

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 4863  
**COMPANY NAME** : Telekom Malaysia Berhad  
**FINANCIAL YEAR** : December 31, 2020

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<ol style="list-style-type: none"><li>1. The Board is collectively responsible for reviewing and adopting the goals and long term strategy of the Company. Throughout 2020, the Board continued to guide and effectively steer the Company with well-planned strategies and action plans through involved and active engagement with the Management within a transparent governance framework.</li><li>2. The Board had approved the Group's governance framework where specific powers of the Board are delegated to the relevant Board Committees and Management. The respective Board Committees have been established with clear Terms of Reference (ToR) to facilitate effective discharge of these responsibilities which include amongst others the financial information review, human capital management, internal controls, risk management, governance, procurement and investment matters. The ToR is stipulated in the Board Charter which is available in the Company's website at <a href="http://www.tm.com.my">www.tm.com.my</a>.</li><li>3. The Board assumes, amongst others, the following six (6) core principal responsibilities:<ol style="list-style-type: none"><li>(i) Reviewing and approving the strategic and Annual Operating Plan (AOP) for the Group</li></ol><p>The strategic plan together with its execution and challenges are reported by Management to the Board throughout the year. The Board provides its guidance, views and inputs to ensure proper formulation of strategies and effective management oversight to support the Managing Director/Group Chief Executive Officer/ (MD/GCEO) and Management Team in ensuring the efficient and effective execution of their duties and responsibilities.</p><p>During the year, three (3) Board Strategic Retreats involving the Board and senior management, and facilitated by an external consultant, were held to deliberate and review the Group's business direction and strategies. Following rigorous discussions at the retreats, the Board approved the strategic direction and AOP focused on transformation initiatives towards</p></li></ol>

a New TM for 2021-2023. Further details are mentioned in the GCEO's Statement segment of the Integrated Annual Report (IAR) 2020.

(ii) Overseeing and evaluating the conduct of the Company's Business

The Board oversees the conduct of the Group's businesses to ensure that they are properly managed. The Company's 2021 Key Performance Indicators (KPI) and Scorecard aligned with the New TM Transformation Programme (2021-2023) were deliberated and approved by the Board Nomination and Remuneration Committee (NRC) and the Board of Directors in February 2021.

Upon approval by the Board, the Group's performance report is monitored on a monthly basis by the MD/GCEO together with Heads of Lines of Business (LOBs) and divisions. The Business Performance Report is shared with the Board on a monthly basis where performance is measured and track against the approved Scorecard. Key highlights of the performances are presented at every Board meeting via the GCEO Update for further deliberation.

The New TM transformation initiatives anchored on identified Value Programmes are driven by a dedicated Transformation Office (TO) that updates the Board on the progress and status of the initiatives on a regular basis.

(iii) Identifying and managing Principal Risks

The Group Risk Management division (GRM) is tasked with the role of identifying risk issues that may jeopardise the Group's business. The risk dashboard is presented by the Chief Risk Officer to the Board Risk Committee (BRC) on quarterly basis.

The Board, through the BRC, oversees the Company's risk management framework and constantly engages the Management on managing, mitigating and eliminating the inherent risks that may have an impact on the Group.

BRC Report, Directors' Statement on Risk Management and Internal Controls (SORMIC) and Enterprise Risk Management (ERM) Report set out in the 2020 IAR detailed out the overview on the Group's risk management framework, policies and status for 2020.

(iv) Reviewing the adequacy and integrity of the Company's Internal Controls

The Group Internal Audit (GIA) Division manages and monitors the internal control systems throughout the Company. In line with its ToR, GIA has the authority to audit any division or subsidiary of TM Group and to review projects and systems at any time and report its findings directly to the Board Audit Committee (BAC). Significant findings from the audit reports are deliberated at BAC meetings.

BAC supports the Board in its oversight responsibilities by providing an unbiased review on the effectiveness and efficiency

of the Group's internal control systems to ensure the implementation of appropriate internal control systems, supported by reports from the GIA and the annual review by the external auditor.

BAC activities in 2020 are set out in the Corporate Governance (CG) Overview segment in the 2020 IAR.

(v) Monitoring Succession Planning

Pursuant to its ToR, the NRC has been tasked by the Board to ensure effective succession planning for both the Directors and selected senior management identified as Pivotal Positions of TM Group. NRC will then report the progress to the Board. NRC also reviews and assesses the suitability of potential candidates and their experiences, to fill any gaps therein.

