capacities that included Assistant Engineer (Design/Construction), District Engineer, Senior Project Engineer, Senior Manager (Network Planning) and Chief Engineer (System Planning).
- Served as General Manager (Zone 2 - Projects) from June 2007 to June 2010.
- Appointed as Senior General Manager (Asset Maintenance), Transmission Division from June 2010 to February 2015. In February 2015 he was appointed as Senior General Manager (VUP - Distribution) to lead the transformation program in Distribution.
- Appointed as Vice President, Transmission on 1 February 2016.



### **Datuk Ir. Baharin bin Din**

*Vice President, Distribution*

*Aged 53, Malaysian*

**Date Appointed to the Management Team:**

1 January 2012

**Qualifications:**

- Master of Business Administration, Universiti Tenaga Nasional, Malaysia and Bond University, Australia (joint UNITEN/Bond MBA programme)
- Bachelor of Science in Electrical Engineering, Syracuse University, New York, U.S.A.

**Directorship in Public Companies:**

- Nil

**Working Experience:**

- His career at various engineering and managerial positions in TNB include Business Development, Network Maintenance, Network Planning, Construction Services, Metering Service and Engineering Services.
- Seconded for 2½ years to Ministry of Energy, Green Technology and Water (KeTTHA) as the Deputy Director and Director of the Electrical Inspectorate Department of Sabah and Pahang, sequentially.
- Served as Managing Director of Sabah Electricity Sdn. Bhd. (SESB) for 4½ years from March 2007.
- Appointed as Senior General Manager (Customer Service & Metering) on 1 December 2011.
- Appointed as Vice President, Distribution on 1 January 2012.

## OUR MANAGEMENT TEAM



### **Dato' Nor Azman bin Muffti**

*Vice President, Energy Ventures*

*Aged 56, Malaysian*

**Date Appointed to the Management Team:**

1 November 2014

**Qualifications:**

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

**Directorship in Public Companies:**

- TNB Global Ventures Capital Berhad

**Working Experience:**

- Started as a Mechanical Technician in 1985 before pursuing his Diploma and Degree studies from 1983 to 1987.
- Served in various technical and engineering capacities within the Generation Division since 1987.
- Chief Operating Officer, TNB Repair And Maintenance Sdn. Bhd. (TNB REMACO) from 2 November 2009 until 19 January 2010.
- Managing Director, TNB REMACO from 20 January 2010 until 31 October 2014.
- Appointed as Vice President, Energy Ventures Division on 1 November 2014.



### **Dato' Roslina binti Zainal**

*Vice President, Regulatory Economics and Planning*

*Aged 54, Malaysian*

**Date Appointed to the Management Team:**

1 April 2009

**Qualifications:**

- Master of Business Administration, University of New England, Australia
- Degree in Electrical Engineering, University of Lakehead, Canada

**Directorship in Public Companies:**

- Nil

**Working Experience:**

- Served LLN/TNB for 31 years, beginning as an electrical engineer in Johor Bahru on 1 July 1985.
- Worked in various divisions in TNB such as Distribution, Planning, Business Strategy, Regulations, Transmission and Corporate Planning.
- Seconded to the Economic Planning Unit of the Prime Minister's Office to advise on energy matters.
- Appointed as Vice President, Regulatory Economics & Planning Division on 1 April 2009.



### **Dato' Muhammad Razif bin Abdul Rahman**

*Vice President, Human Resource*

*Aged 54, Malaysian*

**Date Appointed to the Management Team:**

24 December 2008

**Qualification:**

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

**Directorship in Public Companies:**

- Nil

**Working Experience:**

- Served LLN/TNB for 32 years in various capacities as Transmission Protection Engineer, Power Plant Engineer, Business Development Manager at TNB Workshop Services Sdn. Bhd., Operations Manager at Perusahaan Otomobil Elektrik Malaysia, Head of Training at TNB Transmission Network Sdn. Bhd., Head of Training & Development, Group Human Resource Division in 2002 and later, Head of Human Resource Planning and Staffing.
- Promoted to Vice President, Human Resource on 24 December 2008.

## OUR MANAGEMENT TEAM



### **Datuk Wira Roslan bin Ab Rahman**

*Chief Corporate Officer*

*Aged 59, Malaysian*

**Date Appointed to the Management Team:**  
3 September 2012

**Qualification:**

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

**Directorship in Public Companies:**

- Nil

**Working Experience:**

- Joined LLN/TNB in 1980.
- Assigned to various positions in areas such as consumer, planning, construction, operations and maintenance at districts of Batu Pahat, Temerloh, Klang, Kuantan and Putrajaya/Cyberjaya.
- Has also held several senior positions at Headquarters in the areas of Quality, Commercial, Customer Service and Marketing.
- Prior to his current position he was the Senior General Manager, Operations, Distribution Division for the Northern and Eastern region.
- Appointed as Chief Corporate Officer on 3 September 2012.



### **Nazmi bin Othman**

*Chief Investment Management Officer*

*Aged 52, Malaysian*

**Date Appointed to the Management Team:**  
14 February 2014

**Qualifications:**

- Certified Public Accountant of Malaysian Institute of Certified Public Accountants
- Certified Public Accountant of Australian Society of Certified Practising Accountants

**Directorships in Public Companies:**

- Integrax Berhad
- TNB Northern Energy Berhad

**Working Experience:**

- Appointed as Head (Financial Reporting and Budget) in September 2004 and then General Manager (Operation) in June 2006.
- In February 2008, appointed as Senior General Manager (Group Finance/Group Accountant).
- Appointed as Chief Investment Management Officer on 17 February 2014.



### **Ir. Syed Abu Hanifah bin Syed Alwi**

*Chief Procurement Officer*

*Aged 58, Malaysian*

**Date Appointed to the Management Team:**  
1 January 2013

**Qualification:**

- Advanced Diploma in Electrical Engineering (Power), Universiti Teknologi MARA, Malaysia

**Directorship in Public Companies:**

- Nil

**Working Experience:**

- Began his career as an Assistant Engineer in KL (South) district in the area of operations and maintenance of electrical systems, and later became the District Manager in Kulim, Kedah.
- In 1998, he was assigned as a Material Planning Manager, Material Resource Management Department, Distribution Division.
- He became the Senior General Manager of Material Management Department, Distribution Division.
- Appointed as Chief Procurement Officer on 1 January 2013.



## OUR MANAGEMENT TEAM



### **Fazil bin Ibrahim**

*Chief Information Officer*

*Aged 53, Malaysian*

#### **Date Appointed to the Management Team:**

1 September 2015

#### **Qualifications:**

- Master of Business Administration, Ohio University, Athens, U.S.A.
- Bachelor of Science in Operations Management and Computer Science, Australian National University, Australia

#### **Directorship in Public Companies:**

- Nil

#### **Working Experience:**

- Started work at LLN/TNB since 1985 and has worked in various departments and divisions such as Procurement, Distribution and Human Resource.
- Held managerial positions in Materials Management Services in Procurement Department.
- Involved in Tariff & Power Trading, Business Performance Statistics, HR System Support, Corporate System and Application Support and TNB Corporate GIS Project Implementation.
- He was the Senior General Manager of IT & Business Solutions Department in ICT from June 2012.
- Appointed as Chief Information Officer on 1 September 2015.



### **Norazni binti Mohd Isa**

*Her profile is at Our Company Secretary on page 69.*



#### **Additional Information on the Management Team:**

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



# BUSINESS CONTEXT

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Our business plays a crucial role in powering the Nation and driving economic activity. We are proud to contribute to Nation-building in Malaysia, be it through our core business activities or via our involvement in talent and community development. While we are driven to create value for our shareholders, we are also focused on effecting positive change for all our stakeholders.

# 02

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- Group Corporate Structure ..... 78
- Awards & Recognition ..... 80
- Direct Value Added to Malaysia ..... 82



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### TAN SRI LEO MOGGIE

Chairman  
Non-Independent Non-Executive Director

### DATUK SERI IR. AZMAN BIN MOHD

President/Chief Executive Officer  
Non-Independent Executive Director

### DATUK SERI HASHMUDDIN BIN MOHAMMAD

Non-Independent Non-Executive Director  
(Appointed w.e.f. 1 April 2016)

### AHMAD FAROUK BIN MOHAMED

Non-Independent Non-Executive Director

### DATO' ZAINAL ABIDIN BIN PUTIH

Senior Independent Non-Executive Director

### TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB

Independent Non-Executive Director

### DATO' ABD MANAF BIN HASHIM

Independent Non-Executive Director

### DATUK SAKTHIVEL A/L ALAGAPPAN

Independent Non-Executive Director

### DATUK WIRA IR. MD SIDEK BIN AHMAD

Independent Non-Executive Director

### TAN SRI DATO' SERI CHOR CHEE HEUNG

Independent Non-Executive Director

### GEE SIEW YOONG

Independent Non-Executive Director  
(Appointed w.e.f. 2 January 2016)

### NORAINI BINTI CHE DAN

Independent Non-Executive Director  
(Appointed w.e.f. 2 January 2016)

### DATUK NOZIRAH BINTI BAHARI

Non-Independent Non-Executive Director  
(Resigned w.e.f. 10 January 2016)

## SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

### Dato' Zainal Abidin bin Putih

Email : cosec@tnb.com.my

## COMPANY SECRETARY

### Norazni binti Mohd Isa (LS 0009635)

## SHARE REGISTRAR

### Symphony Share Registrars Sdn. Bhd.

(378993-D)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Telephone : 603-7841 8000  
Helpdesk : 603-7849 0777  
Facsimile : 603-7841 8151/8152

## DIVIDEND SERVICE PROVIDER

### Bursa Malaysia Depository Sdn. Bhd.

(165570-W)  
2<sup>nd</sup> Floor, Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur  
Malaysia  
Telephone : 603-2034 7751  
Facsimile : 603-2026 3712

## PRINCIPAL BANKERS

**Malayan Banking Berhad** (3813-K)  
**CIMB Bank Berhad** (13491-P)  
**Bank Islam Malaysia Berhad** (98127-X)

## EXTERNAL AUDITORS

### Messrs PricewaterhouseCoopers (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 AND HEAD OFFICE

### Tenaga Nasional Berhad (200866-W)

Pejabat Setiausaha Syarikat, Tingkat 2  
Ibu Pejabat Tenaga Nasional Berhad  
No. 129, Jalan Bangsar  
59200 Kuala Lumpur  
Malaysia  
Telephone : 603-2296 5566  
Facsimile : 603-2283 3686  
Website : www.tnb.com.my  
TNB Careline : 15454 (for power outage or TNB  
street light malfunction)  
One Stop Engagement Centre : 1-300-88-5454  
(for billing and account enquiries)  
Whistle Blowing Information System :  
wbis.tnb.com.my  
Toll Free : 1-800-888-862

## INVESTOR RELATIONS

### Investor Relations Department

Tingkat 4, Ibu Pejabat Tenaga Nasional Berhad  
No. 129, Jalan Bangsar  
59200 Kuala Lumpur  
Malaysia  
Telephone : 603-2296 6077  
Facsimile : 603-2284 0095  
Email : tenaga\_ird@tnb.com.my

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
(Listed since 28 May 1992)

## CREDIT RATINGS

	Local Rating Agency	International Rating Agency	Issuer Rating	Issuer Rating
RAM Rating Services Berhad (RAM)	AAA Stable	Standard & Poor's Ratings Services (S&P)	AAA Stable	BBB+ Stable
Malaysian Rating Corporation Berhad (MARC)	AAA AAA <sub>ID</sub> Stable	Moody's Investors Service (Moody's)	AAA Stable	A3 Stable

## AMERICAN DEPOSITORY RECEIPTS PROGRAMME (ADR)

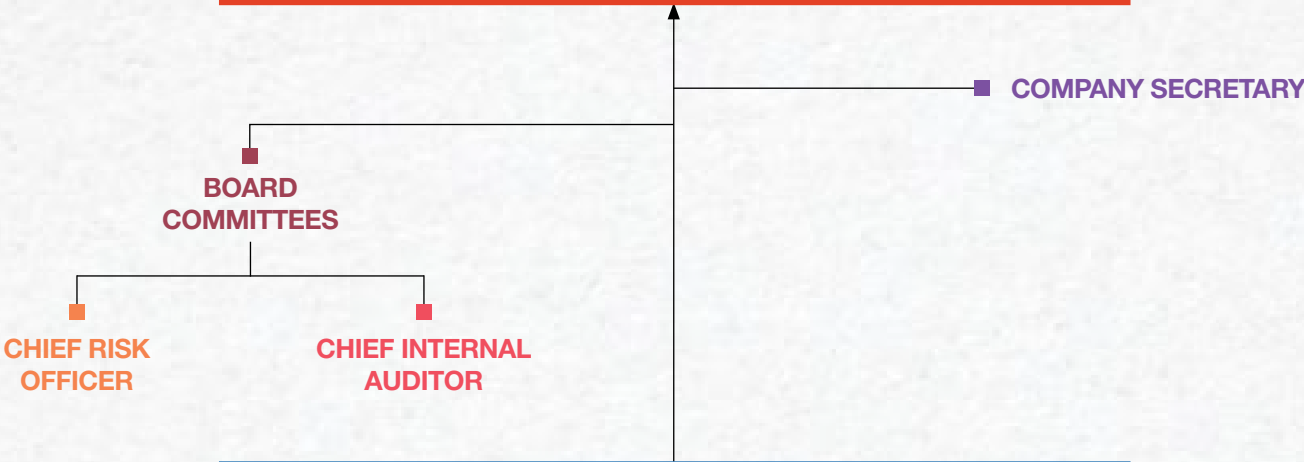
ADR Level 1

## AGM HELPDESK

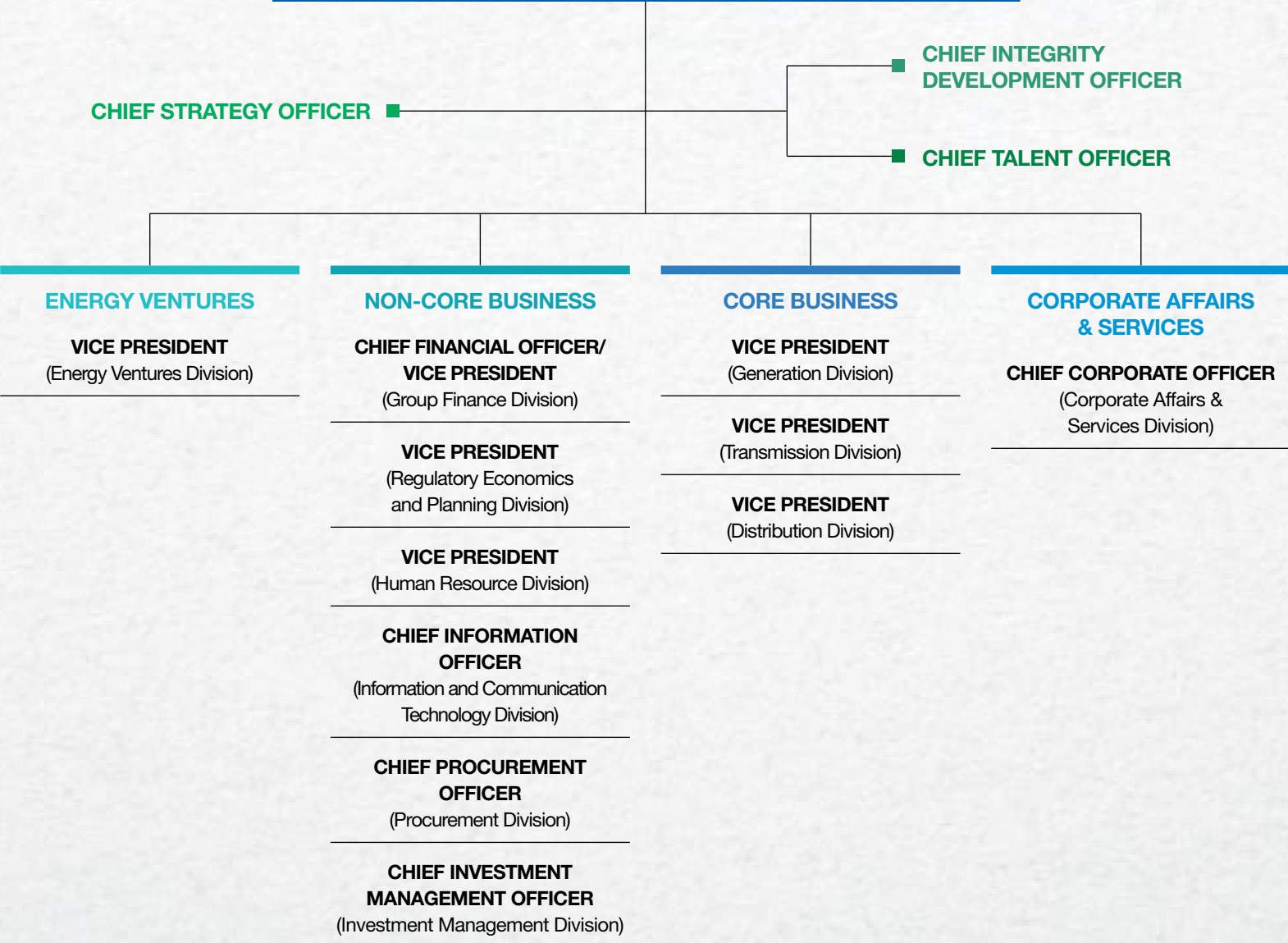
Telephone : 603-2180 4584/4586/4587  
(Share Administration Section,  
Company Secretary's Office,  
Tenaga Nasional Berhad)

# ORGANISATIONAL STRUCTURE

## BOARD OF DIRECTORS



## PRESIDENT/ CHIEF EXECUTIVE OFFICER



# GROUP CORPORATE STRUCTURE



**TENAGA  
NASIONAL BERHAD**  
(200866-W)

## GROUP OF COMPANIES

**100%** MALAYSIA TRANSFORMER MANUFACTURING SDN. BHD.

**100%** TNB INTEGRATED LEARNING SOLUTION SDN. BHD.

**100%** TNB PASIR GUDANG ENERGY SDN. BHD.

**100%** TNB JANAMANJUNG SDN. BHD.

**100%** TNB FUEL SERVICES SDN. BHD.

**100%** TNB CONNAUGHT BRIDGE SDN. BHD.

**100%** TNB-IT SDN. BHD.

**100%** TNB CAPITAL (L) LTD.

**100%** TNB GLOBAL VENTURES CAPITAL BERHAD

**100%** TNB POWER DAHARKI LTD.

**100%** TNB Liberty Power Limited

**100%** TNB MANJUNG FIVE SDN. BHD.

**100%** TNB Western Energy Berhad

**100%** TNB PRAI SDN. BHD.

**100%** TNB Northern Energy Berhad

**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.

**51%** Tomest Energy Management Sdn. Bhd.

**77%** Airport Cooling Energy Supply Sdn. Bhd.

**49%** Abraj Cooling LLC

**100%** TNB RESEARCH SDN. BHD.

**100%** TNBR QATS Sdn. Bhd.

**40%** Gunung Tenaga Sdn. Bhd.

**100%** TNB ENERGY SERVICES SDN. BHD.

**40%** FTJ Bio Power Sdn. Bhd.

**49%** Sime Darby TNBES Renewable Energy Sdn. Bhd.

**49%** Affluent Merger Sdn. Bhd.

**20%** Jana Landfill Sdn. Bhd.

**100%** INTEGRAX BERHAD

**100%** Pelabuhan Lumut Sdn. Bhd.

**80%** Lekir Bulk Terminal Sdn. Bhd.

**50% less 1 share**

Lumut Maritime Terminal Sdn. Bhd.

**100%** LMT Capital Sdn. Bhd. *(Dormant)*

**100%** Segmen Kembara Sdn. Bhd. *(Dormant)*

**100%** Trek Kembara Sdn. Bhd. *(Dormant)*

**100%** LBT Two Sdn. Bhd. *(Dormant)*

**100%** UNIVERSITI TENAGA NASIONAL SDN. BHD.

**100%** UNITEN R&D Sdn. Bhd.

Yayasan Canselor Universiti Tenaga Nasional

**100%** ORION MISSION SDN. BHD.

**100%** Lahad Datu Holdings Sdn. Bhd.

**100%** Lahad Datu Energy Sdn. Bhd. *(Dormant)*

**50%** Eastern Sabah Power Consortium Sdn. Bhd.

**100%** TNB VENTURES SDN. BHD.

**76%** Tenaga Cable Industries Sdn. Bhd.

**20%** Northern Utility Resources Sdn. Bhd. *(Winding up)*



# GROUP CORPORATE STRUCTURE

● Subsidiaries   
 ● Joint Ventures   
 ● Associate Companies   
 ● Trust Foundations   
 ● Simple Investments

The information is as at 6 October 2016

**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.

**100%** **ARUNA SERVICIOS INTEGRALES SL**

**100%** Global Power Enerji Sanayi Ve Ticaret Anonim Şirketi

**30%** Gama Enerji Anonim Şirketi

**100%** **TNB REPAIR AND MAINTENANCE 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 And Maintenance Services Co. Ltd.

**10%** Alimtiq Operation & Maintenance Company Limited

**83%** **SABAH ELECTRICITY SDN. BHD.**

**70%** **JIMAH EAST POWER SDN. BHD.**

**60%** **KAPAR ENERGY VENTURES SDN. BHD.**

**60%** **TENAGA SWITCHGEAR SDN. BHD.**

**60%** TSG Ormazabal Sdn. Bhd.

**95%** PT. Tenaga Nusa Bakti (*Dormant*)

**JOINT VENTURE**

**50%** Seatrac Sdn. Bhd. (*Dormant*)

**TRUST FOUNDATIONS**

Yayasan Tenaga Nasional

Retirement Benefit Trust Fund

**SIMPLE INVESTMENTS**

**20%** Perusahaan Otomobil Elektrik (Malaysia) Sdn. Bhd. (*Dormant*)

**10%** Labuan Reinsurance (L) Ltd.

**8.91%** Federal Power Sdn. Bhd.

**ASSOCIATE COMPANIES**

**49%** Fibrecomm Network (M) Sdn. Bhd.

**20%** Teknologi Tenaga Perlis Consortium Sdn. Bhd.

**20%** GB3 Sdn. Bhd.

**20%** Jimah Energy Ventures Holdings Sdn. Bhd.

**100%** Jimah Energy Ventures Sdn. Bhd.

**DORMANT COMPANIES**

**100%** TNB Risk Management Sdn. Bhd.

**100%** TNB International Sdn. Bhd.

**100%** TNB Hidro Sdn. Bhd.

**100%** TNB Transmission Network Sdn. Bhd.

**100%** TNB Quantum Solutions Sdn. Bhd.

**100%** TNB Generation Sdn. Bhd.

**100%** TNB Distribution Sdn. Bhd.

**100%** TNB Engineers Sdn. Bhd.

**100%** TNB Coal International Limited

**100%** Dynamic Acres Sdn. Bhd.

**100%** TNB Properties Sdn. Bhd.

**100%** TNP Construction Sdn. Bhd.

**40%** KM Metro-TNB Properties Sdn. Bhd.

**40%** Indera-TNB Properties Sdn. Bhd.

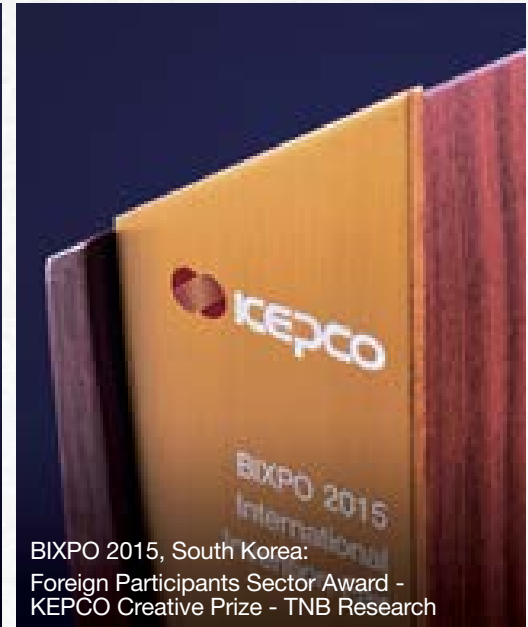
**70%** Sepang Power Sdn. Bhd.

# AWARDS & RECOGNITION



8<sup>th</sup> Annual Global CSR Summit & Awards 2016:

- CSR Leadership Award (Platinum)
- Best Environmental Excellence Award (Gold) - TNB Research
- Best Workplace Practices Award (Gold) - TNB Janamanjung
- Best Environmental Excellence Award (Silver) - TNB Janamanjung



BIXPO 2015, South Korea:  
Foreign Participants Sector Award -  
KEPCO Creative Prize - TNB Research



Astrid Awards 2016, New York:  
Non-Traditional Hardcover (Silver) -  
Annual Report 2015



MSWG - ASEAN Corporate Governance  
Transparency Index, Findings and  
Recognition 2015:  
Industry Excellence Award - Port & Utilities



Platts Top 250 Asia Awards 2015:

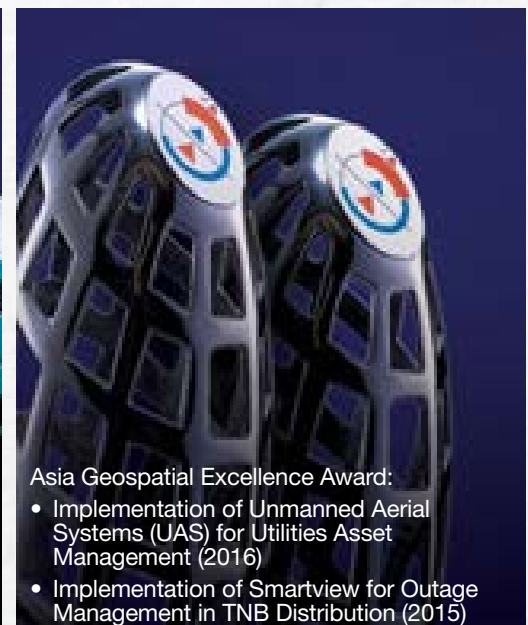
- Energy Company of the Year (9<sup>th</sup> place)
- Fastest Growing Energy Company in Asia (18<sup>th</sup> place)
- Ascender of the Decade Award (36<sup>th</sup> place)



Share Guide Association Malaysia  
ICT Award 2015:  
Winner of Malaysia IT User Group



Frost & Sullivan 2016 Best Practices Award:  
Power Plant Service Provider of the Year -  
TNB REMACO



Asia Geospatial Excellence Award:

- Implementation of Unmanned Aerial Systems (UAS) for Utilities Asset Management (2016)
- Implementation of Smartview for Outage Management in TNB Distribution (2015)

# AWARDS & RECOGNITION



6<sup>th</sup> Global Science and Innovation Advisory Council Meeting, London:  
 Lead Member of the Malaysian Industry-Government Group for High Technology (MIGHT)



The Malaysia Book of Records:  
 First organisation to receive ISO 55001:2014 Asset Management - Management Systems - Requirements - Generation Division



The Edge Billion Ringgit Club Awards 2016 - Super Big Cap Companies (More than RM40Billion Market Capitalisation):  
 Highest Returns to Shareholders Over Three Years



The Asset Asian Awards 2016: Best Islamic Project Finance Deal



The Edge Billion Ringgit Club Awards 2015:

- Company of the Year
- Best Performing Stock (More than RM10Billion Market Capitalisation)
- Highest Profit Growth Company (More than RM10Billion Market Capitalisation)
- Highest Profit Growth Company (Trading/Services, Hotels, IPC & Technology Sectors)



PEKA CSR Investments Towards A Greener Malaysia Award:  
 Winner of the GLC category



SIRIM QAS Certificate, ISO 55001:2014 Asset Management - Management Systems - Requirements - Generation Division



ASEAN Energy Awards 2015: On-Grid-Local Grid Category (1<sup>st</sup> Runner-up) TNB Energy Services



PFI Asia Best Practice Citation Award - TNB Janamanjung



Asian Utility Innovators Awards: Best Customer Value AMI Infrastructure Rollout

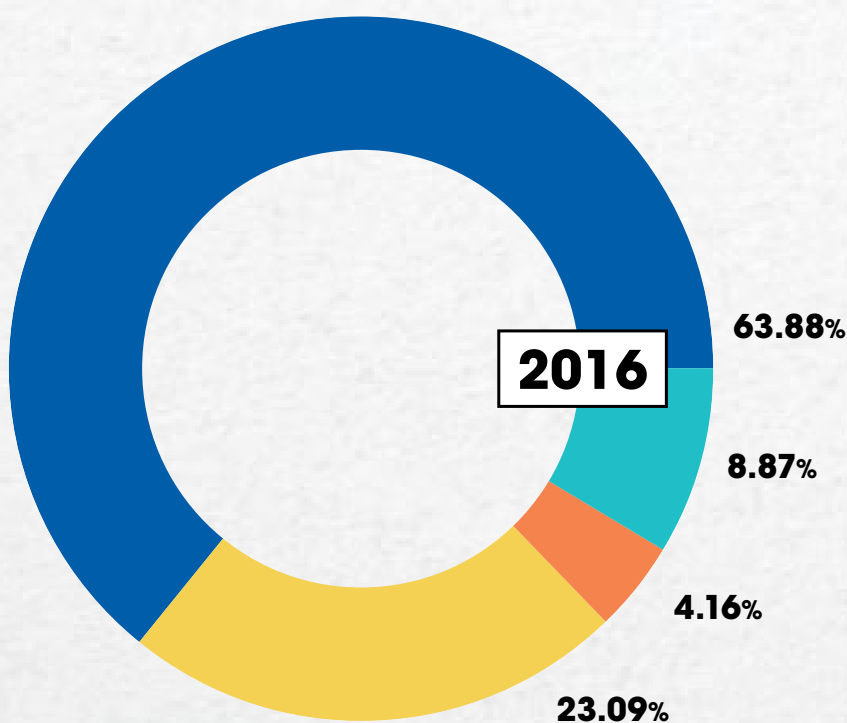


2016 Australasian Reporting Award: Bronze Award - Annual Report 2015

# DIRECT VALUE ADDED TO MALAYSIA

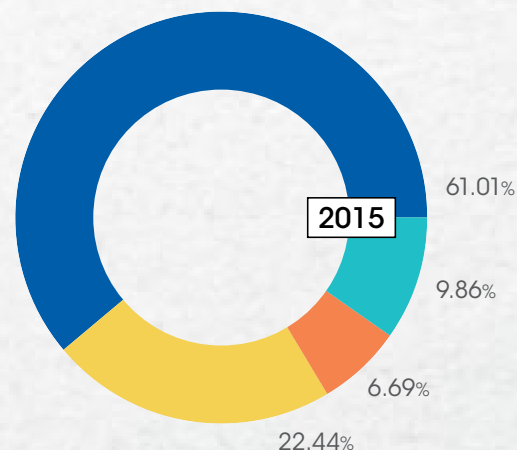
## STATEMENT OF VALUE ADDED

	2015 RM Million	2016 RM Million
<b>VALUE ADDED</b>		
Revenue	43,286.80	<b>44,531.50</b>
Operating expenses excluding staff costs, depreciation and amortisation	(26,593.00)	<b>(26,308.70)</b>
Other operating income	824.20	<b>711.50</b>
Finance income	282.20	<b>299.00</b>
Finance cost	(944.90)	<b>(1,039.30)</b>
Foreign exchange gain/(loss) on borrowings	(932.30)	<b>(358.20)</b>
Share of results of associates and Joint ventures	101.10	<b>93.30</b>
<b>Value added available for distribution</b>	<b>16,024.10</b>	<b>17,929.10</b>
<b>DISTRIBUTION</b>		
To employees:		
Employment cost	3,596.20	<b>4,140.10</b>
To the Government		
Taxation and <i>zakat</i>	1,072.80	<b>746.00</b>
To shareholders:		
Dividends	1,636.70	<b>1,636.70</b>
Non-controlling interest	(57.50)	<b>(46.80)</b>
To reinvest to the Group		
Depreciation and amortisation	5,294.20	<b>5,722.20</b>
Retained profit	4,481.70	<b>5,730.90</b>
<b>Total distributed</b>	<b>16,024.10</b>	<b>17,929.10</b>



## DISTRIBUTION OF VALUE ADDED

- To Reinvest to the Group: Depreciation, Amortisation and Retained Profit
- To Shareholders: Dividends and Non-Controlling Interest
- To the Government: Taxation and *Zakat*
- To Employees: Employment Costs





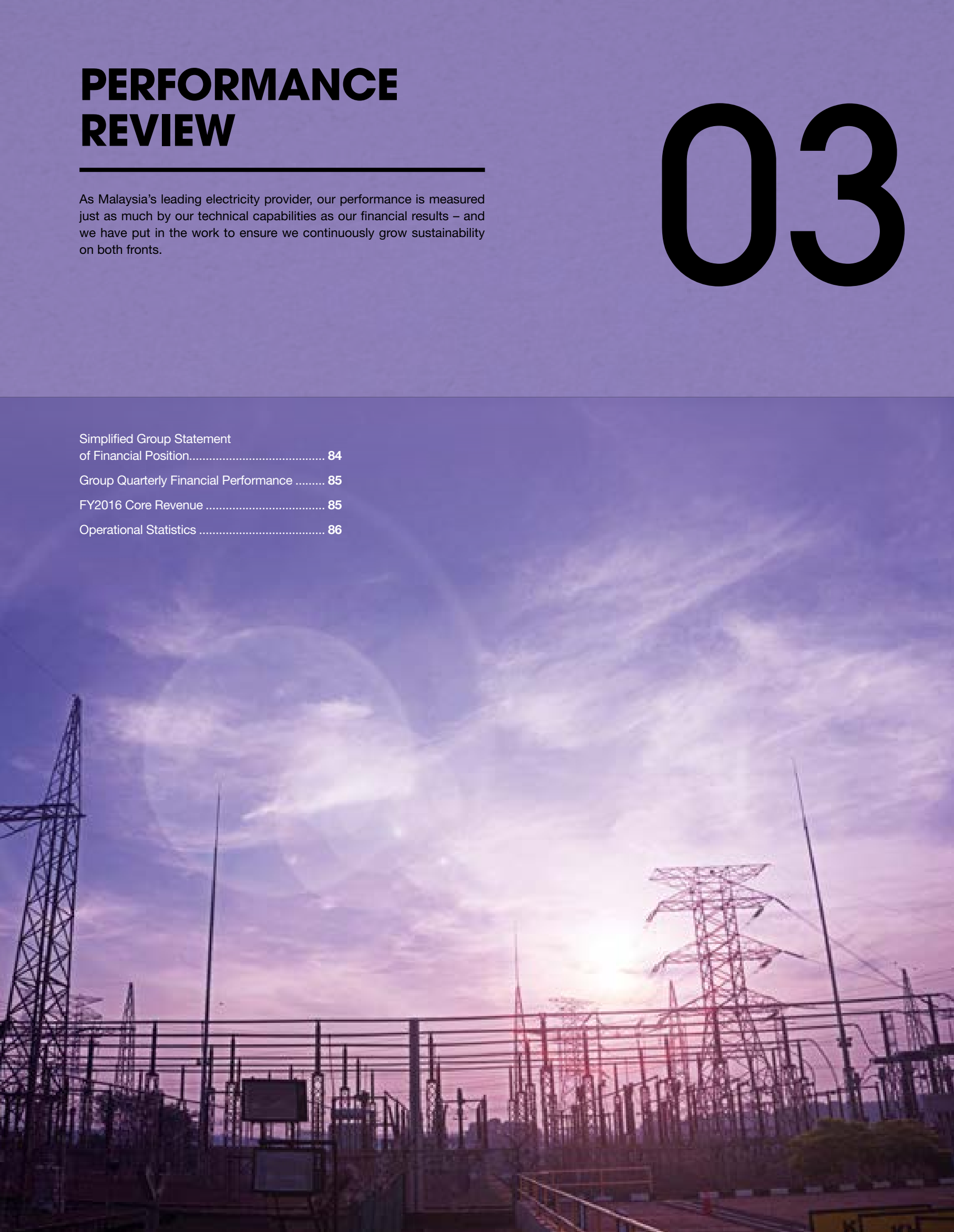
# PERFORMANCE REVIEW

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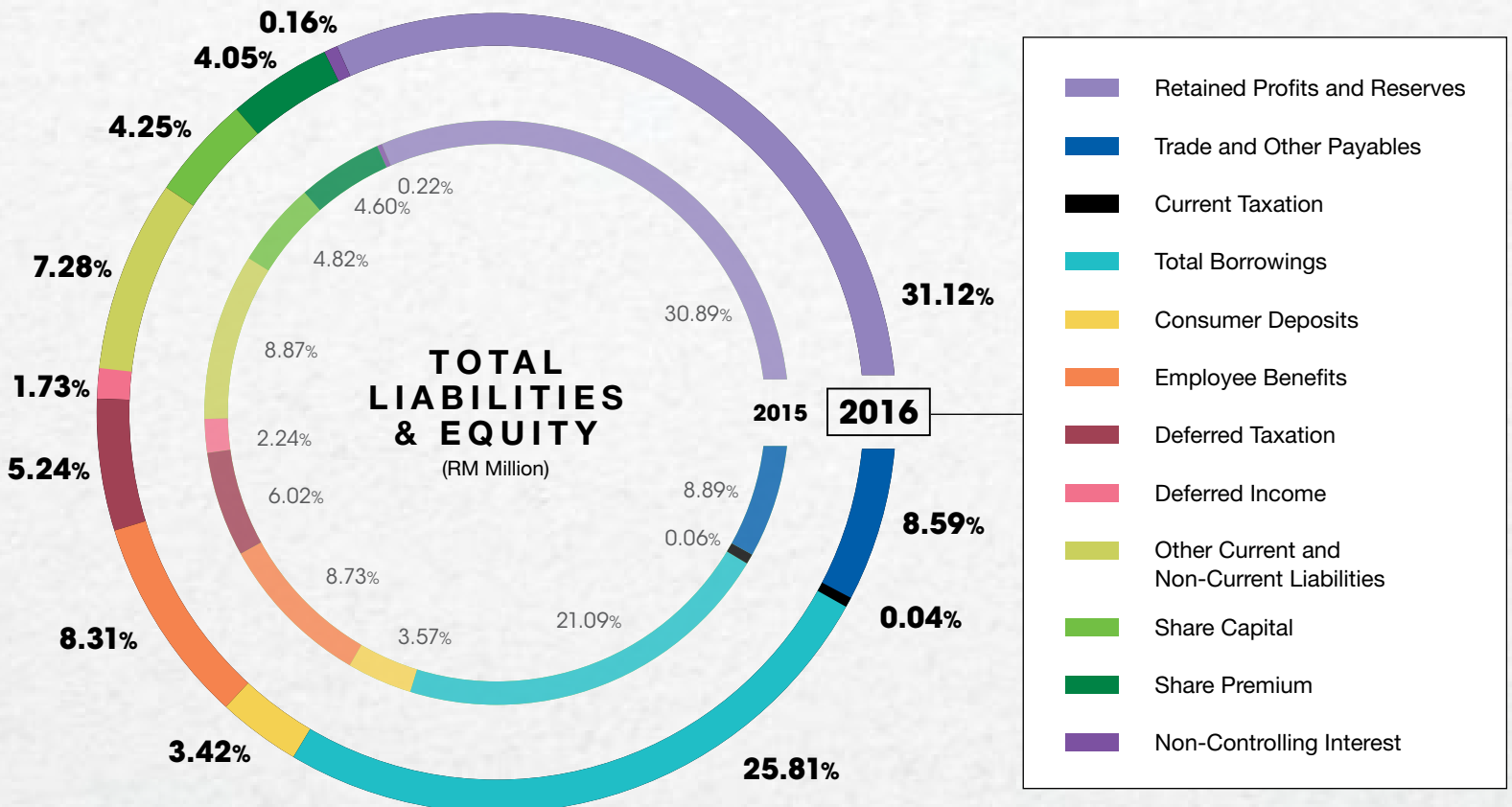
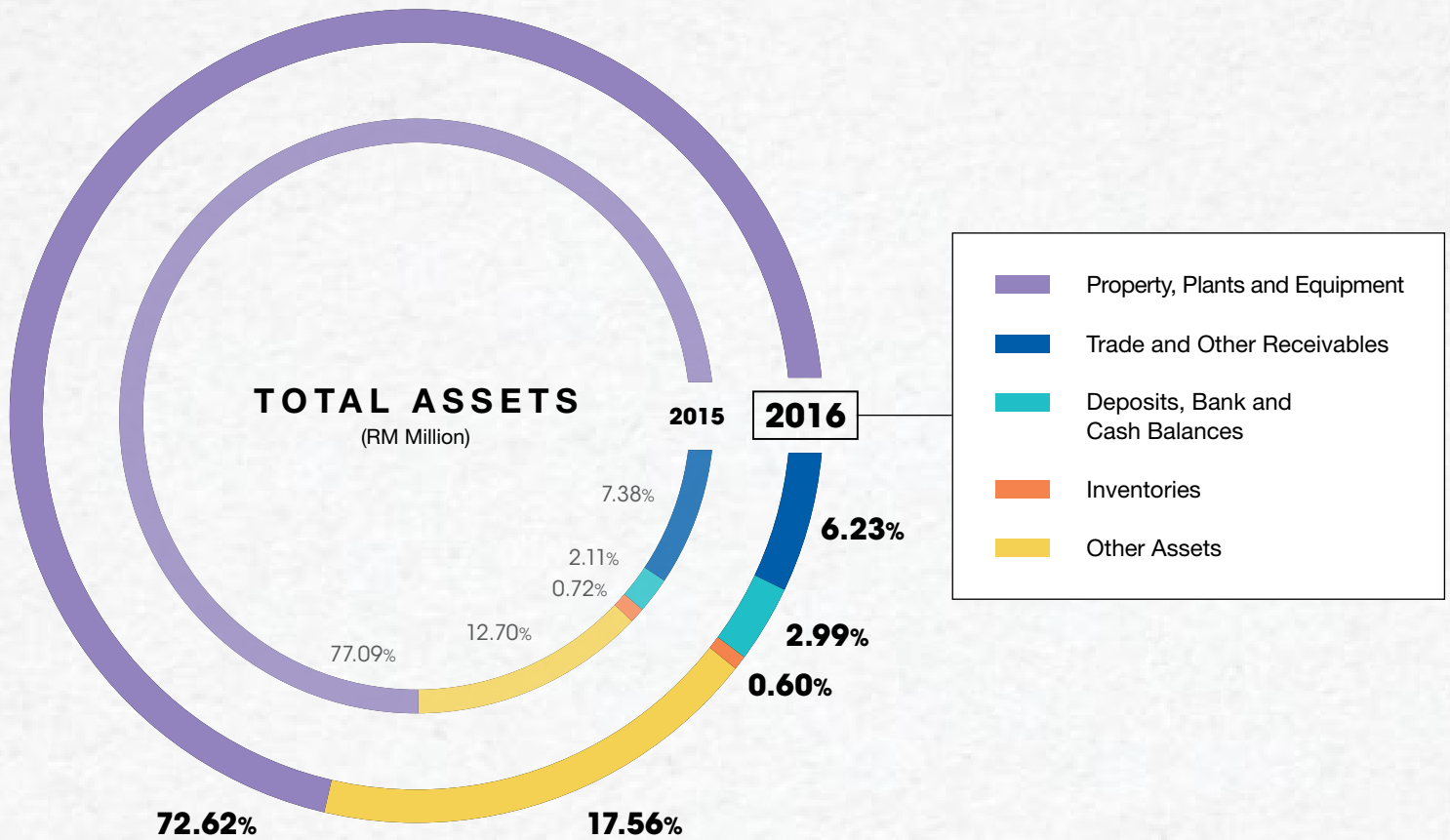
# 03

As Malaysia’s leading electricity provider, our performance is measured just as much by our technical capabilities as our financial results – and we have put in the work to ensure we continuously grow sustainability on both fronts.

- Simplified Group Statement of Financial Position..... 84
- Group Quarterly Financial Performance ..... 85
- FY2016 Core Revenue ..... 85
- Operational Statistics ..... 86



# SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

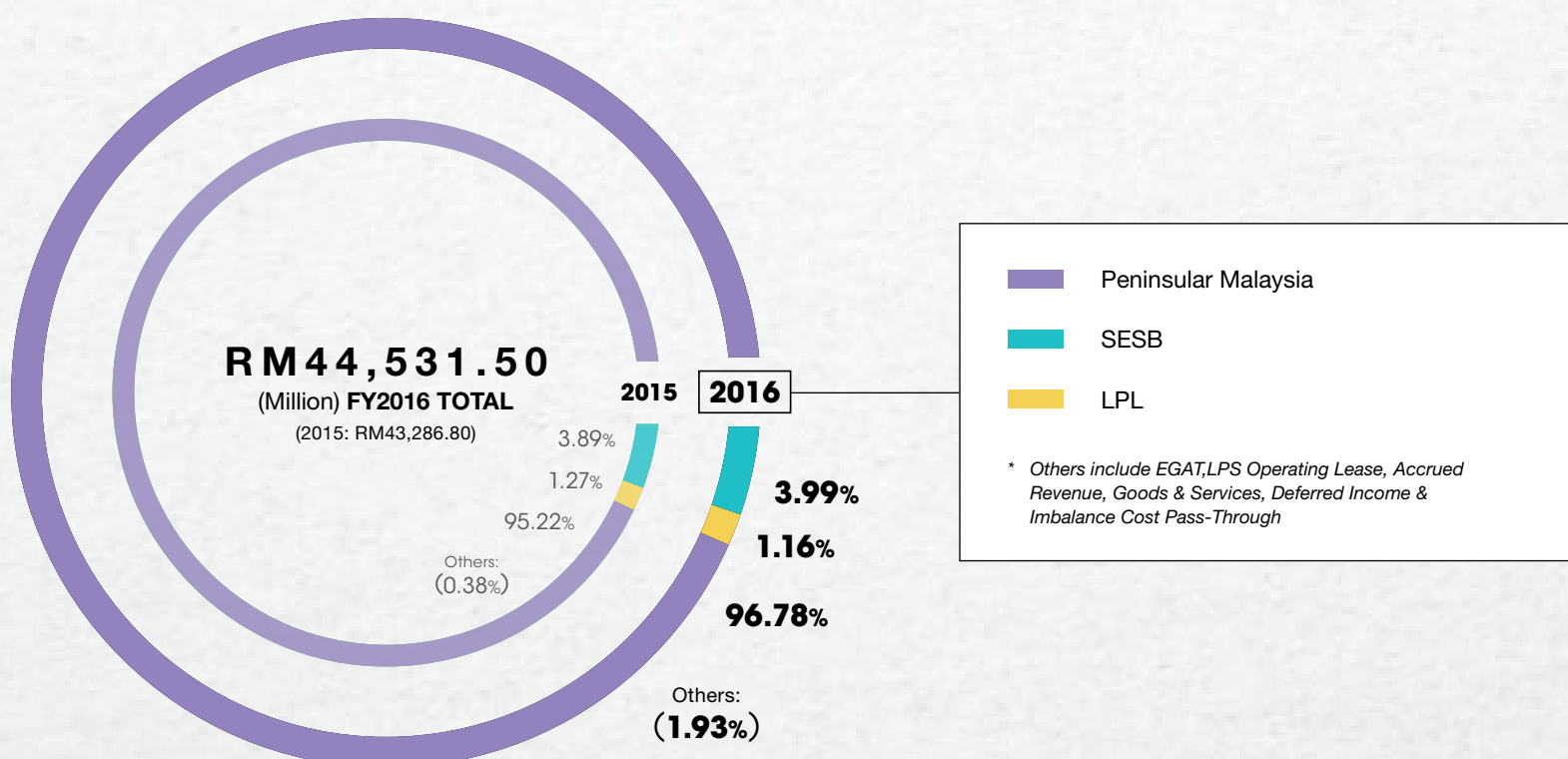


# GROUP QUARTERLY FINANCIAL PERFORMANCE

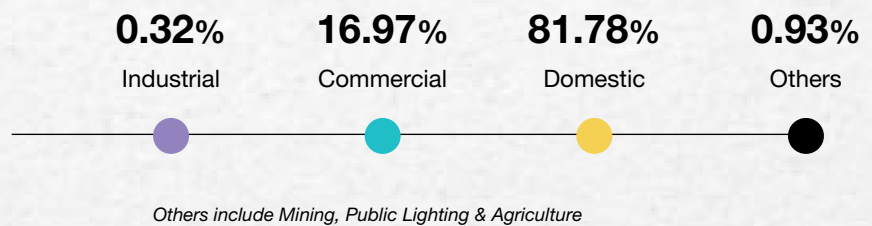
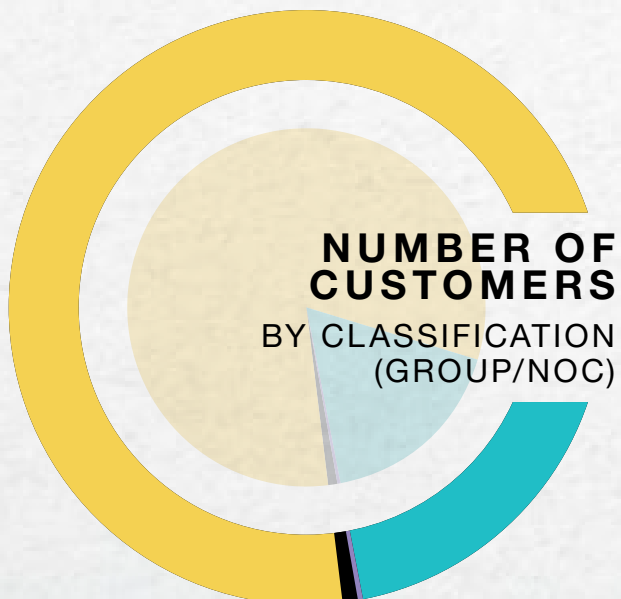
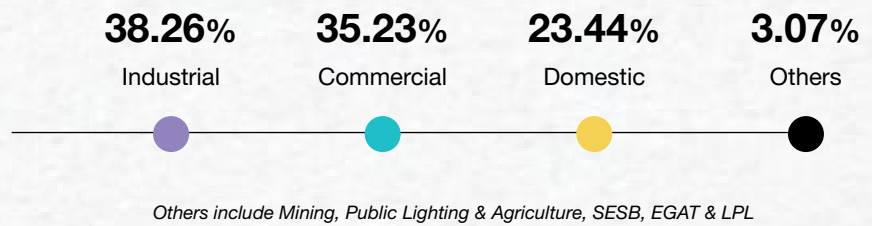
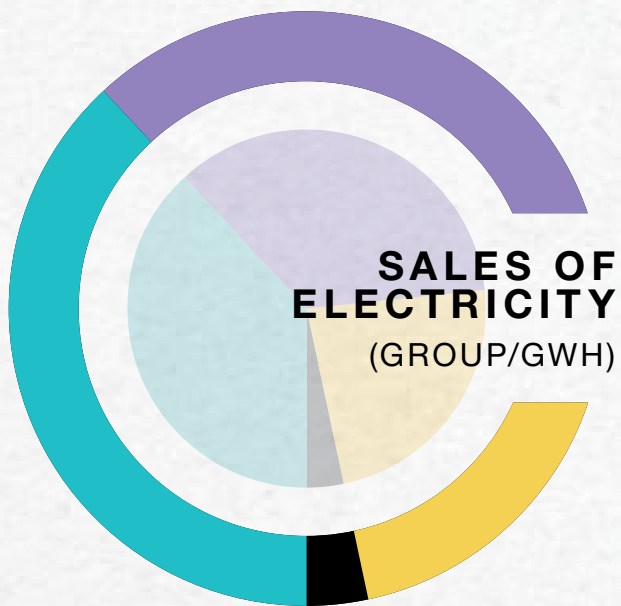
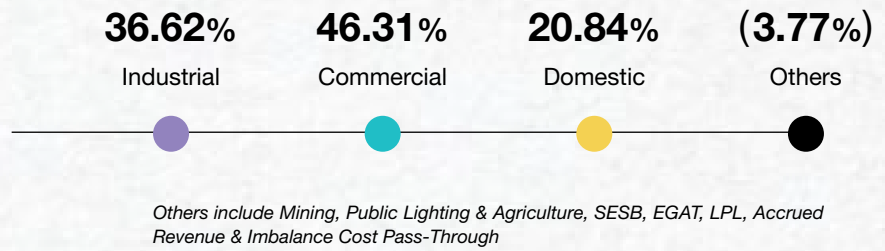
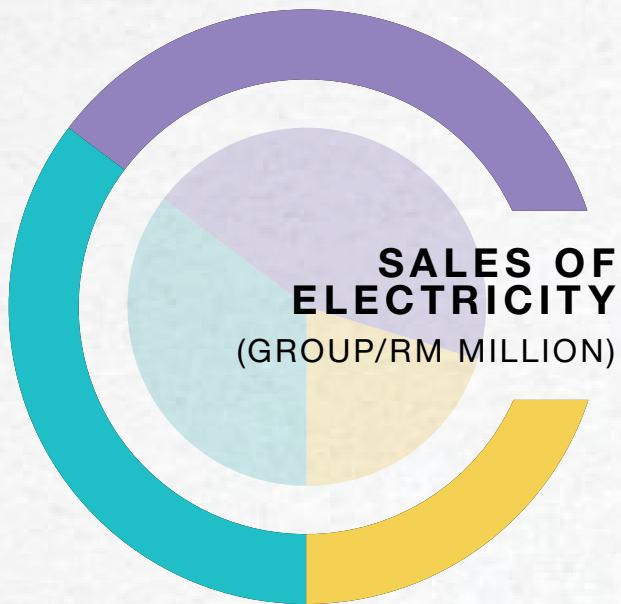
2016 (RM Million)	1QFY'16	2QFY'16	3QFY'16	4QFY'16
Revenue	10,676.80	10,489.30	12,128.70	11,236.70
Operating profit	2,397.70	1,841.80	2,747.10	2,085.40
Profit before taxation and zakat	2,163.30	1,499.40	2,531.80	1,872.30
Net profit attributable to owners of the Company	1,976.00	1,320.70	2,308.70	1,762.20
Basic earnings per share (sen)	35.01	23.40	40.91	31.22

2015 (RM Million)	1QFY'15	2QFY'15	3QFY'15	4QFY'15
Revenue	11,027.10	10,610.00	9,905.70	11,744.00
Operating profit	2,744.80	2,775.40	888.5	2,218.90
Profit before taxation and zakat	2,620.80	2,365.50	734.9	1,412.50
Net profit attributable to owners of the Company	2,351.90	2,156.20	789.4	820.9
Basic earnings per share (sen)	41.67	38.21	13.99	14.55

## FY2016 CORE REVENUE



# OPERATIONAL STATISTICS





# SUSTAINABILITY STATEMENT

# 04

At TNB, we recognise that we must prepare for the demands of the future today. Sustainability is a key driver for us to prepare our business for a resilient future. Our sustainability agenda is driven by our strong focus to align our business activities with societal needs, while harnessing the potential of environmental transformation. This focus is embedded in all levels of our organisation and will continue to be a priority as we move forward.