During the year and up to the date of this report, the NRC has undertaken rigorous assessment in identifying and recommending candidates for the new MD/GCEO, Independent Non-Executive Director (INED) and Non-Independent Non-Executive Director. Interview sessions were also held to assess and evaluate candidates for the Pivotal Positions. Upon recommendations by the NRC, TM Board has approved the appointments of the Chief Commercial Officer, Chief Marketing Officer and Chief Human Capital Officer of the Company throughout this period.

NRC also monitors the Board performance via the annual Board Effectiveness Evaluation (BEE). For the Pivotal Positions' performance, their respective scorecards were reviewed and deliberated by NRC prior to recommendation to TM Board.

The NRC Report in the CG Overview Statement of the 2020 IAR provides details of the activities undertaken by NRC in this respect.

(vi) Develop and implement Investor Communication Policy

The Board recognises that an effective communication policy is vital in managing shareholders' interest and other stakeholders' perception of the Company. The Board Charter outlines the Company's policy on communication with stakeholders, referencing to the Internal Communication Policy Guidelines.

The Group Strategic Communication (GSC) and the Investor Relations (IR) unit under TM Corporate Finance, have been tasked to undertake this responsibility. Management continues to engage with the stakeholders proactively and in a timely manner, to keep them abreast of the Group's strategies, performance and key business activities.

4. The Board takes collective responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. The conduct of TM Board, Management, employees and stakeholders of the Group is governed by the Code of Conduct and Business Ethics (CBE) and the Anti-Corruption Guide (ACG). Further details are shown on pages 172 and 173 of the IAR 2020.

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

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. The Chairman's overarching responsibilities are to provide leadership to the Board and to ensure the Board fulfils its obligations to the Company. He is responsible for the effectiveness and overall functioning of the Board.</li> <li>2. He also leads the Board in the oversight of Management as well as instilling good CG practices throughout the organisation. The Chairman's responsibilities are clearly specified in paragraph 4.1 of the Board Charter, which is available on the Company's website at <a href="http://www.tm.com.my">www.tm.com.my</a>.</li> <li>3. The Chairman, besides the Senior Independent Director (SID), also has a tacit role to act as intermediary to resolve any issue or sensitive matter that may arise between members of the Board.</li> <li>4. Tan Sri Dato' Seri Mohd Bakke Salleh is a highly respected corporate figure with extensive experience, known for upholding governance and integrity. He brings a wealth of industry and commercial insights, which has broadened and enrich the Board's overall expertise.</li> <li>5. Based on the 2020 BEE Result, the Chairman has been rated to be highly effective. He drives open and consultative environment, is decisive and action oriented whilst effectively delegates responsibilities to the GCEO and Senior Management. He is also an effective liaison between the Board, MD/GCEO and Senior Management.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. The Board recognizes the importance of a clear segregation of responsibilities between the Chairman and MD/GCEO, in order to balance the equilibrium of power in the Company so that no one individual or group can dominate the decision making process.</li><li>2. At all times the positions of Chairman and GCEO were held by different individuals with clear and distinct roles as specified in paragraphs 4.1 and 4.2 of the Board Charter.</li><li>3. Tan Sri Dato' Seri Mohd Bakke Salleh was appointed as TM Chairman on 11 May 2020. He is responsible for the effectiveness and overall functioning of the Board.</li><li>4. Shazril Imri Mokhtar was appointed MD/GCEO on 1 August 2020. He is responsible to ensure effective functioning of the Company's day-to-day operations, implementation of broad policies as approved by the Board. The MD/GCEO is to update the Board on all material issues currently or potentially affecting the Group and its performance including all strategic projects and regulatory developments.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. The Board is assisted by three (3) qualified and experienced Company Secretaries with each having more than 20 years of corporate experience attending to company secretarial and compliance matters, as well as advocating best CG practices for adoption. One (1) of them is licenced by the Companies Commission of Malaysia whilst the other two (2) are members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</li><li>2. The Group Company Secretary, supported by the Joint Secretaries and her team from the Group Company Secretarial Division, is responsible to provide comprehensive support and appropriate advice and guidance to the Board on policies and procedures, rules and regulations and relevant laws as well as best practices on governance.</li><li>3. The Company Secretaries support the Board on compliances with CG principles and best practices, and continuously advise the Directors on their respective status in ensuring compliance with relevant provisions in the Main Market Listing Requirements (Main LR).</li><li>4. The Company Secretaries continue to monitor the implementation of Board Performance Improvement Programme (BPIP) and implemented initiatives to manage the Board Operating Mode to enhance Board's effectiveness moving forward.</li><li>5. The Company Secretaries also monitor the Board Training Programme (BTP), a structured programme designed to address training needs of Directors and to inject the required knowledge and skills for them to effectively discharge their duties. The findings are reported to the NRC on quarterly basis.</li><li>6. The Company Secretaries constantly keep themselves abreast with the regulatory changes and development in CG. They have attended continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries.</li><li>7. The roles and responsibilities of the Secretaries are specified in paragraph 13 of the Board Charter.</li></ol>
<b>Explanation for departure</b>	:	