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**5,800  
TREES**

planted  
under the  
“Tree for  
a Tree”  
programme

**RM192  
MILLION SPENT ON**

professional development  
for our

**35,684  
EMPLOYEES**

**385  
FAMILIES**

benefited from

**HOME  
FOR NEEDY  
PROGRAMME**

**24,770  
GRADUATES**

produced by

**UNITEN**



# HOW WE CREATE SUSTAINABLE VALUE

As Malaysia's leading electricity company, we view it as our responsibility to continue to catalyse national development, especially as our business grows. We are proud to help our stakeholders transform and benefit from our own progress. This is underlined by our drive to make a difference to our stakeholders and the environment, as we strive to move forward through innovative solutions.

## GOVERNANCE FOR SUSTAINABILITY

**GOOD GOVERNANCE IS THE BEDROCK OF OUR BUSINESS, LED BY ETHICAL BUSINESS PRACTICES AND INTEGRITY. WE HAVE EMBEDDED THE HIGHEST STANDARDS OF GOVERNANCE IN OUR BUSINESS NOT ONLY BY COMPLYING WITH THE LAW, BUT THROUGH PROCESSES AND DIRECTIVES THAT CONTINUE TO REINFORCE THE PRINCIPLES.**

## MANAGING SUSTAINABILITY

Sustainability is embedded in our organisational approach and is led from the top. The company performance is tracked by the Board Nomination and Remuneration Committee (BNRC) and approved by the TNB Main Board. The Strategic Management and Performance Department provides a strategic overview of the key performance and monitors its implementation. The sustainability considerations have been incorporated into our Policies which govern TNB operations at various Divisions.

All new and ongoing sustainability matters come under the purview of the Sustainability Development Committee (SDC). The SDC comprises TNB's management executives and is chaired by the President/CEO. The roles and functions of the SDC are:

- To review, evaluate and advise on new proposals that are deemed as 'Sustainability and Green Energy' projects to be implemented by TNB, prior to further review from other prerogative committees, and the Board of Directors.
- To approve recommendation(s) related to expediting the development of Sustainability and Green Energy projects prior to a further approval process which will be escalated to higher approving authorities in accordance with TNB's Procurement & Policy guideline and Limit of Authority (LOA) Guidelines.
- To resolve any Sustainability and Green Energy related business issues and new challenges.

### **Sustainability Development Committee (SDC) objectives**

- Ensure that Sustainability and Green Energy developments and projects receive due consideration, assessment and review from different perspectives (technical, commercial, etc.) as represented by various internal stakeholders in different areas of the industry.
- Accelerate and optimise the process of project development in overcoming the challenging, competitive and fast evolving landscape in Sustainability and Green Energy business and opportunities.
- Escalate and share latest updates and information on Sustainability and Green Energy development and initiatives.



# HOW WE CREATE SUSTAINABLE VALUE

## ECONOMIC IMPACT

### BUILDING A WORLD-CLASS SUPPLY CHAIN

For more than 60 years, we have been successfully powering the nation's development, supported not only by our customer base but also significantly backed by a strong supplier base. These strong supplier relationships ensure long-term growth of both our Company and our suppliers, especially in challenging times. With this in mind, we have pledged our commitment to the growth of our suppliers by establishing long-term targets to develop them into national and regional champions.

#### Supply Chain Procurement Practice Performance Data:

INDICATOR	2014	2015	2016
Total spent on procurement (RM billion)	8.600	8.637	<b>8.060</b>
Total suppliers	4,948	4,638	<b>4,685</b>
Suppliers engaged and supported	4,860	4,534	<b>4,550</b>
Total spent on supplier engagement and support (RM billion)	7.900	7.910	<b>7.440</b>
Percentage of local suppliers	92%	92%	<b>92%</b>

#### Notes:

Percentage of Local Suppliers (Local Spend over Net Procurement Spend)

\* Net Procurement is total procurement spend minus fuel or any energy-related spend

\* Local Spend is Total Spend for Bumiputera plus Non-Bumiputera companies

Since 2014, 92% of our suppliers have been made up of local businesses. By supporting local organisations in our supply chain, we can directly contribute to the local economy and indirectly attract additional investment to our economy.

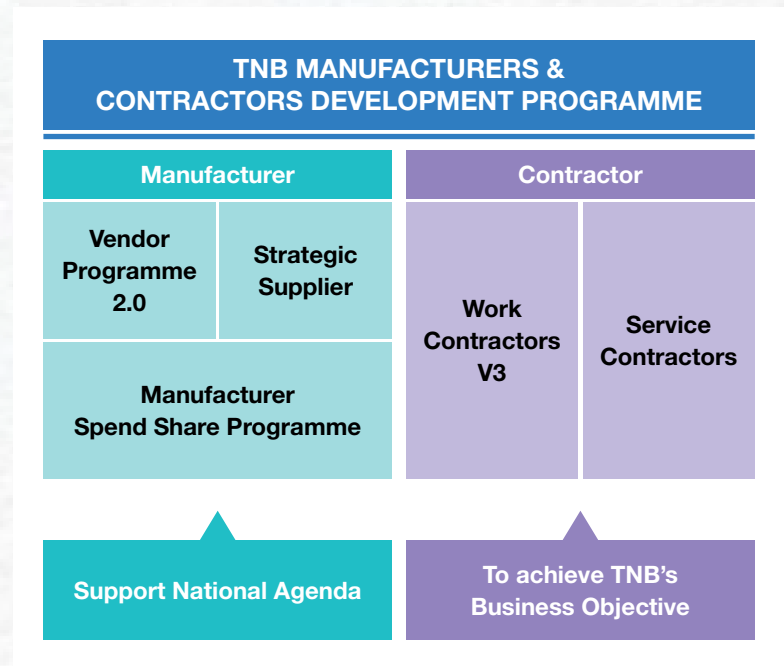
#### Procurement Process and Policies

We take a rigorous approach in ensuring that our procurement process is ethical and complies with all our requirements, rules and policies. The list of our requirements, rules and regulations, policies, and end-to-end procurement process is clearly defined and detailed on our website. Penalties are imposed on suppliers who violate our rules and regulations. We continue to maintain strict control of our procurement process in order to safeguard the integrity of our purchasing system and to maintain a pool of competent suppliers and contractors. Ultimately, this will also benefit our stakeholders as they can have peace of mind in knowing that we have sourced our products and services in the right way.

More information on our procurement practices can be found on our website (<https://www.tnb.com.my/doing-business-with-tnb/suppliers/>).

### TNB Vendor Development Programme

Since its existence in 1994, TNB has successfully awarded contracts over RM9.4 billion to approximately 1,000 companies under the TNB Vendor Development Programme. The new phase of vendor programme which started in 2015 programme is in line with the government's effort to focus in developing vendors to be more competitive in order to compete at the open market and expand regionally and globally.



### TNB's Initiatives in Empowering Vendors

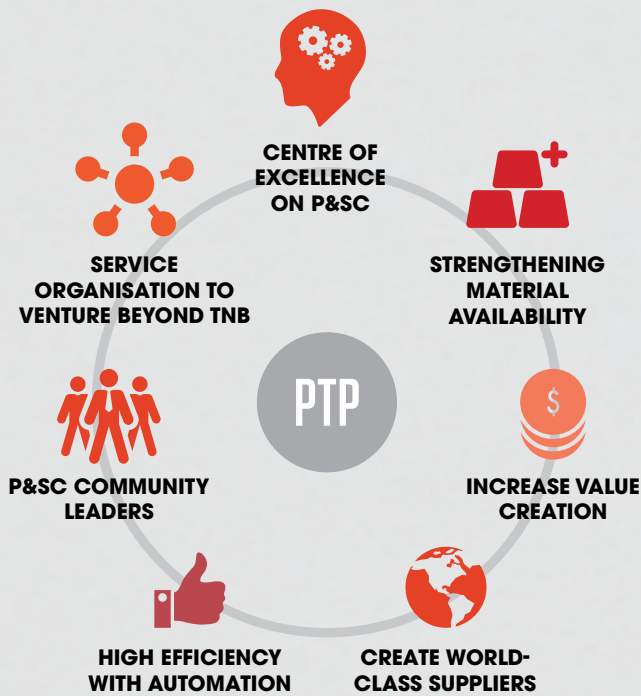
 <p><b>To work hand in hand with Government Agencies</b></p> <p>To work with MPC, SIRIM, SME Corp and CIDB to train and guide the Supplier/ Contractor to be more competitive at the Domestic and Global Level.</p>	 <p><b>To produce competitive Suppliers/Contractors</b></p> <p>To provide business opportunities to the Suppliers/Contractors. The contracts will be awarded in merit in order to instil competitiveness among the Suppliers/Contractors.</p>
 <p><b>Training &amp; Development</b></p> <p>Entrepreneurs would need to attend specific programmes/courses for training and development in order to be a qualified TNB vendor.</p>	 <p><b>Long term plan</b></p> <p>To produce a larger bank of Vendors especially in the energy sector which is competitive and independent.</p>



# HOW WE CREATE SUSTAINABLE VALUE

## Procurement Transformation Programme (PTP)

Our Procurement Division spearheads the Procurement Transformation Programme (PTP) with the objective of transforming the overall procurement function to create value and support our growth aspirations. In our pursuit of becoming a DRC, the PTP has built a future-ready Procurement and Supply Chain (P&SC) organisation with the goal of becoming a world-class leader in P&SC. The PTP commenced in 2015 and is expected to take two years to complete.



## OPPORTUNITIES FOR NEW BUSINESS DEVELOPMENT

We view our Intellectual Property (IP) assets as a crucial component of our business. IPs often carry potential commercial value that can open up new business avenues for us. They can also drive our business forward by serving as a networking platform, as can be seen from our research and innovation collaborations with organisations in the US, Europe, China and India.

In our quest to promote innovation within our organisation, in 2014, we established and endorsed our Intellectual Property and Commercialisation (IPC) Policy, IPC Management Framework, IPC Incentive Scheme and Research & Budget Allocation for IPC initiatives. These were set up with the aim to encourage innovation among our employees as well as to ensure clear guidelines on the development, management and protection of our IP rights (IPR). IPR between the Policy covers the rights for a range of IPs such as patents, copyrights, industrial designs, trademarks and layout-designs on integrated circuits.

Our IPC Policy also outlines the protection of IP authors and creators, ensuring that they will be given due recognition as well as incentives and royalties for their respective commercialised IP. The IP Committee manages the oversight and implementation of our IPC Policy across the divisions and subsidiaries.

Thus far, our most tangible IP asset are our patents, which are classified below:

File Category	Patent Filed	Patent Pending	Patent Granted
Malaysia	19	10	9
International	5	3	2
<b>Total</b>	<b>24</b>	<b>13</b>	<b>11</b>

During the year under review, we were granted one patent and filed for seven other patents. As of August 2016, we were also in possession of 14 copyrights under 'Statutory Declarations' and over 1,000 copyrighted publications. From our list of IPRs, we have successfully commercialised two via licensing to third parties. Many of our IPRs are also being used internally to enable new ways to operate our business.

## HOW WE CREATE SUSTAINABLE VALUE

### RURAL ELECTRIFICATION

In the year under review, we continued to participate in the ongoing Rural Electrification Programme, or better known as BELB (Bekalan Elektrik Luar Bandar), which aims to provide remote areas of Malaysia with access to electricity. The programme is a joint collaboration between TNB, the Ministry of Rural and Regional Development (KKLW) and Electricity Supplies Industry Trust Account (AAIBE) under the Ministry of Energy, Green Technology and Water (KeTTHA).

Rural Electrification projects undertaken by TNB in FY2016 are as follows:



PROJECT TITLE	COST (RM million)	NO. OF PROJECTS	NO. OF HOUSES	STATUS AS @ JULY 2016
BELB Talian Grid Peninsular Malaysia 2012/2013	7.63	11	447	<b>Work in progress</b>
BELB Agropolitan Chemomoi, Bentong Pahang	2.03	1	1	<b>Completed</b> 100% 23 December 2015
BELB Sg. Mok	0.75	1	10	<b>Completed</b> 100% 26 December 2015
BELB Pos Simpor Pulat, Gua Musang, Kelantan	37.05	1	176	<b>Completed</b> 100% in December 2015
BELB Kampung Orang Asli Sg. Siput Perak	24.90	1	242	<b>Work in progress</b> 81% as at June 2016. To be completed by 21 December 2016
BELB KKLW Peninsular Malaysia 2014-2015	42.66	22	852	<b>Work in progress</b> To be completed by July 2017



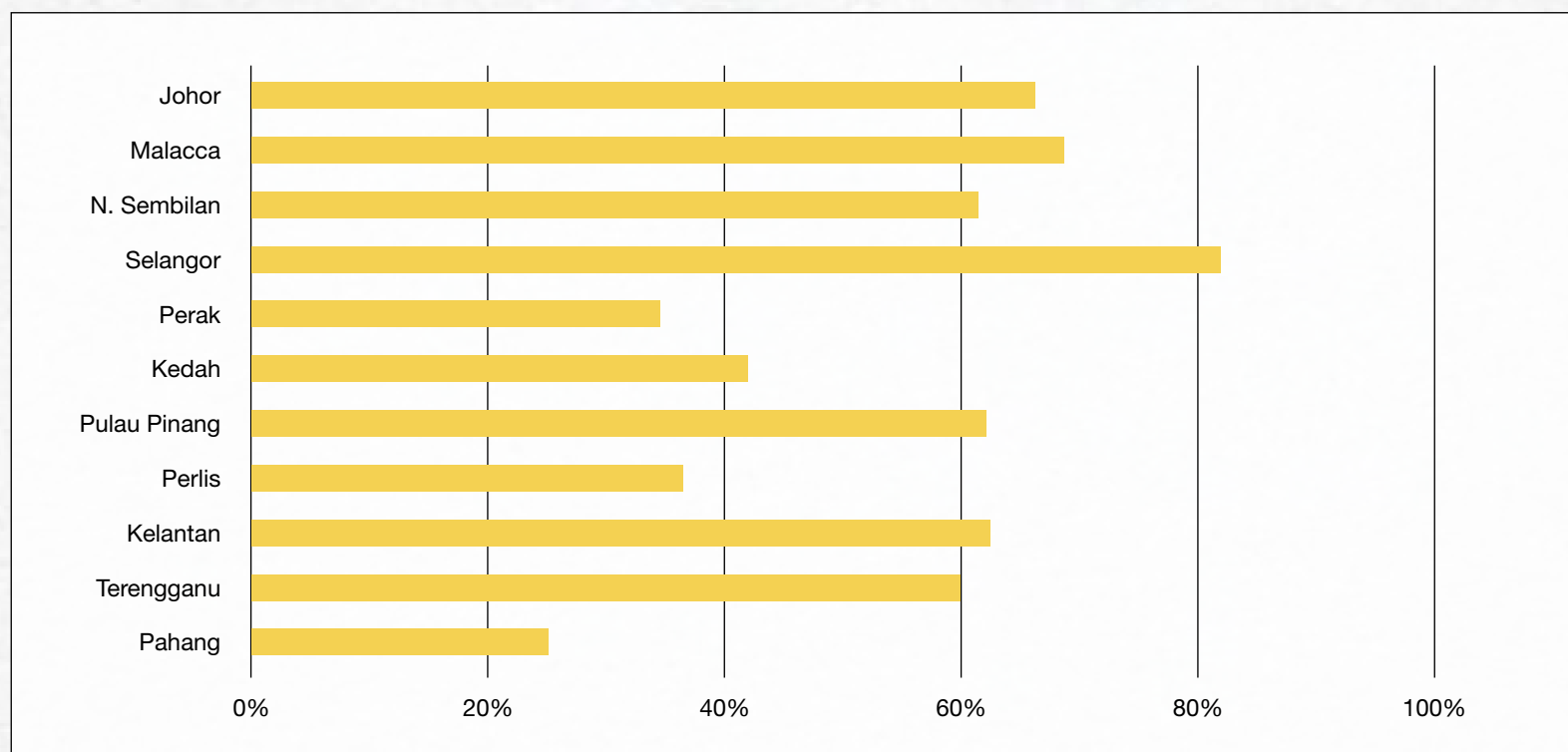
Even in the most remote of areas, we believe in making lives better through our Rural Electrification initiative.

## HOW WE CREATE SUSTAINABLE VALUE

### VILLAGE STREET LIGHT OR LAMPU JALAN KAMPUNG (LJK) PROJECT

In addition to BELB, we continue to support the Government's efforts to light up public areas in villages through the Lampu Jalan Kampung (LJK) project. This, in turn, is aimed at enhancing villagers' security to encourage night-time community activities. Under the 11<sup>th</sup> Malaysia Plan 2016-2020, we were appointed to install 36,964 units of 150W street lights throughout Peninsular Malaysia from September 2015 until November 2016 as part of Phase 7 of the LJK project. The costs involved in installing the 150W street lights and their monthly electricity bills are fully paid by KKLW. As of June 2016, we have installed 19,119 units of LJK.

#### LJK Phase 7 Peninsular Malaysia implementation status as at 30 June 2016:



#### Total number of LJKs to be installed in the following states:

STATE	TOTAL
Johor	5,300
Malacca	1,387
Negeri Sembilan	3,420
Selangor	1,660
Perak	6,000
Kedah	4,664
Pulau Pinang	1,402
Perlis	2,623
Kelantan	3,618
Terengganu	3,707
Pahang	3,183
<b>TOTAL</b>	<b>36,964</b>

For further details on TNB's Economic Impact, please refer to page 35 of this Integrated Annual Report.





# HOW WE CREATE SUSTAINABLE VALUE

## SOCIAL IMPACT

<b>Yayasan Tenaga Nasional (YTN) disbursed RM54 million to sponsor 2,014 students for higher education</b>	<b>Home for Needy aided 385 families, of which 98 families received aid in FY2016</b>	<b>RM192 million spent on training and professional development of employees</b>	<b>RM42,850 channelled to community projects surrounding power plants</b>	<b>Tree for a Tree Programme planted 5,800 trees at 6 locations with an investment of RM685,000</b>
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Our employees are our most valuable assets. In view of this, we have made it our priority to nurture a caring work environment that is both challenging and rewarding for our employees. We also believe that a healthy work-life balance is vital to ensure employee satisfaction and productivity. Towards this end, we have empowered our workforce through systematic training programmes and career development opportunities; a safe and healthy working environment; as well as an attractive compensation and benefits scheme.

## TALENT SOURCING AND DEVELOPMENT



Talent sourcing at TNB is carried out by our Group Human Resource (GHR) division, which manages manpower requirements according to allocated budgets with the aim of optimising staffing levels and increasing productivity. The GHR division through People Development Centre of Expertise (CoE), plans and designs our employee development policies and initiatives. These, in turn, are executed by our Shared Service Centres, which process employee development requests and allocations, which comply with the necessary development policy and guidelines.

During the year in review, our GHR shifted its focus from training investment utilisation to impact analysis. This is as we look for ways to measure the effectiveness and return on investment of our learning and development interventions. This shift in focus has been reflected in our improved Employee Competency Index and has helped us to save up to RM30 million in training and professional development spending.

On an annual basis, we invest more than 2% of our profit into employee learning and development, which amounts to approximately RM5,000 per employee. This year, we have invested up to RM192 million on training and development of our employees with 80% of our workforce attending at least three days of training. Our new recruits have also embarked on our career development initiative, which directly links employees' career path with training, education and development programmes.

We also provide training to our technical talent to continuously enhance our technical capabilities. Through our subsidiary, TNB Integrated Learning Solution Sdn Bhd (ILSAS), we provide industrial-grade technical training and certifications. ILSAS is ISO9001:2008 certified and adheres to SIRIM Berhad's UKAS standards, and provides training not only to our employees, but also to external participants from the electricity industry. ILSAS's trainers have also attained recognition as Certified Training Professionals by the Institute of Training and Development (ITD). This year, ILSAS was responsible for workforce reskilling of our Billing & Customer Relation Management (BCRM) and TNB Mobility Metering Management System (MMMS) projects.



ILSAS - the nucleus of TNB's training programmes.



# HOW WE CREATE SUSTAINABLE VALUE

## PERFORMANCE DATA FOR WORKPLACE:

DESCRIPTION	2014	2015	2016
<b>EMPLOYEE BREAKDOWN</b>			
<b>Total Number</b>			
TNB	30,065	29,602	<b>28,807</b>
Group	36,146	35,975	<b>35,684</b>
<b>Turnover Rate</b>			
TNB	1.98%	2.00%	<b>3.30%</b>
<b>Women in Employment</b>			
Board of Directors	20%	20%	<b>27%</b>
Senior Management	11%	13%	<b>14%</b>
Executive	34%	35%	<b>35%</b>
Non-Executive	16%	16%	<b>16%</b>
<b>NEW HIRES</b>			
<b>Total Number</b>	1,381	132	<b>319</b>
<b>Gender</b>			
Female	374	54	<b>28</b>
Male	1,007	78	<b>291</b>
<b>Age Group</b>			
<30	1,364	119	<b>307</b>
30-40	2	12	<b>8</b>
40-50	14	1	<b>4</b>
>50	1	-	<b>-</b>
<b>Region</b>			
East	213	17	<b>54</b>
North	269	14	<b>68</b>
South	240	7	<b>46</b>
West	659	94	<b>151</b>
<b>TRAINING</b>			
<b>Total spent (RM)</b>	180 million	190 million	<b>192 million</b>
<b>Average Training Hours</b> (man-days per employee)	8.5	9.0	<b>8.0</b>
<b>Regular Performance Reviews</b> (number of employees)	30,065	29,602	<b>28,807</b>

# HOW WE CREATE SUSTAINABLE VALUE

## DEVELOPING LEADERSHIP AT ALL LEVELS

At TNB, we want our employees to have a long career with us and are committed to providing them with the resources they need to develop their careers. The investments we make in training and development will in turn help us to increase productivity as well as manage succession and retirement. One of the flagship programmes for this purpose is the Leadership Development programme under our 1TTP to discover, develop and deploy leaders in our organisation.



Our leadership courses cater to all employment levels ranging from Top Management to non-executives, as we aim to identify and develop potential leaders through targeted intervention plans.

These include scholarships for MBAs, participation in internal leadership development courses as well as experiential learning and technical competency. We also offer selected individuals three-year postings to our domestic and foreign operations.

Some of the key leadership development courses that we have conducted include the Future, Engage, Deliver (FED) programme, Leadership Competency programme and Let's Talk programme. Most of these courses are conducted by TNB's Leadership Development Centre (LDC) along with GHR and external trainers, when applicable.

We also facilitate external leadership programmes with Government agencies or knowledge partners such as Harvard University and the European Institute of Business Administration (INSEAD).

To date, we have engaged up to 20 personnel from Top Management, 350 personnel from the management team, 6,000 executives and 30,000 non-executives through our leadership development courses.

## EMPLOYEE WELL-BEING

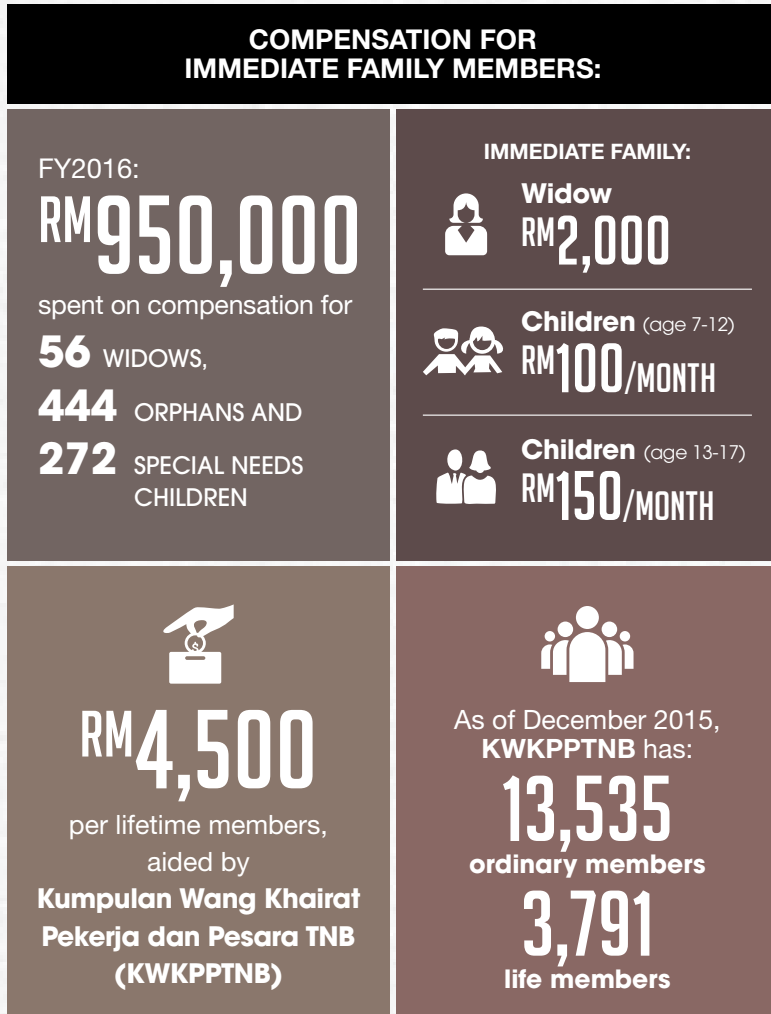
As a caring employee, we have established a number of facilities, programmes and clubs/associations to ensure the well-being of our employees.

This includes our Total Wellness Programme, which allows employees to take one hour off from their working hours every week to participate in physical activities at the workplace. We have also funded clubs and societies for our employees to participate in such as the Kilat Clubs and PELITAWANIS. At present, there are 70 registered Kilat Clubs in the country, to which TNB has channelled approximately RM1.5 million to finance sports and social activities. PELITAWANIS is a club for women employees and wives of employees which holds various charitable events throughout the year. TNB has contributed RM883,000 to support PELITAWANIS initiatives in FY2016. Additionally, we have invested in corporate retreats for our staff to use either for work-related purposes or personal recreation.

Our employees also receive some of the most comprehensive healthcare benefits among Malaysian corporates. This includes a panel of 1,225 clinics and hospitals, as well as in-house Dispensaries 1TNB, which provides medical care to employees at our selected office complexes. Furthermore, we organise routine health talks and screenings for all our employees, with those aged 40 and above encouraged to undergo full medical examinations at least once every two years.

## HOW WE CREATE SUSTAINABLE VALUE

Our employee benefits are also extended to families of employees. These include medical benefits for immediate family members as well as compensation for unfortunate events that may befall an employee.



We pride ourselves as a family-centric employer and understand our employees' family obligations. Employees may send their children to any one of our eight nurseries and eight kindergartens, while older children are offered tuition at a minimal rate of between RM15 and RM25 depending on their level of schooling. During the year, we also provided RM58,000 for seven enrichment classes - Kelas Bimbingan Tenaga, which benefitted 170 children of our employees.

In 2016, we organised our TNB Wellness Family Day for the first time. The event, which was held concurrently at all TNB stations in the country, saw all our employees and their respective family members participating in sports and various recreational activities. To further advocate healthy wellbeing, medical check-ups were also held during the event.

Our Pakatan Persatuan Kebajikan Pekerja Islam TNB (PKPI) leads our engagement with our Muslim employees, and currently has a membership of 19,272. To date, funds totalling RM379,000 have been channeled to PKPI for activities such as Quran reading and memorisation, as well as seminars on leadership and spiritual/emotional wellbeing.

With our history spanning almost seven decades, we are proud to be served by a loyal and dedicated workforce. In an effort to reward employees who build their careers with us, we organise our annual Long Service Awards Ceremony to recognise employees who have served 25, 30, 35 and 40 years with TNB. This year, we presented 1,579 employees from all over the country with the Long Service Award.

We have also taken efforts to ensure the well-being of our retirees and former workers with the provision of medical aid and by organising various social and recreational activities.

## WELL-BEING OF TNB RETIREES:



MEDICAL AID IN THE FORM OF **WHEELCHAIRS, HEARING AIDS AND PROSTHETICS**



**Persatuan Bekas Pekerja LLN/TNB** - In FY2016, RM180,000 was spent on organising various social and recreational activities including Majlis Berbuka Puasa and Majlis Hari Raya for our retirees



## HOW WE CREATE SUSTAINABLE VALUE

### CORPORATE SOCIAL RESPONSIBILITY

As an organisation that powers the nation, our reach extends throughout the country. In view of this, we believe that we bear a social responsibility towards the communities that we operate in. To this end, we reach out to our surrounding communities through our various business divisions by participating in and contributing to various activities in four main focus areas: social charity, education, sports and environment.

#### Social Charity

##### *Home for Needy Programme*

Initiated in 2007, our Home for Needy programme is aimed at improving the lives of underprivileged communities by installing basic amenities such as electricity, water and sanitation in their dwellings to transform their houses into homes. All costs for this programme are borne by TNB. Priority is given to senior citizens, single parents and the disabled, with the programme offered to our customers from all racial and ethnic backgrounds. To date, the programme has assisted 385 families, including 98 families in FY2016.

As part of the Government's National Blue Ocean Strategy (NBOS) initiative, we have also invested RM1.27 million to rewire old electrical wiring in the homes of 313 families through this programme, of which 31 families received aid in FY2016. This initiative was undertaken in an effort to enhance public safety awareness.

##### *Power Stations in the Community*

At TNB, we take great efforts to ensure that our power stations do not become a detriment to the communities in which we operate. In addition to providing electricity, our power stations act as a platform for us to conduct programmes beneficial to local communities. This is led by our Energy Ventures (EV) division, which ensures power plant projects are executed efficiently, and the Corporate Communications Department, which organises community projects surrounding the power plants. In 2016, we invested up to RM42,850 on community projects around our power stations.

##### *Community Outreach Programme (COP)*

Our Community Outreach Programme (COP) is a one-day event enabling our communities to directly interact with our Management in an informal setting. Activities held during the COP include customer service, health checks and safety exhibitions. Since its inception, we have engaged up to 58,600 customers at 193 locations across 13 states through this programme. In FY2016, we spent RM537,000 for COP at 13 locations, reaching 3,600 customers.



Dato' Sri Haji Wan Rosdy Wan Ismail, State Legislative Assembly Member of Jelai, Pahang, officiating the Home for Needy Project together with the recipient, Faridah Mat Taha and TNB General Manager of Pahang, Dato' Ir. Sharuddin Mohd Simin.



## HOW WE CREATE SUSTAINABLE VALUE

### *Kampung Kuantan Firefly Colonies Conservation and Community Projects*

Our ongoing collaboration on firefly conservation with the Kuala Selangor District Council in Kampung Kuantan, Kuala Selangor, remains one of our most important efforts in environmental conservation. The fireflies of Kampung Kuantan are part of a tourist attraction which continues to attract thousands of visitors each year. In FY2016, Kampung Kuantan attracted over 84,838 tourists, a 40% increase from FY2008. Moving forward, we will be looking to partner with local authorities and communities to extend our conservation effort on fireflies to Kampung Dew, Taiping (Perak), Kampung Yah Yah in Kemaman (Terengganu) and Sungai Timun, Rembau (Negeri Sembilan).

In addition to our direct efforts in firefly conservation at Kampung Kuantan, we have also focused our efforts on research, developing physical infrastructure, generating publicity to attract more tourists, and supporting the area's local communities. Additionally, we have helped to generate additional income for the boatmen of Kampung Kuantan by facilitating an increase in boat fares at the firefly site, helping to raise their income by RM15,000 per annum per boatman. This has indirectly helped to enhance the livelihood of the surrounding 11,846 residents. To date, we have also provided a total of 30 new boats to the local boatmen.

### *Caring for Our Community*

At TNB, we have always taken an active role in supporting and caring for our local community through community partnerships, sponsorships, donations and employee volunteerism.



Chief Corporate Officer, Datuk Wira Roslan Ab Rahman and General Manager (Customer Relations), Datuk Ir. Mohd Azim Dato' Yusof delight the orphanage children of Pertubuhan Kebajikan & Bimbingan At-Taqwa during a berbuka puasa event.

## FINANCE

Sukaneka sports event with local indigenous communities at Kampung Ulu Melaka in Serendah, Selangor

## INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

- Program ICT Prihatin
- Tabung Kecemasan

## TRANSMISSION

- RM283,141.90 for community initiatives including spring cleaning activities at places of worship and contributions to schools, single mother associations, charitable homes and orphanages
- RM19,485 in contributions from employees to orphanages throughout Malaysia during the fasting month

## YTN

- Program Kem Remaja Bestari
- Program Mutiara Timur
- Nurturing Future Leaders for selected students at boarding schools across the country

## ILSAS

- Periodical speeches serving as knowledge-sharing sessions
- Practical industrial training for students from various academic and learning institutions
- Robotic skills programme
- Satu Barang Satu Staf programme
- CSR Emergency Fund Contribution
- Team Building
- Iftar programme

## UNITEN

- Sekeping Hati
- Ziarah Mahabbah
- Junk Street Charity
- Hope for the Orphans
- Save Our Rainforest Race 2016
- Feed the Needs
- Majlis Jalinan Kasih
- Kembara Saham Akhirat
- Iftar Perdana 2016
- Bicara Inspirasi Kejayaan (Siri 2)
- University Scholars Leadership Symposium (USLS)
- Health Week

## HOW WE CREATE SUSTAINABLE VALUE

### Education

#### *Universiti Tenaga Nasional (UNITEN)*

UNITEN offers foundation, undergraduate and postgraduate studies in engineering, IT and business/finance. In 2014, UNITEN developed its Building Opportunities, Living Dreams 2020 (BOLD 2020) plan to transform into one of Malaysia's leading teaching and research universities.

Since its implementation, BOLD 2020 has achieved significant progress. In 2016, it registered a record student enrolment of 12,275 students, and received a 4-star rating in the Ministry of Higher Education's MYRA assessment, which evaluates the research capacity and performance of all higher education institutions in Malaysia.

In 2016, the Institute of Energy Policy and Research (IEPR) at UNITEN has conveyed useful research findings to the public through public talks on the "Full Liberation of Electricity & Gas Retail Market in Japan", "Short and Medium Term Outlook of the Global Oil & Gas Market", and "Energy Security in Asia". In the same year, IEPR researchers have actively contributed to the Malaysian preparation of the Biennial Update Report on Greenhouse gas to the United Nation Framework on Climate Change (UNFCCC), and participated in the East Asia Think-tank on significant energy themes.

As a testament to UNITEN's capabilities, it has produced 24,770 graduates since its inception and recorded an employability rate of 97.2% among its graduates. Furthermore, following efforts to strengthen its presence and public visibility, UNITEN was ranked 7<sup>th</sup> in the Webometrics Malaysia 2015, which ranks universities' web presence and visibility to indicate its performance.

Moving forward, BOLD 2020 has been expanded into BOLD 2025 that is aimed at transforming UNITEN into a globally competitive energy-focused university by 2025. This programme hopes to mould UNITEN into a trusted name in education to further enhance employability of its graduates, a solution provider for the energy sector, and a self-sustaining entity in the near future.

#### *TNB Integrated Learning Solution Sdn. Bhd. (ILSAS)*

ILSAS is a premier training academy which has provided excellence in training and specialised services for the energy industry for over 30 years. Its industrial training capabilities cover technical courses in electrical, electronic and mechanical engineering and IT, while it also provides consultancy and advisory services on management and business. We also provide training in Asset Management, where project planning, cost efficiency, reliability, ownership, and risk are aligned to new ISO requirements; practical for any organisation which owns and operates large assets.

ILSAS is now an Industry Lead Body (ILB) recognised by the Energy Commission, electricity regulators and the Department of Skills Development (JPK) of the Malaysian Ministry of Human Resource. Furthermore, it is a leading academy for safety programmes, conducted in collaboration with the Department of Safety and Health (DOSH)'s National Institute of Occupational Safety and Health (NIOSH).

In FY2016, ILSAS trained over 50,000 individuals from all levels of the industry, and from within and beyond TNB. This year, ILSAS also provided industrial training to 27 practical trainers from several institutions and launched a "Robotic Skills Programme", which exposed 58 children of TNB employees to the fields of electronics, mechanics and software. Skills empowerment programmes in the electrical industry were also conducted for school-leaving youth.

In its contribution to the development of a highly-skilled workforce in Malaysia, ILSAS has been conducting programmes for up skilling High Voltage (HV) Chargemen in collaboration with Yayasan Peneraju Pendidikan Bumiputra. ILSAS is also training and supporting TNB's effort in the SL1M programme. Additionally, it has provided competency training services to AEON Group Malaysia, Felda Group Ventures Holdings Berhad and the Malaysian Maritime Academy.

Since 2009, ILSAS has also been entrusted with the government-to-government (G2G) technical exchange programme known as the Malaysian



UNITEN prepares its graduates to become knowledgeable and competent professionals.



## HOW WE CREATE SUSTAINABLE VALUE

Technical Cooperation Programme (MTCP) overseen by the Ministry of Foreign Affairs. In FY2016, ILSAS conducted a 10-day programme on TNB's experience in power plant selection, design and construction with 10 delegates from Kenya, Tanzania, Sri Lanka, Bosnia, Nepal, Laos, and Zimbabwe.

### **Yayasan Tenaga Nasional (YTN)**

YTN provides scholarships, study loans and education/welfare programmes focused on the fields of engineering, accounting, IT and other related fields. In FY2016, YTN provided a total of RM54 million to sponsor 2,014 outstanding Malaysian students in their higher education at selected local and foreign universities.

### **Skim Latihan 1Malaysia (SL1M)**

Under the SL1M programme, we provide soft skills and on-the-job training at our TNB stations. 514 trainees were selected for our 2016 intake and as of August 2016, 99 succeeded in securing employment, with the programme ongoing for the calendar year.

### **School Safety Campaign**

The School Safety Campaign is aimed at educating the community on the safety of electricity usage and to increase awareness on activities that are being carried out near TNB's existing assets. Since 2015, the target community for this programme has been primary and secondary school students at 13 locations across the country. Thus far, we have approached 244 schools comprising 13,236 students and 928 teachers. The target community for this programme has evolved throughout the years since its inception in 2008 and will continue to do so in our quest to reach out to all levels of the community.



School children observing the model of a transmission tower during TNB's School Safety Campaign.

### **Promoting Intelligence, Nurturing Talent And Advocating Responsibility (PINTAR) Programme**

We continue to support the PINTAR programme, a collaboration between the PINTAR Foundation, Government-Linked Companies (GLCs) and other private corporates to "adopt" schools to provide academic and non-academic support to underprivileged students around Malaysia. Through this programme, we have reached out to the underprivileged community via various academic initiatives such as motivational camps, tuition classes, examination seminars and clinics. It has been almost seven years since TNB joined this programme, which was established in 2007, and for the period from 2013 to 2015, we have adopted 13 PINTAR schools nationwide. To date, the programme has positively impacted the lives of 3,818 students and 387 teachers, as well as various members of the communities surrounding the school. Our efforts in the PINTAR programme have also helped to boost the performance of schools with two schools being recognised as a High Performing School and a Cluster School of Excellence by the Ministry of Education. We have also helped to elevate Sekolah Kebangsaan Tualang Tinggi in Kelantan to the 8<sup>th</sup> best school in the state, according to the National School Ranking system. Moving forward, we are targeting to adopt 18 schools nationwide for the next three years starting from 2017.

### **National Hockey Development Programme**

Our support of national sports is focused on our Hockey Development Programme, to which we contribute RM6 million annually for five years. The programme is conducted in collaboration with schools through various state hockey associations, providing intermediate-to-advanced coaching to hockey players in secondary schools. The Inter-School Hockey Tournament, held at our Sports Club, marks the pinnacle of this initiative.

Under the programme, we have also developed a successful collaboration with Johor's Sekolah Sukan Tengku Mahkota Ismail, where we provide coaching to their hockey players with the aim of selecting some to join our own hockey team. This initiative has also helped the school win the Malaysia Junior Hockey League four times in recent years. Beginning this year, we adopted another three schools under our Hockey Development Programme to identify and nurture hockey talent in line with the national hockey blueprint. The selected schools are Sekolah Menengah Kebangsaan Seberang Temerloh in Pahang, Sekolah Menengah Anderson in Perak and Sekolah Sukan Bukit Jalil in Kuala Lumpur.

### **Environment**

#### **Tree for a Tree Programme**

In 2016, we continued to fulfil our pledge of planting 12,000 trees in 12 locations throughout Peninsular Malaysia as part of our Tree For a Tree programme. As of August 2016, we have spent RM685,000 to plant a total of 5,800 trees in Pahang, Malacca, Perlis, Kuala Lumpur, Terengganu and Kedah to replace each tree felled in the course of our development of new electrical installations. We remain committed to the programme in the coming years.

#### **Renewable Energy in the Community**

Our efforts to advocate the use of renewable energy in the community are led by our role in the Sustainable Energy Development Authority's (SEDA) Feed-in-Tariff (FIT) programme. Towards this end, we have provisioned part of our community quota for the installation of solar photovoltaic (PV) systems with a capacity of 204kW and another 252kW by the end of 2016 at old folks' homes, orphanages and training centres for the disabled. This initiative was undertaken in collaboration with the Ministry of Women, Family and Community Development.

## ENVIRONMENTAL IMPACT

Enabling and supporting Government initiatives in driving RE in Malaysia through implementation of Feed in Tariff (FiT) and Net Energy Metering (NEM) programmes

At TNB, our environmental initiatives are embedded throughout our operations. We are committed towards ensuring that all our activities are conducted in a responsible manner with minimal damage to the surrounding environment. Towards this end, we have embarked on numerous

initiatives under our comprehensive Environmental Management System (EMS) and continuously adhere to TNB's Environmental Policy in all our decision-making.

As the Nation's main power utility company, we believe that it is in everyone's interest that TNB works towards embracing environmentally friendly practices and clean energy technologies to generate electricity.

## MITIGATION OF GREENHOUSE GAS EMISSIONS



In our effort to address global warming and other climate change issues, we are focusing on adopting clean and efficient technologies for our power plants, proactively embracing Renewable Energy (RE), developing innovative solutions and research, as well as carbon footprint assessment.

### Adopting Clean and Efficient Technologies

TNB is improving the efficiencies of its fleet of thermal plants by deploying the latest ultra-supercritical technology for new coal power plants and more efficient large combined cycle gas turbine plants consistent with the need to comply with more stringent emission limits as prescribed in the Environmental Quality (Clean Air) Regulations gazetted in 2014.

In 2015, TNB adopted and implemented the first Ultra Supercritical (USC) plant in South East Asia known as Manjung 4 with the capacity of 1,010MW. Recently, we have committed to three (3) additional USC plants namely the 1x1,000MW Manjung 5 plant and 2x1,000MW Jimah East plant to be commissioned in 2017 and 2019 respectively.

TNB is also phasing out inefficient and ageing Open Cycle Gas Turbine (OCGT) and Combined Cycle Gas Turbine (CCGT) plants. TNB has decommissioned a number of 1<sup>st</sup> generation power plants with lower efficiencies and replaced them with more efficient and economical CCGT plants namely Prai and Connaught Bridge Power Station in 2016.

### Carbon Footprint Assessment

We recognise the need to improve our carbon footprint due to the nature of our business. We will also develop strategies to assist Malaysia achieve its target of reducing carbon emissions intensity by 45% (35% on an unconditional basis and further 10% is condition upon receipt of climate finance, technology transfer and capacity building from developed countries), relative to 2005 levels in support of the global

climate agenda by 2030. In line with this, our generation, transmission and distribution divisions are undertaking an assessment of our GHG emissions as well as the identification of potential mitigation measures. In this project, we were guided by the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard and the Intergovernmental Panel on Climate Change (IPCC) 2006 Guidelines for National Greenhouse Gas Inventories.

We are now in the process of monitoring our GHG emissions, and will strive to provide a more comprehensive disclosure of our GHG emissions in the next financial year.

## Embracing Renewable Energy (RE)

We are conscious of our role in providing sustainable energy to our country; environmentally friendly energy that meets the needs of the present without compromising the ability of future generations to meet their own needs. With this in mind, TNB is proactively expanding its generation portfolio to include significant generation from renewable energy sources. We are actively pursuing local and international opportunities towards a target of total renewable energy generation portfolio of 1,700MW by 2025 under Reimagining TNB plan.

Towards this extent, TNB is bidding for Large Scale Solar (LSS) plants in Malaysia and becoming a major player in the LSS industry. TNB via its Energy Venture Renewable Department is also actively pursuing potential mergers and acquisitions (M&A) opportunities in the renewable energy industry locally and globally. In addition, it is also concurrently exploring greenfield RE opportunities.

We whole-heartedly support our Government's initiatives in driving RE adoption in Malaysia through the introduction of various programmes such as Feed-in Tariff (FiT) and Net Energy Metering (NEM). With the FiT programme in place, customers can opt to install solar photovoltaic (PV) systems at their premises and sell the generated power back to TNB at a fixed rate for a specific period of time. The FiT, which started in 2012, has led to the commissioning of 5,777 RE projects in Peninsular Malaysia with an installed capacity of about 326.05MW. To further extend the success of the FiT, the NEM programme of 100MW annually has been introduced in 2016 which allows customers to sell their excess solar generation energy back to TNB.

In balancing the nation's power generation mix and ensuring reliable power supply, we have added new major hydro plants such as Hulu Jelai Hydroelectric Power Plant with the capacity of 186MW and Hulu Terengganu Hydroelectric Power Plant (250MW). TNB is currently planning with the relevant stakeholders to build new hydro plants namely Nenggiri, Lebir and Telom with multipurpose including flood mitigation capabilities.

In addition, TNB via its subsidiary TNB Energy Services (TNBES) has also implemented various low carbon projects notably TNB-Felda FTJ 10MW project Jengka, solar solution provider and energy efficiency services. TNB has also entered into joint ventures with large plantation firms notably Sime Darby Berhad and Felda for pilot biomass and biogas plants.



## HOW WE CREATE SUSTAINABLE VALUE

### Energy Efficiency Demonstration Project

In 2016, we organised campaigns to increase awareness on renewable energy and energy efficiency among our employees and customers. To date, our project has helped us to reduce up to 6% of energy consumption internally at TNB buildings, which translates to about 634 tonnes of carbon dioxide (CO<sub>2</sub>) removed from the atmosphere.

### Innovative Solution and Research

#### *Floating Solar Photovoltaic (FSPV) System*

In FY2016, we continued our work in the green energy sector by introducing a new approach in solar harnessing system known as the floating solar photovoltaic (FSPV) system. FSPV system rests on the surface of water bodies and in turn, helps to preserve valuable lands for other needs. At present, a 108kW pilot version of the system has been set up at the Sungai Labu Water Treatment Plant, Salak Tinggi Reservoir, Selangor. The project, which costs RM3.9 million, is funded by the Akaun Amanah Industri Bekalan Elektrik (AAIBE) under the Ministry of Energy, Green Technology and Water (80%), and TNB (20%).

The system is still in its infancy, with studies and data collection ongoing to determine its efficiency based on information such as solar power angles and the height between the floating platform and under the water surface. If successful, we will look into replicating the system in other lakes within Peninsular Malaysia.

#### *Microalgae-based Carbon Dioxide (CO<sub>2</sub>) Fixation*

Microalgae are plant microorganisms (phytoplankton) that consume CO<sub>2</sub> through photosynthesis. This characteristic of microalgae along with its abundant presence in nature has made it an important tool for regulating climate change. We have been able to capitalise on this phenomena by isolating and identifying microalgae from localities within the vicinity of our Sultan Azlan Shah power station, Manjung, and culturing them in a closed system photobioreactor. Our research focus is to enhance the microorganism growth rate through various biotechnology means. At present, we are in possession of a 1,500-litre pilot photobioreactor research facility at TNB Janamanjung that is capable of fixing up to 430kg of CO<sub>2</sub> annually. To further add value to this research, we are also in discussions with partners towards further R&D as well as commercialisation of bio-products from microalgae through an Industrial Ecology concept (namely, conversion of waste from one industry into a commodity for another).

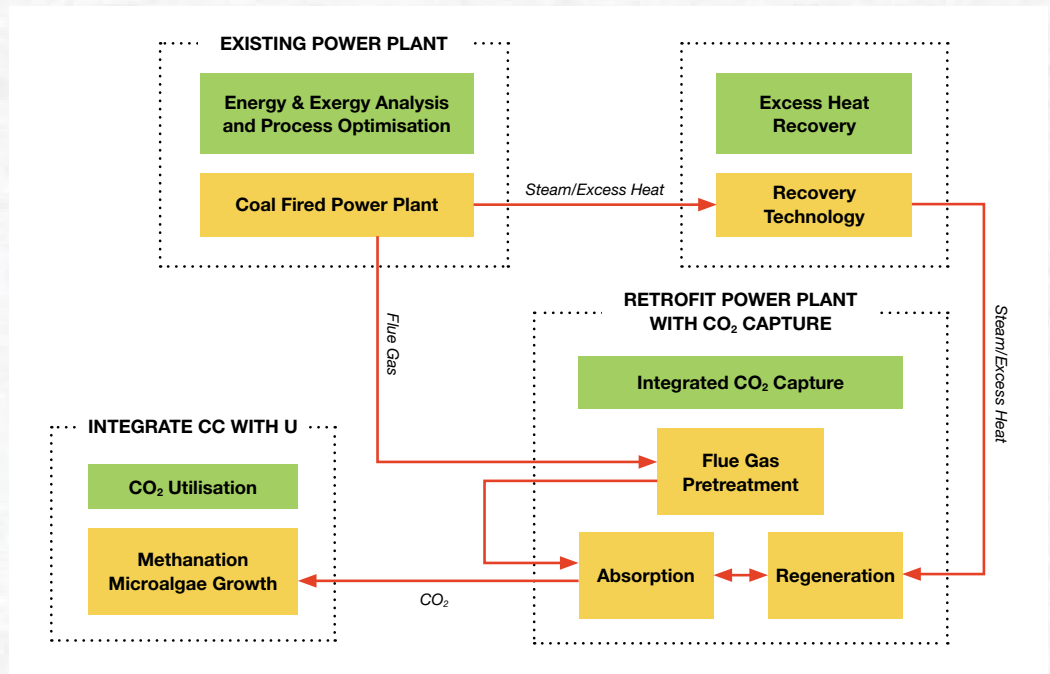


Floating Solar Photovoltaic System at the Sungai Labu Water Treatment Plant, Salak Tinggi Reservoir, Selangor.

# HOW WE CREATE SUSTAINABLE VALUE

## CO<sub>2</sub> Capture and Utilisation

In our effort to reduce CO<sub>2</sub> emissions from our electricity generation division, especially from our fossil-fuelled power plants, we have embarked on a research programme to study the viability of Carbon Capture and Utilisation (CCU) technologies. CCU encompasses methods and technologies to remove CO<sub>2</sub> from flue gas followed by recycling of CO<sub>2</sub> for utilisation and/or storage. TNB Research Sdn. Bhd. (TNBR) is currently pursuing two technologies: amine-based absorption and adsorption, with each having a pilot system of 25m<sup>3</sup>/hr. These two technologies are capable of capturing up to 99% of CO<sub>2</sub> from its feed source, with each pilot system capable of capturing 36 to 40 tonnes of CO<sub>2</sub> per year. Additionally, we have embarked on research to utilise captured CO<sub>2</sub> to be converted into methane for fuel, to feed to microalgae culture for valorisation of bio-products and to convert CO<sub>2</sub> into construction materials.



Concept of Carbon Capture and Utilisation (CCU) Integrated Plant.



Jengka Biomass Power Plant, Pahang.

## HOW WE CREATE SUSTAINABLE VALUE



Sultan Iskandar Power Station, Pasir Gudang, Johor.

### **Coal Combustion**

Considering its abundant reserve and competitive price, coal is likely to remain as a major source of fuel for power generation despite the global concern on CO<sub>2</sub> emission from its combustion. One way to mitigate this is with the use of highly efficient ultra-supercritical boiler technology which has been deployed recently at TNB Janamanjung Unit 4 and 5. Another approach is by using a more advanced technology such as Integrated Gasification Combined Cycle (IGCC). In this technology, coal is gasified in a reactor to produce syngas, which is then used in a gas turbine to generate power. A pilot IGCC research plant with a capacity of 150kW thermal has been developed at TNB Research. Another technology currently being developed by TNB Research is the use of non-thermal plasma (NTP) to enhance the coal combustion efficiency, thus emitting less CO<sub>2</sub> for the same power generation output. The R&D on this technology are currently being carried out using the coal combustion test facility available at TNB Research.

### **Biofuel**

TNB through UNITEN has been conducting R&D projects on biofuel involving biodiesel from waste cooking oil (WCO) and biogas from waste treatment plant. The WCO biodiesel produced meets the international fuel standard D6751 and has been tested on taxis in Langkawi. UNITEN in collaboration with Indah Water Konsortium (IWK) has also developed a 330kW biogas power plant from waste treatment plant.

### **MANAGING WASTE AND NATURAL RESOURCES**



#### **Bioremediation Technology for Treating Oil-Contaminated Soil**

Bioremediation refers to a biological treatment process of converting contaminants into less toxic or non-toxic compounds by using naturally occurring microorganisms. Such microorganisms are known to be able to utilise a wide range of oil constituents as a source of carbon and energy. In an effort to further develop this process, TNBR has been actively researching ways to improve treatment processes so as to maximise treatment efficiency, and develop machines to extract the pollutant. This technology is low in cost and is generally well accepted by the public. To date, this process has successfully remediated two oil-contaminated areas at Perai in Pulau Pinang and Gong Badak, Kuala Terengganu.

#### **Zero Water Discharge at Thermal Power Plants**

The main objective of this initiative is to develop a closed system for water recycling at our thermal power plants in order to reduce water consumption and water pollution. We have carefully considered different parameters of water quality as a baseline to design treatment methods and to explore their effect on time and filtration capacity, along with cost and benefit analysis.

To date, we have constructed a small-scale pilot water reclamation (treatment) plant (PWRP) at SJSI Pasir Gudang to treat industrial wastewater from our Sultan Iskandar Power Station, which discharges approximately 100m<sup>3</sup> of water per day. Our PWRP has an input capacity of 5.5m<sup>3</sup>/hr and produces reclaimed water at a rate of 3.45m<sup>3</sup>/hr. Reclaimed water produced from our PWRP is also monitored after commissioning to ensure that it meets the design quality.



# HOW WE CREATE SUSTAINABLE VALUE

## PROTECTING AND MAINTAINING BIODIVERSITY

### Wildlife Research and Rescue Programme

The construction of dams usually results in the creation of huge water bodies and subsequently, riparian habitats<sup>1</sup> that benefit many aquatic organisms. However, an increase in water mass will only mean a reduction in land mass. Therefore, dam construction is often accompanied by loss of terrestrial habitat for both flora and fauna. In an effort to ensure that the wildlife within catchment areas are protected during and after our construction of hydropower dams, TNB Research has implemented a Wildlife Rescue Plan (WRP). Through this programme, wildlife surveys and monitoring are constantly conducted, and any wildlife that are discovered to be trapped, displaced or in conflict with the dam will be rescued, treated and rehabilitated. The WRP is implemented even before impoundment, as land-clearing and other associated activities (blasting, construction of roads, etc.) during construction is known to have a direct effect on wildlife.

The programme has been largely focused on wildlife that have been identified at the construction sites such as elephants, pelanduk, lotong, tigers, tapirs, sun bears and leaf monkeys. During the construction phase of the Hulu Terengganu Hydroelectric Project (HTHEP), 371 individuals from 23 species of small and medium mammals were rescued from the construction area while a total of 573 individuals from 30 species were rescued during the impoundment phase. Ultimately, the goal of the WRP is to protect the biodiversity of hydropower sites and minimise animal fatalities resulting from dam construction.

Our WRP is also in line with the Peninsular Malaysia Central Forest Spine (CFS) study, which is aimed at re-establishing, maintaining and restoring connectivity of fragmented forests within the CFS. For the purpose of supporting the CFS study, we are presently focused on the simulation works for the mapping of our activities within the CFS.

### Habitat and Species Conservation

We continue to ensure that all our operations are conducted in ways that will protect wildlife and their habitats. Towards this end, we have continued with our conservation work on the shorebirds at the ash pond of Sultan Salahuddin Abdul Aziz Power Station, the mangrove area surrounding our Sultan Azlan Shah Power Station in Manjung, Perak, and freshwater fish at Sultan Mahmud Power Station.



Among the shorebirds seen at the ash pond of the Sultan Salahuddin Abdul Aziz Power Station, Kapar.

We work with non-governmental organisations (NGOs) and international communities to preserve the Sultan Salahuddin Abdul Aziz Power Station ash pond, which continues to attract thousands of shorebirds every February. Some of the bird species that have been identified at the area include the endangered Nordmann's Greenshank, Lesser Adjutant, Chinese Egret, Spoonbilled Sandpiper (all vulnerable species) as well as the Malaysian Plover, Asian Dowitcher and Far Eastern Curlew. These birds fly through Kuala Selangor during their winter migration, and are attracted to the ash ponds built by TNB to absorb ash from the burning of coal to keep the environment clean. In our effort to highlight the ecological importance of this site, we have registered the Sultan Salahuddin Abdul Aziz Power Station in the East Asian Australasian Shorebird network.

<sup>1</sup> Riparian habitats are plant communities which support woody vegetation found along rivers, creeks and streams.



## HOW WE CREATE SUSTAINABLE VALUE

Our Sultan Azlan Shah Power Station in Manjung, Perak (also known as TNB Janamanjung, or TNBJ), which officially opened in 2007, continues to adopt one of the most modern clean coal technologies available, meeting World Health Organisation (WHO) standards. The power plant utilises technologies such as flue-gas desulphurisation to trap sulphur dioxide, electrostatic precipitators to trap dust before the discharge of pollution-free hot gases, and a first-of-its-kind smart weather-based coal dust suppression system for a coal stockyard. As a result, TNBJ has become a benchmark in sustainable energy production, attracting knowledge-sharing opportunities from our peers such as Liberty Power Limited, Pakistan and Kapar Energy Ventures (KEV). In line with the power station's motto of "Technology in harmony with nature", we have also undertaken a thorough environmental impact assessment to protect the flora and fauna of the surrounding mangrove area. Consequently, the area continues to present healthy fishing grounds for the local community. We have also seen an increase in the number of licences issued for collecting cockles (kerang) around the station.

Kenyir Lake is an artificial lake created from the damming of the Kenyir River for the development of our Sultan Mahmud Power Station. With a water catchment area of 38,000 hectares, it is home to a wide range of freshwater fish species such as the big Lampam Sungai (Barboides), Kelah (Malayan Mahseer or Tor Tambroides), Toman (Snakehead), Kawan (Friendly Barb), Kalui (Giant Gouramy) and Kelisa (Green Arowana).

### INTEGRATED COMMUNITY-BASED DISASTER MANAGEMENT (ICBDM) FOR HYDROELECTRIC STATIONS

Integrated Community-based Disaster Management (ICBDM) is an emergency response system developed to minimise loss of life as dams are usually integrated in close proximity to the community. ICBDM is aimed at stimulating evacuation modelling and emergency planning for the three hydroelectric dam schemes, i.e. Cameron Highlands-Batang Padang, Kenyir and Sungai Perak. ICBDM integrates potential dam-related disaster management between TNB, the community and the relevant authorities to ensure the safety of the public. The project involves the installation of an efficient warning system for dam-related disasters, with surrounding communities trained to react to disasters within an appropriate time frame. Handbooks and Standard Operating Procedure (SOP) documents were also provided to all stakeholders as guidance in the event of dam-related disasters.



A drill exercise on dam-related disasters with the local communities at Cameron Highlands Power Stations.

A misty, blue-toned forest landscape. The scene is dominated by tall, slender trees with dense, dark canopies. The ground is shrouded in a thick, white mist that obscures the lower parts of the trees and the forest floor. The overall atmosphere is serene and ethereal, with a strong sense of depth and tranquility. The color palette is primarily shades of blue and white, creating a cool and calm visual effect.

**Listen and you won't know we're here.**

Down below, the natural sounds of the forest can be heard echoing across the land. All is as it has long been, as it should be, despite the fact that construction of the Puah and Tembat hydroelectric dams began in 2010. We have gone to great lengths to ensure the everyday lives of bats, birds, gaurs, tigers, tapirs, elephants and rhinoceroses were disturbed as little as possible. Selective clearing of the forest and the creation of special corridors that allow the 'natives' to roam and forage freely has helped us make significant progress; as a business, and a responsible, eco-friendly neighbour.

# GOVERNANCE

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# 05

We recognise that governance, accountability and transparency represent core components of sustainability. In addition to regulatory oversight, we have put in place the appropriate checks and balances to ensure we uphold the highest standards of governance.

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# STATEMENT OF CORPORATE GOVERNANCE

TENAGA NASIONAL BERHAD (TNB OR THE COMPANY) IS COMMITTED TO A HIGH LEVEL OF CORPORATE GOVERNANCE AND FOSTERING A CULTURE THAT VALUES ETHICAL BEHAVIOUR, INTEGRITY AND RESPECT. WE BELIEVE THAT ADOPTING AND OPERATING IN ACCORDANCE WITH HIGH STANDARDS OF CORPORATE GOVERNANCE IS ESSENTIAL FOR BUILDING A SUSTAINABLE BUSINESS AND LONG TERM VALUE CREATION.

This Statement of Corporate Governance reports on TNB's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in relevant regulations and developments in corporate governance.

TNB as a listed company must comply with the Companies Act, 1965, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), the Corporate Governance Guide: Towards Boardroom Excellence by Bursa Malaysia Securities Berhad, the Green Book: Enhancing Board Effectiveness by the Putrajaya Committee on Government-Linked Companies High Performance and other applicable laws. The MMLR requires TNB to report on the extent to which it has followed the respective corresponding recommendations as set out in the Malaysian Code on Corporate Governance 2012 (MCCG 2012).

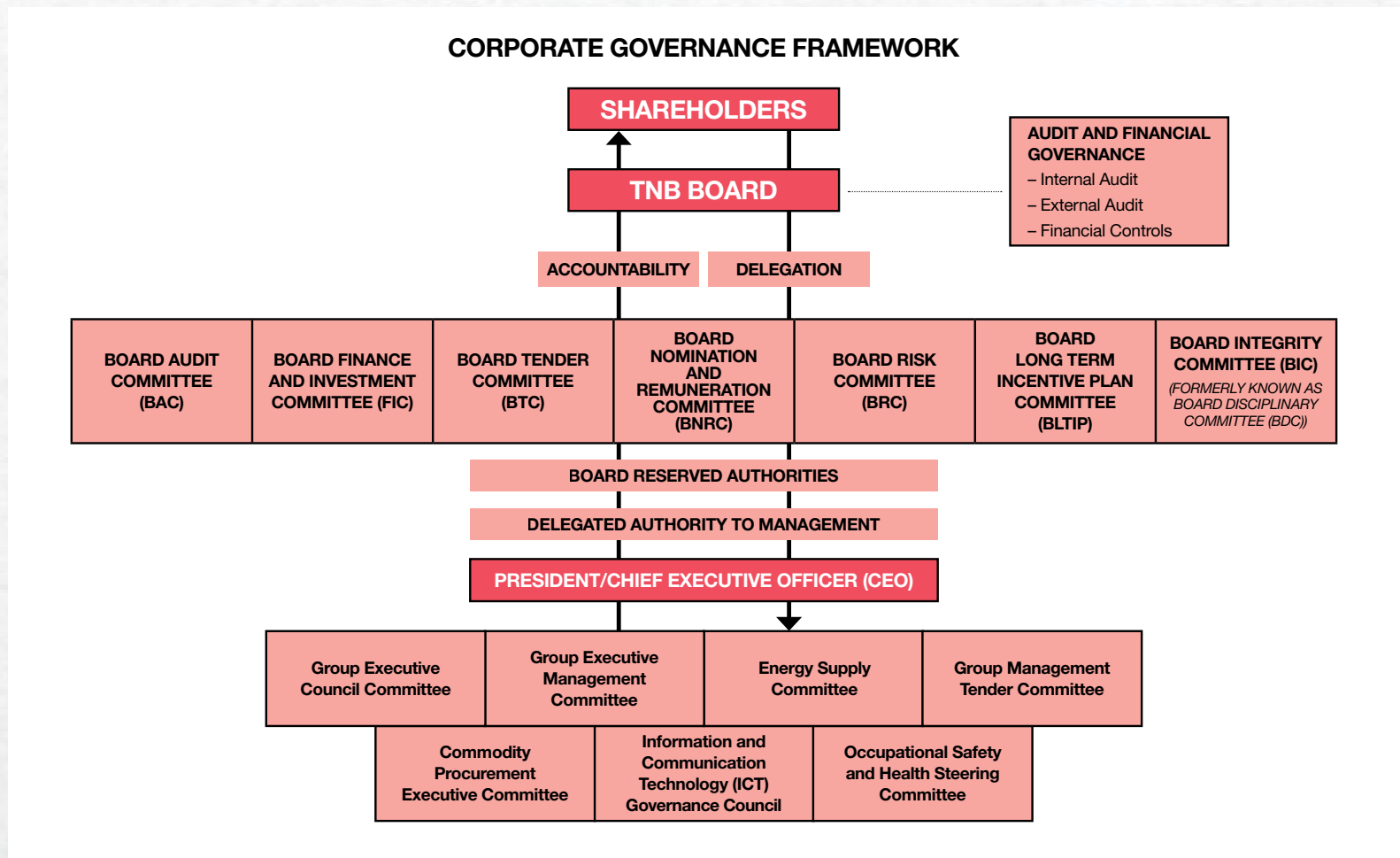
Throughout the year, TNB in general complied with the principles and their respective corresponding recommendations as set out in the MCCG 2012. The implementation of these principles will be addressed accordingly in this Statement of Corporate Governance.

## TNB'S ACHIEVEMENTS:

In the Financial Year under review, TNB's efforts in corporate governance were recognised in the Minority Shareholder Watchdog Group's 2015 Malaysia-ASEAN Corporate Governance Report, which presented the Company with the Industry Excellence Award for Ports & Utilities. It also named the Company among the Top 20 Overall CG Companies - Disclosures with ROE Performance and Top 20 Companies with Good Disclosures.

## CORPORATE GOVERNANCE FRAMEWORK

In ensuring the highest standards of corporate governance, TNB adheres to the following Corporate Governance Framework:





# STATEMENT OF CORPORATE GOVERNANCE

## ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

*Principle 1 of the MCCG 2012*

### BOARD OF DIRECTORS

The Company's Articles of Association provide that its business and affairs are to be managed by or under the direction of the Board. The Board is guided by its Board Charter which sets out the Board's roles, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of TNB's operational activities is delegated to the President/CEO, who is accountable to the Board. The Board Charter and the delegation of Board authority to the President/CEO are reviewed as and when the need arises.

In addition to matters required by law to be approved by the Board, the schedule of matters reserved for the Board's ultimate decision include, among others:

- Strategic plans/initiatives;
- Annual business plan including the Group's budget;
- Dividend policy and expenditure of significant amounts;
- Leadership selection, succession and remuneration planning;
- Board performance and composition;
- Financial performance and reporting;
- Investment/acquisition/disposal of company/assets; and
- Corporate social responsibility/sustainability activities.

The Board may also alter the matters reserved for its decision subject to the limitations imposed by the Company's Articles of Association and the law.

The Board assumes the following roles/responsibilities:

(i) Reviewing and adopting a strategic plan for the Company

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 on the Company's strategic and business plan as proposed by the Management, including the annual capital and revenue budget for the ensuing year as well as the Key Performance Indicators (KPIs). This will ensure that the KPIs correspond with the Company's annual strategic and business plan. The Board reviews and deliberates on the Management's views/assumptions in ensuring the best decisions are reached after considering all relevant aspects.

A separate and informal session between the Board and Top Management, known as the Board Breakout Session (BBO), is held to discuss in-depth and exchange views on the Company's strategic issues/challenges.

The BBO is conducted by the Company Secretary's Office as and when the need arises and is a platform for the Board and Management to deliberate and exchange views as well as opinions in formulating strategic plans and to chart the direction of the Group, including the reporting of its progress.

During the Financial Year under review, two (2) BBOs were held on 8 March 2016 and 21 July 2016, specifically to discuss findings of TNB's Strategic Direction (2015-2025).

During the BBOs, the Management shared with the Board the overview of TNB's Strategic Direction (2015-2025) and how its four (4) strategic focuses of Future Generation Sources, Grid of the Future, Winning the Customer and Future Proofing Regulation have been designed to ensure TNB's growth and role not only in the domestic but also regional power supply industry. In return, the Management gained constructive inputs from the Board on how to further improve TNB's Strategic Direction (2015-2025).

(More information on the Strategic Direction is available in the CEO's Strategic and Operational Review on page 22 of this Integrated Annual Report).



On 8 September 2016, the Board approved the TNB's Strategic Direction (2015-2025).

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

Based on the annual evaluation for Financial Year under review, the Board collectively concurs 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.

(ii) Overseeing the conduct of the Company's business

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

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

(iii) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The BRC assists the Board in overseeing the establishment, implementation and effectiveness of the risk management system. The BRC on behalf of the Board, also approves risk management policies/practices, reviews periodic reports on risk management and makes relevant recommendations to the Board for its approval. Details of the BRC and the risk management framework are set out in the BRC Report and Statement of Risk Management and Internal Control of this Integrated Annual Report.

Based on the annual evaluation for the Financial Year under review, the Board collectively agrees 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.

# STATEMENT OF CORPORATE GOVERNANCE

## (iv) Succession planning

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

The Board is satisfied that the BNRC has efficiently discharged its duties pertaining to the nomination, remuneration and succession management functions as set out in its Terms of Reference (TOR).

The BNRC annually evaluates the performance of the President/CEO and the Top Management, whose remunerations are directly linked to their respective KPIs. The President/CEO's remuneration package is reviewed by the BNRC to reflect the contributions made towards the Group's achievements for the year. The BNRC's views and recommendations on this is submitted to the Board for its decision/approval.

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

## (v) Overseeing the development and implementation of a shareholder communications policy for the Company

TNB continuously maintains its commitment to pursue the highest standards of corporate disclosure by disseminating of accurate, consistent, transparent and timely information to its stakeholders. TNB's Investor Relations (IR) Policy acts as the guiding principle for IR functions, assisting effective communication between the Management and the financial community, locally and abroad.

Based on the annual evaluation for the Financial Year under review the Board collectively agrees that the Management has successfully conducted the IR programmes. Concise details on TNB's IR functions and its activities for the Financial Year are provided in this Statement of Corporate Governance under Principle 8: Strengthen Relationship between Company and Shareholders.

## (vi) Reviewing the adequacy and integrity of the Company's management information and internal control system

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

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

## LIMITS OF AUTHORITY

The Limits of Authority outline 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 encompass 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.

## ROLES OF THE CHAIRMAN AND PRESIDENT/CEO

The roles and responsibilities of the Non-Executive Chairman and the President/CEO are separated and clearly defined. This segregation ensures a healthy balance of power for independent decision-making and greater capacity for management supervision by the Board.

## CHAIRMAN

Tan Sri Leo Moggie continues to lead and guide the Board as its Chairman, ensuring that it maintains the highest standards of governance. As Chairman, Tan Sri Leo Moggie serves as the primary link between the Board and the Company. He is also responsible for fostering constructive relations between the President/CEO and the Non-Executive Directors to ensure effective and appropriate communication with the shareholders.

Additionally, the Chairman plays a key role in facilitating the duties of the Non-Executive Directors to allow them to contribute effectively to the Board's decision-making. This is supported by ensuring the Non-Executive Directors receive accurate, timely and clear information to effectively discharge their roles and responsibilities.

Tan Sri Leo Moggie's extensive knowledge, experience and reputation in the energy-related industry are incomparable. He is also the Chairman of the FIC and of several subsidiaries within TNB Group. The Board has concluded that his other commitments do not prevent him from devoting sufficient time to perform his role effectively.

## PRESIDENT/CEO

In addition to managing the Company's operations and implementing Group strategies and policies as agreed by the Board, the President/CEO, Datuk Seri Ir. Azman bin Mohd, establishes and reviews strategies as well as plays a key role in instilling the Company's culture and standards, which include appropriate corporate governance practices throughout the Group.

Together with the Top Management, the President/CEO also ensures that high-quality information on the Group's financial and strategic performance is provided to the Board.



# STATEMENT OF CORPORATE GOVERNANCE

## BOARD COMPOSITION

TNB Board currently consists of 12 members; one (1) Executive Director and 11 Non-Executive Directors, of whom eight (8) are Independent Directors. The Independent Directors make up more than half the Board, as recommended by the MCG 2012, while their number exceeds the minimum as prescribed by the MMLR. These Directors are considered by the Board to be independent of Management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement.

The Board may appoint a new Director either to fill a casual vacancy or to add to the existing Directors. The Minister of Finance Incorporated (MoF Inc.), being the Special Shareholder of TNB also possesses the right to appoint up to six (6) Directors. The Company's Articles of Association provide that the Company must have at least two (2) Directors but not more than 12 Directors.

The Board believes there should be significant representation by Directors who are capable and willing to make decisions in the best interest of the shareholders, free from interests or influences which conflict with that duty, and moreover, are independent of Management.

The details of each Director in office at the date of this Integrated Annual Report, shown on pages 57 to 68, indicate their breadth of experience and expertise in business, finance, public service, administration, engineering and law. This provides the Board the range of skills, knowledge, experience and expertise essential to govern the Company, including understanding its business operations and the challenges it faces. The President/CEO brings an additional perspective to the Board through an in-depth understanding and knowledge of TNB's business, which are invaluable to the Board.



The Board, with the assistance of the BNRC, continuously reviews the Board composition to ensure that it includes the necessary mix of relevant skills and experience required to perform its roles.

## RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

The Company's Articles of Association state that one-third (1/3) of the Directors shall retire from office by rotation at each Annual General Meeting (AGM), and all Directors shall retire from office at least once every three (3) years, but shall be eligible, and may offer themselves, for re-election. The Company's Articles of Association also provide that the Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the number fixed in accordance with these regulations. Any Director so appointed shall hold office only until the next following AGM and shall then be eligible for re-election.

For the forthcoming AGM, both Gee Siew Yoong and Noraini binti Che Dan who were appointed to the Board with effect from 2 January 2016, as well as Datuk Seri Hashmuddin bin Mohammad who was appointed to the Board with effect from 1 April 2016, being Directors who are retiring in accordance with Article 133 of the Company's Articles of Association, and being eligible, have offered themselves for re-election.

Dato' Abd Manaf bin Hashim and Datuk Sakthivel a/l Alagappan, both being Directors who are retiring by rotation in accordance with Article 135 of the Company's Articles of Association, and being eligible, have also offered themselves for re-election.

The provision of Section 129 of the Companies Act, 1965 provides that a Director who is of or over the age of 70 shall retire at the AGM and may be re-appointed subject to approval by a majority of not less than three-fourth (3/4) of such Members of the Company being entitled to vote in person or where proxies are allowed, by proxy at the AGM of the Company, and to hold office until the next AGM.

During this Financial Year under review, Dato' Zainal Abidin bin Putih attained the age of 70 while Tan Sri Leo Moggie and Tan Sri Dato' Seri Siti Norma binti Yaakob, who are over the age of 70, being Directors who are retiring in accordance with Section 129(6) of the Companies Act, 1965, will be seeking their re-appointment as Company Directors and to hold office until the conclusion of the next AGM.

Recommendation 3.3 of the MCG 2012 stipulates that an Independent Director may remain as Independent Director after serving a cumulative term of nine (9) years, provided that the Board recommends this upon concrete justification and seeks shareholders' approval in a general meeting.

During TNB's 25<sup>th</sup> AGM held on 14 December 2015, the shareholders approved the continuation of office of Dato' Zainal Abidin bin Putih as an Independent Non-Executive Director that has served the Company for a cumulative term of more than nine (9) years to hold office for the next three (3) years until the conclusion of the AGM 2018.

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

Based on the annual independence assessment of all Independent Directors including Gee Siew Yoong, Noraini binti Che Dan, Dato' Abd Manaf bin Hashim, Datuk Sakthivel a/l Alagappan, Tan Sri Dato' Seri Siti Norma binti Yaakob and Dato' Zainal Abidin bin Putih, the Board/BNRC 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 deliberations.

Having considered these criteria, which include professionalism, breadth of experience/expertise, material relationship, competency and time commitment to perform their duties, through its annual evaluation, the Board/BNRC are satisfied that the Directors who are standing for re-election and re-appointment at AGM 2016 have met the Board's expectations by continuously performing their duties diligently as Directors of the Company.

The Board therefore unanimously resolves to recommend the re-election and re-appointment of each Director who is standing for re-election and re-appointment at AGM 2016.

Details of those Directors who are standing for re-election and re-appointment at the forthcoming 26<sup>th</sup> AGM are contained in the Statement Accompanying Notice of AGM.

# STATEMENT OF CORPORATE GOVERNANCE

## BOARD COMMITTEES

In accordance with the Company's Articles of Association and the Board Charter, the Board delegates certain responsibilities to its respective Board Committees to assist in carrying out its function of ensuring independent oversight. This allows the Board to focus on its deliberations on specific and pertinent issues.

The Board Committees operate principally in a review or advisory capacity, except in cases where powers and authorisation are specifically conferred on a Committee by the Board.

The Board currently has seven (7) principal Board Committees, each of which is governed by clearly defined and documented TOR. These TOR are reviewed from time to time, as the need arises, to ensure they remain relevant and up-to-date.

The following Board Committees, each chairs by a Non-Executive Director, have been set up with specific delegated authorities to assist the Board in its responsibilities:

- (i) Board Audit Committee;
- (ii) Board Finance and Investment Committee;
- (iii) Board Tender Committee;
- (iv) Board Nomination and Remuneration Committee;
- (v) Board Risk Committee;

- (vi) Board Long Term Incentive Plan Committee; and
- (vii) Board Integrity Committee (formerly known as Board Disciplinary Committee).

Prior to each Board meeting, the Board shall receive reports from the Chairman of each Board Committee on their deliberations and recommendations after 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 its recommendations for the Board's approval accordingly at each Board meeting. This permits the Board to raise any comments/views on all deliberations.

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.

Each Board Committee is entitled to seek information from any employee of the Company and to obtain professional advice as the Board Committee deems appropriate in its discretion.

Based on the annual evaluation of each standing Board Committee for this Financial Year, the Board unanimously resolves that each Board Committee has discharged its roles and responsibilities effectively as guided by its respective TOR.

Concise details of the respective Board Committees as at the date of the Integrated Annual Report are as follows:

Committee	Current Membership	Composition	Key Roles and Responsibilities
BAC	<p><b>Chairman:</b> Dato' Zainal Abidin bin Putih</p> <p><b>Members:</b> Dato' Abd Manaf bin Hashim Datuk Sakthivel a/l Alagappan Tan Sri Dato' Seri Chor Chee Heung Gee Siew Yoong (Appointed as Member w.e.f. 29 January 2016)</p>	<p>Consists exclusively of Independent Non-Executive Directors.</p> <p>The Chairman is the Senior Independent Non-Executive Director.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p> <p>Meets at least once a month.</p>	<p>To oversee the integrity of the financial statements in compliance with legal and regulatory requirements and applicable accounting standards.</p> <p>To assess the effectiveness of the Group's internal control framework as well as internal and external audit functions.</p> <p>The BAC's TOR is available on the Company's website at <a href="http://www.tnb.com.my">www.tnb.com.my</a>.</p>



## STATEMENT OF CORPORATE GOVERNANCE

Committee	Current Membership	Composition	Key Roles and Responsibilities
FIC	<p><b>Chairman:</b> Tan Sri Leo Moggie</p> <p><b>Members:</b> Dato' Zainal Abidin bin Putih Datuk Sakthivel a/l Alagappan Tan Sri Dato' Seri Chor Chee Heung Ahmad Farouk bin Mohamed <i>(Appointed as Member w.e.f. 29 January 2016)</i> Noraini binti Che Dan <i>(Appointed as Member w.e.f. 29 January 2016)</i> Tan Sri Dato' Seri Siti Norma binti Yaakob <i>(Ceased as Member w.e.f. 29 January 2016)</i></p>	<p>Consists exclusively of Non-Executive Directors, the majority of whom are Independent Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p>	<p>To assist the Board in relation to the management of the Group's financial and investment activities as well as in evaluating corporate proposals.</p>
BTC	<p><b>Chairman:</b> Datuk Seri Hashmuddin bin Mohammad <i>(Appointed as Chairman w.e.f. 1 April 2016)</i> Datuk Nozirah binti Bahari <i>(Ceased as Chairman w.e.f. 10 January 2016)</i></p> <p><b>Members:</b> Ahmad Farouk bin Mohamed Dato' Abd Manaf bin Hashim Datuk Wira Ir. Md Sidek bin Ahmad</p>	<p>Consists exclusively of Non-Executive Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p> <p>Meets at least once a month.</p>	<p>To establish the framework of TNB's Procurement Policy and Procedures.</p> <p>To advise the Board regarding the details and implementation of TNB's Procurement Policy and Procedures framework.</p> <p>To assist the Board in regulating the compliance of Senior Management and Executive Director with TNB's Procurement Policy and Procedures.</p> <p>To ensure TNB complies with the applicable laws, regulations, rules and guidelines to achieve best business practices in its procurement of equipments, materials, works and services.</p>

## STATEMENT OF CORPORATE GOVERNANCE

Committee	Current Membership	Composition	Key Roles and Responsibilities
BNRC	<p><b>Chairman:</b> Tan Sri Dato' Seri Siti Norma binti Yaakob</p> <p><b>Members:</b> Dato' Abd Manaf bin Hashim Datuk Wira Ir. Md Sidek bin Ahmad Tan Sri Dato' Seri Chor Chee Heung <i>(Appointed as Member w.e.f. 29 January 2016)</i> Ahmad Farouk bin Mohamed <i>(Ceased as Member w.e.f. 29 January 2016)</i></p>	<p>Consists exclusively of Independent Non-Executive Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p>	<p>To identify and recommend new nominees to the Board, Board Committees and Boards of TNB Group.</p> <p>To consider the Executive Director and Senior Management's succession planning.</p> <p>To assist the Board in reviewing the Board's required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.</p> <p>To implement the process formulated by the Board to assess the effectiveness of the Board and the Board Committees as a whole.</p> <p>To determine and recommend to the Board the remuneration packages of Non-Executive Directors/Executive Directors/Top Management.</p> <p>The BNRC's TOR is available on the Company's website at <a href="http://www.tnb.com.my">www.tnb.com.my</a>.</p>
BRC	<p><b>Chairman:</b> Dato' Abd Manaf bin Hashim</p> <p><b>Members:</b> Dato' Zainal Abidin bin Putih Datuk Wira Ir. Md Sidek bin Ahmad Gee Siew Yoong <i>(Appointed as Member w.e.f. 29 January 2016)</i> Noraini binti Che Dan <i>(Appointed as Member w.e.f. 29 January 2016)</i> Datuk Seri Hashmuddin bin Mohammad <i>(Appointed as Member w.e.f. 1 April 2016)</i> Datuk Nozirah binti Bahari <i>(Ceased as Member w.e.f. 10 January 2016)</i></p>	<p>Consists exclusively of Non-Executive Directors, the majority of whom are Independent Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p>	<p>To oversee the establishment and implementation of the risk management framework that is embedded into the culture, processes and structures of the Company and is responsive to changes in the business environment.</p> <p>To approve the risk management policies on behalf of the Board.</p> <p>To ensure the principles and requirements of managing risk are consistently communicated and adopted throughout the Company.</p>
BLTIP	<p><b>Chairman:</b> Tan Sri Dato' Seri Siti Norma binti Yaakob</p> <p><b>Members:</b> Dato' Abd Manaf bin Hashim Datuk Wira Ir. Md Sidek bin Ahmad Tan Sri Dato' Seri Chor Chee Heung <i>(Appointed as Member w.e.f. 29 January 2016)</i> Ahmad Farouk bin Mohamed <i>(Ceased as Member w.e.f. 29 January 2016)</i></p>	<p>Consists exclusively of Independent Non-Executive Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p>	<p>To oversee the administration of TNB LTIP and the shares granted (LTIP Shares) subject to the By-Laws.</p> <p>To approve and determine the manner in which the LTIP Shares are granted to 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.</p>

# STATEMENT OF CORPORATE GOVERNANCE

Committee	Current Membership	Composition	Key Roles and Responsibilities
BIC (formerly known as BDC)	<p><b>Chairman:</b> Tan Sri Dato' Seri Siti Norma binti Yaakob</p> <p><b>Members:</b> Ahmad Farouk bin Mohamed Datuk Sakthivel a/l Alagappan Tan Sri Dato' Seri Chor Chee Heung</p>	<p>Consists exclusively of Non-Executive Directors, the majority of whom are Independent Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p>	<p>To manage disciplinary issues and actions with regard to employees' misconduct, except for the hearing of appeal of executives of grade M15 and above or equivalent grade with regard to disciplinary cases, for which the power lies with the Board.</p> <p>To review the disciplinary procedures, whenever applicable, subject to the Board's approval.</p>

Ad-hoc committees are also convened to consider matters of special importance or to exercise the delegated authority of the Board.

## BOARD MEETINGS

The Board schedules meetings on a monthly basis. Additional meetings are held as necessary to discuss specific issues that require deliberation in between the scheduled meetings. The Board held 20 Board meetings during the Financial Year under review.

The calendar for Board and Board Committee meetings is scheduled well in advance, which include the BBO, pre-Board meetings and AGM, with dates for the year circulated to the Board in the month of October of the preceding year to give the Directors ample time to plan their attendance.

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 meeting is drawn up after 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 electronically and in hard copies at least three (3) working days prior to the meetings. This permits prior review by the Directors and if necessary, the provision of further information for deliberation at the meeting to ensure informed decision-making. Any Director may request matters to be included in the agenda.

Top Management and external advisors may be invited to attend Board meetings to advise the Board when matters under their responsibility are being considered, or as otherwise requested by the Board to enable informed decision-making. Should a Director be unable to attend a meeting, his/her views are sought in advance and put to the meeting to facilitate a comprehensive discussion. Thereupon, each Director makes himself/herself available to fellow Directors and may contribute to all major decisions before the Board.

A comprehensive Board paper comprising the objectives, background, issues, implications, risks, appropriate analysis/statistics, recommendations and other relevant information is prepared to enable the Board to make informed and effective decisions.

The Board and Board Committee meetings are also held at various business operating units or sites of major/new projects to allow the Board to better assess progress made and note any other important issue raised. During the Financial Year under review, the Board/respective Board Committees visited the following business operations/ongoing projects:

- (a) Board Visit to Ulu Jelai Hydroelectric Project, Pahang (25 July 2016);
- (b) Board Visit to Hulu Terengganu Hydroelectric Project, Terengganu (17 April 2016); and
- (c) BAC Visit to Patau-Patau Power Station, Sabah Electricity Sdn. Bhd., Labuan, Sabah (3 April 2016).

Decisions of the Board and Board Committees are made unanimously or by consensus. These decisions and conclusions are recorded in the Board minutes. In the case of a tied vote, the Chairman has a second or casting vote. The Board's decisions may also be obtained via circulation depending on the urgency and availability of the Directors as well as the nature of the proposal/subject matter.

Minutes of the meetings are circulated earlier to all Directors for their perusal prior to the meetings. The Directors may request for clarification or raise comments on the minutes prior to their confirmation. After the Directors' confirmation, the Chairman of the meeting signs the minutes as a correct record of the proceedings. The Directors are also informed of announcements made to Bursa Malaysia Securities Berhad for their notification.



STATEMENT OF CORPORATE GOVERNANCE

DETAILS OF DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEES MEETINGS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016:

Name of Director	BOD		BAC		FIC		BTC		BNRC		BRC		BLTIP		BIC	
	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%
Tan Sri Leo Moggie (Chairman)	20	100	-	-	11	92	-	-	-	-	-	-	-	-	-	-
Datuk Seri Ir. Azman bin Mohd	20	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Seri Hashmuddin bin Mohammad <sup>1</sup>	<sup>5</sup>	71	-	-	-	<sup>5</sup>	100	(Chairman)	-	-	<sup>3</sup>	60	-	-	-	-
Ahmad Farouk bin Mohamed <sup>2</sup>	19	95	-	-	<sup>8</sup>	100	9	75	<sup>4</sup>	100	-	-	-	-	1	100
Dato' Zainal Abidin bin Puthi	18	90	15	100	9	75	-	-	-	-	11	92	-	-	-	-
Tan Sri Dato' Seri Siti Norma binti Yaakob <sup>3</sup>	20	100	-	-	<sup>4</sup>	100	-	-	6	100	-	-	1	100	1	100
Dato' Abd Manaf bin Hashim	19	95	14	93	-	-	11	92	5	83	11	92	1	100	-	-
Datuk Sakthivel a/l Alagappan	19	95	13	87	10	83	-	-	-	-	-	-	-	-	1	100
Datuk Wira Ir. Md Sidek bin Ahmad	20	100	-	-	-	-	12	100	6	100	11	92	1	100	-	-
Tan Sri Dato' Seri Chor Chee Heung <sup>4</sup>	18	90	14	93	11	92	-	-	<sup>1</sup>	50	-	-	<sup>1</sup>	100	1	100
Gee Siew Yoong <sup>5</sup>	<sup>10</sup>	91	<sup>9</sup>	100	-	-	-	-	-	-	<sup>6</sup>	75	-	-	-	-
Noraini binti Che Dan <sup>6</sup>	<sup>10</sup>	91	-	-	<sup>8</sup>	100	-	-	-	-	<sup>7</sup>	88	-	-	-	-
Datuk Nozirah binti Bahari <sup>7</sup>	<sup>9</sup>	100	-	-	-	-	<sup>3</sup>	100	-	-	<sup>3</sup>	100	-	-	-	-
<b>Number of Meetings held in FY2016</b>	<b>20</b>		<b>15</b>		<b>12</b>		<b>12</b>		<b>6</b>		<b>12</b>		<b>1</b>		<b>1</b>	

Notes:

- <sup>1</sup> Appointed as Board Member and Chairman of BTC & Member of BRC w.e.f. 1 April 2016
  - <sup>2</sup> Appointed as Member of FIC and Ceased as Member of BNRC & BLTIP w.e.f. 29 January 2016
  - <sup>3</sup> Ceased as Member of FIC w.e.f. 29 January 2016
  - <sup>4</sup> Appointed as Member of BNRC and BLTIP w.e.f. 29 January 2016
  - <sup>5</sup> Appointed as Board Member w.e.f. 2 January 2016 and Member of BAC & BRC w.e.f. 29 January 2016
  - <sup>6</sup> Appointed as Board Member w.e.f. 2 January 2016 and Member of FIC & BRC w.e.f. 29 January 2016
  - <sup>7</sup> Resigned as Board Member and Ceased as Chairman of BTC & Member of BRC w.e.f. 10 January 2016
- \* Reflects the number of meetings during the time the Director held office/was a Member of Committee(s)  
<sup>^</sup> Reflects the number of meetings since his/her respective appointment(s) on the Board/relevant Board Committee(s)

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



# STATEMENT OF CORPORATE GOVERNANCE

## 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.

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 so as to enhance 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.

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](http://www.tnb.com.my).

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

Directors and Officers are indemnified under Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

## SUPPLY OF INFORMATION AND ACCESS TO ADVICE

The Board receives accurate, timely and clear information to enable it to effectively discharge its duties and responsibilities. Thus, it has separate and independent access to information to assist it with its deliberations, including the opportunity to request supplementary or explanatory information from Management. The Management provides information to the Board on an ongoing basis to allow the Board to effectively discharge its responsibilities.

The Board recognises the importance of independent judgement and constructive debate on all issues under consideration. Where necessary, the Board collectively and individually has the right to obtain external independent legal, accounting or other professional advice at the Company's expense to assist with its decision-making process.

## COMPANY SECRETARY

The Board is assisted by the Company Secretary who is under the direction of the Chairman to facilitate good information flows within the Board and its Committees and between the Top Management and the Non-Executive Directors. This includes the induction of new Directors and the ongoing professional development of all Directors.

The Company Secretary is responsible for monitoring compliance with the Board procedures and for advising the Board through the Chairman on all governance matters. All Directors have direct access to the advice and services of the Company Secretary, whose appointment and removal is a matter reserved for the Board.

The Company Secretary's profile is set out on page 69 of this Integrated Annual Report.



## BOARD CHARTER

The Board Charter is the Board's source of reference for its duties and responsibilities in setting the overall direction and control of the Company. It also assists the Board in assessing its own performance. The Board reviews its Charter as and when the need arises to keep it up-to-date with changes in regulations and best practices, thus ensuring its effectiveness and relevance to the Board's objectives. The Board Charter is available on the Company's website at [www.tnb.com.my](http://www.tnb.com.my).

# STATEMENT OF CORPORATE GOVERNANCE

## STRENGTHEN COMPOSITION

*Principle 2 of the MCCG 2012*

The Board has established the BNRC which assesses and makes recommendations to the Board regarding the Board's composition and remuneration as well as on the selection and appointment of high-calibre Directors who are able to meet the Company's present and future needs.

The BNRC is chaired by Tan Sri Dato' Seri Siti Norma binti Yaakob, an Independent Non-Executive Director, supported by three (3) Members, all are Independent Non-Executive Directors.

During the Financial Year under review, the BNRC held six (6) meetings on matters including the following:

- (i) reviewing and assessing the annual performance and effectiveness of the Board and the Board Committees as a whole;
- (ii) reviewing and assessing the annual independence assessment of the Independent Directors;
- (iii) reviewing and assessing the composition of the Board Committees;
- (iv) reviewing and assessing the performance and making recommendations to the Board regarding the Directors who are seeking re-election and re-appointment at the AGM;
- (v) assessing and recommending to the Board, nominees for appointment as Directors and Members of the Board Committees;
- (vi) overseeing the appointment, succession planning and performance evaluation of the Top Management;
- (vii) assessing and recommending to the Board the renewal of service contracts of Top Management;
- (viii) assessing and recommending to the Board the appointment of Top Management to the Boards of TNB Group; and
- (ix) reviewing Non-Executive Directors' Terms of Appointment.