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

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>A. <u>Meeting materials</u></p> <ol style="list-style-type: none"><li>1. Board paper guidelines are adopted Group wide. Management Committees and subsidiaries also follow the same guidelines and format for consistency throughout the Group.</li><li>2. Notices of Board Meetings together with the agenda of meetings are sent to Directors via email at least seven (7) days prior to the meeting save for Notices and agenda for Special Board Meetings of which a shorter timeframe has been agreed with the Board.</li><li>3. Meeting materials and relevant information to the Directors are distributed and disseminated through the BoardPac, an electronic meeting management system. Directors are supplied with a device so that all notices and proposal papers are uploaded and distributed to directors electronically and instantly, enabling Directors to access the board papers anytime and anywhere. It has also an archival system where Directors are able to retrieve past information.</li><li>4. A secured cloud solution continues to be used for distributing and sharing proposal papers for the Board, Committee and subsidiaries' meetings known as TMBox. This solution eases the process of distribution of paper, minimises leakage of sensitive information and enables ease of access to the Board papers electronically anytime and anywhere.</li><li>5. The multiple electronic platforms are maintained as each system accommodates a different cluster of users. TM BoardPac is predominantly used for TM Directors, while TMBox caters for both Management and TM Directors accessible through multiple devices.</li><li>6. In 2020, an average of five (5) days was recorded for distribution of TM Board papers save for the Special Board Meetings.</li></ol> <p>B. <u>Circulation of Minutes of Meetings</u></p> <ol style="list-style-type: none"><li>1. Deliberations and decisions at Board and Board Committees' meetings are minuted clearly and accurately. The minutes record the decisions of the Board including deliberations, comments, concerns or dissenting views. The minutes indicate whether any Director has abstained from voting or recused himself from deliberating on a particular matter of which he/she has interest.</li><li>2. Upon conclusion of the meeting, the draft minutes of the Board and Committees' meetings are disseminated and archived in the BoardPac throughout the year for the Board's review and reference.</li></ol>

	<p>3. A summary of the Board’s deliberations/key decisions is given to Management for their information and prompt action.</p> <p>4. Actions proposed by the Board and the identified timelines and persons responsible to undertake the tasks are specified in the Minutes and communicated to Management for their action.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

## Practice 2.1

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

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<ol style="list-style-type: none"><li>1. The Board Charter embodies the Company's governance practices. It provides reference for the Directors in relation to the Board's roles, powers, duties and functions. It outlines processes and procedures for the Board and its Committees in discharging their stewardship. The respective roles and responsibilities of the Board, Board Committees, Non-Executive Chairman (NEC), SID, Executive Director (ED), Non-Executive Directors (NEDs) and Management; and issues and decisions reserved for the Board are clearly identified.</li><li>2. Our Board Charter is reviewed from time to time and updated regularly to maintain its relevance and accuracy to current rules and regulations.</li><li>3. In FY 2020, as part of the annual review, several key enhancements were made to the Board Charter involving the Board's principal responsibilities and operating mode to further strengthen the governance and management of the Company. The Board Charter is accessible on our official website at <a href="http://www.tm.com.my">www.tm.com.my</a>.</li><li>4. As part of its roles and responsibilities, and in accordance with paragraph 15.08(3) of the Main LR, the Board is also responsible to ensure continuous training for the Directors. The Board has in place the BTP and, through the NRC, has considered the areas/topics of training relating to business operations or capital market development as part of the Directors' continuing education programmes.</li><li>5. All newly appointed Directors in 2020 have completed the Mandatory Accreditation Programmes (MAP).</li><li>6. Management has also continuously organised in-house trainings and Directors' development initiatives for the Directors as well as conducted induction sessions for newly appointed Directors in 2020. This serves as a dual function, which is to familiarise the Directors with TM's business operations, as well as a platform to establish an effective channel of communication and interaction with Senior Management.</li><li>7. The status of BTP as at 31 December 2020 was tabled at NRC Meeting in January 2021. The analysis on the total number of Directors' training hours (TH) in 2020 is shown in Table 1 below, whilst the list of conferences, seminars and training programmes attended by Directors in 2020 are tabulated in Table 2:</li></ol>