The Board, assisted by the BNRC is responsible for developing plans to identify the necessary and desirable competencies and skills of Directors and succession plans to ensure there is an appropriate dynamic of skills, experience, expertise and diversity on the Board.

As such, the BNRC annually reviews the size, composition and diversity of the Board as well as the mix of existing and desired competencies of Members, and reports its conclusions to the Board.

Through its annual assessment and recommendations made by the BNRC, the Board believes that the current size and composition of the Board is conducive to appropriate decision-making and incorporates a diversity of perspectives and skills in order to represent the best interest of the Company as a whole.

In view of the need to ensure proper processes are in place to manage succession issues at the Board level, a thorough process for the selection, nomination and appointment of suitable candidates to the Board has been put in place.

Prior to the submission of its recommendations to the Board on the selection/appointment of Directors, the BNRC shall consider the following criteria in search of the suitable candidates:

- (i) personal integrity/reputation;
- (ii) relevant educational background;
- (iii) skills, knowledge, experience, expertise in line with the Company's strategy/business operation/industry;
- (iv) diversity in terms of age, gender and background;
- (v) current directorships of companies held;
- (vi) director's independence;
- (vii) existing commitments; and
- (viii) potential conflict of interest/risk.

The BNRC also makes necessary verification prior to the appointment of a Director, which includes checking on the individual's character and bankruptcy history. Having considered all aspects, the BNRC shall then submit its recommendations to the Board for its approval.

Following each appointment, a letter of appointment is issued and the Company Secretary shall undertake the necessary as authorised by the Board to ensure that the appointment is in accordance with statutory requirements and as prescribed by the MMLR. All necessary information will be obtained from the newly appointed Director for the Company's records and for meeting the statutory requirements and other applicable rules and regulations.

## BOARD PERFORMANCE EVALUATION

The Board, with the assistance of the BNRC undertakes an annual evaluation of its performance and the performance of each of its principal Committees as a whole.

The process is internally facilitated and conducted through questionnaires circulated to the Board covering a variety of aspects associated with board effectiveness such as Board Structure, Board Operations and Interaction, Board Roles and Responsibilities, Understanding the Committees' Roles, Mix of Skills and Knowledge and Commitment of Members. These questionnaires are designed to recognise the Board's strengths and to identify gaps or areas for improvement for the Board and its Committees.

Completed questionnaires and the findings of the evaluations on the performance of the Board and its Committees are collated into a report. The report on the Board's and its Committees' performance is provided to all Directors. Findings are deliberated by the BNRC and subsequently by the Board and key issues arising from the evaluations are identified for further action. These evaluations have produced significant improvements in the Board's processes and overall efficiency.

The performance of each Director who is retiring at the next AGM is taken into account by the Board in determining whether or not the Board should support the re-election or re-appointment of the Director.



# STATEMENT OF CORPORATE GOVERNANCE

Having considered the annual evaluation for the Financial Year under review, the Board is of the opinion that the Directors and respective Board Committees as a whole have remained highly effective and have consistently met high performance standards and all expectations. This indicates that the Directors have continuously fulfilled their responsibilities as Members of the Board and Board Committees.

In conclusion, the Board and Board Committees are satisfied with their existing composition and are of the view that, with the current mix of skills, knowledge, experience and strength of the existing as well as newly appointed Directors, the Board and respective Board Committees as a whole are able to discharge their duties effectively.

## BOARD DIVERSITY

The Board acknowledges and strongly supports the need to enhance board diversity as it is critical to the efficient functioning of the Board and good governance. In addition, the Board believes that the appointments of the existing Directors were guided by their skills, experience, competency and wealth of knowledge while taking into consideration gender diversity.

Currently three (3) women Directors sit on the Board, namely Tan Sri Dato' Seri Siti Norma binti Yaakob, Gee Siew Yoong and Noraini binti Che Dan. Consistent with the approach of having women's representation at the Board level, a number of women candidates selected from among the Top Management were appointed by the Board to sit on the Boards of TNB Group.

The appointments of Gee Siew Yoong and Noraini binti Che Dan with effect from 2 January 2016 are in support of the Government's target of having 30% women's participation on Boards of public companies in Malaysia.

## DIRECTORS' REMUNERATION FRAMEWORK

The Board, with the assistance of the BNRC, reviews the overall remuneration policy of the Non-Executive Directors, Executive Director and Top Management. The remuneration policy aims to attract, retain and motivate executives and Directors who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the Non-Executive Directors and of the Executive Director and the Top Management.

The policy for Directors' remuneration is to provide a competitive package that is able to attract and retain Directors of calibre, thus acquiring the leadership skills and experience required to achieve TNB's growth aspirations. The policy also ensures that the remuneration package is commensurate with the Director's responsibilities, expertise and the complexity of the Company's current activities while being aligned with the Company's business strategy and long-term objectives for the effective management and operations of the Group. TNB also strives to provide a remuneration package that is competitive in the market to attract high quality Directors.

## EXECUTIVE DIRECTOR

The remuneration package for the Executive Director is structured to link rewards to corporate and individual performance. It comprises a 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.

## NON-EXECUTIVE DIRECTORS

The Board as a whole shall determine and recommend the remuneration of the Non-Executive Directors for shareholders' approval at the AGM. The Non-Executive Directors are remunerated through fixed monthly fees, meeting allowances and benefits-in-kind, inclusive of the reimbursement of electricity and telephone bills as well as 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.



# STATEMENT OF CORPORATE GOVERNANCE

## DETAILS OF EACH DIRECTOR'S REMUNERATION FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016:

Name of Director	(i) Salary to EPF Contribution (RM)		Director's Fees			Meeting Allowances			Benefits-in-Kind				Total (RM)
	(i)	(ii)	Company (RM)	Subsidiaries (RM)	Company (RM)	Subsidiaries (RM)	Bonus (RM)	(i) Car Allowance (RM)	(ii) Management Allowance (RM)	Utilities (RM)	Others (RM)	Subsidiaries (RM)	
<b>Executive Director</b>													
Datuk Seri Ir. Azman bin Mohd*	2,280,000.00	846,868.00	-	-	-	-	2,070,000.00	108,000.00	400.00	-	112,829.00	-	-
	<b>3,126,868.00</b>		-	-	-	-	<b>2,070,000.00</b>	<b>108,400.00</b>		-	<b>112,829.00</b>	-	<b>5,418,097.00</b>
<b>Non-Executive Directors</b>													
Tan Sri Leo Moggie	-	-	360,000.00	300,000.00	74,500.00	39,200.00	-	-	-	9,117.19	20,906.66	-	803,723.85
Datuk Seri Hashmuddin bin Mohammad (Appointed w.e.f. 1 April 2016)	-	-	100,000.00	-	24,500.00	-	-	-	-	-	-	-	124,500.00
Ahmad Farouk bin Mohamed**	-	-	240,000.00	-	73,000.00	-	-	-	-	-	-	-	313,000.00
Dato' Zainal Abidin bin Putih	-	-	240,000.00	-	98,000.00	-	-	-	-	18,955.55	29,641.65	-	386,597.20
Tan Sri Dato' Seri Siti Norma binti Yaakob	-	-	240,000.00	-	64,000.00	-	-	-	-	10,615.95	16,380.00	-	330,995.95
Dato' Abd Manaf bin Hashim	-	-	240,000.00	96,511.00	110,500.00	7,500.00	-	-	-	872.95	32,281.12	-	487,665.07
Datuk Sakthivel a/ Alagappan	-	-	240,000.00	-	76,000.00	-	-	-	-	20,057.51	20,500.00	-	356,557.51
Datuk Wira Ir. Md Sidek bin Ahmad	-	-	240,000.00	36,000.00	87,000.00	13,200.00	-	-	-	14,199.47	13,394.41	-	403,793.88
Tan Sri Dato' Seri Chor Chee Heung	-	-	240,000.00	-	80,500.00	-	-	-	-	10,214.46	19,209.59	-	349,924.05
Gee Siew Yoong (Appointed w.e.f. 2 January 2016)	-	-	159,354.83	-	42,500.00	-	-	-	-	397.70	4,290.37	-	206,542.90
Noraini binti Che Dan (Appointed w.e.f. 2 January 2016)	-	-	159,354.83	-	42,500.00	-	-	-	-	4,552.66	-	-	206,407.49
Datuk Nozirah binti Bahari (Resigned w.e.f. 10 January 2016)	-	-	85,806.45	-	30,500.00	-	-	-	-	-	200,683.62	-	316,990.07
<b>Total</b>	<b>3,126,868.00</b>	<b>2,544,516.11</b>	<b>432,511.00</b>	<b>432,511.00</b>	<b>803,500.00</b>	<b>59,900.00</b>	<b>2,070,000.00</b>	<b>108,400.00</b>	<b>108,400.00</b>	<b>88,983.44</b>	<b>470,116.42</b>	<b>0.00</b>	<b>9,704,794.97</b>

\* The Director's remuneration for Datuk Seri Ir. Azman bin Mohd is included under the staff cost as per note 6 in the Audited Financial Statements.

\*\* Inclusive of RM240,000.00 and RM73,000.00 paid to Khazanah Nasional Berhad, in respect of Director's Fees and Meeting Allowances provided for Ahmad Farouk bin Mohamed.

# STATEMENT OF CORPORATE GOVERNANCE

## REINFORCE INDEPENDENCE

*Principle 3 of the MCCG 2012*

TNB Board currently consists of eight (8) Independent Non-Executive Directors. The Independent Directors fulfil the criteria of independence as prescribed under Paragraph 1.01 of the MMLR. The Independent Non-Executive Directors are persons of high calibre and integrity, who provide skills and competencies which ensure the Board's effectiveness.

The Board recognises the importance of independent judgement and constructive debate on all matters under consideration. Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationship and who are willing to express their opinions at Board meetings, free of concern about their position or the position of any third party. This mitigates risks arising from conflicts of interest or undue influence from interested parties.

## INDEPENDENCE ASSESSMENT OF INDEPENDENT DIRECTORS

It is vital for the Board to assess the independence of its Independent Directors. This is done annually with reference to the key criteria developed by the BNRC in a framework adopted by TNB. The criteria include independence from the Management and the absence of any business relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the Independent Director's judgement. The Directors are also assessed on their ability to provide strong, valuable contributions to the Board's deliberations, without interference to and acting in the best interests of TNB.

The Board has considered the independence of each Independent Non-Executive Director in office as at the date of this Integrated Annual Report and has concluded that each Independent Non-Executive Director has met the independence criteria as set out in the MMLR. The Board is generally satisfied that each Independent Non-Executive Director remains independent in character and judgement and is free from relationships or circumstances which are likely to affect or could appear to affect the Director's judgement.

In reaching this conclusion, the Board has considered all relevant facts and circumstances of these relationships, which include whether the Independent Director:

- (a) is a major shareholder of the Company or an officer of, or otherwise associated directly with, a major shareholder of the Company;
- (b) is employed, or has previously been employed within the last two (2) years in an executive capacity by the Company;
- (c) has been engaged as an adviser by the Company or is presently a partner, director (except an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company; or
- (d) has engaged in any transaction with the Company or is presently a partner, director or major shareholder, as the case may be, of a firm or corporation which has engaged in any transaction with the Company.

Further to the above findings, the Board believes the blend of experience and length of tenure of the Independent Directors do not interfere with their objective and independent judgement or their ability to act in the Company's best interest. The Board also concurs that the continuous contributions of the Directors is beneficial to the Board and the Company as a whole.

The BNRC shall assess the independence of Independent Non-Executive Directors annually. The independence status of Independent Non-Executive Directors standing for re-election and re-appointment is disclosed in the Notice of 26<sup>th</sup> AGM.

## SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Zainal Abidin bin Putih continues his role as the Senior Independent Non-Executive Director. He is available as the designated point of contact for shareholders and stakeholders to convey any concerns or queries on the affairs of the Company, as an alternative to the formal channel of communication with shareholders.

He also acts as a sounding board for the Chairman and serves as an intermediary for the other Directors, if necessary. Dato' Zainal Abidin bin Putih may be emailed at cosec@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.

## FOSTER COMMITMENT

*Principle 4 of the MCCG 2012*

### COMMITMENT BY THE BOARD

Each Director has devoted his/her time sufficiently in carrying out his/her responsibilities. The Non-Executive Directors' Handbook states that a Director, upon acceptance of his appointment, must commit sufficient time to carry out his duties and declare to the Board details of all other significant business and interests, indicating broadly the time spent on such commitments. Prior accepting of any new directorship, the Director should notify the Chairman on the new directorship. The Director must advise the Board and the Company Secretary of any subsequent changes to these commitments and the Company Secretary is to monitor the number of directorships and the changes, if any, of each Director on the Board.

To date, the Directors of TNB have complied with the MMLR requirement of not holding more than five (5) directorships in listed companies. The Board is satisfied that the current number of directorships held by the Board Members does not impair their ability or judgement in discharging their roles and responsibilities.



## STATEMENT OF CORPORATE GOVERNANCE

In addition, each Director has complied with the MMLR requirement of attending not less than 50% of the Board Meetings held during the Financial Year, with each Director attended more than 70% of the Board Meetings held during the Financial Year. This demonstrates that each Director has devoted sufficient time and commitment in carrying out his/her responsibilities.

### CONTINUING DEVELOPMENT PROGRAMME FOR DIRECTORS

The Board is aware that continuous training for the Directors is vital to assist them in discharging their duties effectively. The Board encourages the Directors to attend appropriate external programmes on subject matters that aid them in discharging their duties. The costs are borne by the Company subject to the Directors' entitlement.

The Board continuously evaluates and determines the training needs of the Directors to build their knowledge, thus ensuring they remain up-to-date with developments of the Company's business and industry that may affect their roles and responsibilities.

### INDUCTION PROGRAMME

Newly-appointed Directors receive appropriate induction and training on the Company's business, corporate governance and reporting procedures, on which they are continuously updated. In addition, the Directors are advised on policies and procedures of the Board and Board Committees meetings and their rights and responsibilities.

The Directors also receive a comprehensive information pack containing the Board Charter, the Non-Executive Directors' Handbook, the Company's Articles of Association, relevant Acts affecting the Company, the latest Annual Report, TNB's Procurement Policy and Procedures, Procurement Code of Conduct and Code of Ethics in order to facilitate the discharge of their duties.

New Board Members are provided with the opportunity to experience the Company's operations first-hand and to meet and discuss all aspects of this with the Top Management. The Company Secretary facilitates the induction programme by providing the new Board Members with access to information on areas such as operations, finance, treasury and risk management, as required.

During the Financial Year under review, Datuk Seri Hashmuddin bin Mohammad, who was appointed with effect from 1 April 2016, successfully attended the Mandatory Accreditation Programme (MAP) which was held on 4 and 5 May 2016, within the stipulated period of four (4) months from his appointment date as prescribed by the MMLR. The other newly appointed Directors and the existing Board Members have completed their MAPs accordingly.

There were also special sessions held between Gee Siew Yoong, Noraini binti Che Dan and Datuk Seri Hashmuddin bin Mohammad with the respective Top Management to better assist them in understanding the Company's core business and its whole operation.

The Board also participates in annual Board Technical Visit, either locally or abroad, with the aim of enhancing its understanding and knowledge of the technical and operational aspects of the power sector as well as to keep abreast of the latest technologies.

The Company Secretary's Office facilitates the Board in organising internal and 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 internally as part of TNB's Board Continuing Development Programme.

The 2016 BDP was held on 23 June 2016 with the topic *New Challenge for the Board of Directors - Cyber Risk*, featuring Anwer bin Yusoff from CyberSecurity Malaysia, as the main speaker. Related topics such as *Data Leakage Prevention, IT Security and Internet of Things for the Utility Industry* were also presented by his team during the BDP.

For this Financial Year, the Board also attended conferences/training programmes in areas such as economics, regulatory developments, risk management, finance, investment, governance, audit, cyber security and sustainability as well as industry-related programmes, facilitated by local and international training providers.

The list of conferences/training programmes attended by the Directors during the Financial Year under review is as follows:

Name of Director	Conference/Training Programme Attended
Tan Sri Leo Moggie	TNB 2016 BDP, 23 June 2016
	Special Commemorative Seminar on Tun Abdul Razak (Prime Minister of Malaysia, 1970 – 1976), 14 January 2016
	Public Lecture by Prof. Dr. Ken Koyama, Chair in Energy Economics of the Energy Commission, A Japanese View on the World Energy Future, 7 December 2015
Datuk Seri Ir. Azman bin Mohd	Khazanah Megatrends Forum 2015 – Harnessing Creative Disruption, Unlocking the Power of Inclusive Innovation, 5 – 6 October 2015
	6 <sup>th</sup> Annual Power & Electricity Indonesia Conference, 29 September – 1 October 2015
	TNB 2016 BDP, 23 June 2016
Datuk Seri Ir. Azman bin Mohd	BEA CEO Circle/GLC Transformation, 18 March 2016
	Dialogue Session on Enhancing Future Talent for a Progressive Nation, 11 November 2015
	Global Transformation Forum 2015, 21 October 2015
Datuk Seri Ir. Azman bin Mohd	Khazanah Megatrends Forum 2015 – Harnessing Creative Disruption, Unlocking the Power of Inclusive Innovation, 5 – 6 October 2015



# STATEMENT OF CORPORATE GOVERNANCE

Name of Director	Conference/Training Programme Attended	Name of Director	Conference/Training Programme Attended
Datuk Seri Hashmuddin bin Mohammad <i>(Appointed w.e.f. 1 April 2016)</i>	Commonwealth Association for Public Administration and Management (CAPAM) 2016 Biennial Conference, Innovation: A Public Service Imperative, 17 – 20 August 2016	Dato' Abd Manaf bin Hashim	TNB 2016 BDP, 23 June 2016
	International Conference on Blue Ocean Strategy, National Blue Ocean Strategy International Week 2016, 16 – 17 August 2016		Annual National Seminar on Directors Duties, Governance, Regulatory Updates & Current Issues 2016, 26 – 27 January 2016
	TNB 2016 BDP, 23 June 2016		The New Auditor's Report – Sharing the UK Experience, 13 January 2016
	Financials Hidden In Plain Sight: Why Directors & Management Need to Ask Hard Questions, 2 June 2016		Khazanah Megatrends Forum 2015 – Harnessing Creative Disruption, Unlocking the Power of Inclusive Innovation, 5 – 6 October 2015
	Directors Forum - The Innovation Zone: Unleashing the Mindset, 21 – 23 March 2016		
Ahmad Farouk bin Mohamed	World Customs Organisation Asia Pacific 17 <sup>th</sup> Regional Heads of Customs Administration Conference, 16 March 2016	Datuk Sakthivel a/l Alagappan	TNB 2016 BDP, 23 June 2016
	Financials Hidden In Plain Sight: Why Directors & Management Need to Ask Hard Questions, 2 June 2016		MICG Members' Breakfast Talk, Corporate Governance & Business Sustainability, 21 April 2016
Dato' Zainal Abidin bin Putih	Anti-Money Laundering, Anti-Terrorist Financing and Proceeds of Unlawful Activities, 9 September 2015	Datuk Wira Ir. Md Sidek bin Ahmad	Annual National Seminar on Directors Duties, Governance, Regulatory Updates & Current Issues 2016, 26 – 27 January 2016
	TNB 2016 BDP, 23 June 2016		The New Auditor's Report – Sharing the UK Experience, 13 January 2016
	Energy Systems Conference 21 <sup>st</sup> Century Challenges, 14 – 15 June 2016		85 <sup>th</sup> Coordinating Committee on Services Meeting, 26 – 28 September 2016
	Solar Energy Exhibition & Conference 2016, 4 – 5 May 2016		TNB 2016 BDP, 23 June 2016
	Briefing on New Auditors' Report by Ernst & Young, 7 March 2016		International Engineering Alliance Meeting Workshop 2016, 30 May – 3 June 2016
Tan Sri Dato' Seri Siti Norma binti Yaakob	All-Energy Australia Exhibition & Conference 2015, 7 – 8 October 2015	Tan Sri Dato' Seri Chor Chee Heung	Innovation & Integration Engineering Education Accreditation International Symposium, 11 – 13 April 2016
	Investigative Interviewing Course by Malaysia Competition Commission, 24 August 2016		3 <sup>rd</sup> World Summit on Accreditation, 18 – 20 March 2016
Tan Sri Dato' Seri Siti Norma binti Yaakob	TNB 2016 BDP, 23 June 2016	Gee Siew Yoong <i>(Appointed w.e.f. 2 January 2016)</i>	TNB 2016 BDP, 23 June 2016
	Regional Workshop on Economic Analysis for Competition Law Enforcement, 1 – 3 June 2016		Impact of MFRS 16 - Accounting for Lease by KPMG, 17 August 2016
	Train-The-Trainer Workshop, 25 – 27 May 2016		TNB 2016 BDP, 23 June 2016
	Antitrust in Asia: One Size Fits All? (as a Panelist), 25 April 2016		Sustainability Engagement Series for Directors/CEOs, 1 June 2016
	Effective Board Evaluations, Nominating Committee Programme Part 2, 11 April 2016		
	Ring the Bell for Gender Equality, 11 March 2016		
	Effective Tools for Combating Cartels and Abuse of Dominance, 6 October 2015		
Noraini binti Che Dan <i>(Appointed w.e.f. 2 January 2016)</i>		Noraini binti Che Dan <i>(Appointed w.e.f. 2 January 2016)</i>	TNB 2016 BDP, 23 June 2016
			Financials Hidden In Plain Sight: Why Directors & Management Need to Ask Hard Questions, 2 June 2016
			Audit Committee Conference 2016: Setting The Right Tone, 29 March 2016

# STATEMENT OF CORPORATE GOVERNANCE

## UPHOLD INTEGRITY IN FINANCIAL REPORTING

Principle 5 of the MCCG 2012

### FINANCIAL REPORTING

The Board aims to provide a clear, balanced and comprehensive assessment of the Group's financial performance and prospects to shareholders, investors and relevant regulatory authorities via the quarterly financial reports, audited financial statements, annual reports and other reports or statements as well as through material disclosures made in accordance with the MMLR.

The BAC assists the Board in overseeing the integrity of the Group's financial reporting, including the operation of the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes are completed in accordance with applicable legal requirements and accounting standards and give a true and fair view of the Group's financial position.

### 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.

As underlined by its TOR, the BAC shall meet the External and Internal Auditors or both at least twice a year to discuss issues arising out of audits and any matters that the auditors may wish to discuss in the absence of the Management.

For the Financial Year under review, two (2) sessions between the BAC and the External Auditors in the absence of Management were held for greater exchange of views and opinions between both parties in relation to financial reporting.

The Board/BAC are responsible for reviewing, assessing and monitoring the performances, suitability and independence of External Auditors. During the Financial Year under review, the Board on 29 January 2016 adopted a policy on External Auditors. The policy sets out the guidelines and procedures for the Board/BAC to assess and monitor the performances and independence of External Auditors.

This policy is intended to comply with the MMLR and MCCG 2012. 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 at least 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, judgement 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 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 the Malaysian Institute of Accountants in relation to the provision of non-audit services and if necessary, apply safeguards as stipulated in the By-Laws.

The BAC assists the Board in assessing whether the independence of the External Auditors has been maintained, having regard to any non-audit related services. The BAC has 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 has concluded that the provision of these fees does not compromise and 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 August 2016 is as follows:

	Group FY2016 RM'million	Company FY2016 RM'million
Auditors' remuneration:		
- Statutory audit fees		
- PricewaterhouseCoopers, Malaysia		
Current year	3.4	1.4
- Member firm of PricewaterhouseCoopers International Limited	-	-
- Assurance related fees	1.5	1.2
- Non-audit fees*	6.8	6.1

\* The amount primarily relates to tax services, advisory related services in relation to the Group's restructuring exercise and due diligences on potential acquisitions.

All services were procured competitively in accordance with TNB Procurement Policy 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.

Based on the External Auditors Assessment Results for the Financial Year under review, the Board/BAC are satisfied with the quality of service, adequacy of resources provided, communication, interaction skills and independence, objectivity and professionalism demonstrated by the External Auditors in carrying out their functions.

Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at the AGM.



# STATEMENT OF CORPORATE GOVERNANCE

## RECOGNISE AND MANAGE RISKS

*Principle 6 of the MCCG 2012*

### INTERNAL CONTROL

In recognising the importance of a sound framework to manage the Company's risks as a whole, the Board has delegated the oversight of its Risk Management Policy to the BRC, including reviews of the effectiveness of the Company's internal control system and risk management process. The BRC reports regularly to the Board to enable it to review the Group's risk framework.

The Management is responsible for promoting and applying the Risk Management Policy. This involves identifying and assessing business and operational risks, developing and implementing appropriate risk mitigation strategies, monitoring the effectiveness of risk controls and reporting on risk management capability and performance.

Every organisational unit has established a risk management section within its annual business plan, which are discussed at regular performance reviews.

The Risk Management Department is responsible for the Company's risk management process, development of risk management capability and for providing risk management reports to the executive team and the BRC on the corporate risk profile and the Group's risk management process.

The Group's inherent system of internal control and risk management framework are designed to manage, rather than eliminate, the risk of failure to achieve the Company's corporate objectives, as well as to safeguard shareholders' investments and the Company's assets. Details of the Company's risk management framework and internal control system are set out in the Statement of Risk Management and Internal Control and the BRC Report on pages 130 to 137 of this Integrated Annual Report.



### INTERNAL AUDIT FUNCTION

Internal Audit is independent of both business management and of the activities under its review. Internal Audit is responsible for providing assurance that the design and operation of the Group's risk management and internal control system is effective.

The Group Internal Audit Department carries out the internal audit function of TNB. Led by the Group Internal Auditor, the Group Internal Audit Department reports functionally to the BAC, thereafter to the Board, and administratively to the President/CEO.

The BAC oversees and monitors the Group Internal Audit Department's activities and reviews its performance. It approves the annual audit programme and receives reports from the Group Internal Audit Department concerning the effectiveness of risk management and internal control. The Group Internal Audit Department also conducts regular reviews and appraisals of the effectiveness of the governance, risk management and internal control processes within the Company.

TNB's Group Internal Audit Department supports the Board through the BAC to facilitate the discharge of its responsibilities in maintaining a sound system of internal control to safeguard shareholders' investments, the interests of stakeholders and the Group's assets.

Details of the Company's Internal Audit Function is set out in the Statement of Internal Audit Function on pages 140 to 141 of this Integrated Annual Report.



## ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

*Principle 7 of the MCCG 2012*

### CORPORATE DISCLOSURE POLICY

TNB is committed in ensuring that the shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by TNB, as embodied in the Company's Corporate Disclosure Policy.

The Corporate Disclosure Policy, as well as associated guidelines, reinforce TNB's commitment to continuous disclosure and outline Management's accountabilities and the processes to be followed in ensuring compliance.

TNB's practice is to release all price-sensitive information to Bursa Malaysia Securities Berhad in a timely manner as required under the MMLR and to the market and community generally through TNB's media releases, website and other appropriate channels.

For disclosure purposes, price-sensitive information is information that a reasonable person would expect to have a material effect on the price or value of TNB's securities. The Company Secretary is responsible for reviewing proposed disclosures and making decisions in relation to the disclosure of information to the market. Each Division in TNB is required to inform the Company Secretary about any potential price-sensitive information concerning TNB as soon as this becomes known.

### LEVERAGING ON INFORMATION TECHNOLOGY FOR EFFECTIVE DISSEMINATION OF INFORMATION

TNB employs a wide range of communication approaches such as direct communication and publication of all relevant Group information on its website at [www.tnb.com.my](http://www.tnb.com.my).

The corporate website provides relevant information to shareholders and the broader investment community. Media releases, investor presentations, quarterly and annual financial statements, announcements, share and financial information, annual reports and circulars/statements to shareholders as well as demand sales and foreign shareholdings are made available for review in a dedicated section for investors.



# STATEMENT OF CORPORATE GOVERNANCE

## 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. Where applicable, notices on the closed period for trading in TNB's securities are circulated to Directors and Top Management who are deemed to be privy to any price-sensitive information and knowledge, in advance of the closed period.

## STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

*Principle 8 of the MCG 2012*

The Board recognises that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high-quality information about their investments. Similarly, prospective investors are entitled to this information to enable them to make informed investment decisions when considering the purchase of shares.

The Board encourages effective communication with the Company's shareholders by requiring:

- the disclosure of full and timely information about TNB's activities in accordance with the disclosure requirements of the MMLR;
- all information released to the market to be placed on TNB's website promptly following the release;
- all announcements to Bursa Malaysia Securities Berhad to be immediately made available on the website;
- all disclosures including notices of meetings and other shareholders' communication to be drafted clearly and concisely.

TNB recognises the importance of shareholders' participation in general meetings and encourages such participation. Shareholders are encouraged to attend the AGMs and to use the opportunity to ask questions and vote on important matters affecting the Group, including the election of Directors, the receipt of the Audited Financial Statements and the advisory vote on the remuneration report.

TNB shall start to conduct its AGM by poll/e-voting instead of voting by show of hands as practised previously to comply with Paragraph 8.29A of the MMLR (voting by poll). The outcomes of voting on the proposed resolutions are disclosed to the market and posted on the Company's website after the AGM. The External Auditors attend 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 the auditors in the audit process.

TNB further encourages shareholders to access the Integrated Annual Report online to complement the Group's commitment to the environment, as well as to achieve greater cost efficiencies. Nevertheless, shareholders are still provided with the Integrated Annual Report in CD-ROM format together with a summarised version of the Financial Statements, Notice of AGM and Form of Proxy.

The Board and Top Management also encourage constructive engagement with the shareholders on the Company's performance, corporate governance practices and other matters affecting the shareholders' interest. This will assist the shareholders in evaluating the Company and facilitate the considered use of their votes.

## INVESTOR RELATIONS ACTIVITIES

TNB is fully committed to realising our long-term vision of becoming a leading energy corporation globally by year 2025, as guided by our 20-year Strategic Plan. Financial Year 2016 marked the first year of the Third Phase of the Strategic Plan which focuses on venturing into energy related investments in the international arena.

In supporting this aspiration, IR strives to enhance its communication with the financial community through various IR initiatives. The IR remains steadfast in its efforts to optimise various communication channels towards providing a balanced and comprehensive view of the Group's financial and technical performances.

TNB has been maintaining the high standard of dissemination of relevant and material information through:

- Quarterly and Full Year Financial Results Announcements;
- Analysts' Briefing Presentations;
- One-on-One and Group Meetings at IR Conferences and Roadshows;
- Site Visits;
- In-house Meetings including conference calls and briefings.

Engagement activities carried out during the Financial Year under review can be referred to on page 50 of this Integrated Annual Report.



## 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 publishes 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 of reporting. The Sustainability Statement is on pages 89 to 107 of this Integrated Annual Report.



## WHISTLEBLOWING PROCEDURE

The Whistleblowing 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.

# STATEMENT OF CORPORATE GOVERNANCE

The objectives of the Whistleblowing 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.

Complaints can be channelled online via [wbis.tnb.com.my](http://wbis.tnb.com.my) or by calling the toll-free line at 1-800-888-862.

## RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR UNDER REVIEW

*(Pursuant to paragraph 15.26(a) of the MMLR)*

The Board is fully accountable for ensuring the Audited Financial Statements are prepared in accordance with the Companies Act, 1965 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.

## ADDITIONAL COMPLIANCE STATEMENT

### (1) Utilisation of Proceeds Raised from Any Corporate Proposal

Utilisation of Proceeds Raised from Corporate Proposals by the Company during the Financial Year under review:

#### 1. RM8.98 billion Sukuk issuance by Jimah East Power Sdn. Bhd. for the financing of 2,000MW Coal Fired Power Plant Project at Jimah East, Mukim Jimah, Negeri Sembilan

Total proceeds at drawdown date 4 December 2015	RM8.98 billion
Total utilisation as at 6 October 2016	RM2.37 billion
Balance of proceeds as at 6 October 2016	RM6.61 billion

#### 2. Term Loan Facility of up to USD300 million with Mizuho Bank Labuan in relation to the acquisition of 30% equity stake in GAMA Enerji A.S. from GAMA Holding A.S.

Total available facility as at 29 February 2016	USD 300.00 million
Total utilisation as at 6 October 2016	USD 274.06 million
Available facility as at 6 October 2016	USD 25.94 million

#### 3. Establishment of 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 ("Sukuk Programme")

The establishment of Sukuk Programme had taken place on 4 October 2016. A bookbuilding exercise and pricing of Sukuk was completed on 12 October 2016. Subsequently, the Sukuk amounting USD750 million has been issued on 19 October 2016.

### (2) Material Contracts

There were no material contracts entered into by the Company and its Subsidiaries involving the interests 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 the BAC on a 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 OF CORPORATE GOVERNANCE 2012

*(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 2012 and all other applicable laws.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 October 2016.



**DATO' ZAINAL ABIDIN BIN PUTIH**  
Senior Independent Non-Executive Director



# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

**TNB BOARD OF DIRECTORS (BOARD) AFFIRMS ITS COMMITMENT TO MAINTAIN A SOUND AND ROBUST RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM THAT RESPONDS APPROPRIATELY TO RISKS FOR THE ACHIEVEMENT OF THE GROUP'S SHORT- AND LONG-TERM OBJECTIVES.**

**FOR THE YEAR UNDER REVIEW, THE BOARD HAD REVIEWED THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS THROUGH THE VARIOUS POLICIES, PROCESSES AND INITIATIVES DISCLOSED IN THIS STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL. THE SCOPE OF THIS DISCLOSURE EXCLUDES ASSOCIATED COMPANIES AND JOINT VENTURES WHICH ARE NOT UNDER THE CONTROL OF THE GROUP.**

**THIS STATEMENT IS PREPARED PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD AND PRINCIPLE 6 OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012, WITH GUIDANCE FROM THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL – GUIDELINES FOR DIRECTORS OF LISTED ISSUERS.**

## RESPONSIBILITY & ACCOUNTABILITY

### BOARD

As part of its governance responsibilities, the Board has embedded risk management as an integral part of the Group's activities and processes, and has assessed whether the established framework, controls and responsibilities provide reasonable assurance that risks are managed within tolerable ranges.

The Board acknowledges that the risk management and internal control system is designed to manage rather than eliminate risk that may impede the attainment of the Group's business objectives. The internal control framework is structured in such a manner that it provides reasonable assurance that the likelihood of an event with significant adverse impact on business objectives is managed at an acceptable level. This is achieved through a combination of preventive, detective and corrective measures.

Thus, the risk management and internal control system only provides reasonable but not absolute assurance against material misstatement, loss or fraud.

Various Board Committees have been set up to promote governance, transparency and accountability as each committee plays its oversight role as stipulated in its respective terms of reference:

- Board Audit Committee
- Board Finance & Investment Committee
- Board Tender Committee
- Board Nomination & Remuneration Committee
- Board Risk Committee
- Board Long Term Incentive Plan
- Board Integrity Committee (formerly known as Board Disciplinary Committee)

### MANAGEMENT

The Management is responsible for implementing the established risk management and internal control system across the Group and for reviewing, monitoring and taking relevant and timely action as required.

Management has set up committees to direct, monitor and provide on-going assessment to ensure that business operations are carried out in accordance with the Group's approved long-term and short-term business plans and established policies:

- Group Executive Council Committee
- Group Executive Management Committee
- Group Management Tender Committee
- Energy Supply Committee
- Investment Executive Committee
- Commodity Procurement Executive Committee
- Information and Communication Technology (ICT) Governance Council
- Incentive Based Regulation Council



# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

## RISK MANAGEMENT

TNB has established its risk management objective, which is to integrate risk management best practices, in accordance to international standards, into the culture, processes and structures of the Group for informed decision-making to achieve business objectives.

In line with that objective, a risk management framework was developed and implemented Group-wide. The framework is aligned to the ISO 31000:2009 Risk Management - Principles and Guidelines standard and provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Group.

## MANDATE AND COMMITMENT

The Board had established the Board Risk Committee (BRC) in 2013 as a reflection of its commitment to safeguard stakeholders' interests and the Group's assets. 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 such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives.

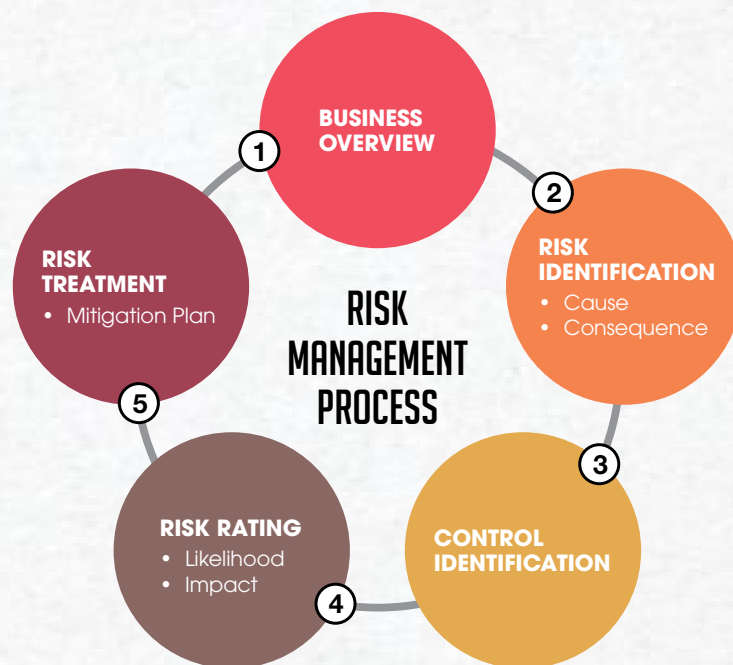
The BRC is assisted by Management through the TNB Leadership Group chaired by the President/Chief Executive Officer, the Group Risk Management Working Committee chaired by the Chief Risk Officer, and the Risk Management Department, which plays the role of facilitating, coordinating, monitoring and assessing the effectiveness of the TNB Risk Management Framework in accordance with established policies, principles and international standards.

Management had defined its overall intention and direction on risk management through the TNB Risk Management Policy; a one-page policy describing the commitment of the Group to identify and assess risks in alignment to business objectives, integrate risk management in all decision-making processes, anticipate potential risks in response to changes in the internal and external environments and ensure that risk information is communicated through a clear and robust monitoring and reporting structure.

In the year under review, a Top Management Risk Forum, attended by members of the BRC and Management, was held to cascade the tone from the top regarding the importance of integrated risk management in organisational processes. In addition to presentations highlighting changes in the external environment, Management had the opportunity to dialogue with the BRC with regard to the Board's perspective on risk management and the effectiveness of controls in mitigating risks in view of the challenging environment.

## RISK MANAGEMENT PROCESS

The TNB Risk Management Process describes the five-step process of risk assessment and risk treatment in the context of the internal and external environments. This process is applied throughout the Group, whereby risks preventing the achievement of objectives are identified, mitigated, regularly reviewed and communicated to the Board, Management and relevant stakeholders.



As a result, the TNB strategic risk profile was developed, reflecting the key risks preventing the Group from achieving its strategic objectives. In the year under review, these risks were reviewed through a workshop attended by Senior Management. Various scenarios of the possible future were presented to trigger participants to identify risks that could prevent the Group from achieving its long-term aspirations.

In addition, risk profiles for all divisions, departments and subsidiaries in the Group were generated as an outcome of the risk management process. These risk profiles reflect the risk appetite of the respective division, department and subsidiary as the risk rating applied is based on likelihood and impact parameters that have been approved by the respective head of division, department or managing director.

Risk assessments are carried out before resources are committed to new projects and initiatives as well as identifying its impact on current operations and business objectives. These risk assessments for proposed projects or initiatives are reported and tabled to the approving Management and Board Committees.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

In view of TNB's aspiration towards being a regional champion, the TNB Investment Risk Assessment guideline was developed by the Risk Management Department (RMD) with the purpose of providing a standard risk assessment methodology and process for risk assessment review for TNB investment proposals. A revised guideline was approved by the BRC in January 2016 and subsequently, two (2) road shows were conducted by RMD to train Energy Ventures and Investment Management divisions in applying the guideline for its potential investments. In the year under review, RMD together with the originating division or subsidiary had reviewed and tabled to the BRC four investment proposals applying this guideline.

## MONITORING, REVIEW AND REPORTING

The strategic and operational risk profiles of the Group are recorded and monitored through the TNB Risk Information System (TRIS), an online real-time tool and database that has been in effect since 2005. A TRIS helpdesk is managed by RMD, handling queries and requests related to the system.

The operational risk profiles are deliberated in its respective risk management committees and/or management committees addressing key operational and emerging risks and identifying appropriate mitigating action as well as assessing its effectiveness. These risk profiles were reviewed and reported on a half-yearly basis and deliberated at the Group Risk Management Working Committee (GRMWC). Emerging risks and cross-divisional issues are deliberated in quarterly GRMWC meetings and further action is taken by relevant divisions, departments and subsidiaries.

In the year under review, triggering and "breaking" points of key indicators of several divisions and subsidiary were collated by RMD and reported to the BRC on a quarterly basis. The BRC had requested for these "stress tests" to be carried out and reported and thereafter, for necessary further action to be taken, communicated and monitored.

In addition, RMD had assessed the risk maturity of 16 departments and subsidiaries in the year under review. The five (5) elements of the TNB Risk Management Framework were assessed for its maturity; namely, mandate and commitment, risk management policy, risk management process, monitoring, review and reporting, and communication and continual improvement. These maturity assessments highlighted the strengths and opportunities for greater integration of risk management in daily operations. The respective departments and divisional risk managers are responsible to take into consideration the recommended opportunities and implement relevant measures to strengthen its risk management and inculcate the risk management culture.

## COMMUNICATION AND CONTINUAL IMPROVEMENT

Each division, department and subsidiary is responsible to communicate clearly and regularly with internal and external stakeholders with accurate risk information utilising cost-effective communication channels.

In the year under review, a Risk Manager Circle was formed as a community of risk practitioners in TNB. The circle consists of appointed risk managers from TNB divisions and departments with RMD as

the secretariat. It aims to develop and increase the knowledge and competencies of each risk manager on the practice of risk management with the aim of inculcating a risk-thinking culture in TNB. The circle is also a platform for the exchange of knowledge and ideas.

In addition, the tone from the top regarding risk management and internal control was cascaded to middle management and subsidiaries through TNB Risk Conference. The theme of the conference was "From Theory to Practice", whereby the aim was to encourage TNB executives to apply the theory and principles of risk management in their decision making processes and daily operations.

Significant and relevant elements of the Group's risk management and internal control system was also communicated to the insurance market in the year under review through three (3) engagement meetings. The objective of these meetings is to enhance the understanding and appreciation by the insurance market of the Group's operations and risk management practices.

In addition, three (3) risk surveys were carried out with the incumbent insurance broker to assess the effectiveness of the risk management and controls implemented at the site visited. Recommendations for continual improvement were made and the respective site owners are responsible to implement relevant preventive and/or correction action.

## INTERNAL CONTROL

TNB's strategy of achieving the Group's vision of becoming amongst the leading corporations in the energy and related business globally is centred on five (5) key focus areas aimed to deliver TNB's aspiration of 'Domestic Dominance, Regional Champion' by the year 2025.

<b>KRA 1</b>	<b>Enabling a stable regulatory environment</b>
<b>KRA 2</b>	<b>Exceeding customer expectations</b>
<b>KRA 3</b>	<b>Driving operational excellence and cost efficiencies</b>
<b>KRA 4</b>	<b>Growing profitable business</b>
<b>KRA 5</b>	<b>Transforming our people and leadership</b>

## VALUE UNLOCKING PROGRAM

In accelerating business growth, the Value Unlocking Programme (VUP) was introduced to further unlock three (3) sources of value (people, customer and financial) through the renewal of business models and organisational design. The relevant risks are mitigated through the following five (5) levers:

1. Strengthen leadership with full commitment to VUP.
2. Win hearts and minds with two-way engagement of executives, non-executives and unions.
3. Drive effective mobility to match staff to new positions and locations.
4. Institute specific two-level transition governance.
5. Develop dynamic sequence of initiatives for interdependency, impact and change momentum.



# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

To ensure the successful delivery of the above, Project Sponsors, Quartermasters and project teams have been appointed to drive the assigned short and long-term initiatives. Progress of each project is closely monitored by the central and divisional Project Management Offices (PMO).

## GROUP POLICIES AND PROCEDURES

Group-wide policies and procedures have been approved by Management and the Board to ensure ethics and internal control principles and mechanisms are embedded in business operations. These policies and procedures are reviewed regularly to ensure relevance and effectiveness. Among others, the Group policies and procedures in place are:

- TNB Code of Ethics
- TNB Confidentiality Policy
- TNB Limits of Authority
- TNB Procurement Policy and Procedures
- TNB Disciplinary Procedures
- TNB ICT Codes of Practice and Guidelines
- TNB Safety & Health Policy
- TNB Environmental Policy
- TNB Whistle-Blowing Policy
- TNB Risk Management Policy
- TNB Group Financial Policies and Procedures
- TNB Group Human Resource circulars and guidelines

## HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

Job descriptions and responsibilities of approved job positions are clearly defined, up-to-date and communicated to employees through the TNB Job Description Online system. Manpower requirement planning is carried out, led by Group Human Resource, mirroring the budget planning cycle with the aim to optimise staffing levels and increase productivity. Employee training needs are regularly assessed and various programs are in place to address competency gaps.

In the year under review, as a result of the VUP, the Group Human Resource activities have been structured into four (4) main functions with clear demarcation between strategic and transactional activities. In addition, five (5) building blocks in the Human Resource Operating Model had been put in place to enable the Group Human Resource to effectively play its role as value creator; i.e. the Centres of Expertise, HR Business Partners, Shared Service Centres, line functions and HR ICT platforms.

## 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 action are taken.

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. Group Monthly Management Reports, which serve as a monitoring tool, are also circulated to the Board and Management to provide information on key financial results, operational performance indicators and variances.

The procedures for critical functions and key activities are documented, communicated to employees and periodically reviewed. Relevant divisions, departments and subsidiaries have been consistently maintaining its certification in ISO 9001, ISO 14001, ISO 27001, OHSAS 18001 and PAS-55/ISO55000. The compliance management department in several divisions conducts audits and reviews within its division to ensure compliance with relevant standards and procedures.

In view of the Imbalanced Cost Pass Through (ICPT) in the Incentive Based Regulation (IBR) mechanism currently administered by Energy Commission, the Regulatory Economics and Planning Division had developed an ICPT manual and had enhanced the financial model for ICPT calculation with advice from a consultant in order to minimise the risk of inaccurate submissions. In addition, the IBR Project Management Office and eight (8) cross-divisional working groups have been established to strategise and coordinate the IBR submission for the Second Regulatory Period (2018-2020) to Energy Commission. The IBR Project Management Office and several working groups have been assisted by consultants with expertise in economic regulation. Regular updates and issues are presented and deliberated at the IBR Council meetings.

## 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.

The key information systems utilised by the Group for that purpose are:

- Enterprise Resource Management System (ERMS)
- Enterprise Human Resources Management System (EHRMS)
- Corporate Geospatial Information System (CGIS)
- Supervisory Control and Data Acquisition System (SCADA)
- TNB Outage Management Systems (TOMS)
- eCustomer Information & Billing System (eCIBS) (until 20 July 2016)
- Billing and Customer Relationship Management (BCRM) (with effect from 21 July 2016)
- Employee Self Service (ESS)

Super User Privilege Management (SUPM) and Governance, Risk and Compliance (GRC) systems have been implemented to control and govern access to core Enterprise Resource Planning systems and IT 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 TNB's data centres and ICT security assessments are regularly carried out on IT systems at core divisions and power stations. In addition, various enhancements of cyber security for IT and Operational Technology systems are carried out to improve system security.



# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

## BUSINESS CONTINUITY MANAGEMENT

At the corporate level, the TNB Corporate Emergency Response Plan (CERP) has been in place since 2007 to ensure a coordinated and prompt response to a national type of emergency to ensure the continuity of critical functions and services. A CERP Steering Committee, chaired by the appointed TNB Crisis Commander with membership from operating divisions, meets on a quarterly basis to provide direction and guidance to increase the preparedness of the Group in the event of a national crisis.

In the year under review, three (3) CERP communication drills, one (1) functional drill and one (1) full-scaled drill were carried out. Relevant improvements and recommendations identified in the post-mortem reports were implemented to increase the resiliency of the plan and promptness of response.

## WHISTLE BLOWING

Various channels are available for TNB employees to report any non-compliance to the TNB Code of Ethics or any unlawful activity. The available channels include filling up the appropriate form or writing directly to the Integrity Department, utilizing the dedicated email address or submitting a report through the TNB Whistle Blowing Information System. The Group is committed to manage and investigate all reports, treating each with utmost confidentiality.

## CUSTOMER FEEDBACK

Customer feedback is regularly collated and analysed with appropriate follow-up action. The TNB One Stop Engagement Centre offers a single point of contact to respond to customer enquiries and feedback on billing and account related matters. A variety of channels utilising online infrastructure and social media is made available for customers to submit queries or report problems.

## GROUP INTERNAL AUDIT (GIA)

The Group Internal Audit (GIA) is set up by the Board to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control systems for TNB Group. GIA maintains its independence by reporting functionally to the Board through the Board Audit Committee and reports administratively to the President/Chief Executive Officer. GIA functions and activities are guided by its Internal Audit Charter approved by the BAC and is aligned with the International Professional Practice Framework (IPPF) issued by the Institute of Internal Auditors.

GIA plans and undertakes regular reviews and assessments taking into consideration strategic and operational risks faced by the organisation. In performing reviews, GIA refers to internal control framework and guidance provided by COSO (The Committee of Sponsoring Organisations of the Treadway Commission's) and COBIT (Control Objectives for Information and related Technology). The reviews also include recommendations for improvement opportunities in areas with internal control lapses.

Follow-up audits were also performed to ensure corrective actions were completed accordingly by Management. Ad hoc reviews and investigations were also conducted as requested by Management and the Board. For areas where expertise is required, technical experts were engaged to assist GIA. Periodically, GIA prepares assurance maps on the state of internal controls based on completed audits.