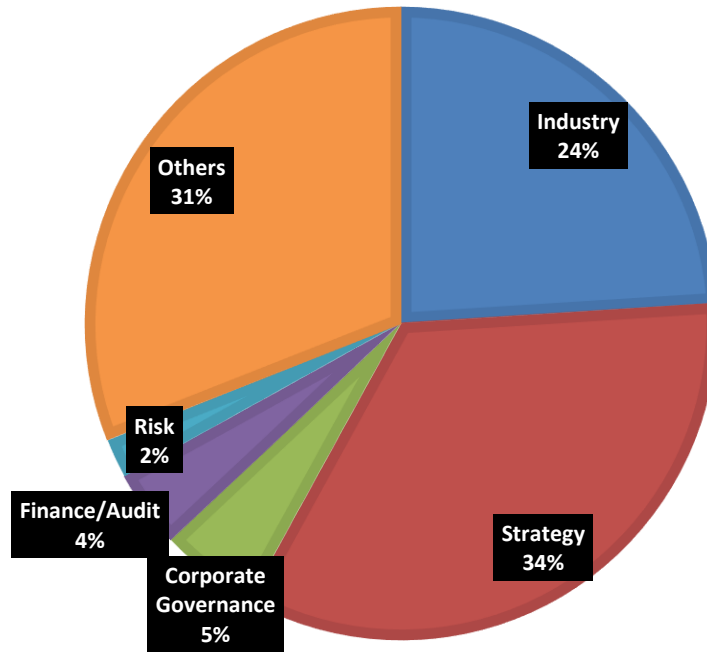


Table 1: BTP TH for 2020

Industry (24%)	<ul style="list-style-type: none"> <li>5G Demonstration Project (5GDP) Launch</li> <li>DNA of A World Class Telco: What They Do and How They Do It</li> <li>Connected World: The Future of 5G, Winning in Cloud, and Beyond</li> <li>Lessons from International Telco Transformations (Including Cost Transformation Programmes)</li> </ul>
Strategy (34%)	<ul style="list-style-type: none"> <li>Elements of Great Customer Experience</li> <li>Elements of High Performance Execution Culture</li> <li>Leap Summit 2020 - Taking Transformation Forward: "Jumpstart the Economy, Galvanise Partnerships"</li> <li>MMU Strategic Workshop for the Leaders: "Malaysian Economy: Current Performance, Challenges and Prospects"</li> </ul>
Corporate Governance (5%)	<ul style="list-style-type: none"> <li>Adequate Procedures - Section 17A Corporate Liability: T.R.U.S.T Principles.</li> </ul>
Finance/Audit (4%)	<ul style="list-style-type: none"> <li>AOP 2020 by GNT Leaders</li> </ul>
Risks (2%)	<ul style="list-style-type: none"> <li>Cybersecurity Awareness</li> </ul>
Others (31%)	<ul style="list-style-type: none"> <li>Working and site visits – 15.5TH (6%)</li> <li>Engagement with Regulators – 8TH (3%)</li> <li>IT – 42.5TH (16%)</li> <li>Property 16TH (6%)</li> </ul>