## CONCLUSION

The Board has obtained assurances from the President/Chief Executive Officer and the Chief Financial Officer/Vice President (Group Finance) that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. Where weaknesses are identified, rectification steps 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 Integrated 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 AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) 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 31 October 2016.

# BOARD RISK COMMITTEE REPORT

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 ULTIMATELY RESPONSIBLE FOR THE IDENTIFICATION OF THE GROUP'S RISKS AND IMPLEMENTING APPROPRIATE SYSTEMS AND PROCESSES TO MANAGE THESE, IN LINE WITH THE MALYSIAN CODE ON CORPORATE GOVERNANCE 2012 AND MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD.

## MEMBERSHIP AND MEETINGS

The BRC is composed of no fewer than three (3) members including the Chairman, with a majority of Non-Executive Directors, at least one (1) of whom shall preferably has recent and relevant experience in risk management.

The BRC members and details of their attendance at the BRC meetings held during the Financial Year are as follows:

No.	Name	Status of Directorship	Independent	No. of Meetings Attended
1.	Dato' Abd Manaf bin Hashim <i>Chairman</i>	Non-Executive Director	Yes	11/12
2.	Dato' Zainal Abidin bin Putih <i>Member</i>	Non-Executive Director	Yes <i>(Senior Independent)</i>	11/12
3.	Datuk Wira Ir. Md Sidek bin Ahmad <i>Member</i>	Non-Executive Director	Yes	11/12
4.	Gee Siew Yoong <i>Appointed as Member w.e.f. 29 January 2016</i>	Non-Executive Director	Yes	6/8 <i>(Since appointment date)</i>
5.	Noraini binti Che Dan <i>Appointed as Member w.e.f. 29 January 2016</i>	Non-Executive Director	Yes	7/8 <i>(Since appointment date)</i>
6.	Datuk Seri Hashmuddin bin Mohammad <i>Appointed as Member w.e.f. 1 April 2016</i>	Non-Executive Director	No	3/5 <i>(Since appointment date)</i>
7.	Datuk Nozirah binti Bahari <i>Ceased as Member w.e.f. 10 January 2016</i>	Non-Executive Director	No	3/3

In the year under review, 12 BRC meetings were held. The 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 the decisions made and actions required. These are circulated to Management for their action.



Dato' Abd Manaf bin Hashim, Chairman of the Board Risk Committee (seated fourth from the left) during the TNB Top Management Risk Forum.



# BOARD RISK COMMITTEE REPORT

## PURPOSE

The purpose of the BRC is to assist the Board of Directors in ensuring that the Group has in place a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives.

## ROLES AND RESPONSIBILITIES

The BRC:

- a) 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.
- b) Approves the risk management policies on behalf of the Board.
- c) Ensures that the principles and requirements of managing risk are consistently communicated and adopted throughout the Group.
- d) Deliberates 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.
- e) Approves 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.
- f) Reviews 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.

## SUMMARY OF ACTIVITIES OF THE BOARD RISK COMMITTEE

The BRC principal activities in the year under review are summarised below:

- Deliberated the Group's strategic risks and the corresponding key operational risks as well as key controls taken to manage the risks. Further mitigations to strengthen the management of existing and emerging risks were recommended for management action.
- Deliberated the risk parameters/stress tests tabled by operating divisions and subsidiary as well as the quarterly updates collated and presented by the Risk Management Department (RMD).
- Reviewed reports on risk incidents occurred in the Financial Year and deliberated the adequacy and effectiveness of preventive and corrective action taken.
- Reviewed the risk profiles and mitigation plans for proposed investments and recommended further action and/or study to ensure the feasibility and commerciality of the investments in meeting the Group's strategic objectives.

- Reviewed the Group's insurance programmes and recommended improvements to ensure that an adequate and effective risk transfer mechanism is in place to protect the interests of the Group.
- Cascaded the tone from the top regarding the importance of integrated risk management in organisational processes for informed decision making through TNB Top Management Risk Forum.
- Reviewed the Statement of Risk Management and Internal Control, which summarised the risk management practices and internal controls implemented by Management. Assurances from the President/Chief Executive Officer and the Chief Financial Officer/Vice President (Group Finance) were given to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

## RISK MANAGEMENT DEPARTMENT

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

RMD is responsible for the ongoing development and co-ordination of the TNB Risk Management Framework in the Group. It is responsible to consolidate, assess and report risk information from across the Group as well as to establish the appropriate insurance programmes to provide appropriate and cost-effective protection for the Group. The implementation of the TNB Risk Management Framework in the Group is also subjected to the independent assurance and assessment of the Group Internal Audit Department.

RMD ensures the implementation of the TNB Risk Management Process across the Group. The TNB Risk Management Process is a step-by-step process of risk assessment (risk identification, risk analysis and risk evaluation) and risk treatment in the context of the internal and external environments. The online and real-time TNB Risk Information System (TRIS) captures the risk registers of the Group and provides a platform for operational divisions and subsidiaries to monitor identified risks and mitigation plans.

As secretariat of the Group Risk Management Working Committee (GRMWC), RMD collates and reports to the GRMWC, on a half-yearly basis, the Group's operational risk profiles. Emerging issues and risks are also deliberated in the quarterly GRMWC meetings and further action is taken by the relevant division, department or subsidiary.

In the year under review, RMD facilitated a workshop with relevant risk owners from various divisions to review TNB's strategic risks in view of changes in the external and internal environments for the achievement of TNB's aspirations and strategic direction. In addition, RMD assessed the risk maturity of 16 departments and subsidiaries and facilitated 11 risk reviews with the respective division, department and subsidiary.



## BOARD RISK COMMITTEE REPORT

The TNB Investment Risk Assessment (TIRA) was developed by RMD in Financial Year 2015 as RMD is responsible to review the risks of TNB's investment proposals. This guideline was developed with the objectives of providing a standardised risk assessment methodology and process for investment proposals that reflected the risk appetite of the BRC. In the year under review, a revised TIRA was approved by BRC and RMD, together with the originating division/subsidiary, had reviewed and tabled to the BRC four (4) investment proposals applying TIRA.

With regard to people capability, eight (8) risk management training sessions were held in the year under review at TNB's training subsidiary, TNB Integrated Learning Solution Sdn. Bhd. (TNB-ILSAS) in accordance to its training calendar and as part of the Young Executives Development Programme (YEDP). Besides that, in the year under review, the appointed risk managers and risk coordinators across TNB Group were trained in ISO 31000 by the incumbent risk and insurance consultant. The training scope included the 11 principles of risk management and the practical application and challenges of inculcating a risk-thinking culture in the organisation.

A Risk Manager Circle was formed in the year under review to be a community of risk practitioners in TNB. It aims to develop and increase the knowledge and competencies of each risk manager on the practice of risk management with the aim of inculcating a risk-thinking culture in TNB. The circle is also a platform for the exchange of knowledge and ideas.

In the year under review, RMD had carried out three (3) engagement meetings with the insurance market to highlight TNB's risk management initiatives and performance with the objective of assuring the incumbent and potential insurers of the effectiveness of current risk management practices in TNB. Moreover, three (3) risk surveys were carried out with the incumbent insurance broker to assess the effectiveness of the risk management and controls implemented at the site visited.

### 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 31 October 2016.



**DATO' ABD MANAF BIN HASHIM**

Chairman

Board Risk Committee

Tenaga Nasional Berhad

(Independent Non-Executive Director)

# BOARD AUDIT COMMITTEE REPORT

THE BOARD AUDIT COMMITTEE (BAC) WAS ESTABLISHED ON 9 DECEMBER 1990 BY THE BOARD OF DIRECTORS TO ASSIST THE DIRECTORS TO CARRY OUT THEIR RESPONSIBILITIES. THE BAC IS GUIDED BY ITS TERMS OF REFERENCE AS SET OUT IN THE COMPANY'S WEBSITE.

## MEMBERSHIP AND MEETINGS

The BAC members and details of their attendance at the BAC meetings held during the Financial Year are as follows:

No.	Name	Status of Directorship	Independent	No. of Meetings Attended
1.	Dato' Zainal Abidin bin Putih <i>Chairman</i>	Non-Executive Director	Yes <i>(Senior Independent)</i>	15/15
2.	Dato' Abd Manaf bin Hashim <i>Member</i>	Non-Executive Director	Yes	14/15
3.	Datuk Sakthivel a/l Alagappan <i>Member</i>	Non-Executive Director	Yes	13/15
4.	Tan Sri Dato' Seri Chor Chee Heung <i>Member</i>	Non-Executive Director	Yes	14/15
5.	Gee Siew Yoong <i>Appointed as Member w.e.f. 29 January 2016</i>	Non-Executive Director	Yes	9/9 <i>(Since appointment date)</i>

Presently, TNB's BAC consists of five (5) members and all members are Independent Non-Executive Directors. The BAC Chairman, Dato' Zainal Abidin bin Putih had obtained approval from shareholders to remain as Independent Director in the Annual General Meeting held on 14 December 2015 in compliance with the Malaysian Code on Corporate Governance 2012.

Whilst the BAC Terms of Reference requires the Committee to meet six (6) times a year, they met 15 times during the Financial Year. The Chief Internal Auditor and Company Secretary who is also the secretary to the BAC 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 for their information and attention. Matters reserved for the Board's approval are tabled at the Board meetings. Action sheets are issued by the Company Secretary on the decisions made and actions required. These are circulated to Management for their action.

## SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

During the Financial Year under review, the BAC in the discharge of its functions and duties had carried out the following activities to meet its responsibilities:

### INTERNAL AUDIT

- Reviewed and approved the Group Internal Audit (GIA)'s staffing requirements, budget and Annual Audit Plan to ensure adequacy of resources, competencies and coverage of auditable entities with significant and high risks.
- Reviewed internal audit reports for TNB and its Subsidiaries issued by GIA on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised including status of completion achieved by Division Heads.
- Assessed the GIA's half-yearly achievements and approved the Revised Audit Plan to ensure plan continues to stay relevant in consideration of the changes in business environment and actual GIA's resources.
- Deliberated the results of internal quality assurance review for GIA.
- Approved the revised Internal Audit Charter.
- Reviewed and recommended the policy on external auditors for Board's approval.

# BOARD AUDIT COMMITTEE REPORT

## EXTERNAL AUDIT

- Reviewed and approved the External Auditor's Audit Plan and the scope for the annual audit.
- Deliberated and reported the results of the annual statutory audit to the Board.
- Evaluated the performance of the External Auditors and recommended their appointment and remuneration to the Board.
- Held private sessions without the Management's presence with the External Auditor to reinforce independence.

## FINANCIAL RESULTS

- Reviewed and recommended the Quarterly and Annual Financial Statements of the Company and Group (including announcements) for Board's approval.
- Deliberated on significant matters raised by the External Auditor including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and received progress updates from Management on actions taken for improvements.
- Deliberated on changes or implementation of major policy changes and compliance with accounting standard and other legal requirements.

## RELATED PARTY TRANSACTIONS

- Reviewed the system for identifying, monitoring and disclosing related party transactions for TNB and its subsidiaries.

## ANNUAL REPORTING

- Reviewed the Board Audit Committee Report, Statement on Corporate Governance and Statement on Internal Audit Function for publication in the 2016 Annual Report.

## OTHERS

- Deliberated and reviewed TNB's subsidiaries performance, strategic direction and business plans.
- Reviewed the Initial Public Offering (IPO) readiness of TNB's subsidiaries.
- Approved related mandatory company's announcement to Bursa Malaysia Securities Berhad in compliance with Main Market Listing Requirements (MMLR).
- Reviewed the proposal for second share grants to staff under TNB's Long Term Incentive Plan (LTIP) and recommended for approval to the Board.
- Deliberated on Distribution Division's Credit Management Transformation and Group Finance Transformation Programmes.

- Deliberated and reviewed major projects and business initiatives taken by Management such as "Gantikan Rehabilitation & Relocation", "Implementation of Incentive Based Regulation" in TNB and "In-house Third Party Administrator" in relation to staff medical.

## GROUP INTERNAL AUDIT

The BAC is assisted by the GIA Department in the discharge of their duties and responsibilities. GIA is independent of operations and their primary responsibility is to provide assurance to the BAC on the effectiveness of the governance, risk management and internal control processes within the Company.

GIA uses a risk-based approach to determine the priorities of the internal audit activities, consistent with the strategies of the Group. An Audit Management System (Teammate) is used to enhance the effectiveness and efficiency of the audit process. GIA also uses Computer Assisted Auditing Techniques (i.e. IDEA) to improve data analytics and monitor trending to identify anomalies, exceptions, or unexplained patterns that may indicate fraud. Further external consultant and Subject Matter Experts were engaged to assist GIA in performing audit effectively.

During the Financial Year, GIA issued 247 reports arising from the performance of 111 planned jobs, nine (9) ad-hoc jobs and 127 follow-up audits on corrective actions. The areas reviewed included generation, transmission, distribution, procurement, engineering, projects, finance, corporate governance, human resources, logistics, information and communication technology, investments in subsidiaries and risk management.

Internal audit reports are issued to Management and they contain improvement opportunities, audit findings, management response and corrective actions in areas with significant risks and internal control deficiencies. Management provided the corrective and preventive actions as well as deadlines to complete the actions. Reports that require significant improvement opportunities and/or show critical control deficiencies were tabled to the BAC for deliberation. Management is required to be present at the BAC meetings to respond and provide feedback on the progress of business process improvement opportunities identified by GIA. Management is also requested to present to the BAC on a regular basis status updates for significant matters and changes in key business processes that could impact the achievement of business objectives.



### DATO' ZAINAL ABIDIN BIN PUTIH

Chairman  
Board Audit Committee  
Tenaga Nasional Berhad  
(Senior Independent Non-Executive Director)



# STATEMENT ON INTERNAL AUDIT FUNCTION

**THE GROUP INTERNAL AUDIT DEPARTMENT (GIA) CARRIES OUT TNB'S INTERNAL AUDIT FUNCTION. GIA WAS ESTABLISHED TO SUPPORT THE BOARD, THROUGH THE BOARD AUDIT COMMITTEE (BAC), IN DISCHARGING ITS RESPONSIBILITIES TO MAINTAIN A SOUND SYSTEM OF INTERNAL CONTROL THUS SAFEGUARD SHAREHOLDERS' INVESTMENT, THE INTEREST OF STAKEHOLDERS AND THE GROUP'S ASSETS.**

GIA reports functionally to the BAC and administratively to the President/Chief Executive Officer. GIA's authority, scope and responsibilities are governed by an Internal Audit Charter which is approved by the BAC and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.

## MISSION

GIA's mission is to provide independent and objective assurance on governance, risk management and control systems adopted by the Company and make recommendations that will improve or add value to the Group. This is achieved through the following:

- i. Preparing a detailed Annual Audit Plan using an appropriate risk-based methodology that is aligned to the organisation's strategic objectives.
- ii. Evaluating risk exposures and the adequacy and effectiveness of controls to manage the risks within the organisation's governance, operations and information systems.
- iii. Reviewing internal control systems and reporting on whether these provide reasonable assurance against material misstatement, loss and fraud.
- iv. Reporting any significant issues that affect the processes of controlling the activities of, and managing the risks faced by the divisions/companies audited.
- v. Obtaining updates from operating management on the agreed courses of action to rectify weaknesses identified and perform follow-up audits to confirm if agreed recommendations have been correctly implemented, and are adhered to consistently.

## SCOPE AND COVERAGE

GIA conducts a risk based approach during the development of the annual audit plan. The coverage of auditable areas takes into consideration the strategic and operational risks, audit history and request by the Top Management/BAC that is aligned to the organisation's strategic objectives.

GIA audit universe includes functions of governance, risk management and review of controls in the areas of generation, transmission, distribution, procurement, projects, engineering, accounting and finance, human resources, information and communication technology, regulatory economics and planning, corporate affairs and services, energy ventures, and investment in subsidiaries.

Among the key areas covered during the Financial Year are:

- Revenue Assurance
- Billings
- Collection
- Credit and Disconnection Management
- Inventory Management
- Operation and Maintenance
- Network Services
- Supply Application
- Engineering Services
- Planning
- Project Management
- Safety and Security
- Procurement
- Asset Management
- Financial Management
- Human Resource Management
- IT and System Security
- Incentive Based Regulation (IBR)

GIA presents audit reports that contain improvement opportunities, audit findings, management response and corrective actions in areas with significant risks and internal control deficiencies to the BAC on a monthly basis.

During the Financial Year, GIA issued 247 reports arising from the performance of 111 planned jobs, nine (9) ad-hoc jobs and 127 follow-up audits on corrective actions. Two (2) planned audits were conducted together with Subject Matter Experts from Universiti Tenaga Nasional and an ex-TNB retiree. Whilst, one (1) planned audit was co-sourced with an external consultant and the rest were performed in-house by GIA.

# STATEMENT ON INTERNAL AUDIT FUNCTION

## RESOURCES

In the Financial Year 2016, GIA spent a total of RM19.68 million. A summary of the internal audit costs is as follows:

Category	RM (Million)	% of total cost
Staff related costs	14.71	75
Operating costs	4.39	22
Consultancy fees	0.58	3
<b>Total</b>	<b>19.68</b>	<b>100</b>

As at 31 August 2016, GIA had a total of 94 auditors, comprising staff from various backgrounds, as follows:

Discipline	No. of Internal Auditors	Percentage (%)
Finance and Business	54	57
Engineering	28	30
Quantity Surveying	4	4
System Analyst/Computer Science/Information Technology	8	9
<b>Total</b>	<b>94</b>	<b>100</b>

## PROFESSIONAL DEVELOPMENT AND COMPETENCY

GIA continues its commitment to equip our internal auditors with adequate knowledge and proficiency. About RM600,000.00 was spent on training in the areas of auditing skills, technical skills, business acumen, strategic management and personal development. As at 31 August 2016, the average training days attended by each staff is 11 days.

GIA staff are also encouraged to take Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and Certification in Risk Management Assurance (CRMA) examinations. They are provided with incentives such as study allowance, reimbursement of examination and registration fees and fixed allowance for five (5) years after they pass the examinations. As at 31 August 2016, 10 had obtained CIAs and two (2) staff had obtained CRMA certification. Meanwhile, 18 staff are pursuing the CIA qualification.

Additionally, during the Financial Year two (2) staff had obtained Qualified Risk Auditor certification from Institute of Enterprise Risk Practitioners (IERP).

During the Financial Year, GIA was awarded with three (3) Corporate Awards from the Institute of Internal Auditors Malaysia (IIAM) for strong commitment to Continuous Professional Development (for year 2014 and 2015), and strong commitment to the Certified Internal Audit Programme (for year 2014). To date, GIA has won eleven (11) Corporate Awards from IIAM since 2008.

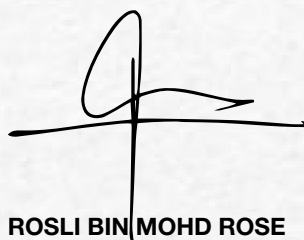
## IMPROVEMENT INITIATIVES

GIA develops and maintains a QAIP that covers all aspect of internal audit activities to ensure high quality of services provided. Several QAIP programs were conducted by GIA during the Financial Year which include attachment of three (3) GIA staff at other Divisions to gain practical and operational experience, attachment of four (4) GIA staff at a subsidiary's Internal Audit Department to enhance the effectiveness of the Department and implementation of job rotation between GIA's units to broaden GIA staff exposure and skills.

Additionally, in-house trainings, knowledge sharing sessions between GIA's units and TNB's Top Management were implemented to create awareness and enhance business knowledge of GIA's staff. GIA has also developed and implemented a Performance Monitoring and Tracking Dashboard System to enhance monitoring on GIA's performance.

During the Financial Year, GIA has performed internal Quality Assurance Review to measure the effectiveness of its quality management system. Additionally, an organizational study on GIA was conducted by an external consultant under TNB's Value Unlocking Program (VUP).

GIA is committed in providing objective and independent assurance as well as value-added services to its customers in accordance with the International Professional Practices Framework on Internal Auditing.



**ROSLI BIN MOHD ROSE**  
Chief Internal Auditor  
Tenaga Nasional Berhad



**DATO' ZAINAL ABIDIN BIN PUTIH**  
Chairman  
Board Audit Committee  
Tenaga Nasional Berhad  
(Senior Independent Non-Executive Director)



Solar lights at Mount Kinabalu, Kundasang, Sabah.



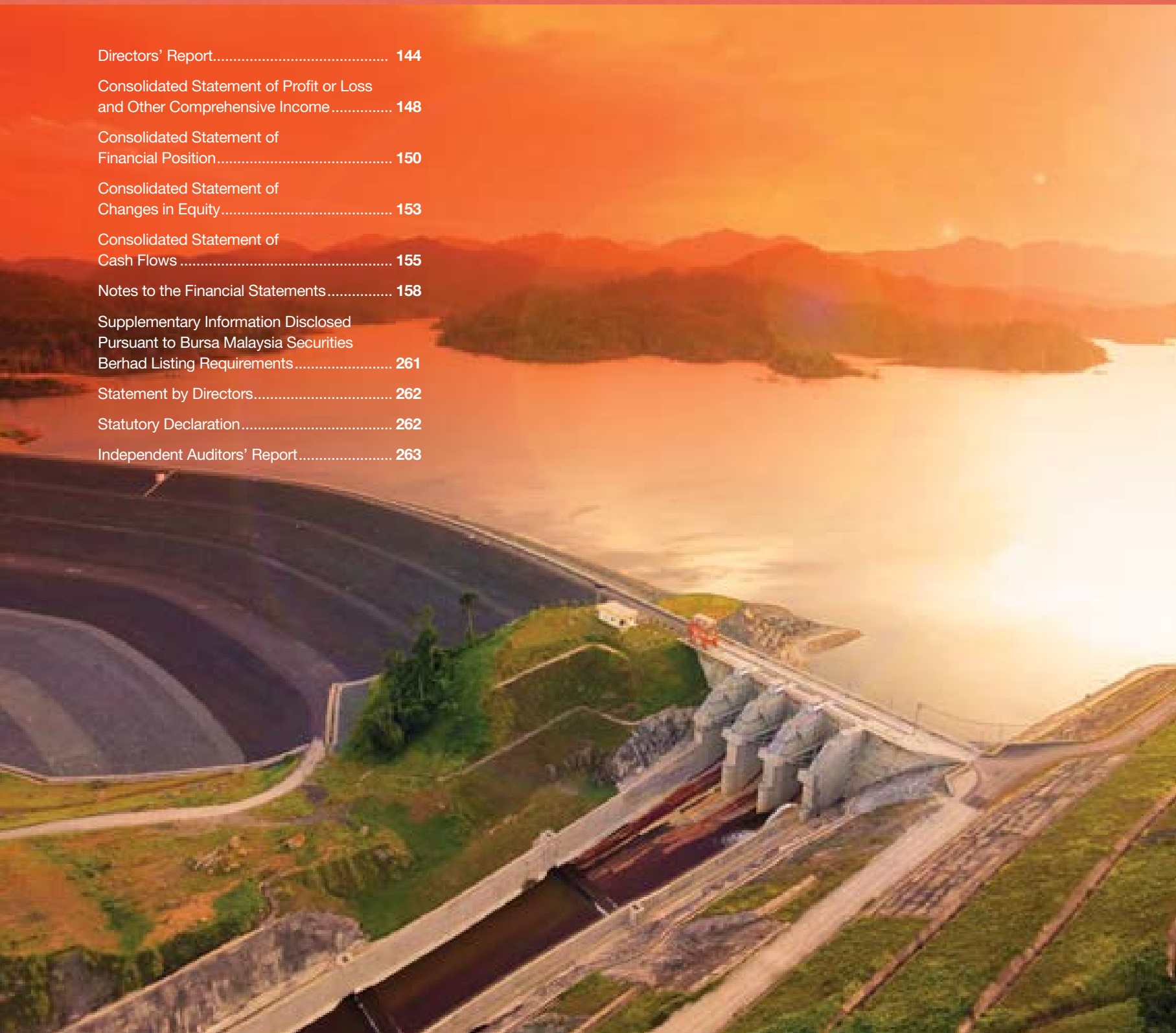
# FINANCIAL STATEMENTS

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# 06

Our financial results measure our performance in delivering shareholder returns and sustainable value.

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# DIRECTORS' REPORT

The Directors have pleasure in submitting their Report with the audited financial statements of the Group and Company for the financial year ended 31 August 2016.

## PRINCIPAL ACTIVITIES

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 14 to the financial statements.

There have been no significant changes in these activities during the financial year under review.

## FINANCIAL RESULTS

	<b>Group</b>	<b>Company</b>
	<b>RM'million</b>	<b>RM'million</b>
Profit for the financial year attributable to:		
- Owners of the Company	7,367.6	6,761.0
- Non-controlling interests	(46.8)	0
Profit for the financial year	7,320.8	6,761.0

## DIVIDENDS

The dividends paid or declared since the previous financial year ended 31 August 2015 were as follows:

	<b>RM'million</b>
In respect of the financial year ended 31 August 2015 as shown in the Directors' Report for that financial year:	
Final single tier dividend of 19.0 sen per ordinary share, paid on 31 December 2015	1,072.3
In respect of the financial year ended 31 August 2016:	
Interim single tier dividend of 10.0 sen per ordinary share, paid on 31 May 2016	564.4

For the financial year ended 31 August 2016, the Directors had on 27 October 2016 recommended the payment of a final single tier dividend of 22.0 sen per ordinary share, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. The books closure and payment dates will be announced in due course.

## 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, no new shares were issued by the Company.

# DIRECTORS' REPORT

## TENAGA NASIONAL BERHAD 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 were approved by the shareholders at an Extraordinary General Meeting on 18 December 2014.

The main features and details of granting during the financial year in the number of grants over the shares of the Company are set out in Note 6 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia via letter dated 26 October 2016 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 169 (11) of the Companies Act, 1965 except for information on employees who were granted the offering of up to 65,700 and more ordinary shares under the LTIP scheme.

The employees of the Company who were granted the offering of up to 65,700 and more ordinary shares under the LTIP scheme during the financial year are as follows:

	Number of ordinary shares granted under PS*	Number of ordinary shares granted under RS**	Grand Total
Datuk Seri Ir. Azman bin Mohd	251,600	115,100	366,700
Datuk Fazlur Rahman bin Zainuddin	64,500	39,300	103,800
Datuk Wira Roslan bin Ab Rahman	63,100	38,400	101,500
Dato' Muhammad Razif bin Abdul Rahman	61,600	37,500	99,100
Dato' Roslina binti Zainal	61,500	37,400	98,900
Datuk Ir. Baharin bin Din	60,900	37,000	97,900
Dato' Nor Azman bin Mufti @ Jaafar	60,300	36,700	97,000
Datuk Zainudin bin Ibrahim	52,900	32,100	85,000
Dato' Ir. Ho Peng Choong	44,500	32,000	76,500
Ismail bin Mohd Din	34,400	31,300	65,700

\* PS - Performance Share Grant

\*\* RS - Restricted Share Grant

None of the subsidiaries' employees were granted offering representing 65,700 or more ordinary shares under the LTIP scheme.

## DIRECTORS

The Directors who have held office during the period since the date of the last Report are:

Tan Sri Leo Moggie	
Datuk Seri Ir. Azman bin Mohd	
Datuk Nozirah binti Bahari	(Resigned w.e.f. 10 January 2016)
Datuk Seri Hashmuddin bin Mohammad	(Appointed w.e.f. 1 April 2016)
Ahmad Farouk bin Mohamed	
Dato' Zainal Abidin bin Putih	
Tan Sri Dato' Seri Siti Norma binti Yaakob	
Dato' Abd Manaf bin Hashim	
Datuk Sakthivel a/l Alagappan	
Datuk Wira Ir. Md Sidek bin Ahmad	
Tan Sri Dato' Seri Chor Chee Heung	
Noraini binti Che Dan	(Appointed w.e.f. 2 January 2016)
Gee Siew Yoong	(Appointed w.e.f. 2 January 2016)



# DIRECTORS' REPORT

## 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.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration and benefits in Note 5 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.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' shareholdings, particulars of the interests of Directors who held office as at the end of the financial year in shares in the Company are as follows:

	Number of ordinary shares of RM1.00 each			As at 31.8.2016
	As at 1.9.2015	Acquired	Disposed	
Dato' Zainal Abidin bin Putih	1,562	0	0	1,562
Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	0	0	1,562

Ordinary shares granted pursuant to the Company's LTIP granted to the Director during the financial year are as follows:

	Number of ordinary shares of RM1.00 each		As at 31.8.2016
	Granted	Vested	
<u>Datuk Seri Ir. Azman bin Mohd</u>			
<u>Performance Share ('PS') Plan</u>			
PS01	109,200	0	109,200
PS02	142,400	0	142,400
<u>Restricted Share ('RS') Plan</u>			
RS01	48,400	0	48,400
RS02	66,700	0	66,700

Other than as those disclosed above, none of the Directors in office at the end of the financial year held any other interest in shares or debentures of the Company and its related corporations.

# DIRECTORS' REPORT

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position of the Group and Company were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected to be realised.

At the date of this Report, the Directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability 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 Group or of the Company to meet their obligations when they fall due.

At the date of this Report, there does not exist:

- (a) any charge on the assets of the Group and Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and Company which has arisen since the end of the financial year.

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 which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; and
- (b) 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 or Company for the financial year in which this report is prepared.

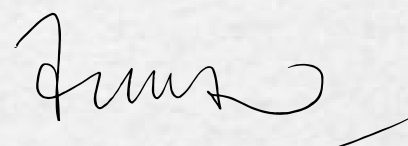
## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 27 October 2016.



**TAN SRI LEO MOGGIE**  
CHAIRMAN



**DATUK SERI IR. AZMAN BIN MOHD**  
PRESIDENT/CHIEF EXECUTIVE OFFICER

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	Note	Group		Company	
		2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Revenue	4	44,531.5	43,286.8	41,272.1	40,252.0
Operating expenses	5	(36,171.0)	(35,483.4)	(33,297.5)	(32,437.1)
Other operating income	7	711.5	824.2	704.3	565.8
Operating profit		9,072.0	8,627.6	8,678.9	8,380.7
Foreign exchange loss	8	(358.2)	(932.3)	(305.2)	(931.4)
Share of results of joint ventures	15(a)	26.0	24.1	0	0
Share of results of associates	16	67.3	77.0	0	0
Profit before finance cost		8,807.1	7,796.4	8,373.7	7,449.3
Finance income	9	299.0	282.2	201.1	310.0
Finance cost	9	(1,039.3)	(944.9)	(1,097.4)	(1,178.8)
Profit before taxation and zakat		8,066.8	7,133.7	7,477.4	6,580.5
Taxation and zakat	10	(746.0)	(1,072.8)	(716.4)	(961.6)
Profit for the financial year		7,320.8	6,060.9	6,761.0	5,618.9
Profit attributable to:					
- Owners of the Company		7,367.6	6,118.4	6,761.0	5,618.9
- Non-controlling interests		(46.8)	(57.5)	0	0
Profit for the financial year		7,320.8	6,060.9	6,761.0	5,618.9
		Sen	Sen		
Earnings per share:					
- Basic	11(a)	130.55	108.41		
- Diluted	11(b)	130.16	108.41		

The notes set out on pages 158 to 260 form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Profit for the financial year	7,320.8	6,060.9	6,761.0	5,618.9
Other comprehensive (expense)/income				
Items that will not be reclassified subsequently to profit or loss:				
Defined benefit plan actuarial loss	(719.2)	(112.1)	(627.1)	(92.9)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(5.0)	(268.7)	0	0
Fair value of available-for-sale financial assets	0.1	0.2	0	0
Total other comprehensive expense for the financial year	(724.1)	(380.6)	(627.1)	(92.9)
Total comprehensive income for the financial year	6,596.7	5,680.3	6,133.9	5,526.0
Attributable to:				
- Owners of the Company	6,643.5	5,737.8	6,133.9	5,526.0
- Non-controlling interests	(46.8)	(57.5)	0	0
Total comprehensive income for the financial year	6,596.7	5,680.3	6,133.9	5,526.0

The notes set out on pages 158 to 260 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2016

	Note	Group		Company	
		2016	2015	2016	2015
		RM'million	RM'million	RM'million	RM'million
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	96,512.7	90,300.3	74,916.3	73,114.4
Subsidiaries	14	0	0	7,626.2	5,152.4
Joint ventures	15(a)	138.9	122.9	0	0
Associates	16	1,699.3	634.7	70.3	70.3
Goodwill on consolidation	17	211.0	124.7	0	0
Investment in unquoted debt security	18	15.4	24.3	15.4	24.3
Tax recoverable		1,693.2	1,693.2	1,693.2	1,693.2
Deferred tax assets	19	31.2	23.1	0	0
Long term receivables	20	620.3	253.5	1,256.0	1,236.0
Finance lease receivable	21	13.6	13.2	0	0
Prepaid operating leases	22(a)	5,172.7	5,111.6	4,990.0	4,848.1
Available-for-sale financial assets	24	38.6	38.5	38.0	38.0
		<b>106,146.9</b>	<b>98,340.0</b>	<b>90,605.4</b>	<b>86,176.7</b>
<b>CURRENT ASSETS</b>					
Non-current assets held-for-sale	25	31.6	0	0	0
Inventories	26	792.3	843.8	236.1	254.7
Receivables, deposits and prepayments	27	8,276.8	8,639.4	5,875.4	5,432.1
Tax recoverable		125.0	45.5	0	0
Finance lease receivable	21	0.7	0.6	0	0
Prepaid operating leases	22(a)	150.1	152.6	130.9	130.9
Amounts due from subsidiaries	28	0	0	1,996.8	2,534.1
Amounts due from joint ventures		6.0	25.9	0	0
Amounts due from associates		202.4	177.7	18.4	58.9
Financial assets at fair value through profit or loss	29	13,182.4	6,438.2	4,693.3	3,640.2
Derivative financial instruments	23	16.8	0	3.5	0
Deposits, bank and cash balances	30	3,971.2	2,471.3	1,953.5	551.8
		<b>26,755.3</b>	<b>18,795.0</b>	<b>14,907.9</b>	<b>12,602.7</b>

The notes set out on pages 158 to 260 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2016

	Note	Group		Company	
		2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<b>CURRENT LIABILITIES</b>					
Payables	31	(11,409.1)	(10,411.5)	(8,786.9)	(6,898.6)
Finance lease payables	32	(661.6)	(678.6)	(1,417.2)	(1,378.5)
Derivative financial instruments	23	(12.9)	0	(0.4)	0
Deferred income	33	(1,139.2)	(1,200.6)	(1,132.9)	(1,143.9)
Amounts due to subsidiaries	28	0	0	(1,029.3)	(752.2)
Amounts due to associates		(559.5)	(531.4)	(549.8)	(531.4)
Current tax liabilities		(50.6)	(72.5)	(47.0)	(44.3)
Employee benefits	34	(762.3)	(711.8)	(747.6)	(702.8)
Short term borrowings	35	(1,488.8)	(1,985.8)	(242.0)	(1,327.0)
		(16,084.0)	(15,592.2)	(13,953.1)	(12,778.7)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>10,671.3</b>	<b>3,202.8</b>	<b>954.8</b>	<b>(176.0)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>116,818.2</b>	<b>101,542.8</b>	<b>91,560.2</b>	<b>86,000.7</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	36	(32,817.9)	(22,713.1)	(10,520.9)	(9,117.0)
Consumer deposits	37	(4,551.1)	(4,187.3)	(4,284.0)	(3,938.7)
Finance lease payables	32	(5,287.2)	(6,028.6)	(11,724.7)	(13,141.8)
Deferred income	33	(1,165.6)	(1,425.1)	(920.7)	(1,150.4)
Other liabilities	38	(1,366.8)	(1,428.0)	(581.6)	(624.8)
Deferred tax liabilities	19	(6,961.9)	(7,054.1)	(5,472.3)	(5,430.1)
Employee benefits	34	(11,048.8)	(10,230.0)	(10,579.8)	(9,863.5)
Government development grants	39	(1,019.2)	(1,009.7)	0	0
		(64,218.5)	(54,075.9)	(44,084.0)	(43,266.3)
<b>TOTAL NET ASSETS</b>		<b>52,599.7</b>	<b>47,466.9</b>	<b>47,476.2</b>	<b>42,734.4</b>

The notes set out on pages 158 to 260 form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2016

	Note	Group		Company	
		2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<b>EQUITY</b>					
Share capital	40	5,643.6	5,643.6	5,643.6	5,643.6
Share premium	41	5,382.2	5,382.2	5,382.2	5,382.2
Other reserves	42	(5,967.2)	(5,416.9)	(5,258.2)	(4,875.7)
Retained profits		47,330.0	41,599.1	41,708.6	36,584.3
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>52,388.6</b>	47,208.0	<b>47,476.2</b>	42,734.4
<b>NON-CONTROLLING INTERESTS</b>		<b>211.1</b>	258.9	<b>0</b>	0
<b>TOTAL EQUITY</b>		<b>52,599.7</b>	47,466.9	<b>47,476.2</b>	42,734.4
		<b>Sen</b>	<b>Sen</b>		
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>928.3</b>	836.5		

The notes set out on pages 158 to 260 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

Attributable to owners of the Company						
Note	Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Other reserves RM'million	Retained profits RM'million	Non controlling interests RM'million	Total equity RM'million
<b>Group</b>						
<b>At 1 September 2015</b>	<b>5,643.6</b>	<b>5,382.2</b>	<b>(5,416.9)</b>	<b>41,599.1</b>	<b>258.9</b>	<b>47,466.9</b>
Profit for the financial year	0	0	0	7,367.6	(46.8)	7,320.8
Foreign currency translation reserve	42	0	(5.0)	0	0	(5.0)
Fair value of available-for-sale financial assets		0	0.1	0	0	0.1
Employee benefit reserve	34,42	0	(719.2)	0	0	(719.2)
Total comprehensive income for the financial year		0	(724.1)	7,367.6	(46.8)	6,596.7
Dividend paid to NCI		0	0	0	(1.0)	(1.0)
Dividend paid:						
- Final for FY2015	12	0	0	(1,072.3)	0	(1,072.3)
- Interim for FY2016	12	0	0	(564.4)	0	(564.4)
Gross obligation under put option	42	0	(70.8)	0	0	(70.8)
LTIP expense	6,42	0	244.6	0	0	244.6
Total transactions with owners		0	173.8	(1,636.7)	(1.0)	(1,463.9)
<b>At 31 August 2016</b>	<b>5,643.6</b>	<b>5,382.2</b>	<b>(5,967.2)</b>	<b>47,330.0</b>	<b>211.1</b>	<b>52,599.7</b>
<b>At 1 September 2014</b>	<b>5,643.6</b>	<b>5,382.2</b>	<b>(5,036.3)</b>	<b>37,232.5</b>	<b>237.2</b>	<b>43,459.2</b>
Profit for the financial year		0	0	6,118.4	(57.5)	6,060.9
Foreign currency translation reserve	42	0	(268.7)	0	0	(268.7)
Fair value of available-for-sale financial assets		0	0.2	0	0	0.2
Employee benefit reserve	34,42	0	(112.1)	0	0	(112.1)
Total comprehensive income for the financial year		0	(380.6)	6,118.4	(57.5)	5,680.3
Dividend paid to a NCI		0	0	0	(0.6)	(0.6)
Dividend paid:						
- Final for FY2014	12	0	0	(1,072.3)	0	(1,072.3)
- Interim for FY2015	12	0	0	(564.4)	0	(564.4)
Acquisition of new subsidiaries		0	0	0	434.4	434.4
Purchase of shares from NCI		0	0	(109.3)	(336.8)	(446.1)
Compulsory acquisition of NCI		0	0	(5.8)	(17.8)	(23.6)
Total transactions with owners		0	0	(1,751.8)	79.2	(1,672.6)
<b>At 31 August 2015</b>	<b>5,643.6</b>	<b>5,382.2</b>	<b>(5,416.9)</b>	<b>41,599.1</b>	<b>258.9</b>	<b>47,466.9</b>

The notes set out on pages 158 to 260 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	Note	Non-distributable			Distributable	Total equity RM'million
		Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Other reserves RM'million	Retained profits RM'million	
<b>Company</b>						
<b>At 1 September 2015</b>		<b>5,643.6</b>	<b>5,382.2</b>	<b>(4,875.7)</b>	<b>36,584.3</b>	<b>42,734.4</b>
Profit for the financial year		0	0	0	6,761.0	6,761.0
Employee benefit reserve	34,42	0	0	(627.1)	0	(627.1)
Total comprehensive income for the financial year		0	0	(627.1)	6,761.0	6,133.9
Dividend paid:						
- Final for FY2015	12	0	0	0	(1,072.3)	(1,072.3)
- Interim for FY2016	12	0	0	0	(564.4)	(564.4)
LTIP expense	6,42	0	0	244.6	0	244.6
Total transactions with owners		0	0	244.6	(1,636.7)	(1,392.1)
<b>At 31 August 2016</b>		<b>5,643.6</b>	<b>5,382.2</b>	<b>(5,258.2)</b>	<b>41,708.6</b>	<b>47,476.2</b>
<b>At 1 September 2014</b>		<b>5,643.6</b>	<b>5,382.2</b>	<b>(4,782.8)</b>	<b>32,602.1</b>	<b>38,845.1</b>
Profit for the financial year		0	0	0	5,618.9	5,618.9
Employee benefit reserve	34,42	0	0	(92.9)	0	(92.9)
Total comprehensive income for the financial year		0	0	(92.9)	5,618.9	5,526.0
Dividend paid:						
- Final for FY2014	12	0	0	0	(1,072.3)	(1,072.3)
- Interim for FY2015	12	0	0	0	(564.4)	(564.4)
Total transactions with owners		0	0	0	(1,636.7)	(1,636.7)
<b>At 31 August 2015</b>		<b>5,643.6</b>	<b>5,382.2</b>	<b>(4,875.7)</b>	<b>36,584.3</b>	<b>42,734.4</b>

The notes set out on pages 158 to 260 form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit for the financial year	7,320.8	6,060.9	6,761.0	5,618.9
Adjustments for:				
Taxation and zakat	746.0	1,072.8	716.4	961.6
Property, plant and equipment ('PPE'):				
- Depreciation	5,722.2	5,294.2	4,951.2	4,784.8
- Written off	43.2	73.9	43.2	73.9
- Gain on disposals	(1.5)	(3.6)	(1.5)	(3.5)
Provision for retirement benefits	738.4	730.0	711.0	704.3
Provision for Long Term Incentive Plan	244.6	0	194.6	0
Translation loss	390.1	819.3	341.8	827.9
Gain on:				
- Disposal of non-current assets held-for-sale	(2.5)	(0.2)	(2.5)	(0.2)
- Redemption of redeemable preference shares in subsidiaries	0	0	(31.1)	(32.4)
- Remeasurement of gain on previously held interest in an associate	0	(71.2)	0	0
Share of results of joint ventures	(26.0)	(24.1)	0	0
Share of results of associates	(67.3)	(77.0)	0	0
Dividend income	0	0	(46.6)	(47.3)
Interest income	(269.1)	(265.6)	(316.6)	(332.3)
Interest on borrowings	521.0	364.8	12.7	43.2
Release of deferred income	(1,420.0)	(1,154.8)	(968.5)	(800.1)
Release of Government development grants	(50.2)	(52.5)	0	0
Allowance for impairment:				
- Receivables	686.6	178.8	680.7	126.9
- Amounts due from subsidiaries	0	0	21.6	88.6
- Amounts due from associates	22.3	0	22.3	0
- Amounts due from joint ventures	28.7	0	0	0
Reversal of impairment:				
- Receivables	(151.0)	(136.9)	(137.8)	(88.2)
- Amounts due from subsidiaries	0	0	(120.4)	(100.0)
Allowance for impairment of investments in:				
- Subsidiaries	0	0	0	20.7
- Unquoted debt securities	0	138.8	0	138.8
Reversal of allowance for diminution in value of investment in a subsidiary	0	0	0	(15.0)
Changes in fair value of derivatives	1.3	0.5	0.6	0.5
Allowance for inventory obsolescence	258.9	225.0	258.9	225.0
Write-back of inventory obsolescence	(257.1)	(211.3)	(257.1)	(211.3)
Inventories written off	27.5	46.7	27.5	46.7
Changes in fair value and accretion of interest	(43.8)	22.1	127.8	11.2
	<b>14,463.1</b>	<b>13,030.6</b>	<b>12,989.2</b>	<b>12,042.7</b>

The notes set out on pages 158 to 260 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>				
Inventories	22.2	(16.9)	(10.7)	(120.9)
Receivables	(698.6)	(830.7)	(1,132.1)	(929.0)
Payables	(390.4)	(361.7)	414.9	417.9
Subsidiaries balances	0	0	(638.0)	(36.4)
Associates balances	(21.9)	(142.6)	36.6	(19.4)
Joint ventures balances	(8.8)	(3.8)	0	0
Cash generated from operations	13,365.6	11,674.9	11,659.9	11,354.9
Employee benefits paid	(815.4)	(767.2)	(795.9)	(758.6)
Contributions received	1,099.1	979.5	727.8	644.3
Consumer deposits received	363.8	363.0	345.3	333.2
Taxation and zakat paid	(720.6)	(810.8)	(473.5)	(544.6)
Net cash flows generated from operating activities	13,292.5	11,439.4	11,463.6	11,029.2
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash considerations paid to acquire:				
- Subsidiaries	0	(271.7)	0	(347.5)
- Associate	(1,044.6)	0	0	0
Additional investments in:				
- Subsidiary	0	0	(1.0)	0
- FVTPL	(72,325.1)	(57,937.6)	(62,340.0)	(54,748.6)
Proceeds from redemptions:				
- Redeemable preference shares in subsidiaries	0	0	108.1	107.8
- Unsecured loan notes in an associate	0	4.8	0	4.8
Disposals of FVTPL	65,893.6	55,477.8	61,434.0	52,735.6
Dividend income received	66.9	40.8	46.6	47.3
Interest income received	117.3	82.3	18.2	46.7
Property, plant and equipment:				
- Additions	(11,142.8)	(10,363.7)	(6,336.9)	(6,538.1)
- Proceeds from disposals	35.9	140.8	11.5	24.1
Proceeds from disposal of non-current assets held-for-sale	2.9	0.2	2.9	0.2
Advances granted to subsidiaries	0	0	(1,596.5)	(1,179.3)
Repayment of advances from a subsidiary	0	0	735.3	100.0
Net cash flows used in investing activities	(18,395.9)	(12,826.3)	(7,917.8)	(9,747.0)

The notes set out on pages 158 to 260 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	Note	Group		Company	
		2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Government development grants received		74.1	55.2	0	0
Long term borrowings:					
- Drawdowns		10,446.8	127.1	1,185.0	0
- Repayments		(1,410.1)	(1,916.0)	(1,218.7)	(347.2)
Short term borrowings:					
- Drawdowns		969.4	1,060.8	0	0
- Repayments		(942.7)	(1,047.1)	0	0
Interests paid		(890.3)	(451.1)	(481.5)	(454.8)
Dividends paid to shareholders		(1,636.7)	(1,636.7)	(1,636.7)	(1,636.7)
Dividends paid to NCI		(1.0)	(0.6)	0	0
Net (increase)/decrease in debt reserve accounts		(16.1)	2.8	0	0
Acquisition of interest in a subsidiary		0	(446.1)	0	(446.1)
Repayment of advances to a subsidiary		0	0	0	(1,296.0)
Net cash flows generated from/(used in) financing activities		6,593.4	(4,251.7)	(2,151.9)	(4,180.8)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,490.0	(5,638.6)	1,393.9	(2,898.6)
<b>EFFECT OF CHANGES IN FOREIGN CURRENCY</b>		(6.2)	0.2	7.8	4.8
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		2,233.1	7,871.5	551.8	3,445.6
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	30	3,716.9	2,233.1	1,953.5	551.8

The notes set out on pages 158 to 260 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 1 GENERAL INFORMATION

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 14 to these financial statements.

There have been no significant changes in these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board 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 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) Basis of preparation

The financial statements of the Group and 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, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

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 and Company's accounting policies. Although these estimates and judgement 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 3.

### (i) Standards, amendments to published standards and improvements that are effective and applicable to the Group and Company.

There are no new accounting standards, amendments to published standards and improvements to existing standards effective and applicable for the Group and Company's financial year beginning 1 September 2015.