Table 2: Trainings attended in 2020

**Explanation :**  
**for**  
**departure**

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

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

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<ol style="list-style-type: none"><li>1. The Company Directors' Code of Ethics is internalised in TM as a tenet for proper comportment of the Board of Directors. Through disclosure of interest at every meeting, Directors have implemented the principle relating to transparency, integrity and responsibility.</li><li>2. Apart from the above, the conduct of Directors, Management, employees and business partners of the Group is governed by TM CBE which provides guidance in resolving ethical issues, as well as expected standards of behaviour that align with TM's vision and mission and KRISTAL values. The CBE and ACG act as primary references for all employees when dealing with various internal and external stakeholders. Frequent reminders are essential for employees to stay alert on what is permissible under our CBE.</li><li>3. Both CBE and ACG and other internal guidelines, underline the Company's intolerance towards corrupt practices and undesirable behaviour within and in relation to the Group as well as upholding the Company's value on Uncompromising Integrity, which is a collective effort between the Group Human Capital Management (GHCM), GIA, Group Procurement and Group Integrity and Governance (GIG) Divisions. The CBE is accessible via TM's official website at <a href="http://www.tm.com.my">www.tm.com.my</a>  Pursuant to the Board's approval in May 2020, GIG, headed by the Chief Integrity and Governance Officer (CIGO), now reports to the BAC, to provide efficient oversight function prior to reporting its activities to TM Board. The main purpose of GIG is to comprehensively manage internal investigation, systematically manage complaints and whistleblower, and provide advisory and awareness on ethics and integrity matters within TM Group.</li><li>4. TM's annual CBE declaration for its suppliers is a constant reminder of the Group's policy towards integrity.</li><li>5. TM Directors, employees and business partners involved at any level of procurement activity in TM are also required to sign the Integrity Pact.</li></ol>

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



### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. TM has established the Whistle Blowing Policy pursuant to the initiative under TM's CBE allowing TM Group employees, business partners and public at large to report concerns about alleged unethical behaviour, as well as actual or suspected fraud within the Group via a reporting channel known as TM Ethics Line or Talian Etika TM.</li><li>2. TM Board is committed to internalise whistle-blowing program by introducing a safe and acceptable platform for the employees, business partners and public at large to channel concerns about improper conduct not limited to illegal, unethical, improper business conducts affecting the Company and/or business improvement opportunities.</li><li>3. The CBE is subject to periodic review by the Board and published at regular intervals as and when changes arise to ensure that the best practices in governance are constantly updated and embraced by all stakeholders. On 1 January 2021, the revised CBE version 5.0 was adopted.</li><li>4. Apart from the CBE, TM also adopted MS ISO 37001:2016 Anti-Bribery Management System (ABMS) to better prevent, detect and respond to bribery and other corruption-related offences.</li><li>5. Employees may make a disclosure of improper conduct whether based on his or her reasonable belief that any person is engaged, is engaging or is preparing to engage in improper conduct. The disclosure of the improper conduct does not necessary lead to any disciplinary action or prosecution against the person whom the disclosure is made. Assurance is given to the employees that they will not be at risk to any form of employer's harassment which is not limited to threats, victimisation, retribution or retaliation from their superiors or from any of the Management.</li><li>6. Reports received through TM Ethics Line email (<a href="mailto:ethic@tm.com.my">ethic@tm.com.my</a>) or TM Ethics Line Toll Free (1-800-88-2377) will be assessed for further investigation by GIG to enable appropriate actions to be taken.</li></ol>

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

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. As at 15 March 2021, six (6) INEDs form the majority on the Board of eleven (11) directors. The status remains unchanged as at the date of 23 April 2021, the date of the issuance of the IAR 2020 and this CG Report.</li><li>2. All six (6) INEDs satisfy the independence test stipulated in paragraph 1.01 of the Main LR. Apart from the criteria, the independence of all TM Directors, including the NEDs, is assessed annually through the BEE via the Self and Peer Assessment. The NRC, as part of its ToR, undertakes the annual review of INEDs' independence status and tables its findings and recommendations to the Board. The Directors' skills, experience, contributions as well as their backgrounds, economic and family relationships are considered. Thereafter, NRC determines whether the Directors can continue to bring independent and objective judgement to the Board, and whether there are relationships or circumstances which could affect, or appear to affect, the INEDs' judgement.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.2**

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

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

<b>Application</b>	:	Not applicable - Step Up 4.3 adopted	
<b>Explanation on application of the practice</b>	:	Not applicable	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<ol style="list-style-type: none"><li>1. TM Board has adopted the policy which limits the tenure of its INEDS to nine (9) years since November 2019 taking into account the need to refresh the Board in line with best CG practices.</li><li>2. As at the date of the 36<sup>th</sup> AGM on 25 May 2021, none of our INEDs' tenure exceed the cumulative term limit of nine (9) years.</li><li>3. The Directors' length of tenure as at 15 March 2021 were stated in pages 147 to 158 of the respective Directors' Profile in the CG Overview Statement of the Corporate Overview book of TM's 2020 IAR.</li></ol>