### (ii) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective.

The Group and Company will apply the new standards, amendments to published standards, interpretations and improvements to existing standards in the following periods:

#### (i) Financial year beginning on or after 1 September 2016:

- Amendment to MFRS 11 'Joint Arrangements' ('MFRS 11') on Accounting for Acquisitions of Interest in Joint Operations requires an investor to apply the principles of MFRS 3 'Business Combination' ('MFRS 3') when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

The amendments are also applicable to the formation of a joint operation if, and only if, a business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

The amendments do not apply to the acquisition of an interest in a joint operation when the parties sharing joint control are under the common control of the same ultimate controlling party both before and after the acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

#### (ii) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

##### (i) Financial year beginning on or after 1 September 2016: (continued)

- Amendments to MFRS 116 'Property, Plant and Equipment' ('MFRS 116') and MFRS 138 'Intangible Assets' ('MFRS 138') on Clarification of Acceptable Methods of Depreciation and Amortisation clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 127 'Separate Financial Statements' ('MFRS 127') on Equity Method in Separate Financial Statements allow a parent and investors to use the equity method in its separate financial statement to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.
- Amendments to MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' ('MFRS 5') clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to plan of sale or distribution. That means, the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution'.
- Amendments to MFRS 7 'Financial Instruments: Disclosures' ('MFRS 7') provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7 and clarify the applicability of Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.
- Amendment to MFRS 119 'Employee Benefits' ('MFRS 119') clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. The amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.
- Amendment to MFRS 134 'Interim Financial Reporting' ('MFRS 134') clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' as used in MFRS 134. The amendment requires such disclosures to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.
- Amendments to MFRS 10 'Consolidated Financial Statements' ('MFRS 10'), MFRS 12 'Disclosure of Interests in Other Entities' ('MFRS 12') & MFRS 128 'Investments in Associates and Joint Ventures' ('MFRS 128') on Investment Entities: Applying the Consolidation Exception address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards, clarifying the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that relate to the parent's investment activities, application of the equity method by a non-investment entity investor to an investment entity investee and the disclosures required.
- Amendments to MFRS 101 'Presentation of Financial Statements' ('MFRS 101') on Disclosure Initiative aim to improve financial statement disclosures. The amendments clarify guidance in MFRS 101 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

(ii) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(ii) Financial year beginning on or after 1 September 2017:

- Amendments to MFRS 107 'Statement of Cash Flows' ('MFRS 107') on Disclosure Initiative introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes' ('MFRS 112') on Recognition of Deferred Tax Assets for Unrealised Losses clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

(iii) Financial year beginning on or after 1 September 2018:

- MFRS 15 'Revenue from Contracts with Customers' ('MFRS 15') will replace MFRS 118 'Revenue' ('MFRS 118') and MFRS 111 'Construction Contracts' ('MFRS 111') and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.
- MFRS 9 'Financial Instruments' ('MFRS 9') will replace MFRS 139 'Financial Instruments: Recognition and Measurement' ('MFRS 139').

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through Other Comprehensive Income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

(ii) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(iii) Financial year beginning on or after 1 September 2018: (continued)

- MFRS 9 'Financial Instruments' ('MFRS 9') will replace MFRS 139 'Financial Instruments: Recognition and Measurement' ('MFRS 139'). (continued)

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- Amendment to MFRS 2 'Share-based Payment' ('MFRS 2') on Classification and Measurement of Share-based Payment Transactions clarify the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in MFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

(iv) Financial year beginning on or after 1 September 2019:

- MFRS 16 'Leases' ('MFRS 16') supersedes MFRS 117 'Leases' ('MFRS 117') and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The impact of the new accounting standards, amendments and improvements to published standards on the financial statements of the Group and Company are currently being assessed by management.

### (b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and Company's activities, net of estimated returns, rebates and discounts.

#### (i) 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 Incentive Based Regulation ('IBR') framework and as agreed with the Ministry of Energy, Green Technology and Water.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Revenue recognition (continued)

#### (i) Electricity revenue (continued)

Electricity revenue is recognised when electricity is consumed by customers. Electricity revenue includes an estimated value of the electricity consumed by customers from the date of their last meter reading and reporting period end. Accrued unbilled revenues are reversed the following month when actual billings occur.

Imbalanced Cost Pass-Through ('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 consumers, 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 customer remains unchanged.

#### (ii) Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have passed and the collectability of the related receivable is reasonably assured.

#### (iii) Rendering of services

For services rendered, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

#### (iv) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in the statement of profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the contract costs incurred to the reporting date as a percentage of total estimated costs for each contract.

When an outcome 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.

#### (v) Other income

Other operating income earned by the Group and Company comprise interest and leasing income as well as dividend income. Leasing income is accrued, unless collectability is in doubt. Dividend income is recognised when the shareholders' rights to receive payment is established.

Interest income is recognised using the effective interest method. When a loan and receivables are impaired, the Group reduces the carrying amount to their recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

### (c) Customers' contributions

Contributions (assets in the form of PPE or cash to acquire such assets) received from customers consist mainly of upfront capital contributions for the construction of assets, used to connect the customers to a network or to provide them with the service.

Contributions received prior to 1 January 2011 are amortised over 15 years, being the average useful life of the asset.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Customers' contributions (continued)

Effective 1 January 2011, in compliance with IC Interpretation 18, 'Transfers of Assets from Customers' ('IC 18'), all contributions received from customers, when that amount of contributions must be used only to construct or acquire an item of PPE, and the item of PPE is used to either connect the customer to a network or to provide the customer with ongoing access to supply of goods or services, or to do both, the contributions received are recognised as revenue. Revenue arising from assets received from customers are recognised in the statement of profit or loss when the performance obligations associated with receiving those customer contributions are met.

### (d) Foreign currencies

#### (i) 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.

#### (ii) 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.

#### (iii) Group companies

The results and financial positions of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

- 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;
- 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
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in OCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of profit or loss as part of the gain or loss on sale.

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), all of the exchange differences relating to that foreign operation recognised in OCI and accumulated in the separate component of equity are reclassified 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 are re-attributed to non-controlling interest ('NCI') 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Foreign currencies (continued)

#### (iii) Group companies (continued)

The principal closing rates used in translation of foreign currency amounts were as follows:

<b>Foreign currency</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
1 United States Dollar ('USD')	4.0553	4.1900
100 Japanese Yen ('JPY')	3.9625	3.4723
100 Pakistani Rupee ('PKR')	3.8400	4.0400
1 European Dollar ('EURO')	4.5280	4.7390
1 Turkish Lira ('TRY')	1.3719	1.4374

### (e) Income tax and zakat

#### (i) Income tax

Current tax expense is determined according to the tax laws of the countries in which the Company and its subsidiaries operate and generate the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination as at that time 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 assets and deferred tax liabilities are offset when there is a legally and enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on the same taxable entity.

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.

Tax rates enacted or substantively enacted at the end of the reporting date are used to determine deferred tax.

#### (ii) Zakat

The Group and Company recognises 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.

### (f) Property, plant and equipment ('PPE') and depreciation

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. The Group allocates the cost of an item of PPE to its significant system and component parts.

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 item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Property, plant and equipment ('PPE') and depreciation (continued)

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 expects to use them during 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. Leasehold land classified as finance lease (refer to accounting policy Note 2(n)(i) on finance leases) is amortised over the remaining period of the respective leases ranging from 5 to 99 years on the straight line method.

Other property, plant and equipment 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 to 60 years
Plant and machinery	3 to 40 years
Lines and distribution mains	10 to 40 years
Distribution services	20 years
Meters	10 to 15 years
Public lighting	15 to 20 years
Furniture, fittings and office equipment	3 to 15 years
Motor vehicles	5 to 15 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

At the end of the reporting period, the Group assesses 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. A write down is made if the carrying amount exceeds the recoverable amount (see Note 2(h)).

### (g) 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 if development costs can be measured reliably and when 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 statement of profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) 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. For the purposes 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 profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

### (i) 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 the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. The existence and effect of potential voting rights that 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.

#### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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. In preparing the consolidated financial statements, 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.

If 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 accounting policy Note 2(m) 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 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Subsidiaries and basis of consolidation (continued)

#### (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.

### (j) 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 difference between the amount of the adjustment to NCI and any consideration paid or received is recognised in equity attributable to owners of the Group.

### (k) Joint arrangements

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 and other comprehensive income 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.

### (l) Associates

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 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. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses (see Note 2(h)).

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed 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.

### (m) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries, joint arrangements and associates at the date of the acquisition. Goodwill is tested for impairment annually, or if events or circumstances occur indicating that impairment may exist. Impairment of goodwill is charged to the statement of profit or loss as and when it arises. Impairment losses on goodwill (inclusive of impairment losses recognised in a previous interim period) are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill on acquisition of joint arrangements and associates is included in the investments in joint arrangements and associates respectively. Such goodwill is tested for impairment as part of the overall carrying amount.

### (n) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

#### (i) Finance leases - where the Group and Company are the lessees

The Group and Company lease certain PPE. Leases of PPE where the Group and Company have substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. The interest element of the finance cost is charged to the statement of profit or loss within finance cost 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 PPE acquired under finance leases are depreciated or amortised over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the statement of profit or loss over the lease term on the same basis as the lease expense.

#### (ii) Operating leases - where the Group and Company are the lessees

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss within other operating expenses on the straight line basis over the period of the lease.

#### (iii) Operating leases - where the Group is the lessor

Leases where substantially all of the risks and rewards of ownership are not transferred to the lessee (i.e. the Group is the lessor) are classified as operating leases. Payments received under operating leases that relate to sales of electricity are recognised in the statement of profit or loss within revenue on the straight line basis over the period of the lease. All other payments received under operating leases are presented in the statement of profit or loss within other operating income.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Non-current assets held-for-sale

The Group shall classify a non-current asset as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held-for-sale. Non-current assets classified as held-for-sale are presented separately from the other assets in the statement of financial position.

The assets shall be derecognised on disposal and the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of disposal.

An asset that ceases to be classified as non-current assets held-for-sale shall be measured at the lower of its carrying amount before the asset was classified as non-current assets held-for-sale, adjusted for any depreciation, amortisation or revaluations that would be recognised had the asset not been classified as non-current assets held-for-sale, and its recoverable amount at the date of the subsequent decision not to sell.

### (p) Inventories

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.

### (q) Trade and other receivables

Trade and other 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. 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 and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

### (r) Cash and cash equivalents

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, highly liquid 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.

### (s) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects 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.

### (u) Employee benefits

#### (i) 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.

#### (ii) Post-employment benefits

The Group has 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 pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has 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 service in the current and prior periods.

##### Defined contribution plans

The Group and Company's contributions to 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 has no further payment obligations.

##### Defined benefit plans

The Group and Company make contributions to the Company's Retirement Benefit Plan, a defined benefit plan and approved fund independent of the Company's finances. A book provision is also provided by 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 Company also provide 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 statements of financial position date minus the fair value of plan assets. The Group and 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 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 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 service in the current year. It is recognised in the statement of profit or loss in employee benefit expense.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit 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 in subsequent periods.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Borrowings

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.

Interests, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Group and Company have an unconditional right to defer settlement of the liability for at least twelve (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.

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 as 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.

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.

### (w) Government development grants

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.

### (x) Share capital

#### (i) 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.

#### (ii) 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.

#### (iii) Dividends to shareholders of the Company

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

### (y) Long Term Incentive Plan ('LTIP')

The Group operates an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Long Term Incentive Plan ('LTIP') (continued)

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 Group and the Company revise its estimate of the number of shares that are expected to vest. 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.

### (z) Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses 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 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. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### (aa) Financial instruments

#### Financial assets

#### (i) Classification

The Group and Company classify its financial assets in the following categories: at fair value through profit or loss ('FVTPL'), loans and receivables ('L&R') and available-for-sale ('AFS'). The classification depends on the purpose for which the financial assets were acquired. The Group and Company determine the classification at initial recognition.

#### (i) Financial assets at FVTPL

Financial assets at FVTPL are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets.

#### (iii) AFS financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investments mature or management intends to dispose it within 12 months of the end of the reporting period.

#### (ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commit to purchase or sell the asset.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (aa) Financial instruments (continued)

#### Financial assets (continued)

#### (ii) Recognition and initial measurement (continued)

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

#### (iii) Subsequent measurement - gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair value. L&R financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation are recognised in the statement of profit or loss in the period in which the changes arise.

#### (iv) Subsequent measurement - impairment of financial assets

##### (i) Assets carried at amortised cost

The Group and Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest method. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of profit or loss. If L&R have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

When an asset is uncollectible, it is written off against the related accumulated impairment losses account. Such assets are written off after all the necessary procedures have been completed and the amount of the losses have been determined.

##### (ii) Assets classified as AFS

The Group and Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and Company use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (aa) Financial instruments (continued)

#### Financial assets (continued)

#### (iv) Subsequent measurement - impairment of financial assets (continued)

##### (ii) Assets classified as AFS (continued)

In the case of equity securities classified as AFS, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative losses that had been recognised directly in equity is removed from equity and recognised in the statement of profit or loss. The amount of cumulative losses that is reclassified to the statement of profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments classified as AFS are not reversed through the statement of profit or loss.

#### (v) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company have transferred substantially all risks and rewards of ownership to related party.

#### Financial liabilities

The Group and Company classify its financial liabilities in the following categories: at FVTPL or other financial liabilities. The Group and Company determine the classification of its financial liabilities at initial recognition.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the statement of profit or loss.

The Group and Company's other financial liabilities comprise trade and other payables and borrowings in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities more than 12 months after the reporting date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the liability is either discharged, cancelled, expired or has been restructured with substantially different terms.

### (bb) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position 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.

### (cc) Derivative financial instruments

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or 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 the amount determined in accordance with MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' ('MFRS 137') and the amount initially recognised less cumulative amortisation, where appropriate.

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.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually 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.

### (a) Critical judgement in applying the Group's accounting policies

There are no significant areas of critical judgement in applying accounting policies that have significant effects on the amounts recognised in the financial statements.

### (b) Critical accounting estimates and assumptions

The Group and 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 and Company's results and financial position 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:

#### (i) Revenue recognition

Electricity revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the financial year end of the Group and Company (unread and unbilled). An assessment is also made of any factors that are likely to materially affect the ultimate economic benefits which will flow to the Group and Company, including bill cancellations and adjustments. These assessments will have a corresponding adjustment to trade receivables. To the extent that the economic benefits are not expected to flow to the Group and Company, the value of that revenue is not recognised.

Included in the payable balance in Note 31 is the estimated over-recovery of costs under the ICPT mechanism. The Group and Company continually assess the obligation by considering factors such as changes in the applicable regulatory implementation guidelines and political environment, the ability to recover costs through regulated rates, and the status of any pending or potential deregulation legislation. Based on this continual assessment, the Company believes the existing liability balance reflects the best estimate of the Company's obligation to the Government. This assessment reflects the current political and regulatory climate, and may be subject to change in the future.

#### (ii) Estimated useful lives of PPE

The Group and Company regularly review the estimated useful lives of PPE based on factors such as business plans and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of PPE would increase the recorded depreciation and decrease the value of PPE.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) Critical accounting estimates and assumptions (continued)

#### (iii) Impairment of PPE

The Group and 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 value-in-use. The value-in-use 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 and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

In particular for TNB Liberty Power Limited ('LPL'), as disclosed in Note 13(a), the appropriateness of the assumptions required for impairment purpose is dependent on the extension of the Gas Supply Agreement ('GSA') by the Government of Pakistan where the subsidiary is operating, till the end of the Power Purchase Agreement ('PPA') term. The Government of Pakistan through its Economic Coordination Committee ('ECC') has approved the extension for gas allocation from Oil and Gas Development Company Limited ('OGDCL') Qadirpur gas field until the end of Power Purchase Agreement ('PPA') on 18 March 2016. Accordingly, the Group is of the view that the carrying amount of the subsidiary's PPE is recoverable.

#### (iv) 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 year. This requires an estimation of the value-in-use of the Group as the cash generating unit to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from TNB 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 17 to the financial statements.

#### (v) Impairment of trade receivables

The Group and Company review its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, the Group and Company make judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the Group and Company make judgements as to whether an impairment loss should be recorded as an expense. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

#### (vi) Lease accounting

As a result of adopting IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease' ('IC 4'), certain of the Group and Company's power purchase agreements have been accounted for as a finance lease rather than the normal sale and purchase arrangements. This has resulted in finance lease accounting being applied to these power purchase agreements.

To apply finance lease accounting, a number of assumptions in the lease models have been made, such as the determination of minimum lease payments, implicit interest rates and residual values of the power plants at the end of contract periods. Any changes to these assumptions will affect lease income and expenses.

#### (vii) Fair value of derivatives and other financial instruments

Certain financial instruments such as investments and derivative financial instruments are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of profit or loss.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) Critical accounting estimates and assumptions (continued)

#### (vii) Fair value of derivatives and other financial instruments (continued)

The Group and Company use its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting periods, as disclosed in Note 47 to the financial statements.

#### (viii) Estimation of income taxes

##### (a) 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.

##### (b) 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.

#### (ix) Post employment employee benefits

The Group and 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 a number of assumptions. The key assumptions used in determining the net cost/(income) for the employee benefits include discount rate and medical claim inflation rate. Any changes in these assumptions will impact the carrying amount of employee benefits obligations, as disclosed in Note 34.

##### (i) Discount rate

The Group and Company determine the appropriate discount rate at the end of each financial year. 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 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 obligation.

##### (ii) Medical claim inflation rate

The medical claim inflation rate for general practitioner, hospitalisation, specialist and dialysis medical claims, as determined by the Group and Company are based on the annualised increase in average claims over the past 7 years.

#### (x) Fair value of LTIP

The Group introduces an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group.

The Group and Company measure the equity-settled share-based payments by reference to the fair value of the equity instruments at the date which they are granted, and revise the estimated number of shares that are expected to vest at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (continued)

(x) Fair value of LTIP (continued)

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model (i.e. Monte Carlo simulation model). The estimate requires determining the most appropriate inputs to the valuation model including the expected life of the share scheme, volatility and dividend yield and making assumptions about them, as disclosed in Note 6 to the financial statements.

(xi) Contingent liabilities

Determination of the treatment of contingent liabilities is based on the Group and 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 for matters in the ordinary course of business.

## 4 REVENUE

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Sales:				
- Electricity*	42,644.8	41,721.1	40,303.6	39,451.9
- Goods and services	465.8	390.1	0	0
- Contract revenue	0.9	20.8	0	0
- Customers contributions	1,038.9	739.0	722.3	540.0
Release of deferred income	381.1	415.8	246.2	260.1
	44,531.5	43,286.8	41,272.1	40,252.0

\* Included in the total sales of electricity is the ICPT amounting to RM2,788.5 million (2015: RM1,854.5 million) and subsidised tariff rebate for Sabah Electricity Sdn. Bhd. ('SESB') amounting to RM58.7 million (2015: RM23.7 million).

## 5 OPERATING EXPENSES

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Cost of sales:				
- Energy cost	24,112.5	24,757.9	23,176.4	23,293.4
- Transmission cost	1,755.3	1,735.2	1,632.2	1,620.5
- Distribution cost	6,375.0	5,896.7	6,034.2	5,625.3
	32,242.8	32,389.8	30,842.8	30,539.2
Administrative expenses	2,262.8	1,707.6	1,627.2	1,131.7
Other operating expenses	1,665.4	1,386.0	827.5	766.2
	36,171.0	35,483.4	33,297.5	32,437.1



# NOTES TO THE FINANCIAL STATEMENTS

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## 5 OPERATING EXPENSES (CONTINUED)

Operating expenses include the following items:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Purchases from Independent Power Producers ('IPPs') <sup>^</sup>	12,510.2	12,905.4	17,057.5	15,656.3
Directors' remuneration:				
- Fees and allowances	3.8	4.0	3.3	3.2
- Other emoluments	0.4	2.1	0.4	0.4
Auditors' remuneration:				
- Statutory audit fees				
- PricewaterhouseCoopers, Malaysia	3.4	2.4	1.4	1.2
- Member firm of PricewaterhouseCoopers International Limited*	0	0	0	0
- Assurance related fees	1.5	1.6	1.2	1.4
- Non-audit fees**	6.8	3.4	6.1	3.1
Staff cost (Note 6)	4,140.1	3,596.2	3,379.3	3,088.2
Property, plant and equipment:				
- Depreciation	5,722.2	5,294.2	4,951.2	4,784.8
- Written off	43.2	73.9	43.2	73.9
Allowance for impairment:				
- Receivables	686.6	178.8	680.7	126.9
- Amounts due from subsidiaries	0	0	21.6	88.6
- Amounts due from associates	22.3	0	22.3	0
- Amounts due from joint ventures	28.7	0	0	0
Reversal for impairment:				
- Receivables	(151.0)	(136.9)	(137.8)	(88.2)
- Amounts due from subsidiaries	0	0	(120.4)	(100.0)
Changes in fair value of derivatives	1.3	0.5	0.6	0.5
Inventory:				
- Allowance for obsolescence	258.9	225.0	258.9	225.0
- Write back of obsolescence	(257.1)	(211.3)	(257.1)	(211.3)
- Written off	27.5	46.7	27.5	46.7
Reversal of allowance for diminution in value of investments in a subsidiary	0	0	0	(15.0)
Rental of land and buildings	63.9	55.6	37.3	32.1
Rental of plant and machinery	42.3	39.1	42.2	39.1
Research and development expenses	193.3	118.2	185.6	111.3
Receipt of Government subsidies <sup>#</sup>	(186.7)	(361.0)	0	0

<sup>^</sup> These include amounts related to the Government Sponsored Tariff Stabilisation Fund as disclosed in Note 31 amounting to RM312.0 million (2015: RM435.9 million).

\* This represents the audit fees for LPL amounting to RM59,159 (2015: RM47,725) and TNB Remaco Pakistan (Pvt.) Ltd. amounting to RM29,797 (2015: RM24,038). PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

\*\* Non-audit fees primarily relate to tax services, advisory related services in relation to the Group's restructuring exercise and due diligences on potential acquisitions.

# This represents the subsidies that SESB received for diesel and medium fuel oil from the Government of Malaysia. The total amount credited in the current year has been offsetted against energy cost.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5 OPERATING EXPENSES (CONTINUED)

The estimated monetary value of benefits-in-kind received by the Directors was RM246,271 (2015: RM219,631) for the Group and 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.

## 6 STAFF COST

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Wages, salaries and bonuses	2,358.2	2,188.9	1,854.4	1,806.0
Defined contribution retirement plan	418.8	378.6	337.5	317.2
Long Term Incentive Plan	244.6	0	194.6	0
Retirement benefit plan (Note 34)	235.8	235.6	212.8	210.8
Retirement medical plan (Note 34)	502.6	494.4	498.2	493.5
Other employee benefits	380.1	298.7	281.8	260.7
	4,140.1	3,596.2	3,379.3	3,088.2

Details of the retirement benefit and retirement medical plans of the Group and Company are set out in Note 34 to the financial statements.

### 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 were 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.

#### (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 pro-rata basis and after fulfillment 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 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 fulfillment 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 6 STAFF COST (CONTINUED)

### *Long Term Incentive Plan ('LTIP') (continued)*

#### (a) The main features of the LTIP (continued)

##### (ii) PS Grant (continued)

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 subject 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.

#### (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 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.



# NOTES TO THE FINANCIAL STATEMENTS

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## 6 STAFF COST (CONTINUED)

### *Long Term Incentive Plan ('LTIP') (continued)*

#### (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.

The movement in the total number of share grants during the financial year is as follows:

	Group			Company		
	Granted '000	Forfeited '000	At 31.8.2016 '000	Granted '000	Forfeited '000	At 31.8.2016 '000
<b>LTIP 1</b>						
RS Grant	23,845.1	(30.6)	23,814.5	18,733.8	(30.6)	18,703.2
PS Grant	2,067.0	0	2,067.0	1,815.7	0	1,815.7
<b>LTIP 2</b>						
RS Grant	18,931.2	(7.9)	18,923.3	15,294.3	(7.9)	15,286.4
PS Grant	1,883.1	0	1,883.1	1,692.8	0	1,692.8

The fair value of the share granted is estimated using the Monte Carlo Simulation Model with the following inputs:

	Group and Company			
	LTIP 1		LTIP 2	
	RS Grant	PS Grant	RS Grant	PS Grant
Fair value at grant date	RM10.46 – RM10.96	RM8.70 <sup>^</sup>	RM12.87 – RM13.53	RM12.04 <sup>^</sup>
Share price at grant date	RM11.18	RM11.18	RM13.88	RM13.88
Expected volatility*	18.5%	18.5%	18.9%	18.9%
Expected divided yield	2.3%	2.3%	2.5%	2.5%
Risk-free interest rate**	3.8%	3.8%	3.0%	3.3%

<sup>^</sup> 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 7 OTHER OPERATING INCOME

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Dividend income from:				
- Subsidiaries	0	0	4.7	6.5
- Associates	0	0	41.9	40.8
Leasing income	27.0	40.5	21.4	40.5
Rental income	23.0	29.8	43.5	42.9
Release of Government development grants (Note 39)	50.2	52.5	0	0
Gain on disposals:				
- Property, plant and equipment	1.5	3.6	1.5	3.5
- Non-current assets held for sale	2.5	0.2	2.5	0.2
Remeasurement of gain on previously held interest in an associate	0	71.2	0	0
Interest on late payments	158.0	136.9	155.4	134.6
Minimum charges	34.6	33.3	34.6	33.3
Gain on redemption of redeemable preference shares in a subsidiary	0	0	31.1	32.4
Other income	414.7	456.2	367.7	231.1
	<b>711.5</b>	<b>824.2</b>	<b>704.3</b>	<b>565.8</b>

Other income comprises primarily of income from rechargeable jobs, insurance claims, liquidated damages and sales of scrap.

## 8 FOREIGN EXCHANGE (LOSS)/GAIN

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Foreign exchange loss comprises:				
Translation loss - foreign term loans	(337.6)	(871.9)	(336.3)	(870.4)
Translation (loss)/gain - others	(52.5)	52.6	(5.5)	42.5
Transaction gain/(loss) - foreign term loans	7.4	(101.8)	5.8	(101.8)
Transaction gain/(loss) - others	24.5	(11.2)	30.8	(1.7)
	<b>(358.2)</b>	<b>(932.3)</b>	<b>(305.2)</b>	<b>(931.4)</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 9 FINANCE INCOME/COST

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Finance income:				
Interest from subsidiaries	0	0	150.3	152.9
Interest from deposits, staff loans and associates	287.0	361.8	166.3	179.4
Changes in fair value and impairment on interest income	29.9	16.6	(115.5)	(22.3)
Less: Reduction of borrowing costs capitalised into PPE	(17.9)	(96.2)	0	0
	<b>299.0</b>	<b>282.2</b>	<b>201.1</b>	<b>310.0</b>
Finance cost:				
Interest on borrowings	1,492.0	1,257.8	482.1	505.8
Release of government grants (Note 39)	(14.4)	(14.6)	0	0
Finance charges under finance leases	423.9	441.2	970.4	1,052.3
Interest on consumer deposits	108.3	100.2	102.0	94.4
Changes in fair value and accretion of interest	(13.9)	38.7	12.3	(11.1)
Less: Amount capitalised into PPE	(956.6)	(878.4)	(469.4)	(462.6)
	<b>1,039.3</b>	<b>944.9</b>	<b>1,097.4</b>	<b>1,178.8</b>

## 10 TAXATION AND ZAKAT

	Note	Group		Company	
		2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Current tax:					
- Malaysian corporate income tax		580.5	777.2	437.4	536.1
Deferred tax	19	126.8	255.6	240.3	385.5
Tax expense		<b>707.3</b>	<b>1,032.8</b>	<b>677.7</b>	<b>921.6</b>
Zakat		38.7	40.0	38.7	40.0
		<b>746.0</b>	<b>1,072.8</b>	<b>716.4</b>	<b>961.6</b>

The analysis of the tax expense is as follows:

Current tax:					
- Current year		649.8	715.4	509.8	475.3
- (Over)/under accrual in prior years		(69.3)	61.8	(72.4)	60.8
		<b>580.5</b>	<b>777.2</b>	<b>437.4</b>	<b>536.1</b>
Deferred tax:					
- Origination and reversal of temporary differences		126.8	255.6	240.3	385.5
		<b>707.3</b>	<b>1,032.8</b>	<b>677.7</b>	<b>921.6</b>



# NOTES TO THE FINANCIAL STATEMENTS

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## 10 TAXATION AND ZAKAT (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation and zakat is as follows:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Profit before taxation and zakat	8,066.8	7,133.7	7,477.4	6,580.5
Tax calculated at the Malaysian corporate income tax rate of 24.0% (2015: 25.0%)	1,936.0	1,783.4	1,794.6	1,645.1
Tax effects of:				
- Share of results of associates and joint ventures	(22.4)	6.4	0	0
- Income not subject to tax	(444.8)	(337.0)	(319.1)	(272.3)
- Expenses not deductible for tax purposes	407.2	467.9	381.3	480.4
- Expenses qualifying for double deduction	(25.4)	(19.5)	(25.4)	(18.4)
- Current year unrecognised temporary differences and unused tax losses	33.8	14.9	0	0
- Benefits from previously unrecognised temporary differences	(5.8)	(0.3)	0	0
(Over)/under accrual of tax in prior years (net)	(98.2)	97.5	(80.6)	60.8
Real property gains tax	0.1	0	0.1	0
Zakat	38.7	40.0	38.7	40.0
Utilisation of reinvestment allowances	(1,073.2)	(958.8)	(1,073.2)	(958.8)
Effect of change of tax rate	0	(21.7)	0	(15.2)
Tax and zakat charge	746.0	1,072.8	716.4	961.6
Average effective tax rate (%)	9.2	15.0	9.6	14.6

# NOTES TO THE FINANCIAL STATEMENTS

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## 10 TAXATION AND ZAKAT (CONTINUED)

The tax charge relating to components of other comprehensive income is as follows:

	2016			2015		
	Before tax RM'million	Tax charged RM'million	After tax RM'million	Before tax RM'million	Tax charged RM'million	After tax RM'million
<b>Group</b>						
Defined benefit plan actuarial loss	(946.3)	227.1	(719.2)	(147.5)	35.4	(112.1)
Foreign currency translation differences	(5.0)	0	(5.0)	(268.7)	0	(268.7)
Fair value of available-for-sale financial assets	0.1	0	0.1	0.2	0	0.2
	(951.2)	227.1	(724.1)	(416.0)	35.4	(380.6)
<b>Company</b>						
Defined benefit plan actuarial loss	(825.2)	198.1	(627.1)	(122.3)	29.4	(92.9)

## 11 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 in issue during the financial year.

	Group	
	2016	2015
Profit attributable to owners of the Company (RM'million)	7,367.6	6,118.4
Weighted average number of ordinary shares in issue ('000)	5,643,611	5,643,611
Basic earnings per share (sen)	130.55	108.41

### (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 in issue during the financial year has been adjusted for the dilutive effects of all potential ordinary shares such as the LTIP granted to employees.

	Group	
	2016	2015
Profit attributable to owners of the Company (RM'million)	7,367.6	6,118.4
Weighted average number of ordinary shares in issue ('000)	5,643,611	5,643,611
Adjustment for Long Term Incentive Plan ('000)	16,614	0
Weighted average number of ordinary shares for diluted earnings per share ('000)	5,660,225	5,643,611
Diluted earnings per share (sen)	130.16	108.41

# NOTES TO THE FINANCIAL STATEMENTS

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## 12 DIVIDENDS

	Company	
	2016 RM'million	2015 RM'million
Interim single tier dividend of 10.0 sen per ordinary share (2015: interim single tier dividend of 10.0 sen per ordinary share)	564.4	564.4
Proposed final single tier dividend of 22.0 sen per ordinary share (2015: final single tier dividend of 19.0 sen per ordinary share)	1,241.6	1,072.3
	<b>1,806.0</b>	<b>1,636.7</b>

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained profits in the financial year.

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 August 2016 of 22.0 sen per ordinary share will be proposed for shareholders' approval. The books closure and payment dates will be announced in due course.

## 13 PROPERTY, PLANT AND EQUIPMENT

	As at 1.9.2015 RM'million	Exchange rate adjustments RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi- fication/ Write off	As at 31.8.2016 RM'million
					RM'million	
<b>2016</b>						
<b>Group</b>						
<u>Cost</u>						
Freehold land	857.9	(0.1)	413.2	(0.5)	(0.2)	1,270.3
Long leasehold land	1,622.1	0	17.5	(0.1)	58.8	1,698.3
Short leasehold land	185.0	0	0	0	(1.2)	183.8
Buildings and civil works	15,098.5	(0.2)	59.3	(0.9)	3,498.2	18,654.9
	<b>17,763.5</b>	<b>(0.3)</b>	<b>490.0</b>	<b>(1.5)</b>	<b>3,555.6</b>	<b>21,807.3</b>
Plant and machinery:						
- Owned	57,921.0	(36.4)	249.8	(272.2)	6,000.1	63,862.3
- Leased	8,250.7	0	0	0	(87.1)	8,163.6
Lines and distribution mains	38,777.8	0	190.6	(12.6)	2,414.8	41,370.6
Distribution services	4,015.5	0	21.3	(0.2)	159.6	4,196.2
Meters	2,538.7	0	7.4	(0.5)	98.7	2,644.3
Public lighting	510.6	0	0	0	76.6	587.2
Furniture, fittings and office equipment	1,910.1	(0.5)	68.3	(4.7)	14.3	1,987.5
Motor vehicles	608.0	(0.1)	47.1	(16.3)	2.5	641.2
	<b>132,295.9</b>	<b>(37.3)</b>	<b>1,074.5</b>	<b>(308.0)</b>	<b>12,235.1</b>	<b>145,260.2</b>
Capital work-in-progress	18,853.0	0	13,985.6	(9.0)	(15,245.7)	17,583.9
	<b>151,148.9</b>	<b>(37.3)</b>	<b>15,060.1</b>	<b>(317.0)</b>	<b>(3,010.6)</b>	<b>162,844.1</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2016	As at 1.9.2015 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2016 RM'million
<b>Group</b>				
<u>Accumulated depreciation</u>				
Long leasehold land	282.9	20.3	(0.6)	302.6
Short leasehold land	100.2	7.2	0	107.4
Buildings and civil works	5,509.0	358.2	(1.2)	5,866.0
	5,892.1	385.7	(1.8)	6,276.0
Plant and machinery:				
- Owned	28,561.7	2,670.8	(212.4)	31,020.1
- Leased	1,201.9	512.2	0	1,714.1
Lines and distribution mains	18,791.3	1,623.5	(2.2)	20,412.6
Distribution services	2,271.2	169.3	0	2,440.5
Meters	1,468.7	139.8	0	1,608.5
Public lighting	285.6	28.4	0	314.0
Furniture, fittings and office equipment	1,544.7	131.8	(6.5)	1,670.0
Motor vehicles	445.8	60.7	(16.5)	490.0
	60,463.0	5,722.2	(239.4)	65,945.8
<u>Accumulated impairment losses</u>				
Plant and machinery	385.6	0	0	385.6

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.9.2014 RM'million	Exchange rate adjustments RM'million	Acquisition of subsidiaries RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi- fication/ Write off RM'million	As at 31.8.2015 RM'million
<b>2015</b>							
<b>Group</b>							
<b>Cost</b>							
Freehold land	833.7	0.5	0	24.0	(0.1)	(0.2)	857.9
Long leasehold land	1,030.6	0.1	208.9	383.8	0	(1.3)	1,622.1
Short leasehold land	185.0	0	0	0	0	0	185.0
Buildings and civil works	13,784.3	0.8	99.9	11.4	(80.6)	1,282.7	15,098.5
	15,833.6	1.4	308.8	419.2	(80.7)	1,281.2	17,763.5
Plant and machinery:							
- Owned	50,596.6	167.3	161.6	76.7	(333.1)	7,251.9	57,921.0
- Leased	7,682.4	0	0	568.3	0	0	8,250.7
Lines and distribution mains	36,157.0	0	0	114.8	(1.7)	2,507.7	38,777.8
Distribution services	3,795.4	0	0	21.2	(0.2)	199.1	4,015.5
Meters	2,366.8	0	0	11.4	0	160.5	2,538.7
Public lighting	463.8	0	0	0	0	46.8	510.6
Furniture, fittings and office equipment	1,686.5	1.8	0.6	203.1	(3.6)	21.7	1,910.1
Motor vehicles	558.5	0.3	0.2	63.8	(21.2)	6.4	608.0
	119,140.6	170.8	471.2	1,478.5	(440.5)	11,475.3	132,295.9
Capital work-in-progress	19,711.4	0.2	307.9	12,124.0	(23.1)	(13,267.4)	18,853.0
	138,852.0	171.0	779.1	13,602.5	(463.6)	(1,792.1)	151,148.9

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2015	As at 1.9.2014 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2015 RM'million
<b>Group</b>				
<u>Accumulated depreciation</u>				
Long leasehold land	265.6	17.2	0.1	282.9
Short leasehold land	93.0	7.2	0	100.2
Buildings and civil works	5,192.9	379.9	(63.8)	5,509.0
	5,551.5	404.3	(63.7)	5,892.1
Plant and machinery:				
- Owned	26,361.1	2,360.8	(160.2)	28,561.7
- Leased	690.2	511.7	0	1,201.9
Lines and distribution mains	17,309.7	1,484.0	(2.4)	18,791.3
Distribution services	2,105.1	166.1	0	2,271.2
Meters	1,335.8	132.9	0	1,468.7
Public lighting	261.7	23.9	0	285.6
Furniture, fittings and office equipment	1,404.0	145.5	(4.8)	1,544.7
Motor vehicles	402.2	65.0	(21.4)	445.8
	55,421.3	5,294.2	(252.5)	60,463.0
<u>Accumulated impairment losses</u>				
Plant and machinery	385.6	0	0	385.6



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2016	As at 1.9.2015 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi- fication/ Write off RM'million	As at 31.8.2016 RM'million
<b>Company</b>					
<b>Cost</b>					
Freehold land	859.8	413.2	(0.5)	0	1,272.5
Long leasehold land	1,387.6	1.6	0	(0.3)	1,388.9
Short leasehold land	4.5	0	0	0	4.5
Buildings and civil works	12,120.8	0	(0.9)	2,855.5	14,975.4
	14,372.7	414.8	(1.4)	2,855.2	17,641.3
Plant and machinery:					
- Owned	40,430.4	0	(237.7)	2,811.5	43,004.2
- Leased	18,763.1	0	0	0	18,763.1
Lines and distribution mains	37,038.9	0	(2.7)	2,294.8	39,331.0
Distribution services	3,767.9	0	0	155.4	3,923.3
Meters	2,452.1	0	0	98.6	2,550.7
Public lighting	510.6	0	0	76.6	587.2
Furniture, fittings and office equipment	1,656.6	44.6	(2.0)	0.4	1,699.6
Motor vehicles	504.3	37.1	(15.2)	0.7	526.9
	119,496.6	496.5	(259.0)	8,293.2	128,027.3
Capital work-in-progress	11,097.8	8,622.2	(6.4)	(10,606.1)	9,107.5
	130,594.4	9,118.7	(265.4)	(2,312.9)	137,134.8

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2016	As at 1.9.2015 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2016 RM'million
<b>Company</b>				
<u>Accumulated depreciation</u>				
Long leasehold land	274.4	19.5	0	293.9
Short leasehold land	2.4	0.1	0	2.5
Buildings and civil works	4,716.0	238.4	(0.8)	4,953.6
	4,992.8	258.0	(0.8)	5,250.0
Plant and machinery:				
- Owned	22,006.2	1,738.2	(192.9)	23,551.5
- Leased	6,823.2	926.1	0	7,749.3
Lines and distribution mains	18,107.3	1,552.5	(2.0)	19,657.8
Distribution services	2,137.4	155.9	0	2,293.3
Meters	1,422.0	133.4	0	1,555.4
Public lighting	285.6	28.4	0	314.0
Furniture, fittings and office equipment	1,335.1	108.0	(1.9)	1,441.2
Motor vehicles	370.4	50.7	(15.1)	406.0
	57,480.0	4,951.2	(212.7)	62,218.5

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2015	As at 1.9.2014 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi- fication/ Write off RM'million	As at 31.8.2015 RM'million
<b>Company</b>					
<u>Cost</u>					
Freehold land	839.3	20.7	0	(0.2)	859.8
Long leasehold land	1,003.8	383.8	0	0	1,387.6
Short leasehold land	4.5	0	0	0	4.5
Buildings and civil works	12,043.5	0	(80.2)	157.5	12,120.8
	13,891.1	404.5	(80.2)	157.3	14,372.7
Plant and machinery:					
- Owned	38,670.4	0	(318.6)	2,078.6	40,430.4
- Leased	18,763.1	0	0	0	18,763.1
Lines and distribution mains	34,544.9	0	(0.8)	2,494.8	37,038.9
Distribution services	3,574.8	0	0	193.1	3,767.9
Meters	2,291.6	0	0	160.5	2,452.1
Public lighting	463.8	0	0	46.8	510.6
Furniture, fittings and office equipment	1,455.9	196.5	(2.3)	6.5	1,656.6
Motor vehicles	474.4	51.0	(20.3)	(0.8)	504.3
	114,130.0	652.0	(422.2)	5,136.8	119,496.6
Capital work-in-progress	9,963.5	8,396.1	(23.2)	(7,238.6)	11,097.8
	124,093.5	9,048.1	(445.4)	(2,101.8)	130,594.4



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2015	As at 1.9.2014 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2015 RM'million
<b>Company</b>				
<u>Accumulated depreciation</u>				
Long leasehold land	257.7	16.7	0	274.4
Short leasehold land	2.3	0.1	0	2.4
Buildings and civil works	4,484.9	295.5	(64.4)	4,716.0
	4,744.9	312.3	(64.4)	4,992.8
Plant and machinery:				
- Owned	20,670.6	1,640.2	(304.6)	22,006.2
- Leased	5,897.1	926.1	0	6,823.2
Lines and distribution mains	16,689.8	1,418.0	(0.5)	18,107.3
Distribution services	1,983.4	154.0	0	2,137.4
Meters	1,295.1	126.9	0	1,422.0
Public lighting	261.7	23.9	0	285.6
Furniture, fittings and office equipment	1,213.2	127.3	(5.4)	1,335.1
Motor vehicles	335.1	56.1	(20.8)	370.4
	53,090.9	4,784.8	(395.7)	57,480.0

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<u>Net book value</u>				
Freehold land	1,270.3	857.9	1,272.5	859.8
Long leasehold land	1,395.7	1,339.2	1,095.0	1,113.2
Short leasehold land	76.4	84.8	2.0	2.1
Buildings and civil works	12,788.9	9,589.5	10,021.8	7,404.8
<b>Total land and buildings</b>	<b>15,531.3</b>	<b>11,871.4</b>	<b>12,391.3</b>	<b>9,379.9</b>
Plant and machinery:				
- Owned	32,456.6	28,973.7	19,452.7	18,424.2
- Leased	6,449.5	7,048.8	11,013.8	11,939.9
Lines and distribution mains	20,958.0	19,986.5	19,673.2	18,931.6
Distribution services	1,755.7	1,744.3	1,630.0	1,630.5
Meters	1,035.8	1,070.0	995.3	1,030.1
Public lighting	273.2	225.0	273.2	225.0
Furniture, fittings and office equipment	317.5	365.4	258.4	321.5
Motor vehicles	151.2	162.2	120.9	133.9
	<b>78,928.8</b>	<b>71,447.3</b>	<b>65,808.8</b>	<b>62,016.6</b>
Capital work-in-progress	17,583.9	18,853.0	9,107.5	11,097.8
	<b>96,512.7</b>	<b>90,300.3</b>	<b>74,916.3</b>	<b>73,114.4</b>

The title deeds of certain land 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 36.

Interest capitalised during the financial year in capital work-in-progress amounted to RM938.7 million (2015: RM782.2 million) for the Group and RM469.4 million (2015: RM462.6 million) for the Company.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 6.6% (2015: 6.6%).

(a) Impairment test for PPE

LPL has recognised in prior years, a provision for impairment totalling RM385.6 million. Current year assessment showed that no further impairment loss is required for the carrying amount of PPE assessed. The carrying value of the PPE at statement of financial position date is RM270.2 million (2015: RM309.6 million). The recoverable amount of the PPE is determined based on value in use.

(b) Acquisition of PPE

During the financial year, the Group did not acquire any PPE by means of finance leases (2015: RM568.3 million). There was no such acquisition for the Company (2015: NIL).

# NOTES TO THE FINANCIAL STATEMENTS

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## 14 SUBSIDIARIES

	Note	Company	
		2016 RM'million	2015 RM'million
At cost:			
Unquoted ordinary shares	(a)(i)(ii)	1,195.6	1,194.5
Redeemable preference shares	(a)(iii)(iv)	5,836.1	4,231.8
Shares/Options granted to employees of subsidiaries		79.3	29.3
Advance to subsidiaries treated as quasi-investment	(a)(ii)(iii)(v)	2,146.3	1,346.4
		9,257.3	6,802.0
Less: Accumulated impairment losses		(1,631.1)	(1,649.6)
		7,626.2	5,152.4

### (a) Additional investments in subsidiaries

- (i) On 24 June 2016, the Company subscribed to 999,998 ordinary shares of RM1.00 each in TNB-IT Sdn. Bhd. ('TNB IT'), a wholly owned subsidiary of the Company, for RM1.0 million.
- (ii) The Company had acquired one new subsidiary, Aruna Servicios Integrales S.L.U. ('ASI') during the financial year, as disclosed in Note 49 of the financial statement.

During the financial year, a total of RM1,080.8 million of amounts due from ASI were reclassified as quasi-investment. These amounts mainly relate to advances bearing interest at 2.6% per annum given with the possible form of repayment via debt capitalisation, by means of a share capital increase in ASI.

- (iii) On 7 October 2015, the Company subscribed to 5,873,266 Redeemable Preference Shares ('RPS') issued at RM100.00 each with a par value of RM1.00 and a premium of RM99.00 per share in TNB Connaught Bridge Sdn. Bhd. ('TNB CBSB'), a wholly owned subsidiary of the Company, by conversion of advances due from TNB CBSB amounting to RM587.3 million.

On 6 June 2016, the Company subscribed an additional 1,649,700 RPS issued at RM100.00 each with a par value of RM1.00 and a premium of RM99.00 per share in TNB CBSB, by conversion of amounts due from TNB CBSB amounting to RM164.9 million.

- (iv) On 29 August 2016, the Company subscribed an additional 9,220,000 RPS issued at RM100.00 each with a par value of RM1.00 and a premium of RM99.00 per share in TNB Manjung Five Sdn. Bhd. ('TNBM5'), a wholly owned subsidiary of the Company, by conversion of amounts due from TNBM5 amounting to RM922.0 million.

- (v) These advances (except for ASI in (ii)), are unsecured and non-interest bearing with no fixed term of repayment. The Company does not anticipate any repayment of advances and will only recall the loans when the subsidiaries have surplus cash. These advances are treated as an extension of its investments in subsidiaries.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2016	2015		
TNB Janamanjung Sdn. Bhd.	100%	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
TNB Power Daharki Ltd.#	100%	100%	Investment holding company	Mauritius
TNB Fuel Services Sdn. Bhd.	100%	100%	Supplying fuel and coal for power generation	Malaysia
TNB Energy Services Sdn. Bhd.	100%	100%	Generating, distributing, supplying, dealing, selling of different kinds of energy sources and related technical services	Malaysia
TNB Research Sdn. Bhd.	100%	100%	Research and development, consultancy and other services	Malaysia
TNB Ventures Sdn. Bhd.	100%	100%	Investment holding company	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
TNB Repair And Maintenance Sdn. Bhd.	100%	100%	Providing repair and maintenance services to heavy industries and other related services	Malaysia
TNB Capital (L) Ltd.	100%	100%	Investment holding company	Malaysia
Universiti Tenaga Nasional Sdn. Bhd.	100%	100%	Providing higher education	Malaysia
Malaysia Transformer Manufacturing Sdn. Bhd.	100%	100%	Principally engaged in the manufacturing, selling and repairing distribution, power and earthing transformers	Malaysia
Power And Energy International (Mauritius) Ltd.*	100%	100%	Investment holding	Mauritius
Orion Mission Sdn. Bhd.	100%	100%	Investment holding company	Malaysia
Sabah Electricity Sdn. Bhd.	83%	83%	Business of generation, transmission, distribution and sale of electricity and services in Sabah	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
Kapar Energy Ventures Sdn. Bhd.	60%	60%	Generate and deliver electricity energy and generating capacity to TNB	Malaysia
TNB Integrated Learning Solution Sdn. Bhd.	100%	100%	Providing training courses	Malaysia
TNB Prai Sdn. Bhd.	100%	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2016	2015		
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 Manjung Five Sdn. Bhd.	100%	100%	Primarily involved in the generation, sale and supply of electricity, providing operation and maintenance services for power plant	Malaysia
TNB Connaught Bridge Sdn. Bhd.	100%	100%	To generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
Integrax Berhad	100%	97.53%	Investment holding company	Malaysia
Jimah East Power Sdn. Bhd.	70%	70%	Involved in power generation	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
Manjung Island Energy Berhad	-	-	Special purpose company to raise Islamic securities under the Islamic Securities Programme	Malaysia
TNB Global Ventures Capital Berhad	100%	-	Investment holding company	Malaysia
Aruna Servicios Integrales S.L.U.*	100%	-	Investment holding	Spain
TNB Transmission Network Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNB Distribution Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNB Quantum Solutions Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNB Risk Management Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNB-IT Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNB Engineers Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNB Generation Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNB Hidro Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNB Properties Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNB International Sdn. Bhd.	100%	100%	Dormant	Malaysia
Selangor Power Sdn. Bhd.	70%	70%	Dormant	Malaysia
TNB Coal International Limited*	100%	100%	Dormant	Mauritius

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2016	2015		
<u>Subsidiary of TNB Power Daharki Ltd.</u>				
TNB Liberty Power Limited <sup>#</sup>	100%	100%	Operation of power plant and generation of electricity	Pakistan
<u>Subsidiary of TNB Research Sdn. Bhd.</u>				
TNBR QATS Sdn. Bhd.	100%	100%	Technical and laboratory services, consultancy and other services	Malaysia
<u>Subsidiary of TNB Ventures Sdn. Bhd.</u>				
Tenaga Cable Industries Sdn. Bhd.	76%	76%	Manufacturing and distribution of power and general cables, aluminium rods and related activities	Malaysia
<u>Subsidiaries of TNB Engineering Corporation Sdn. Bhd.</u>				
Bangsar Energy Systems Sdn. Bhd.	100%	100%	Operating an integrated district cooling system for air conditioning systems of office buildings	Malaysia
TNEC Construction Sdn. Bhd.	100%	100%	Dormant	Malaysia
TNEC Operations And Maintenance Sdn. Bhd.	100%	100%	Principally involved in operations and maintenance of cooling plants	Malaysia
<u>Subsidiary of Bangsar Energy Systems Sdn. Bhd.</u>				
Selesa Energy Systems Sdn. Bhd.	70%	70%	Dormant	Malaysia
<u>Subsidiary of TNEC Operations And Maintenance Sdn. Bhd.</u>				
Tomest Energy Management Sdn. Bhd.	51%	51%	Operating an integrated district cooling system for air conditioning systems of office buildings	Malaysia
<u>Subsidiaries of TNB Repair And Maintenance Sdn. Bhd.</u>				
Trichy Power Limited*	100%	100%	Dormant	India
Trichy Energy Limited*	100%	100%	Dormant	India
TNB Operations And Maintenance International Ltd.	100%	100%	Investment holding	Mauritius
TNB REMACO Pakistan (Private) Limited <sup>#</sup>	100%	100%	Providing repair and maintenance services to heavy industries and other related services	Pakistan



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2016	2015		
<u>Subsidiary of TNB Operations And Maintenance International Ltd.</u>				
Oasis Parade Sdn. Bhd.	100%	100%	Investment company	Malaysia
<u>Subsidiaries of Universiti Tenaga Nasional Sdn. Bhd.</u>				
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
<u>Subsidiary of Power And Energy International (Mauritius) Ltd.</u>				
Independent Power International Ltd.*	100%	100%	Investment holding	Mauritius
<u>Subsidiary of Orion Mission Sdn. Bhd.</u>				
Lahad Datu Holdings Sdn. Bhd.	100%	100%	Principally engaged in the operation and maintenance of power plants and generation of electricity (Investment holding company)	Malaysia
<u>Subsidiary of Lahad Datu Holdings Sdn. Bhd.</u>				
Lahad Datu Energy Sdn. Bhd.	100%	100%	Dormant	Malaysia
<u>Subsidiaries of Tenaga Switchgear Sdn. Bhd.</u>				
TSG Ormazabal Sdn. Bhd.	60%	60%	Assembling, manufacture, test, reconditioning, distribution and other sources of medium voltage switchgear and control gear for transmission and distribution of electric power	Malaysia
PT. Tenaga Nusa Bakti*	100%	100%	Dormant	Indonesia
<u>Subsidiary of TNB Prai Sdn. Bhd.</u>				
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

# NOTES TO THE FINANCIAL STATEMENTS

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## 14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2016	2015		
<u>Subsidiary of TNB Manjung Five Sdn. Bhd.</u>				
TNB Western Energy Berhad	100%	100%	Primarily involved in the generation, sale and supply of electricity, providing operation and maintenance services for power plant	Malaysia
<u>Subsidiaries of Integrax Berhad</u>				
Pelabuhan Lumut Sdn. Bhd.	100%	100%	Investment holding	Malaysia
LBT Two Sdn. Bhd.	100%	100%	Dormant	Malaysia
Segmen Kembara Sdn. Bhd.	100%	100%	Dormant	Malaysia
Trek Kembara Sdn. Bhd.	100%	100%	Dormant	Malaysia
<u>Subsidiary of Pelabuhan Lumut Sdn. Bhd.</u>				
Lekir Bulk Terminal Sdn. Bhd.	80%	80%	Development, ownership and management of a dry bulk terminal	Malaysia
<u>Subsidiary of TNB Properties Sdn. Bhd.</u>				
TNP Construction Sdn. Bhd.	100%	100%	Dormant	Malaysia
<u>Subsidiary of TNB Coal International Limited</u>				
Dynamic Acres Sdn. Bhd.*	100%	100%	Dormant	Malaysia
<u>Subsidiary of Aruna Servicious Integrales S.L.U.</u>				
Global Power Enerji Sanayi Ve Ticaret Anonim Sirketi#	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 and to free consumers	Turkey

\* Not audited by PricewaterhouseCoopers.

# Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

Capital and other commitments for the subsidiaries are disclosed in Note 43.

There are no material contingent liabilities relating to the subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

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## 14 SUBSIDIARIES (CONTINUED)

The NCI is not material to the financial performance, financial position and cash flows of the Group. The NCI information for SESB and ITB which contribute to a substantial portion of total NCI is voluntarily disclosed below:

	SESB		ITB		Other individually immaterial NCI		Total	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<u>As at 31 August</u>								
Carrying amount of NCI	142.5	124.9	46.7	84.6	21.9	49.4	211.1	258.9
<u>Financial year ended 31 August</u>								
Total comprehensive income/(expense) allocated to NCI	17.6	23.5	(37.9)	1.4	(26.5)	(82.4)	(46.8)	(57.5)

The summarised financial information of SESB and ITB before inter-company eliminations are as follows:

	SESB		ITB	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<u>Summarised statement of financial position</u>				
<u>As at 31 August</u>				
Non-current assets	6,829.8	6,667.1	494.0	719.4
Current assets	1,342.0	1,483.6	218.2	200.5
Non-current liabilities	(6,422.7)	(6,209.3)	(241.5)	(44.5)
Current liabilities	(1,286.0)	(1,500.5)	(143.6)	(56.7)
Net assets	463.1	440.9	327.1	818.7

Summarised statement of comprehensive income

Financial year ended 31 August

Revenue	2,144.9	1,927.3	95.3	37.6
Profit after tax	128.7	98.6	36.8	75.6
Other comprehensive expense	(26.2)	(16.6)	0	0
Total comprehensive income	102.5	82.0	36.8	75.6

Summarised statement of cash flows

Financial year ended 31 August

Net cash flows generated from operating activities	569.7	827.0	38.1	13.7
Net cash flows used in investing activities	(391.7)	(425.4)	(45.1)	(30.8)
Net cash flows used in financing activities	(261.4)	(338.8)	(0.8)	(0.4)
Net (decrease)/increase in cash and cash equivalents	(83.4)	62.8	(7.8)	(17.5)



# NOTES TO THE FINANCIAL STATEMENTS

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## 15 JOINT ARRANGEMENTS

### (a) Joint ventures

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Unquoted ordinary shares, at cost	81.7	81.7	7.9	7.9
Redeemable preference shares	1.1	1.1	0	0
Share of post-acquisition results and reserves	65.1	49.1	0	0
	147.9	131.9	7.9	7.9
Less: Accumulated impairment losses	(9.0)	(9.0)	(7.9)	(7.9)
	138.9	122.9	0	0
Share of net assets of joint ventures	138.9	122.9		

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:

	Total	
	2016 RM'million	2015 RM'million
Group's share of results		
Financial year ended 31 August		
Profit after tax and total comprehensive income	26.0	24.1
Dividend received	10.0	5.0

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 15 JOINT ARRANGEMENTS (CONTINUED)

### (a) Joint ventures (continued)

The details of the joint ventures are as follows:

Name of joint venture	Group's interest		Principal activities	Country of incorporation
	2016	2015		
Seatrac Sdn. Bhd.	50%	50%	Dormant	Malaysia
<u>Joint venture of TNB Energy Services Sdn. Bhd.</u>				
FTJ Bio Power Sdn. Bhd.	40%	40%	Generation and distribution of electricity using palm empty fruit bunches as its main fuel source	Malaysia
<u>Joint venture of TNB Engineering Corporation Sdn. Bhd.</u>				
Airport Cooling Energy Supply Sdn. Bhd.	77%	77%	To develop, design, procure, construct, finance district cooling projects in the airport sector, to undertake the comprehensive operational 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

### (b) Joint operations

The details of the joint operations are as follows:

Name of joint operation	Group's interest		Principal activities	Country of incorporation
	2016	2015		
<u>Joint operation of TNB Energy Services Sdn. Bhd</u>				
TNB Energy Services Sdn. Bhd. & Eramaz Technology Sdn. Bhd.	51%	51%	As the turnkey contractor to undertake the design, building and commissioning of the system for the supply of electricity in Kalabakan, Sabah	Malaysia
<u>Joint operation of TNB Repair And Maintenance Sdn. Bhd.</u>				
TNB Repair And Maintenance Sdn. Bhd. & Kharafi National KSC (Closed) JV (TNB REMACO & KN JV)	50%	50%	Operation and maintenance services in the State of Kuwait	Malaysia

The impact of the joint operations to the Group is immaterial.

# NOTES TO THE FINANCIAL STATEMENTS

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## 16 ASSOCIATES

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Unquoted shares, at cost	1,343.0	288.8	50.6	50.6
Share of post-acquisition results and reserves	243.8	233.4	0	0
Redeemable preference shares	112.5	112.5	19.7	19.7
	<b>1,699.3</b>	<b>634.7</b>	<b>70.3</b>	<b>70.3</b>

The aggregated financial information of the Group's associates is as follows:

	Total	
	2016 RM'million	2015 RM'million
Group's share of results		
Financial year ended 31 August		
Profit after tax and total comprehensive income	67.3	77.0
Dividend received	56.9	40.8

During the financial year, the Group, through GPES had acquired 30.0% equity interest in Gama Enerji Anonim Sirketi ('Gama Enerji'), details as disclosed in Note 49.

The summarised financial information of Gama Enerji, being a material associate of the Group, is as follows:

- (a) The summarised statement of comprehensive income for the financial year ended 31 August 2016:

	Gama Enerji RM'million
Revenue	293.9
Profit after tax	89.9
Other comprehensive income	(25.2)
Total comprehensive income	64.7
Dividend received	0

- (b) The summarised statement of financial position as at 31 August 2016:

	Gama Enerji RM'million
Non-current assets	7,769.6
Current assets	675.1
Non-current liabilities	(4,569.4)
Current liabilities	(1,283.3)
	<b>2,592.0</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 16 ASSOCIATES (CONTINUED)

Reconciliation of the summarised financial information of the material associate presented to the carrying amount of its interest in the associate:

	<b>2016</b>
	<b>RM'million</b>
Opening net asset	2,529.6
Profit for the period	89.9
Other comprehensive income	(25.2)
Foreign exchange translation difference	(2.3)
Dividend paid	0
Closing net asset	2,592.0
Group's share in Gama Enerji	777.6
Goodwill	279.8
Carrying amount	1,057.4

Individually immaterial associates:

	<b>2016</b>
	<b>RM'million</b>
Aggregate carrying amount of individually immaterial associates	641.9
Aggregate amounts of the group's share of:	
Profit from continuing operations	47.9

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 16 ASSOCIATES (CONTINUED)

The details of the associates are as follows:

Name of associate	Group's interest		Principal activities	Country of incorporation
	2016	2015		
Teknologi Tenaga Perlis Consortium Sdn. Bhd.	20%	20%	Design, construction, divesting, operation and maintenance of electricity generating facility	Malaysia
GB3 Sdn. Bhd.	20%	20%	Design, construction, operation and maintenance of electricity generating facility	Malaysia
Fibrecomm Network (M) Sdn. Bhd.	49%	49%	Provision of fibre optic transmission network services	Malaysia
Jimah Energy Ventures Holdings Sdn. Bhd.	20%	20%	Generate electric power and investment holdings	Malaysia
<u>Associates of TNB Properties Sdn. Bhd.</u>				
INDERA-TNB Properties Sdn. Bhd.	40%	40%	Dormant	Malaysia
KM Metro-TNB Properties Sdn. Bhd.	40%	40%	Dormant	Malaysia
<u>Associate of TNB Ventures Sdn. Bhd.</u>				
Northern Utility Resources Sdn. Bhd. (Winding up)	20%	20%	Development and mangement of an independent power utility for the generation and supply of electricity to tenants within gazette area of Kulim Hi-Tech Park	Malaysia
<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-Malaysia Operation And Maintenance Services Company Limited	30%	30%	Operation and maintenance of electricity generation stations and water desalination plants	Kingdom of Saudi Arabia
<u>Associates of TNB Energy Services Sdn. Bhd.</u>				
Jana Landfill Sdn. Bhd.	20%	20%	Generation and distribution of heat and electricity using landfill gas as its main fuel source	Malaysia
Sime Darby 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
Affluent Merger Sdn. Bhd.	49%	-	Investment holding	Malaysia

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 16 ASSOCIATES (CONTINUED)

The details of the associates are as follows: (continued)

Name of associate	Group's interest		Principal activities	Country of incorporation
	2016	2015		
<u>Associate of TNB Engineering Corporation Sdn. Bhd.</u>				
Abraj Cooling LLC	49%	49%	Contracting works for the construction of district cooling plants	United Arab Emirates
<u>Associate of TNB Research Sdn. Bhd.</u>				
Gunung Tenaga Sdn. Bhd.	40%	40%	Environmental services and research	Malaysia
<u>Associate of Orion Mission Sdn. Bhd.</u>				
Eastern Sabah Power Consortium Sdn. Bhd.	50%	50%	To carry on the business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia and other parts of the world	Malaysia
<u>Associate of Global Power Enerji Sanayi Ve Ticaret Anonim Sirketi</u>				
Gama Enerji Anonim Sirketi	30%	-	To enter into commitments related to energy investments and to carry out industrial, commercial and business activities	Turkey
<u>Associate of Pelabuhan Lumut Sdn. Bhd.</u>				
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
<u>Associate of Lumut Maritime Terminal Sdn. Bhd.</u>				
LMT Capital Sdn. Bhd.	50% less 1 share	50% less 1 share	Dormant	Malaysia

There are no material contingent liabilities relating to the associates.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 17 GOODWILL ON CONSOLIDATION

	Group	
	2016 RM'million	2015 RM'million
As at the beginning of the financial year	124.7	0
Acquisition of subsidiaries	0	124.7
Adjustment to Purchase Price Allocation ('PPA')	86.3	0
As at the end of the financial year	211.0	124.7

### *Impairment test for goodwill on consolidation*

Annual impairment test is conducted on the Group as a whole as it is treated as a Cash Generating Unit ('CGU'). No impairment was required as at 31 August 2016 as the recoverable amount exceeded the carrying amount.

#### (a) Key assumptions used in the value-in-use calculation

The recoverable amount of the CGU including goodwill, is determined based on its value-in-use. This value-in-use calculation applies a discounted cash flow model using cash flow projection based on forecast approved by management covering a five-year period. The forecast reflects management's expectation of revenue growth, operating costs and margins for the Group based on current assessment of market share, expectations of market growth and industry growth. Cash flows beyond the fifth year are extrapolated using an estimated terminal growth rate.

The discount rate applied to the cash flow forecast refers to the Group's pre-tax Weighted Average Cost of Capital ('WACC').

The following key assumptions have been applied in the value-in-use calculation as at 31 August 2016:

Revenue growth rate	2.7%
Pre-tax discount rate	7.4%
Terminal growth rate	2.7%

#### (b) Impact of possible change in key assumptions used

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 18 INVESTMENT IN UNQUOTED DEBT SECURITY

	Group and Company	
	2016 RM'million	2015 RM'million
Unsecured loan notes	15.4	24.3

## 19 DEFERRED TAXATION

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	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Deferred tax assets:				
- Deferred tax assets to be recovered after more than 12 months	20.0	8.3	0	0
- Deferred tax assets to be recovered within 12 months	11.2	14.8	0	0
	31.2	23.1	0	0
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	(6,286.2)	(6,253.5)	(4,858.0)	(4,690.3)
- Deferred tax liabilities to be recovered within 12 months	(675.7)	(800.6)	(614.3)	(739.8)
	(6,961.9)	(7,054.1)	(5,472.3)	(5,430.1)
Deferred tax assets	31.2	23.1	0	0
Deferred tax liabilities	(6,961.9)	(7,054.1)	(5,472.3)	(5,430.1)
Net total	(6,930.7)	(7,031.0)	(5,472.3)	(5,430.1)

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 19 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred tax are as follows:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
As at the beginning of the financial year	(7,031.0)	(6,700.9)	(5,430.1)	(5,074.0)
(Charged)/credited to statement of profit or loss:				
- Property, plant and equipment	(66.2)	(143.5)	(241.2)	(175.2)
- Provisions and allowances	95.5	111.1	148.7	3.7
- Unbilled revenue	23.3	(48.4)	(4.5)	(20.6)
- Finance leases	(73.2)	(65.3)	(108.6)	(91.2)
- Prepaid operating leases	(106.2)	(109.5)	(34.7)	(102.2)
	(126.8)	(255.6)	(240.3)	(385.5)
Credited/(charged) to other comprehensive income:				
- Provisions and allowances	227.1	35.4	198.1	29.4
Acquisition of subsidiaries	0	(109.9)	0	0
As at the end of the financial year	(6,930.7)	(7,031.0)	(5,472.3)	(5,430.1)
<b>Subject to income tax</b>				
Deferred tax assets (before offsetting):				
- Provisions and allowances	4,489.0	4,166.4	3,218.6	2,871.8
- Finance leases	277.2	350.4	510.7	619.3
- Property, plant and equipment	53.9	38.3	0	0
Offsetting	(4,788.9)	(4,532.0)	(3,729.3)	(3,491.1)
Deferred tax assets (after offsetting)	31.2	23.1	0	0
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	(9,722.8)	(9,641.0)	(7,324.6)	(7,083.4)
- Unbilled revenue	(683.4)	(706.7)	(683.4)	(678.9)
- Prepaid operating leases	(1,344.6)	(1,238.4)	(1,193.6)	(1,158.9)
Offsetting	4,788.9	4,532.0	3,729.3	3,491.1
Deferred tax liabilities (after offsetting)	(6,961.9)	(7,054.1)	(5,472.3)	(5,430.1)



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 19 DEFERRED TAXATION (CONTINUED)

The amount of deductible temporary differences, unused tax losses, reinvestment allowance and investment tax allowance (which have no expiry date) for which no deferred tax asset is recognised in the statements of financial position are as follows:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Deductible temporary differences	1,262.6	1,125.9	0	0
Tax losses	1,436.0	1,456.0	0	0
Reinvestment allowance and investment tax allowance	7,921.5	8,164.2	2,410.8	2,438.0

## 20 LONG TERM RECEIVABLES

	Note	Group		Company	
		2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Other debtors	(a)	430.9	253.5	218.2	228.9
Advance to contractors	(b)	189.4	0	0	0
Amounts due from subsidiaries	(c)	0	0	1,076.0	1,089.0
Redeemable Unsecured Loan Stocks ('RULS')	(d)	0	0	503.1	512.1
		620.3	253.5	1,797.3	1,830.0
Less: Accumulated impairment loss:					
Amounts due from subsidiaries	(c)	0	0	(541.3)	(594.0)
		620.3	253.5	1,256.0	1,236.0

(a) Included in the Group and Company are advances given to staff and loans to students via Yayasan Tenaga Nasional ('YTN'), which are not expected to be received within 12 months from the statement of financial position date. Included in the Group are also indirect tax receivables and other non-trade receivables which are also not expected to be received within 12 months from the statement of financial position date.

(b) Advance to contractors primarily relates to construction of a plant which will be utilised against milestone payment invoices, which is more than 12 months.

(c) The amounts due from subsidiaries comprise amounts receivable from Kapar Energy Ventures Sdn. Bhd. ('KEV'), TNB Power Daharki Ltd. ('TPD'), Sabah Electricity Sdn. Bhd. ('SESB'), TNB Coal International Ltd. ('TNB Coal') and Aruna Servicios Integrales S.L.U. ('ASI').

The interest receivable due from KEV is based on terms in (d). The amount due from TPD is subject to interest rates ranging from 1.9% to 3.4% (2015: 1.9% to 3.4%) per annum and is unsecured. Amount due from SESB is subject to interest rates of 6.0% (2015: 6.0%) per annum, is unsecured and has no fixed term of repayment.

The amount due from ASI refers to the general advances given to the subsidiary which is not expected to be received within 12 months from the statement of financial position date. The amount is not subject to any interest rate, is unsecured and has no fixed term of repayment.

(d) Redeemable Unsecured Loan Stocks ('RULS') bear interest at 15.0% (2015: 15.0%) per annum on the outstanding nominal value of the principal and a compounding interest will be charged at 5.0% (2015: 5.0%) per annum on the unpaid interest after the due date. Refer to Note 36(c) for the terms of RULS.

# NOTES TO THE FINANCIAL STATEMENTS

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## 21 FINANCE LEASE RECEIVABLE

The Group's finance lease receivable arises predominantly from a Cooling Energy Supply Agreement ('CESA'). This CESA is accounted for as a finance lease in accordance with IC 4 and MFRS 117 'Leases' ('MFRS 117').

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Within 1 year	2.0	2.0	0.7	0.6
After 1 year and not later than 5 years	8.1	8.1	3.4	3.1
Over 5 years	14.5	15.4	10.2	10.1
	<b>24.6</b>	25.5	<b>14.3</b>	13.8
Less: Unearned finance income	(10.3)	(11.7)		
Present value of minimum lease payment receivable	<b>14.3</b>	13.8		

The finance lease receivable, accounted for as finance lease in accordance with IC 4 and MFRS 117, relates to the 20-year CESA under which a subsidiary, Bangsar Energy Systems Sdn. Bhd. sells all of its cooling energy output to a customer. The effective interest rate implicit in the finance lease is approximately 9.5% (2015: 9.5%). The carrying amount of the finance lease receivable approximate to its fair values.

## 22 PREPAID OPERATING LEASES

(a) Prepaid operating leases

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<u>Non-current</u>				
Prepaid operating leases	5,172.7	5,111.6	4,990.0	4,848.1
<u>Current</u>				
Prepaid operating leases	150.1	152.6	130.9	130.9

Payments made in advance to Independent Power Producers ('IPPs') are primarily to reserve generating capacity for future goods and services. There is no contractual right to receive a refund in cash or another financial instrument from the IPPs.

# NOTES TO THE FINANCIAL STATEMENTS

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## 22 PREPAID OPERATING LEASES (CONTINUED)

(b) Lease payables and prepayment by lessee

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<b>Non-current</b>				
Lease payables* (Note 38)	137.3	145.3	139.7	145.3
Prepayment by lessee** (Note 38)	371.9	434.7	0	0
	<b>509.2</b>	<b>580.0</b>	<b>139.7</b>	<b>145.3</b>
<b>Current</b>				
Lease payables* (Note 31)	8.0	4.9	8.0	4.9
Prepayment by lessee** (Note 31)	41.3	43.5	0	0
	<b>49.3</b>	<b>48.4</b>	<b>8.0</b>	<b>4.9</b>

\* The Group and Company as lessees

\*\* The Group as lessor

## 23 DERIVATIVE FINANCIAL INSTRUMENTS

2016	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
Non-hedge accounting qualified derivative financial instruments:				
<b>Group</b>				
Forward foreign currency contracts	(a)	1,485.1	16.8	(12.9)
<b>Company</b>				
Forward foreign currency contracts	(b)	207.1	3.5	(0.4)

(a) The Group entered into forward foreign currency contracts with forward rates ranging from RM4.0220 to RM4.2665 for 1 US Dollar and RM3.7458 to RM4.0359 for 100 Japanese Yen.

(b) The Company entered into forward foreign currency contracts with forward rates ranging from RM4.0905 to RM4.1088 for 1 US Dollar and RM3.7458 to RM3.8308 for 100 Japanese Yen.

## 24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Available-for-sale financial assets	38.6	38.5	38.0	38.0

Available-for-sale financial assets comprise unquoted shares and club memberships.



# NOTES TO THE FINANCIAL STATEMENTS

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## 25 NON-CURRENT ASSETS HELD-FOR-SALE

Non-current assets held-for-sale comprise research and engineering studies by a subsidiary which was recognised as capital work-in-progress and is expected to be sold within the next 12 months.

## 26 INVENTORIES

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Fuel and consumables	772.4	831.5	236.1	254.7
Work-in-progress	16.7	9.8	0	0
Finished goods	3.2	2.5	0	0
	<b>792.3</b>	<b>843.8</b>	<b>236.1</b>	<b>254.7</b>

## 27 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Trade receivables	8,062.7	6,956.9	6,909.2	5,907.0
Staff advances/loans	61.1	63.5	56.8	58.8
Partial payment to contractors	388.2	102.0	0.8	50.9
Deposits and prepayments	260.9	241.1	70.7	57.3
Other receivables	808.9	2,093.4	101.6	119.7
Rechargeable debtors	186.1	138.0	140.0	99.2
	<b>9,767.9</b>	<b>9,594.9</b>	<b>7,279.1</b>	<b>6,292.9</b>
Allowance for impairment:				
Trade receivables (Note 47 (b)(i))	(1,284.6)	(787.4)	(1,199.8)	(708.1)
Others (Note 47 (b)(i))	(206.5)	(168.1)	(203.9)	(152.7)
	<b>(1,491.1)</b>	<b>(955.5)</b>	<b>(1,403.7)</b>	<b>(860.8)</b>
	<b>8,276.8</b>	<b>8,639.4</b>	<b>5,875.4</b>	<b>5,432.1</b>

The Group and Company's credit policy provides trade receivables with a 30 days (2015: 30 days) credit period.

Credit risks relating to receivables are disclosed in Note 47(b)(i) to the financial statements.

Included in trade receivables is unbilled revenue amounting to RM2,938.8 million (2015: RM2,941.4 million) for the Group and RM2,815.6 million (2015: RM2,825.4 million) for the Company.

## 28 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amounts due from/(to) all subsidiaries are unsecured, interest free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Financial assets at FVTPL	13,182.4	6,438.2	4,693.3	3,640.2

Financial assets at FVTPL represent investments in unit trusts.

## 30 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Cash in hand and at bank	1,466.0	1,375.4	621.2	551.8
Deposits with licensed banks	2,505.2	1,095.9	1,332.3	0
	3,971.2	2,471.3	1,953.5	551.8

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	
	2016 %	2015 %	2016 %	2015 %
Bank balances	0.1 - 3.3	0.3 - 3.3	0.1 - 3.3	0.3 - 3.3
Deposits with licensed banks	0.5 - 4.1	0.3 - 4.1	0.6 - 0.7	0

Deposits with licensed banks have maturity periods ranging from 7 to 182 days (2015: 23 to 185 days) for the Group and 1 to 33 days for the Company (2015: NIL).

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Cash and cash equivalents at the end of the financial year comprise:				
Cash in hand and at bank	1,160.6	1,124.4	621.2	551.8
Deposits with licensed banks	2,505.2	1,095.9	1,332.3	0
Cash at bank held in trust*	305.4	251.0	0	0
Deposits, bank and cash balances	3,971.2	2,471.3	1,953.5	551.8
Debt reserve accounts** (Note 36(b)(iii))	(254.3)	(238.2)	0	0
Total cash and cash equivalents	3,716.9	2,233.1	1,953.5	551.8

\* The cash at bank held in trust is in respect of grants received from the Government of Malaysia by a subsidiary for designated capital projects.

\*\* Debt reserve accounts relate to deposits placed with licensed financial institutions as part of security obligations for bond financing.

# NOTES TO THE FINANCIAL STATEMENTS

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## 31 PAYABLES

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Trade payables	8,889.2	7,965.4	7,179.1	5,688.0
Payroll liabilities	1,500.4	1,148.9	1,350.2	951.7
Deposits	17.7	17.0	10.3	10.3
Provisions	200.6	714.4	28.9	58.3
Lease payables (Note 22(b))	49.3	48.4	8.0	4.9
Amount due to Federal Government	17.1	16.5	0	0
Other payables and accruals	734.8	500.9	210.4	185.4
	<b>11,409.1</b>	<b>10,411.5</b>	<b>8,786.9</b>	<b>6,898.6</b>

Included in trade payables of the Group and Company are obligations amounting to RM3,341.1 million (2015: RM2,039.5 million) relating to a Government Sponsored Tariff Stabilisation Fund and balance payable under the ICPT mechanism.

Credit terms of trade payables of the Group and Company vary from 30 to 60 days (2015: 30 to 60 days) depending on the terms of the contracts.

## 32 FINANCE LEASE PAYABLES

	Note	Group		Company	
		2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Finance lease liabilities	(a)	5,935.7	6,695.5	13,141.9	14,520.3
Hire purchase creditors	(b)	13.1	11.7	0	0
		<b>5,948.8</b>	<b>6,707.2</b>	<b>13,141.9</b>	<b>14,520.3</b>



# NOTES TO THE FINANCIAL STATEMENTS

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## 32 FINANCE LEASE PAYABLES (CONTINUED)

- (a) The Group and Company's obligations under finance lease liabilities arise predominantly from the power purchase agreements with several IPPs. These power purchase agreements are accounted for as a finance lease in accordance with IC 4 and MFRS 117.

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Minimum lease payments:				
- Within 1 year	1,052.2	1,111.0	2,300.3	2,348.9
- 1 to 2 years	693.5	1,062.3	1,947.8	2,300.2
- 3 to 5 years	2,086.8	2,114.2	5,187.2	5,502.0
- More than 5 years	5,615.0	6,352.0	9,528.1	11,161.1
Total minimum lease payments	9,447.5	10,639.5	18,963.4	21,312.2
Future finance charges	(3,511.8)	(3,944.0)	(5,821.5)	(6,791.9)
	5,935.7	6,695.5	13,141.9	14,520.3
Amount payable under finance lease:				
- Within 1 year	658.2	675.7	1,417.2	1,378.5
- After 1 year and not later than 5 years	1,433.6	1,714.3	4,415.8	4,763.4
- Over 5 years	3,843.9	4,305.5	7,308.9	8,378.4
	5,935.7	6,695.5	13,141.9	14,520.3
Average effective interest rate (%)	6.8	6.6	7.0	6.9

The finance charges associated with the finance leases were charged to the statement of profit or loss in the financial year in which they were actually incurred. As at 31 August 2016, the net book value of assets under finance leases for the Group and Company are as disclosed in Note 13 to the financial statements. The fair value of the financial lease liabilities are RM6,445.6 million (2015: RM6,325.1 million) for the Group and RM9,486.4 million (2015: RM10,535.5 million) for the Company.

- (b) This represents future instalments under hire purchase of motor vehicles, repayable as follows:

	Group	
	2016 RM'million	2015 RM'million
Minimum lease payments:		
- Within 1 year	4.0	3.5
- After 1 year and not later than 5 years	10.4	9.6
Total minimum lease payments	14.4	13.1
Future finance charges	(1.3)	(1.4)
	13.1	11.7
Amount payable under hire purchase:		
- Within 1 year	3.4	2.9
- After 1 year and not later than 5 years	9.7	8.8
	13.1	11.7

# NOTES TO THE FINANCIAL STATEMENTS

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## 32 FINANCE LEASE PAYABLES (CONTINUED)

(b) This represents future instalments under hire purchase of motor vehicles, repayable as follows: (continued)

Hire purchase liabilities are effectively secured as the rights to the assets revert to the lessors in the event of default.

The weighted average effective interest rate applicable to the lease liabilities as at the financial year end is 5.1% (2015: 5.2%) per annum and interest for the financial year is at 2.7% (2015: 2.8%) per annum for the Group. The entire balance is denominated in RM. The carrying amounts of the hire purchase payables approximate to their fair values.

## 33 DEFERRED INCOME

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
As at the beginning of the financial year	2,625.7	2,801.0	2,294.3	2,450.1
Received during the financial year	1,099.1	979.5	727.8	644.3
Released to statement of profit or loss	(1,420.0)	(1,154.8)	(968.5)	(800.1)
As at the end of the financial year	2,304.8	2,625.7	2,053.6	2,294.3
Realised within 12 months	1,139.2	1,200.6	1,132.9	1,143.9
Realised after 12 months	1,165.6	1,425.1	920.7	1,150.4
	2,304.8	2,625.7	2,053.6	2,294.3

Deferred income primarily relates to contributions paid in advance by electricity customers for the construction of electricity network assets.

## 34 EMPLOYEE BENEFITS

### *Retirement Benefit Trust Fund ('RBTF')*

The Group and 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. There is currently no minimum funding requirement under the law.

The RBTF exposes the Group and Company to risks from interest rates from defined benefits 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 Company. The contribution by the Group and Company is based on 7.0% of the annual basic salaries of the members. The employees are not required to contribute to the plan.

The Group and Company expect to contribute 6.0% of the annual basic salaries of members to the plan in the next financial year.

### *Post - Retirement Medical Benefit Scheme ('PRMBS')*

The Group and 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 exposes the Group and Company to risk 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 PRMBS is unfunded.

# NOTES TO THE FINANCIAL STATEMENTS

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## 34 EMPLOYEE BENEFITS (CONTINUED)

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
<b>Group</b>					
At 1 September 2015	3,231.4	(1,372.3)	1,859.1	9,082.7	10,941.8
<b>Included in profit or loss</b>					
Current service costs	136.2	0	136.2	0	136.2
Past service costs	1.8	0	1.8	0	1.8
Interest cost/(income)	162.6	(64.8)	97.8	502.6	600.4
	300.6	(64.8)	235.8	502.6	738.4
<b>Included in other comprehensive income</b>					
Remeasurement of (gain)/loss:					
- Actuarial loss/(gain) arising from:					
- Demographic assumptions	0	0	0	320.2	320.2
- Financial assumptions	76.4	0	76.4	429.7	506.1
- Experience adjustments	(102.9)	0	(102.9)	276.6	173.7
- Return on plan assets excluding interest income	(0.4)	(53.3)	(53.7)	0	(53.7)
<b>Others</b>					
Contribution paid by the employer	0	(408.6)	(408.6)	0	(408.6)
Benefits paid	(414.6)	404.8	(9.8)	(397.0)	(406.8)
	(441.5)	(57.1)	(498.6)	629.5	130.9
<b>At 31 August 2016</b>	<b>3,090.5</b>	<b>(1,494.2)</b>	<b>1,596.3</b>	<b>10,214.8</b>	<b>11,811.1</b>
Current			395.8	366.5	762.3
Non-current			1,200.5	9,848.3	11,048.8
			1,596.3	10,214.8	11,811.1



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 34 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
<b>Group</b>					
At 1 September 2014	3,214.7	(1,380.0)	1,834.7	8,996.8	10,831.5
<b>Included in profit or loss</b>					
Current service costs	151.2	0	151.2	0	151.2
Past service costs	(13.2)	0	(13.2)	0	(13.2)
Interest cost/(income)	168.6	(71.0)	97.6	494.4	592.0
	306.6	(71.0)	235.6	494.4	730.0
<b>Included in other comprehensive income</b>					
Remeasurement of (gain)/loss:					
- Actuarial loss/(gain) arising from:					
- Demographic assumptions	0	0	0	487.1	487.1
- Financial assumptions	0	0	0	(187.2)	(187.2)
- Experience adjustments	102.6	0	102.6	(360.8)	(258.2)
- Return on plan assets excluding interest income	0	105.8	105.8	0	105.8
<b>Others</b>					
Contribution paid by the employer	0	(418.3)	(418.3)	0	(418.3)
Benefits paid	(392.5)	391.2	(1.3)	(347.6)	(348.9)
	(289.9)	78.7	(211.2)	(408.5)	(619.7)
At 31 August 2015	3,231.4	(1,372.3)	1,859.1	9,082.7	10,941.8
Current			383.5	328.3	711.8
Non-current			1,475.6	8,754.4	10,230.0
			1,859.1	9,082.7	10,941.8

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 34 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
<b>Company</b>					
At 1 September 2015	3,189.9	(1,372.3)	1,817.6	8,748.7	10,566.3
<b>Included in profit or loss</b>					
Current service costs	115.7	0	115.7	0	115.7
Interest cost/(income)	161.9	(64.8)	97.1	498.2	595.3
	277.6	(64.8)	212.8	498.2	711.0
Charged to subsidiaries	20.8	0	20.8	0	20.8
	298.4	(64.8)	233.6	498.2	731.8
<b>Included in other comprehensive income</b>					
Remeasurement of (gain)/loss:					
- Actuarial loss/(gain) arising from:					
- Demographic assumptions	0	0	0	320.2	320.2
- Financial assumptions	75.0	0	75.0	409.0	484.0
- Experience adjustments	(102.4)	0	(102.4)	176.7	74.3
- Return on plan assets excluding interest income	0	(53.3)	(53.3)	0	(53.3)
<b>Others</b>					
Contribution paid by the employer	0	(408.6)	(408.6)	0	(408.6)
Benefits paid	(404.8)	404.8	0	(387.3)	(387.3)
	(432.2)	(57.1)	(489.3)	518.6	29.3
<b>At 31 August 2016</b>	<b>3,056.1</b>	<b>(1,494.2)</b>	<b>1,561.9</b>	<b>9,765.5</b>	<b>11,327.4</b>
Current			395.8	351.8	747.6
Non-current			1,166.1	9,413.7	10,579.8
			1,561.9	9,765.5	11,327.4

# NOTES TO THE FINANCIAL STATEMENTS

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## 34 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
<b>Company</b>					
At 1 September 2014	3,188.0	(1,380.0)	1,808.0	8,670.9	10,478.9
<b>Included in profit or loss</b>					
Current service costs	130.0	0	130.0	0	130.0
Past service costs	(15.5)	0	(15.5)	0	(15.5)
Interest cost/(income)	167.3	(71.0)	96.3	493.5	589.8
	281.8	(71.0)	210.8	493.5	704.3
Charged to subsidiaries	19.4	0	19.4	0	19.4
	301.2	(71.0)	230.2	493.5	723.7
<b>Included in other comprehensive income</b>					
Remeasurement of (gain)/loss:					
- Actuarial loss/(gain) arising from:					
- Demographic assumptions	0	0	0	487.1	487.1
- Financial assumptions	0	0	0	(187.2)	(187.2)
- Experience adjustments	91.9	0	91.9	(375.3)	(283.4)
- Return on plan assets excluding interest income	0	105.8	105.8	0	105.8
<b>Others</b>					
Contribution paid by the employer	0	(418.3)	(418.3)	0	(418.3)
Benefits paid	(391.2)	391.2	0	(340.3)	(340.3)
	(299.3)	78.7	(220.6)	(415.7)	(636.3)
At 31 August 2015	3,189.9	(1,372.3)	1,817.6	8,748.7	10,566.3
Current			383.5	319.3	702.8
Non-current			1,434.1	8,429.4	9,863.5
			1,817.6	8,748.7	10,566.3



# NOTES TO THE FINANCIAL STATEMENTS

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## 34 EMPLOYEE BENEFITS (CONTINUED)

The latest actuarial revaluation was carried out in September 2016. The principal actuarial assumptions used in respect of defined benefit plans were as follows:

	Group		Company	
	RBTF %	PRMBS %	RBTF %	PRMBS %
<b>2016</b>				
Discount rates	5.0 - 9.0	5.4 - 5.6	5.0	5.4
Expected rate of salary increases	5.0 - 9.0	N/A	7.0	N/A
Medical cost inflation:				
- Inpatient	N/A	5.5	N/A	5.5
- Outpatient	N/A	4.5 - 6.3	N/A	6.3
Others:				
- Specialist	N/A	4.5	N/A	4.5
- Dialysis	N/A	5.5	N/A	5.5
<b>2015</b>				
Discount rates	5.4 - 6.0	5.8 - 5.9	5.4	5.8
Expected rate of salary increases	5.0 - 7.0	N/A	7.0	N/A
Medical cost inflation:				
- Inpatient	N/A	5.5	N/A	5.5
- Outpatient	N/A	8.0	N/A	8.0
Others:				
- Specialist	N/A	4.5	N/A	4.5
- Dialysis	N/A	5.5	N/A	5.5

# NOTES TO THE FINANCIAL STATEMENTS

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## 34 EMPLOYEE BENEFITS (CONTINUED)

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
<b>Group</b>				
Medical cost trend rate	N/A	N/A	1,521.5	(1,257.8)
Discount rate	(181.4)	203.7	(1,276.9)	1,576.6
Salary increment rate	182.8	(166.2)	N/A	N/A
<b>Company</b>				
Medical cost trend rate	N/A	N/A	1,438.2	(1,191.2)
Discount rate	(181.4)	203.7	(1,213.1)	1,495.6
Salary increment rate	182.8	(166.2)	N/A	N/A

The sensitivity analysis has been provided based on membership data as at 31 August 2016 and considered a change of each principal assumption in isolation. The method and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

The weighted average duration of the Group and Company's liability is estimated at approximately 7 and 14 years for RBTF and PRMBS respectively.

Plan assets for RBTF comprise:

	Group and Company	
	2016 %	2015 %
Equity instruments - quoted	42.7	44.1
Debt instruments - quoted	26.3	26.0
- unquoted	21.9	22.5
Others	9.1	7.4
	100.0	100.0

The plan assets for RBTF did not include any ordinary share of the Company (fair value for 2015: NIL).

The Group and Company's RBTF are conditional on future employment of the members of the plan. The Group and Company's PRMBS are not conditional on future employment and has been fully vested as at 31 August 2016.

# NOTES TO THE FINANCIAL STATEMENTS

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## 35 SHORT TERM BORROWINGS

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Portion of borrowings due within one financial year (Note 36):				
- Secured	502.9	307.1	0	0
- Unsecured	649.3	1,371.3	242.0	1,327.0
	<b>1,152.2</b>	1,678.4	<b>242.0</b>	1,327.0
Short term loans:				
- Secured	242.1	207.4	0	0
- Unsecured	16.8	9.6	0	0
Bankers' acceptances	77.7	90.4	0	0
	<b>1,488.8</b>	1,985.8	<b>242.0</b>	1,327.0

The short term borrowings carry interest at rates ranging from 0.8% to 15.0% (2015: 0.8% to 15.0%) per annum for the Group and from 0.8% to 7.5% (2015: 0.8% to 7.5%) per annum for the Company.

## 36 BORROWINGS

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Secured:				
- Term loans (Note (a))	1,664.5	1,461.7	0	0
- Bonds (Note (b))	19,302.8	10,742.5	0	0
	<b>20,967.3</b>	12,204.2	<b>0</b>	0
Unsecured:				
- Term loans	7,150.6	6,702.1	7,040.6	6,667.1
- Bonds	5,101.5	4,778.0	3,722.3	3,776.9
- Redeemable unsecured loan stocks (Note (c))	750.7	707.2	0	0
	<b>13,002.8</b>	12,187.3	<b>10,762.9</b>	10,444.0
	<b>33,970.1</b>	24,391.5	<b>10,762.9</b>	10,444.0
Payable within 1 year included under short term borrowings (Note 35)				
	<b>1,152.2</b>	1,678.4	<b>242.0</b>	1,327.0
Repayable after one year:				
- After 1 and up to 2 years	532.7	492.7	126.7	111.0
- After 2 and up to 5 years	5,196.7	3,365.7	2,996.6	1,033.0
- After 5 and up to 10 years	10,047.5	8,875.9	5,385.1	4,305.1
- After 10 and up to 20 years	14,041.6	9,119.2	1,266.8	2,856.1
- After 20 and up to 30 years	2,697.3	547.5	443.6	499.7
- After 30 years	302.1	312.1	302.1	312.1
	<b>32,817.9</b>	22,713.1	<b>10,520.9</b>	9,117.0
	<b>33,970.1</b>	24,391.5	<b>10,762.9</b>	10,444.0



# NOTES TO THE FINANCIAL STATEMENTS

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## 36 BORROWINGS (CONTINUED)

	Group	
	2016 RM'million	2015 RM'million
Net book values of PPE pledged as security for borrowings:		
(a) Machinery, lines and equipment	4,988.6	4,680.2
(b) Buildings	866.2	860.6
(c) Leasehold land	135.7	105.8
	5,990.5	5,646.6

### (a) Term loans

(i) The Federal Government loans obtained by SESB are secured by the following:

(i) 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.

(ii) 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.

(iii) 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 profit rate of between 0% to 4.0% per annum.

### (ii) 30 YEAR JPY26.0 BILLION TERM LOAN

On 30 March 2004, TNB Capital (L) Ltd. ('TNB Capital') entered into a 30-year JPY26.0 billion unsecured loan, paying interests at USD fixed rate of 4.1%. The loan was expected to mature on 13 April 2034. The loan was an amortising loan whose principal is payable in 20 equal annual instalments. The first repayment was due on 13 April 2015. The interest is paid semi-annually on 13 April and 13 October each year commencing on 13 October 2004.

Pursuant to Clause 22.2 (Transfer of the Borrower) of the Facility Agreement, the loan has been transferred to the Company on 5 May 2015.

The Company had repaid the whole outstanding amount of JPY24,700,000,000 plus accrued interest on 13 October 2015.

### (iii) 15-YEAR RM73.3 MILLION TERM LOAN

On 20 December 2010, TNB Engineering Corporation Sdn. Bhd. ('TNEC') entered into a 15-year RM73.3 million secured loan, paying interest at a fixed rate of 5.9%. 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.

### (iv) USD300.0 MILLION TERM LOAN

On 30 March 2016, the Company entered into a 3-year USD300.0 million unsecured loan, paying interest at a floating interest rate with margin of 0.7%. The loan is a bullet loan which will mature on 30 March 2019. The loan had been fully drawdown.

# NOTES TO THE FINANCIAL STATEMENTS

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## 36 BORROWINGS (CONTINUED)

### (b) Bonds

#### (i) ISLAMIC SECURITIES PROGRAMME

On 25 November 2011, TNB Janamanjung ('TNBJ') obtained a RM4.9 billion Islamic Securities Programme to finance the construction of a 1,010MW coal fired power plant. The tenure of the Islamic Securities Programme ranging 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 ordinary share capital of RM2.0. 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 Islamic Securities Programme consists of 2 series and the details of the series are as follows:

- (i) Series 1 consists of 15 tranches, with tenures ranging from 5 to 19 years.
- (ii) Series 2 consists of 1 tranche, with a tenure of 20 years.

The Islamic Securities Programme Series 1 is secured by the followings:

- (i) a first ranking assignment of TNBJ's rights, interests, titles and benefits under PPA1 (Manjung 1, 2 & 3) and PPA2 (Manjung 4) inclusive of the proceeds therefrom; and
- (ii) a first ranking assignment of all designated accounts and the related credit balances.

The Islamic Securities Programme Series 2 is unsecured and have the benefit of unconditional and irrevocable guarantee from the Company, to meet the payment obligations of TNBJ.

#### (ii) SUKUK - GAS FIRED POWER PLANT

On 22 May 2013, TNB Northern Energy Berhad ('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 facility agreement is 23 years with periodic distribution 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.

#### (iii) SUKUK IJARAH

On 5 July 2013, Kapar Energy Ventures Sdn. Bhd. ('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%.

The Sukuk Ijarah is secured by the followings:

- (i) First fixed charge over the lease of the land owned by the Company where the power plant, coal yard and jetty are located;
- (ii) A first ranking debenture comprising fixed and floating charges over all present and future assets of KEV; and
- (iii) Assignment of all rights, titles, interests and benefits of:
  - the project documents
  - the applicable Takaful/insurances; and
  - the designated accounts

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 36 BORROWINGS (CONTINUED)

### (b) Bonds (continued)

#### (iv) SUKUK - COAL FIRED POWER PLANT

On 24 January 2014, TNB Western Energy Berhad ('TWEB') entered into a RM3.7 billion sukuk facility agreement to finance the construction of a 1,000MW coal fired power plant. The tenure of the facility agreement is 23 years with periodic distribution rates between 5.1% and 5.8% per annum. The sukuk facility agreement consists of 20 tranches with tenures ranging from 10 to 20 years.

On 4 December 2015, Jimah East Power ('JEP') issued a Sukuk Murabahah of RM9.0 billion nominal value. The proceeds from the Sukuk Murabahah shall be 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 periodic distribution 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.

### (c) Redeemable Unsecured Loan Stocks ('RULS')

On 29 June 2004, KEV issued RM957.6 million of Redeemable Unsecured Loan Stocks ('RULS') to the Company and Malakoff Corporation Berhad to finance the acquisition of Stesen Janaelektrik Sultan Salahuddin Abdul Aziz, Kapar.

The main features of the RULS are as follows:

- (i) The RULS bear interest at 15.0% (2015: 15.0%) per annum on the outstanding nominal value of the RULS. The interest is repayable semi-annually on the last day of the relevant six month period from the issue date of RULS. A compounding interest will be charged at 5.0% (2015: 5.0%) per annum on the unpaid interest after the due date. The change in the compounding interest rate from 15.0% to 5.0% had been approved by the RULS holders at its meeting on 15 October 2008 and is effective from the first issuance date of the RULS.
- (ii) The RULS are 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.

## 37 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 energy 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.

The Company and SESB pay 2.5% per annum on the amount of cash deposits as rebate in January every year.

## 38 OTHER LIABILITIES

	Note	Group		Company	
		2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Payable to State Government		29.2	32.3	29.2	32.3
Lease payables	22(b)	137.3	145.3	139.7	145.3
Prepayment by lessee	22(b)	371.9	434.7	0	0
Retention monies		458.2	459.9	412.7	447.2
Others		370.2	355.8	0	0
		<b>1,366.8</b>	<b>1,428.0</b>	<b>581.6</b>	<b>624.8</b>



# NOTES TO THE FINANCIAL STATEMENTS

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## 39 GOVERNMENT DEVELOPMENT GRANTS

	Group	
	2016 RM'million	2015 RM'million
As at the beginning of the financial year	1,009.7	1,021.6
Received during the financial year	74.1	55.2
Released to statement of profit or loss:		
- Other operating income (Note 7)	(50.2)	(52.5)
- Finance cost (Note 9)	(14.4)	(14.6)
As at the end of the financial year	1,019.2	1,009.7

The development grants are provided by the Government to a subsidiary mainly for the construction of PPE of RM760.7 million (2015: RM789.8 million) and government loan below market interest of RM258.5 million (2015: RM219.9 million).

## 40 SHARE CAPITAL

	Group and Company	
	2016	2015
<u>Authorised:</u>		
Ordinary shares of RM1.00 each	10,000,000,000	10,000,000,000
Special Rights Redeemable Preference Share of RM1.00 each	1	1
Class A Redeemable Preference Shares of RM1.00 each	1,000	1,000
Class B Redeemable Preference Shares of RM1.00 each	500	500
Total authorised share capital as at the end of the financial year	10,000,001,501	10,000,001,501
<u>Issued and fully paid:</u>		
Ordinary shares of RM1.00 each	5,643,611,171	5,643,611,171
Special Rights Redeemable Preference Share of RM1.00 each	1	1
Total share capital issued and fully paid as at the end of the financial year	5,643,611,172	5,643,611,172
<u>Movements in issued ordinary shares of RM1.00 each:</u>		
As at the beginning/end of the financial year	5,643,611,171	5,643,611,171

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 40 SHARE CAPITAL (CONTINUED)

### (a) Special Rights Redeemable Preference Share ('Special Share')

- (i) The Special Share would enable the Government of Malaysia through the Minister of Finance 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.

- (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) Class A and Class B Redeemable Preference Shares ('RPS')

The main terms of the Company's Class A and Class B RPS are as follows:

- (i) The RPS do not carry any right to participate in the assets and surplus profit of the Company.
- (ii) The RPS holders have no voting rights except on resolution to amend the RPS holders' rights.
- (iii) These RPS are not convertible into ordinary shares.

## 41 SHARE PREMIUM

	Group and Company	
	2016 RM'million	2015 RM'million
As at the beginning/end of the financial year	5,382.2	5,382.2

## 42 OTHER RESERVES

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Long Term Incentive Plan reserve	244.6	0	244.6	0
Employee benefits reserve	(5,747.6)	(5,028.4)	(5,502.8)	(4,875.7)
Foreign currency translation reserve	(247.4)	(242.4)	0	0
Available-for-sale reserve	0.6	0.5	0	0
Reserve on consolidation	(217.4)	(146.6)	0	0
	(5,967.2)	(5,416.9)	(5,258.2)	(4,875.7)

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 42 OTHER RESERVES (CONTINUED)

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	AFS reserve RM'million	Reserve on consolidation RM'million	Total RM'million
<b>Group</b>						
<b>2016</b>						
As at the beginning of the financial year	0	(5,028.4)	(242.4)	0.5	(146.6)	(5,416.9)
Arising in the financial year	244.6	(719.2)	(5.0)	0.1	(70.8)	(550.3)
As at the end of the financial year	244.6	(5,747.6)	(247.4)	0.6	(217.4)	(5,967.2)
<b>2015</b>						
As at the beginning of the financial year	0	(4,916.3)	26.3	0.3	(146.6)	(5,036.3)
Arising in the financial year	0	(112.1)	(268.7)	0.2	0	(380.6)
As at the end of the financial year	0	(5,028.4)	(242.4)	0.5	(146.6)	(5,416.9)

	LTIP reserve RM'million	Employee benefits reserve RM'million	Total RM'million
<b>Company</b>			
<b>2016</b>			
As at the beginning of the financial year	0	(4,875.7)	(4,875.7)
Arising in the financial year	244.6	(627.1)	(382.5)
As at the end of the financial year	244.6	(5,502.8)	(5,258.2)
<b>2015</b>			
As at the beginning of the financial year	0	(4,782.8)	(4,782.8)
Arising in the financial year	0	(92.9)	(92.9)
As at the end of the financial year	0	(4,875.7)	(4,875.7)

## 43 COMMITMENTS

(a) Capital and other commitments for 5 years

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Authorised capital expenditure not provided in the financial statements:				
- Contracted	8,934.0	7,147.9	1,541.7	542.1
- Not contracted	24,352.2	27,533.7	23,533.1	26,313.2
	33,286.2	34,681.6	25,074.8	26,855.3



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 43 COMMITMENTS (CONTINUED)

### (b) Operating lease commitments - as lessee

The Group and Company lease a number of plant and machineries, office buildings and equipment under operating leases. These leases have average tenures between 3 and 25 years.

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Payable not later than 1 year	4,305.1	3,942.3	5,099.1	4,404.5
Payable later than 1 year and not later than 5 years	15,295.2	14,383.5	18,765.1	16,298.9
Payable more than 5 years	28,755.8	21,249.3	43,649.6	31,823.9
	<b>48,356.1</b>	<b>39,575.1</b>	<b>67,513.8</b>	<b>52,527.3</b>

### (c) Operating lease commitments - as lessor

The Group leases out its plant 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	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Payable not later than 1 year	69.7	100.3	49.2	77.3
Payable later than 1 year and not later than 5 years	238.3	267.1	156.5	175.3
Payable more than 5 years	296.6	371.7	19.4	5.3
	<b>604.6</b>	<b>739.1</b>	<b>225.1</b>	<b>257.9</b>

## 44 CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Claims by third parties:				
- Contractors	187.3	205.4	116.1	134.3
- Customers	88.0	92.3	88.0	92.3
- Others	139.4	124.6	119.1	107.9
	<b>414.7</b>	<b>422.3</b>	<b>323.2</b>	<b>334.5</b>
Trade guarantees and performance bonds	9.0	29.0	0	0
	<b>423.7</b>	<b>451.3</b>	<b>323.2</b>	<b>334.5</b>

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 Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 45 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 Company are:

(a) Subsidiary companies

Details of the subsidiary companies are shown in Note 14.

(b) Associate companies

Associate companies are those entities in which the Group has significant influence but not control as disclosed in Note 16.

(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 Company either directly or indirectly. The KMP of the Group or of the Company include 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 key management personnel or their close family members.

(d) Government-related entities

Government-linked corporations are related to the Group and Company by virtue of the substantial shareholdings of Khazanah Nasional Berhad ('KNB'), with 29.7% (2015: 29.7%) 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 of Malaysia are collectively referred to as government-related entities to the Group and Company.

The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group and Company. The Group and 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 Company with the government-related entities are conducted in the ordinary course of the Group and 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 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 Company have collectively, but not individually significant transactions with related parties.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to the transactions detailed elsewhere in the financial statements, the Group and Company had the following significant transactions with the following related parties during the financial year:

	Associate Companies		Key Management Personnel	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<b>Group</b>				
<u>Income:</u>				
- Sales of electricity	1.1	1.0	0	0
- Interest income	3.5	3.7	0	0
- Dividend income	56.9	40.8	0	0
- Rental income	10.6	9.5	0	0
- Leasing income	16.2	46.9	0	0
<u>Expenses:</u>				
- Purchase of electricity	3,150.9	3,040.6	0	0
- Key management compensation:				
- Salaries, allowances and bonuses	0	0	20.1	17.5
- Benefits-in-kind	0	0	0.2	0.2
- Defined contribution retirement plan	0	0	2.6	2.2
- Other staff benefits	0	0	0.9	0.8
- LTIP expense	0	0	5.4	0
- Leasing expense	15.6	77.2	0	0
Amounts due from	202.4	177.7		
Amounts due to	559.5	531.4		



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to the transactions detailed elsewhere in the financial statements, the Group and Company had the following significant transactions with the following related parties during the financial year: (continued)

	Subsidiary Companies		Associate Companies		Key Management Personnel	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
<b>Company</b>						
<u>Income:</u>						
- Sales of electricity	45.0	44.9	1.1	1.0	0	0
- Interest income	150.3	152.9	3.5	3.7	0	0
- Dividend income	4.7	6.5	41.9	40.8	0	0
- Rental income	24.4	14.2	10.6	9.5	0	0
- Leasing income	1.7	2.3	16.2	46.9	0	0
<u>Expenses:</u>						
- Purchase of electricity	6,972.6	5,142.0	3,150.9	3,040.6	0	0
- Training fees	78.5	75.4	0	0	0	0
- Interest expense	0	66.2	0	0	0	0
- Finance lease interest	823.4	880.0	0	0	0	0
- Key management compensation:						
- Salaries, allowances and bonuses	0	0	0	0	19.7	17.1
- Benefits-in-kind	0	0	0	0	0.2	0.2
- Defined contribution retirement plan	0	0	0	0	2.6	2.2
- Other staff benefits	0	0	0	0	0.9	0.8
- LTIP expense	0	0	0	0	5.4	0
- Leasing expense	0	0	15.6	77.2	0	0
Amounts due from	2,531.5	3,029.1	18.4	58.9		
Amounts due to	1,029.3	752.2	549.8	531.4		

## 46 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 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Loans and receivables ('L&R');
- (ii) Fair value through profit or loss ('FVTPL');
- (iii) Available-for-sale financial assets ('AFS'); and
- (iv) Other financial liabilities measured at amortised cost ('OL').

2016	Carrying amount RM'million	L&R RM'million	FVTPL RM'million	AFS RM'million
<b>Group</b>				
<u>Financial assets</u>				
Investment in unquoted debt security	15.4	15.4	0	0
Long term receivables	300.2	300.2	0	0
Finance lease receivable	14.3	14.3	0	0
AFS financial assets	38.6	0	0	38.6
Receivables	7,627.7	7,627.7	0	0
Amounts due from joint ventures	6.0	6.0	0	0
Amounts due from associates	202.4	202.4	0	0
Financial assets at FVTPL	13,182.4	0	13,182.4	0
Deposits, bank and cash balances	3,971.2	3,971.2	0	0
Derivative financial instruments	16.8	0	16.8	0
	<b>25,375.0</b>	<b>12,137.2</b>	<b>13,199.2</b>	<b>38.6</b>
<b>Company</b>				
<u>Financial assets</u>				
Investment in unquoted debt security	15.4	15.4	0	0
Long term receivables	721.3	721.3	0	0
AFS financial assets	38.0	0	0	38.0
Receivables	5,803.9	5,803.9	0	0
Amounts due from subsidiaries	2,531.5	2,531.5	0	0
Amounts due from associates	18.4	18.4	0	0
Financial assets at FVTPL	4,693.3	0	4,693.3	0
Deposits, bank and cash balances	1,953.5	1,953.5	0	0
Derivative financial instruments	3.5	0	3.5	0
	<b>15,778.8</b>	<b>11,044.0</b>	<b>4,696.8</b>	<b>38.0</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

2015	Carrying amount RM'million	L&R RM'million	FVTPL RM'million	AFS RM'million
<b>Group</b>				
<u>Financial assets</u>				
Investment in unquoted debt security	24.3	24.3	0	0
Long term receivables	253.5	253.5	0	0
Finance lease receivable	13.8	13.8	0	0
AFS financial assets	38.5	0	0	38.5
Receivables	8,296.3	8,296.3	0	0
Amounts due from joint ventures	25.9	25.9	0	0
Amounts due from associates	177.7	177.7	0	0
Financial assets at FVTPL	6,438.2	0	6,438.2	0
Deposits, bank and cash balances	2,471.3	2,471.3	0	0
	17,739.5	11,262.8	6,438.2	38.5
<b>Company</b>				
<u>Financial assets</u>				
Investment in unquoted debt security	24.3	24.3	0	0
Long term receivables	741.0	741.0	0	0
AFS financial assets	38.0	0	0	38.0
Receivables	5,323.9	5,323.9	0	0
Amounts due from subsidiaries	3,029.1	3,029.1	0	0
Amounts due from associates	58.9	58.9	0	0
Financial assets at FVTPL	3,640.2	0	3,640.2	0
Deposits, bank and cash balances	551.8	551.8	0	0
	13,407.2	9,729.0	3,640.2	38.0



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

<b>2016</b>	<b>Carrying amount</b>	<b>OL</b>	<b>FVTPL</b>
	<b>RM'million</b>	<b>RM'million</b>	<b>RM'million</b>
<b>Group</b>			
<u>Financial liabilities</u>			
Payables	10,521.8	10,521.8	0
Finance lease payables	5,948.8	5,948.8	0
Amounts due to associates	559.5	559.5	0
Borrowings	34,306.7	34,306.7	0
Derivative financial instruments	12.9	0	12.9
Other liabilities	462.6	462.6	0
	<b>51,812.3</b>	<b>51,799.4</b>	<b>12.9</b>
<b>Company</b>			
<u>Financial liabilities</u>			
Payables	7,948.9	7,948.9	0
Finance lease payables	13,141.9	13,141.9	0
Amounts due to subsidiaries	1,029.3	1,029.3	0
Amounts due to associates	549.8	549.8	0
Borrowings	10,762.9	10,762.9	0
Derivative financial instruments	0.4	0	0.4
Other liabilities	412.7	412.7	0
	<b>33,845.9</b>	<b>33,845.5</b>	<b>0.4</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

2015	Carrying amount RM'million	OL RM'million	FVTPL RM'million
<b>Group</b>			
<u>Financial liabilities</u>			
Payables	10,291.1	10,291.1	0
Finance lease payables	6,707.2	6,707.2	0
Amounts due to associates	531.4	531.4	0
Borrowings	24,698.9	24,698.9	0
Other liabilities	584.4	584.4	0
	42,813.0	42,813.0	0
<b>Company</b>			
<u>Financial liabilities</u>			
Payables	6,821.7	6,821.7	0
Finance lease payables	14,520.3	14,520.3	0
Amounts due to subsidiaries	752.2	752.2	0
Amounts due to associates	531.4	531.4	0
Borrowings	10,444.0	10,444.0	0
Other liabilities	447.2	447.2	0
	33,516.8	33,516.8	0

Net gains and losses arising from financial instruments are disclosed in Note 5, 8 and 9.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management

The Group and Company have exposure to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

#### Credit risk

Credit risk is the risk of a financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and Company's exposures to credit risk arise principally from its receivables from customers, investments, deposits, bank and cash balances and derivative instruments. In addition, the Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

#### (i) Receivables

##### Risk management objectives, policies and processes for managing the risk

The Group and 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 customer requiring credit over a certain amount.

##### Exposure to credit risk, credit quality and collateral

The Group and Company's credit policy provide trade receivables with a 30 days (2015: 30 days) credit period. The Group and Company have no major significant concentration of credit risk due to their diverse customer base. An allowance has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtor and collection portfolio.

The total trade receivables and impairment provided are as follows:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Trade receivables	8,062.7	6,956.9	6,909.2	5,907.0
Less: Impairment losses	(1,284.6)	(787.4)	(1,199.8)	(708.1)
	6,778.1	6,169.5	5,709.4	5,198.9



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (i) Receivables (continued)

#### *Exposure to credit risk, credit quality and collateral (continued)*

Given the varied nature of the Group and 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	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Industrial	1,988.4	1,933.9	1,900.8	1,824.4
Commercial	2,782.5	2,400.8	2,644.6	2,264.8
Domestic	2,349.5	1,822.3	2,251.6	1,719.1
Specific agriculture	19.8	18.6	19.8	17.6
Mining	17.4	13.1	17.4	12.4
Public lighting	84.8	73.0	75.0	68.7
Others	820.3	695.2	0	0
	<b>8,062.7</b>	<b>6,956.9</b>	<b>6,909.2</b>	<b>5,907.0</b>

#### *Impairment losses*

The Group and Company maintain an ageing analysis in respect of trade receivables only.

The ageing of trade receivables as at the end of financial year was:

2016	Gross RM'million	Individual impairment RM'million	Collective impairment RM'million	Net RM'million
<b>Group</b>				
Not past due	3,116.9	0	(12.6)	3,104.3
Past due 0-30 days	959.8	0	(12.7)	947.1
Past due 31-120 days	1,011.4	0	(38.0)	973.4
Past due 121-240 days	483.8	0	(58.3)	425.5
Past due more than 240 days	2,490.8	(635.4)	(527.6)	1,327.8
	<b>8,062.7</b>	<b>(635.4)</b>	<b>(649.2)</b>	<b>6,778.1</b>
<b>Company</b>				
Not past due	2,670.9	0	(10.9)	2,660.0
Past due 0-30 days	898.1	0	(11.0)	887.1
Past due 31-120 days	805.5	0	(33.1)	772.4
Past due 121-240 days	370.5	0	(50.7)	319.8
Past due more than 240 days	2,164.2	(635.4)	(458.7)	1,070.1
	<b>6,909.2</b>	<b>(635.4)</b>	<b>(564.4)</b>	<b>5,709.4</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (i) Receivables (continued)

#### Impairment losses (continued)

2015	Gross RM'million	Individual impairment RM'million	Collective impairment RM'million	Net RM'million
<b>Group</b>				
Not past due	4,693.3	0	(4.7)	4,688.6
Past due 0-30 days	477.5	0	(1.7)	475.8
Past due 31-120 days	469.0	0	(17.1)	451.9
Past due 121-240 days	191.7	0	(19.5)	172.2
Past due more than 240 days	1,125.4	(241.7)	(502.7)	381.0
	6,956.9	(241.7)	(545.7)	6,169.5
<b>Company</b>				
Not past due	3,985.0	0	(4.0)	3,981.0
Past due 0-30 days	405.4	0	(1.5)	403.9
Past due 31-120 days	398.2	0	(14.7)	383.5
Past due 121-240 days	162.8	0	(16.7)	146.1
Past due more than 240 days	955.6	(241.7)	(429.5)	284.4
	5,907.0	(241.7)	(466.4)	5,198.9

#### (i) Trade receivables that are neither past due nor impaired

With respect to the trade receivables that are neither past due nor impaired, there is no indication as of the reporting date that the debtors will not meet their payment obligations. The quality of these trade receivables is such that the Group and Company believe no impairment is necessary, except in situations where they are part of individually impaired trade receivables. Past historical collection trends are used to monitor the credit quality of these trade receivables.

#### (ii) Trade receivables that are past due but not impaired

Allowance for impairment was not made in respect of these past due trade receivables based on the past historical collection trends and available deposits.

The Group and Company believe no impairment is required for other classes within receivables.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (i) Receivables (continued)

#### Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
At 1 September	(787.4)	(743.8)	(708.1)	(665.5)
Impairment loss recognised	(631.3)	(152.9)	(625.7)	(95.4)
Impairment loss reversed	134.1	109.3	134.0	52.8
At 31 August	(1,284.6)	(787.4)	(1,199.8)	(708.1)

The movements in the allowance for impairment losses of other receivables during the financial year were:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
At 1 September	(168.1)	(169.8)	(152.7)	(156.6)
Impairment loss recognised	(55.3)	(25.9)	(55.0)	(31.5)
Impairment loss reversed	16.9	27.6	3.8	35.4
At 31 August	(206.5)	(168.1)	(203.9)	(152.7)

Trade receivables are secured by deposits in the form of cash and bank guarantees. The deposits amount are reviewed on an individual basis periodically.



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (ii) Investments, deposits, bank and cash balances and derivative instruments

##### Risk management objectives, policies and processes for managing the risk

Investments, deposits, bank and cash balances and derivative instruments are allowed only in liquid securities and only with reputable financial institutions.

##### Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, the Group and Company do not expect any counterparty to fail to meet its obligations. The Group and Company do not have overdue investments that have not been impaired.

The investments, deposits, cash and bank balances and derivative instruments are unsecured.

##### Impairment losses

There was no impairment for investment in unquoted debt security recognised during the financial year (2015: RM138.8 million).

#### (iii) 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

As 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.

Loans and advances are only provided to subsidiaries by the Company.

The total amounts due from subsidiaries and impairment provided are as follows:

	Company	
	2016 RM'million	2015 RM'million
Amounts due from subsidiaries	3,909.5	4,789.8
Less: Impairment losses	(1,378.0)	(1,760.7)
	<b>2,531.5</b>	<b>3,029.1</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Credit risk (continued)

#### (iii) Intercompany balances (continued)

#### Impairment losses

As at the end of financial year, there was no indication that the loans and advances to the subsidiaries are not recoverable other than those which have already been impaired. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

The movement in the allowance for impairment losses of amounts due from subsidiaries during the financial year were:

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'million</b>	<b>RM'million</b>
At 1 September	<b>(1,760.7)</b>	(1,772.1)
Impairment loss recognised	<b>(21.6)</b>	(88.6)
Impairment loss reversed	<b>120.4</b>	100.0
Provision written-off	<b>283.9</b>	0
At 31 August	<b>(1,378.0)</b>	(1,760.7)

#### Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's exposures to liquidity risk arise principally from its various payables, loans and borrowings.

The Group and Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the Group and Company to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and an associate. The maximum exposure to the Company amounts to RM1,796.9 million (2015: RM1,070.6 million) representing banking facilities utilised by the subsidiaries and an associate as at the end of the financial year. These banking facilities have been included as part of the Group's liabilities.

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'million</b>	<b>RM'million</b>
Below 1 year	<b>792.0</b>	224.9
1 to 2 years	<b>441.6</b>	570.2
3 to 5 years	<b>25.5</b>	244.8
More than 5 years	<b>537.8</b>	30.7
At 31 August	<b>1,796.9</b>	1,070.6

As at 31 August 2016, the Company has sufficient financial capacity and available facility to meet its obligations as and when they fall due twelve months from the financial statement date.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Liquidity risk (continued)

The table below summarises the maturity profiles of the Group and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments:

2016	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
<b>Group</b>						
<i>Non-derivative financial liabilities</i>						
Payables	10,521.8	10,521.8	10,521.8	0	0	0
Finance lease payables	5,948.8	9,461.9	1,056.2	703.9	2,086.8	5,615.0
Amounts due to associates	559.5	559.5	559.5	0	0	0
Borrowings	34,306.7	55,809.1	2,432.8	4,790.4	8,589.7	39,996.2
Other liabilities	462.6	477.6	428.9	22.7	19.4	6.6
	51,799.4	76,829.9	14,999.2	5,517.0	10,695.9	45,617.8
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflows	12.9	654.1	654.1	0	0	0
	51,812.3	77,484.0	15,653.3	5,517.0	10,695.9	45,617.8
<b>Company</b>						
<i>Non-derivative financial liabilities</i>						
Payables	7,948.9	7,948.9	7,948.9	0	0	0
Finance lease payables	13,141.9	18,963.4	2,300.3	1,947.8	5,187.2	9,528.1
Amounts due to subsidiaries	1,029.3	1,029.3	1,029.3	0	0	0
Amounts due to associates	549.8	549.8	549.8	0	0	0
Borrowings	10,762.9	17,002.8	570.8	1,787.3	3,053.7	11,591.0
Other liabilities	412.7	427.6	384.1	20.3	17.3	5.9
	33,845.5	45,921.8	12,783.2	3,755.4	8,258.2	21,125.0
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflows	0.4	51.7	51.7	0	0	0
	33,845.9	45,973.5	12,834.9	3,755.4	8,258.2	21,125.0



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

### Liquidity risk (continued)

The table below summarises the maturity profiles of the Group and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments: (continued)

2015	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
<b>Group</b>						
<i>Non-derivative financial liabilities</i>						
Payables	10,291.1	10,291.1	10,291.1	0	0	0
Finance lease payables	6,707.2	10,652.6	1,114.5	1,071.9	2,114.2	6,352.0
Amounts due to associates	531.4	531.4	531.4	0	0	0
Borrowings	24,698.9	38,362.9	2,551.4	2,034.1	4,744.1	29,033.3
Other liabilities	584.4	609.4	516.1	93.0	0.3	0
	42,813.0	60,447.4	15,004.5	3,199.0	6,858.6	35,385.3
<b>Company</b>						
<i>Non-derivative financial liabilities</i>						
Payables	6,821.7	6,821.7	6,821.7	0	0	0
Finance lease payables	14,520.3	21,312.2	2,348.9	2,300.2	5,502.0	11,161.1
Amounts due to subsidiaries	752.2	752.2	752.2	0	0	0
Amounts due to associates	531.4	531.4	531.4	0	0	0
Borrowings	10,444.0	17,552.3	1,710.8	539.6	1,618.9	13,683.0
Other liabilities	447.2	472.2	399.9	72.1	0.2	0
	33,516.8	47,442.0	12,564.9	2,911.9	7,121.1	24,844.1

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group and Company's financial positions or cash flows.

#### (i) Foreign currency risk

The Group and 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 Company. The currencies giving rise to this risk are primarily USD, JPY, PKR and EURO.

#### Risk management objectives, policies and processes for managing the risk

The Group and 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 Company use forward exchange contracts and maintains foreign currencies float to hedge its foreign currency risk.

#### Exposure to foreign currency risk

The currency exposure of financial assets and financial liabilities of the Group and Company that are not denominated in the functional currency of the respective companies is set out below:

2016	USD RM'million	JPY RM'million	PKR RM'million	EURO RM'million	Others RM'million
<b>Group</b>					
<u>Financial assets</u>					
AFS financial assets	0	0	0	0	0.5
Receivables	3.2	0	0	0	15.7
Deposits, bank and cash balances	1,681.7	0	0	0.3	0.2
	<b>1,684.9</b>	<b>0</b>	<b>0</b>	<b>0.3</b>	<b>16.4</b>
<u>Financial liabilities</u>					
Payables	119.9	9.8	0	19.0	8.2
Borrowings	2,915.7	2,999.3	42.1	0	12.8
	<b>3,035.6</b>	<b>3,009.1</b>	<b>42.1</b>	<b>19.0</b>	<b>21.0</b>
<b>Company</b>					
<u>Financial assets</u>					
Long term receivables	133.9	0	0	0	0
Deposits, bank and cash balances	1,332.3	0	0	0	0
	<b>1,466.2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>Financial liability</u>					
Borrowings	2,915.7	2,989.2	0	0	0

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

*Exposure to foreign currency risk (continued)*

2015	USD RM'million	JPY RM'million	PKR RM'million	EURO RM'million	Others RM'million
<b>Group</b>					
<u>Financial assets</u>					
AFS financial assets	0	0	0	0	0.5
Receivables	0.7	0	0	0	24.4
Deposits, bank and cash balances	197.6	0	0	7.7	11.3
	198.3	0	0	7.7	36.2
<u>Financial liabilities</u>					
Payables	259.6	57.6	0	18.5	2.9
Borrowings	1,761.5	3,589.9	7.3	0	9.7
	2,021.1	3,647.5	7.3	18.5	12.6
<b>Company</b>					
<u>Financial assets</u>					
Long term receivables	132.3	0	0	0	0
Deposits, bank and cash balances	0.8	0	0	0	0
	133.1	0	0	0	0
<u>Financial liability</u>					
Borrowings	1,761.5	3,574.6	0	0	0



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 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 reporting period 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	
	2016 RM'million	2015 RM'million
<b>Group</b>		
USD	(265.4)	(602.0)
JPY	(668.3)	(807.3)
<b>Company</b>		
USD	(265.4)	(602.0)
JPY	(666.0)	(804.4)

A 10.0% weakening of the foreign currencies against RM at the end of the reporting period 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 Group and Company which have a functional currency other than USD and JPY are not material and hence, sensitivity analysis is not presented.

#### (ii) Interest rate risk

The Group and 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 and Company's variable rate borrowing 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 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 and Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of financial year were:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Fixed rate instruments:				
Financial assets	2,357.1	1,309.3	2,331.6	1,029.9
Financial liabilities	39,031.0	31,406.1	22,680.3	24,964.3
Floating rate instrument:				
Financial liabilities	1,224.5	0	1,224.5	0

The financial assets are not sensitive to interest rate changes.

A 10.0% change in the interest rates of the financial liabilities with floating interest rates at the end of the reporting period would have affected the Group and Company's profit or loss and equity by RM0.6 million (2015: NIL). 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 and Company's investments in equity securities and unit trust funds.

##### Risk management objectives, policies and processes for managing the risk

The Group and Company are exposed to price risk because the investments held are classified on the statement of financial position as AFS and FVTPL. The Group and Company mainly invest in unit trust funds, primarily in short term deposits as underlying instruments with minimal price risk.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 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 and short term borrowings 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 and 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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2016	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
<b>Group</b>										
<u>Financial assets</u>										
Investment in unquoted debt security	0	0	0	0	0	66.8	0	66.8	66.8	15.4
Long term receivables	0	0	0	0	0	294.1	0	294.1	294.1	300.2
AFS financial assets	0	38.6	0	38.6	0	0	0	0	38.6	38.6
Financial assets at FVTPL	13,182.4	0	0	13,182.4	0	0	0	0	13,182.4	13,182.4
Derivative financial instruments	0	16.8	0	16.8	0	0	0	0	16.8	16.8
	13,182.4	55.4	0	13,237.8	0	360.9	0	360.9	13,598.7	13,553.4
<u>Financial liabilities</u>										
Borrowings	0	0	0	0	3,680.8	33,431.3	0	37,112.1	37,112.1	34,306.7
Other liabilities	0	0	0	0	0	470.3	0	470.3	470.3	462.6
Derivative financial instruments	0	12.9	0	12.9	0	0	0	0	12.9	12.9
	0	12.9	0	12.9	3,680.8	33,901.6	0	37,582.4	37,595.3	34,782.2



# NOTES TO THE FINANCIAL STATEMENTS

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## 47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group and 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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2016	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
<b>Company</b>										
<u>Financial assets</u>										
Investment in unquoted debt security	0	0	0	0	0	66.8	0	66.8	66.8	15.4
Long term receivables	0	0	0	0	0	636.5	0	636.5	636.5	721.3
AFS financial assets	0	38.0	0	38.0	0	0	0	0	38.0	38.0
Amounts due from subsidiaries	0	0	0	0	0	914.4	0	914.4	914.4	534.7
Financial assets at FVTPL	4,693.3	0	0	4,693.3	0	0	0	0	4,693.3	4,693.3
Derivative financial instruments	0	3.5	0	3.5	0	0	0	0	3.5	3.5
	4,693.3	41.5	0	4,734.8	0	1,617.7	0	1,617.7	6,352.5	6,006.2
<u>Financial liabilities</u>										
Borrowings	0	0	0	0	2,088.2	9,971.8	0	12,060.0	12,060.0	10,762.9
Other liabilities	0	0	0	0	0	424.4	0	424.4	424.4	412.7
Derivative financial instruments	0	0.4	0	0.4	0	0	0	0	0.4	0.4
	0	0.4	0	0.4	2,088.2	10,396.2	0	12,484.4	12,484.8	11,176.0

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (continued)

#### Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group and 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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2015	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
<b>Group</b>										
<u>Financial assets</u>										
Investment in unquoted debt security	0	0	0	0	0	85.7	0	85.7	85.7	24.3
Long term receivables	0	0	0	0	0	245.1	0	245.1	245.1	253.5
AFS financial assets	0	38.5	0	38.5	0	0	0	0	38.5	38.5
Financial assets at FVTPL	6,438.2	0	0	6,438.2	0	0	0	0	6,438.2	6,438.2
	6,438.2	38.5	0	6,476.7	0	330.8	0	330.8	6,807.5	6,754.5
<u>Financial liabilities</u>										
Borrowings	0	0	0	0	2,118.4	22,899.1	0	25,017.5	25,017.5	24,698.9
Other liabilities	0	0	0	0	0	584.4	0	584.4	584.4	584.4
	0	0	0	0	2,118.4	23,483.5	0	25,601.9	25,601.9	25,283.3

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group and 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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2015	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
<b>Company</b>										
<u>Financial assets</u>										
Investment in unquoted debt security	0	0	0	0	0	85.7	0	85.7	85.7	24.3
Long term receivables	0	0	0	0	0	626.3	0	626.3	626.3	741.0
AFS financial assets	0	38.0	0	38.0	0	0	0	0	38.0	38.0
Amounts due from subsidiaries	0	0	0	0	0	883.2	0	883.2	883.2	495.0
Financial assets at FVTPL	3,640.2	0	0	3,640.2	0	0	0	0	3,640.2	3,640.2
	3,640.2	38.0	0	3,678.2	0	1,595.2	0	1,595.2	5,273.4	4,938.5
<u>Financial liabilities</u>										
Borrowings	0	0	0	0	2,104.8	9,531.5	0	11,636.3	11,636.3	10,444.0
Other liabilities	0	0	0	0	0	447.2	0	447.2	447.2	447.2
	0	0	0	0	2,104.8	9,978.7	0	12,083.5	12,083.5	10,891.2



# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 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 transfer 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.

#### Derivatives

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 8.9% (2015: 0.1% to 8.9%).

Although the Group and 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 and Company's ranges of possible outcomes.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting of financial assets and financial liabilities

(i) Financial assets

The following financial assets are subject to offsetting arrangements:

	Gross amounts of recognised financial assets RM'million	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'million	Net amounts of financial assets presented in the statement of financial position RM'million
<b>2016</b>			
<b>Group</b>			
Amounts due from associates	215.9	(13.5)	202.4
<b>Company</b>			
Amounts due from subsidiaries	2,585.0	(588.2)	1,996.8
Amounts due from associates	32.0	(13.6)	18.4
<b>2015</b>			
<b>Group</b>			
Amounts due from associates	197.4	(19.7)	177.7
<b>Company</b>			
Amounts due from subsidiaries	3,196.0	(661.9)	2,534.1
Amounts due from associates	78.6	(19.7)	58.9

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting of financial assets and financial liabilities (continued)

(ii) Financial liabilities

The following financial liabilities are subject to offsetting arrangements:

	Gross amounts of recognised financial liabilities RM'million	Gross amounts of recognised financial assets set-off in the statement of financial position RM'million	Net amounts of financial liabilities presented in the statement of financial position RM'million
<b>2016</b>			
<b>Group</b>			
Amounts due to associates	(559.7)	0.2	(559.5)
<b>Company</b>			
Amounts due to subsidiaries	(4,022.8)	2,993.5	(1,029.3)
Amounts due to associates	(550.0)	0.2	(549.8)
<b>2015</b>			
<b>Company</b>			
Amounts due to subsidiaries	(1,261.5)	509.3	(752.2)

## 48 CAPITAL RISK MANAGEMENT

The Group and Company's main objective of capital management is to safeguard the Group and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group and 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 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 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.

The gearing ratios as at 31 August are as follows:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Total borrowings	34,319.8	24,710.6	10,762.9	10,444.0
Total equity	52,599.7	47,466.9	47,476.2	42,734.4
Total capital employed	86,919.5	72,177.5	58,239.1	53,178.4
Gearing ratios	0.39	0.34	0.18	0.20

The Group and Company have met all externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016

## 49 SIGNIFICANT ACQUISITIONS DURING THE FINANCIAL YEAR

### Acquisitions during the financial year

(a) Subsidiaries acquired by the Group during the financial year ended 31 August 2016 are as follows:

- (i) The Company acquired 100.0% issued and paid-up capital in Aruna Servicios Integrales, S.L. ('ASI') with a total consideration of EURO4,000 on 23 December 2015. The acquisition of ASI does not have any material effect on the earnings and net assets of the Group for financial year ended 31 August 2016. ASI is an investment holding company and the principal activities of its subsidiary and associate companies are as disclosed in Note 14 and Note 16 respectively.
- (ii) On 15 January 2016, the Company incorporated Global Power Enerji Sanayi Ve Ticaret Anonim Sirketi ('GPES'), a private company with limited liability in Turkey. The total issued share capital of TRY60,000 comprising 60,000 ordinary shares of TRY1.00 each of GPES is held by ASI. GPES is intended to serve as the intermediate subsidiary that holds the Group's investment in GAMA Enerji A.S ('GAMA Enerji'). The incorporation of GPES does not have any material effect on the earnings and net assets of the Group for financial year ended 31 August 2016.

(b) Associate acquired by the Group during the financial year ended 31 August 2016 is as follows:

On 13 April 2016, the Company satisfied and complied to all the conditions precedent of the Share Sale Agreement to purchase 289,485,000 ordinary shares of TRY1.00 each ('Sale Shares') with GAMA Holding A.S ('GAMA'), International Finance Corporation ('IFC') and IFC Global Infrastructure Fund Holding I COOPERATIEF UA ('GIF') for the acquisition of 30.0% shareholding in GAMA for a total consideration of USD255.0 million. GAMA Enerji is principally involved in power generation as disclosed in Note 16.

### Acquisitions during the preceding financial year

Subsidiaries acquired by the Group during the financial year ended 31 August 2015 are as follows:

- (a) The Company previously acquired 22.1% of the share capital of ITB for RM106.5 million and categorised ITB as an associate. As at 30 March 2015, the Company acquired a further 28.7% of the share capital and obtained control of ITB. As at 13 April 2015, the Company increased its shareholdings in ITB by 46.7%. The Company's effective interest in ITB as at 31 August 2015 was 97.5%. Taking into account the compulsory acquisition, the equity interest in ITB would be effectively 100.0%. ITB is an investment holding company and the principal activities of its subsidiary and associate companies are as disclosed in Note 14 and Note 16 respectively.

Pursuant to an agreement between Pelabuhan Lumut Sdn. Bhd. ('PLSB') and the NCI of Lekir Bulk Terminal Sdn. Bhd. ('LBTBSB'), PLSB has granted a put option to the NCI of LBTBSB to sell the latter's entire shareholdings of 20.0% i.e. 13,600,000 ordinary shares in LBTBSB back to PLSB upon the redemption by LBTBSB of all the LBTBSB Redeemable Cumulative Convertible Preference Shares held by the NCI of LBTBSB latest by August 2017.

The fair value of the put option at acquisition date amounted to RM73.0 million, subsequent to the finalisation of the purchase price allocation review.

- (b) On 9 July 2015, the Company satisfied and complied to all the conditions precedent of the Share Sale and Purchase Agreement with 1MDB for the acquisition of a 70.0% shareholding in JEP for a total consideration of circa RM47.0 million. The Group had assessed and recognised JEP as a subsidiary with effective interest as at 31 August 2015 of 70.0%. JEP is principally involved in power generation as disclosed in Note 14.

## 50 EVENTS AFTER THE REPORTING PERIOD

On 4 October 2016, TNB Global Ventures Capital Berhad, a wholly-owned subsidiary of the Company, established a Multicurrency Sukuk Issuance Programme of USD2.5 billion with the Company as the Obligor. The Sukuk Programme will provide the Group with the flexibility to time its fund-raising exercises as well as have access to a greater diversity of investors, both on and offshore. The proceeds of each series of the Sukuk Programme received by the Company will be applied by the Company for its general corporate purposes, or, as the case may be, as set forth in the pricing supplement for the relevant series.

The pricing of the USD750.0 million denominated Sukuk ('First Series') was successfully completed by TNB Global Ventures Capital Berhad on 12 October 2016.



# SUPPLEMENTARY INFORMATION DISCLOSED

PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised profits or losses at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained profits as at the reporting date are analysed as follows:

	Group		Company	
	2016 RM'million	2015 RM'million	2016 RM'million	2015 RM'million
Retained profits:				
- Realised	49,188.1	43,482.0	46,249.4	41,082.9
- Unrealised	(5,067.8)	(5,168.1)	(4,540.8)	(4,498.6)
Total share of retained profits from joint ventures:				
- Realised	30.2	26.2	0	0
- Unrealised	24.7	12.6	0	0
Total share of retained profits from associates:				
- Realised	521.9	361.7	0	0
- Unrealised	(55.4)	(61.7)	0	0
Consolidation adjustments	2,688.3	2,946.4	0	0
<b>Total retained profits</b>	<b>47,330.0</b>	<b>41,599.1</b>	<b>41,708.6</b>	<b>36,584.3</b>

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

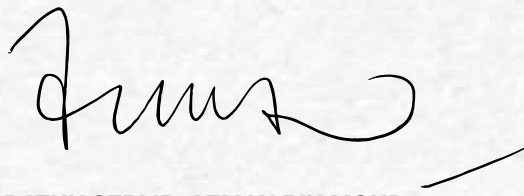
We, Tan Sri Leo Moggie and Datuk Seri Ir. Azman bin Mohd, two of the Directors of Tenaga Nasional Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 148 to 260 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 August 2016 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965.

The supplementary information set out on page 261 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 27 October 2016.



**TAN SRI LEO MOGGIE**  
CHAIRMAN



**DATUK SERI IR. AZMAN BIN MOHD**  
PRESIDENT/CHIEF EXECUTIVE OFFICER

# STATUTORY DECLARATION

PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, Datuk Fazlur Rahman bin Zainuddin, the person primarily responsible for the financial management of Tenaga Nasional Berhad, do solemnly and sincerely declare that the financial statements set out on pages 148 to 260 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.



**DATUK FAZLUR RAHMAN BIN ZAINUDDIN**

Subscribed and solemnly declared by the abovenamed Datuk Fazlur Rahman bin Zainuddin at Kuala Lumpur, Malaysia on 27 October 2016, before me.



22A, JALAN TELAWI LIMA  
BANGSAR BARU  
50100 KUALA LUMPUR  
MALAYSIA

**COMMISSIONER FOR OATHS**

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 200866-W)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tenaga Nasional Berhad on pages 148 to 260 which comprise the consolidated statement of financial position as at 31 August 2016 of the Group and of the Company, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 50.

### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 August 2016 and of their financial performance and 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, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 200866-W)

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 261 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**PRICEWATERHOUSECOOPERS**

(No. AF: 1146)

Chartered Accountants



**NURUL A'IN BINTI ABDUL LATIF**

(No. 2910/02/17 (J))

Chartered Accountant

Kuala Lumpur

27 October 2016



# ADDITIONAL INFORMATION

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# 07

Our shareholders play a vital role in our success. Their participation is invaluable to our growth trajectory and we hope to continue creating meaningful value to their shareholdings.

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Proxy Form ..... •



# STATISTICS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2016

## SHARE CAPITAL

Authorised Share Capital	:	10,000,000,000 ordinary shares of RM1.00 each One (1) Special Rights Redeemable Preference Share of RM1.00 1,000 Class A Redeemable Preference Shares of RM1.00 each 500 Class B Redeemable Preference Shares of RM1.00 each
Issued and Fully Paid-Up Share Capital	:	5,643,611,171 ordinary shares of RM1.00 each One (1) Special Rights Redeemable Preference Share of RM1.00
Voting Right	:	One (1) voting right for one (1) 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	1,873	22	1,895	6.74	67,288	804	68,092	0.00
100 – 1,000	5,596	98	5,694	20.26	3,622,468	58,804	3,681,272	0.06
1,001 – 10,000	17,189	269	17,458	62.11	46,705,652	1,105,263	47,810,915	0.85
10,001 – 100,000	1,417	434	1,851	6.58	36,844,499	18,369,618	55,214,117	0.98
100,001 – less than 5% of issued shares	415	794	1,209	4.30	1,166,846,199	1,588,677,333	2,755,523,532	48.83
5% and above of issued shares	3	0	3	0.01	2,781,313,243	0	2,781,313,243	49.28
<b>Total</b>	<b>26,493</b>	<b>1,617</b>	<b>28,110</b>	<b>100.00</b>	<b>4,035,399,349</b>	<b>1,608,211,822</b>	<b>5,643,611,171</b>	<b>100.00</b>

## 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	22,617	242	66,101,671	1,207,980	1.17	0.02
2.	Body Corporate						
	a. Banks/finance companies	132	1	964,086,820	46	17.09	0.00
	b. Investment trusts/ foundation/charities	9	0	208,612	0	0.00	0.00
	c. Industrial and commercial companies	331	17	1,618,197,575	7,201,512	28.67	0.13
3.	Government agencies/institutions	18	0	12,067,262	0	0.21	0.00
4.	Nominees	3,386	1,357	1,374,737,409	1,599,802,284	24.36	28.35
5.	Others	0	0	0	0	0.00	0.00
	<b>Total</b>	<b>26,493</b>	<b>1,617</b>	<b>4,035,399,349</b>	<b>1,608,211,822</b>	<b>71.50</b>	<b>28.50</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2016

## DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares	
		Direct Interest	%
1.	Tan Sri Leo Moggie	-	-
2.	Datuk Seri Ir. Azman bin Mohd	-	-
3.	Datuk Seri Hashmuddin bin Mohammad	-	-
4.	Ahmad Farouk bin Mohamed	-	-
5.	Dato' Zainal Abidin bin Putih	1,562	0.00
6.	Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	0.00
7.	Dato' Abd Manaf bin Hashim	-	-
8.	Datuk Sakthivel a/l Alagappan	-	-
9.	Datuk Wira Ir. Md Sidek bin Ahmad	-	-
10.	Tan Sri Dato' Seri Chor Chee Heung	-	-
11.	Gee Siew Yoong	-	-
12.	Noraini binti Che Dan	-	-

## SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,594,655,861	28.26
2.	Employees Provident Fund Board*	873,989,182	15.49
3.	Amanah Saham Bumiputera**	384,542,200	6.81
<b>Total</b>		<b>2,853,187,243</b>	<b>50.56</b>

Notes:-

\* Registered with Citigroup Nominees (Tempatan) Sdn. Bhd.

\*\* Registered with AmanahRaya Trustees Berhad

## TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,594,655,861	28.26
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	802,115,182	14.21
3.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	384,542,200	6.81
4.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For State Street Bank & Trust Company (West CLT OD67)	104,280,030	1.85
5.	Kumpulan Wang Persaraan (Diperbadankan)	83,924,925	1.49
6.	AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	71,645,500	1.27
7.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)	69,694,221	1.23

# STATISTICS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2016

No.	Name of Shareholders	No. of Shares	%
8.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For J.P. Morgan Bank Luxembourg S.A. (2)	64,264,600	1.14
9.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For The Bank Of New York Mellon (Mellon Acct)	63,886,461	1.13
10.	Cartaban Nominees (Tempatan) Sdn. Bhd. Exempt An For Eastspring Investments Berhad	63,838,418	1.13
11.	Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited For Government Of Singapore (C)	58,576,125	1.04
12.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	54,733,825	0.97
13.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	54,500,000	0.97
14.	HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	51,616,907	0.91
15.	Permodalan Nasional Berhad	43,643,100	0.77
16.	Lembaga Tabung Haji	40,508,800	0.72
17.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (JPMELAB AIF APG)	34,908,650	0.62
18.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	34,000,000	0.60
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An For AIA Bhd.	33,006,125	0.58
20.	AMSEC Nominees (Tempatan) Sdn. Bhd. MTrustee Berhad For CIMB Islamic DALI Equity Growth Fund (UT-CIMB-DALI)	29,234,600	0.52
21.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	28,832,575	0.51
22.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	25,810,075	0.46
23.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (NOMURA)	25,648,000	0.45
24.	Affin Hwang Nominees (Asing) Sdn. Bhd. RSS/SBL For Deutsche Bank Aktiengesellschaft (London Branch)	23,489,900	0.42
25.	AmanahRaya Trustees Berhad Amanah Saham Didik	23,250,387	0.41
26.	AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund	18,501,600	0.33
27.	Citigroup Nominees (Asing) Sdn. Bhd. UBS AG	18,159,579	0.32
28.	HSBC Nominees (Asing) Sdn. Bhd. HSBC BK PLC For Abu Dhabi Investment Authority (AGUS)	17,921,830	0.32
29.	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	17,560,200	0.31
30.	Citigroup Nominees (Asing) Sdn. Bhd. Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	16,675,217	0.30
<b>Total</b>		<b>3,953,424,893</b>	<b>70.05</b>



# PROXY FORM



## 26<sup>TH</sup> ANNUAL GENERAL MEETING

(Before completing the form, please refer to the notes overleaf)

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
<b>TOTAL</b>			<b>100%</b>	

the \*\*Chairman of the Meeting, as my/our proxy, to attend and vote for me/us and on my/our behalf at the 26<sup>TH</sup> ANNUAL GENERAL MEETING of TENAGA NASIONAL BERHAD ("TNB") to be held at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur, Malaysia on **THURSDAY, 15 DECEMBER 2016** at **10.00 a.m.** and/or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS		FOR	AGAINST
<b>ORDINARY BUSINESS</b>				
1.	Declaration of A Final Single-Tier Dividend	<b>ORDINARY RESOLUTION 1</b>		
2.	Approval for Payment of Directors' Fees	<b>ORDINARY RESOLUTION 2</b>		
Re-election of the following Directors who retire in accordance with Article 133 of the Company's Articles of Association:				
3.	Datuk Seri Hashmuddin bin Mohammad	<b>ORDINARY RESOLUTION 3</b>		
4.	Gee Siew Yoong	<b>ORDINARY RESOLUTION 4</b>		
5.	Noraini binti Che Dan	<b>ORDINARY RESOLUTION 5</b>		
Re-election of the following Directors who retire in accordance with Article 135 of the Company's Articles of Association:				
6.	Dato' Abd Manaf bin Hashim	<b>ORDINARY RESOLUTION 6</b>		
7.	Datuk Sakthivel a/l Alagappan	<b>ORDINARY RESOLUTION 7</b>		
Re-appointment of the following Directors in accordance with Section 129(6) of the Companies Act, 1965:				
8.	Tan Sri Leo Moggie	<b>ORDINARY RESOLUTION 8</b>		
9.	Tan Sri Dato' Seri Siti Norma binti Yaakob	<b>ORDINARY RESOLUTION 9</b>		
10.	Dato' Zainal Abidin bin Putih	<b>ORDINARY RESOLUTION 10</b>		
11.	Re-appointment of Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration	<b>ORDINARY RESOLUTION 11</b>		
<b>SPECIAL BUSINESS</b>				
12.	Proposed Grant and Allotment of Shares to Nur Aishah binti Azman	<b>ORDINARY RESOLUTION 12</b>		
13.	Proposed Grant and Allotment of Shares to Ahmad Firdaus bin Azman	<b>ORDINARY RESOLUTION 13</b>		
14.	Proposed Grant and Allotment of Shares to Aswad bin Ameir	<b>ORDINARY RESOLUTION 14</b>		
15.	Proposed Renewal of Share Buy-Back Authority	<b>ORDINARY RESOLUTION 15</b>		

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/proxies is/are hereby authorised to vote, or abstain from voting at his/her discretion.

\* Strike out whichever inapplicable.

\*\* If you do not wish to appoint the Chairman of the Meeting as your proxy/one (1) of your proxies, please strike out the words "the Chairman of the Meeting" and insert the name(s) of the proxy/proxies you wish to appoint in the blank spaces provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016

\_\_\_\_\_  
Signature(s) of Shareholder(s) or Common Seal

**NOTES:**

1. Only members whose names appear in the Record of Depositors as at 7 December 2016 shall be eligible to attend the Annual General Meeting (AGM) or appoint proxy(ies) to attend and/or vote on their behalf.
2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that, 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. 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 Article 107(6) of the Company's Articles of Association.
7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for the Meeting or **no later than 13 December 2016 at 10.00 a.m.**
8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the 26<sup>th</sup> AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.
9. Registration of members/proxies attending the Meeting will start from 7.00 a.m. on the day of the Meeting and shall remain open until such time as may be determined by the Chairman of the Meeting. At the closure thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents for registration.

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AFFIX STAMP

**SYMPHONY SHARE REGISTRARS SDN. BHD.**

Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

2. Fold Here To Seal

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**TENAGA NASIONAL BERHAD (200866-W)**

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[www.tnb.com.my](http://www.tnb.com.my)



This Integrated Annual Report 2016  
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