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. The Board believes that the existing appointment process for selecting new Director is adequate as it takes into consideration the required skills-set, experience, competency, regional and industry experience, and knowledge of the candidate, in addition to the candidate's gender and age and how these add to the Board's diversity.</li> <li>2. While the Board is responsible for the appointment of new Directors, the NRC is delegated with the role of screening and conducting an initial selection, which includes an external and independent search, before making the recommendation to the Board. NRC evaluates the candidates' ability to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval.  Disclosures on the Board Skills and Expertise is provided in page 126 whilst Board Diversity, Board Appointment, and Directors' Retirement and Re-election are provided in page 127 of the CG Overview Statement of the Corporate Overview book of the 2020 IAR.</li> <li>3. NRC is also responsible in appointing senior management positions identified as Pivotal Positions and, if it deems fit, to review any other positions that are deemed strategic for the Company, including the position of the Company Secretary. Appointments made are based on objective criteria, merit and with due regard for diversity in terms of skills, experience, age, cultural background and gender.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 4.5

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<ol style="list-style-type: none"><li>1. The number of female directors on the Board currently stands at three (3) comprising 27% of the total number of directors, an increase from the two (2) members compared to the last report.</li><li>2. TM Board acknowledges that having a diverse range of skills, background, expertise and experience are critical elements in ensuring a vibrant, effective and robust Board. The Board however does not set specific targets on gender diversity nor formally adopted the policy on 30% women directors for the Company but endeavours to improve the number of women directors, where consideration shall be based on pre-determined skill sets and competencies.</li><li>3. The Group's approach to ensure Board diversity as stipulated in the Board Charter is as follows:<ol style="list-style-type: none"><li>(i) recruiting from a diverse pool of candidates for the position of director;</li><li>(ii) reviewing succession plans to ensure an appropriate focus on diversity;</li><li>(iii) identifying specific factors for consideration in the recruitment and selection processes; and</li><li>(iv) developing programmes to build a broader pool of skilled and experienced Board candidates.</li></ol></li><li>4. Testament to the above approach, the NRC and the Board upon considering their respective skills, background and expertise, have appointed Datuk Siti Zauyah Md Desa and Anis Rizana Mohd Zainudin @ Mohd Zainuddin as additional directors for TM during the financial year.</li><li>5. Since the average tenure of the Board is about 2 years, the timeframe for the formulation of gender diversity shall be revisited within 3 years.</li></ol> <p>In 2021, TM has engaged a globally recognized Executive Education provider to deliver a 2-year structured leadership development program for high potential talent and senior management, known as TM Value Leadership Program. Out of 87 selected Senior Management (GM &amp; VP), 28 or 32% is female. These are our continuous steps in cultivating talented women employees in TM.</p>

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

<b>Measure</b>	:	Continue to identify suitably qualified women for possible nomination as Director as part of TM Board succession planning.	
<b>Timeframe</b>	:	Within 3 years	



## Intended Outcome

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

## Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. TM maintains a formal and transparent procedure for the appointments of new Directors. Appointment to the Board is made either by the Minister of Finance (Incorporated) (MOF Inc.), being the Special Shareholder pursuant to Clause 15 of the Company's Constitution, or by the Board of Directors pursuant to Clause 106(1) of the Constitution.</li><li>2. Based on Clause 118, the Special Shareholder may also appoint one or more EDs of the Company for such period and upon such terms as it may think fit and appoint another in his or their place(s).</li><li>3. Nominees to the Board are first considered by the NRC, taking into account the mix of skills, competencies, experience and other qualities required to manage a highly regulated telecommunication business, before they are recommended to the Board.</li><li>4. While the Board is responsible for the appointments of new Directors, the NRC is delegated with the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board. As stipulated in the Board Charter, NRC has the authority to obtain the services of professional recruitment firms or consultant to source for suitably qualified candidates for directorships.</li><li>5. NRC evaluates the nominees' abilities to discharge their duties and responsibilities before recommending their appointments as Directors to the Board for approval.</li><li>6. TM has also established a registry on Directors' Pool, where candidates are identified from independent sources such as Institute of Corporate Directors Malaysia, Women Directors' Registry and external consultant. The Directors' Pool is continuously updated by the Company Secretary.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

### Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. TM has a combined Nomination and Remuneration Committee known as the Board Nomination and Remuneration Committee (NRC).</li><li>2. For FY 2020, NRC is continuously chaired by SID.</li><li>3. Effective 11 June 2020, NRC is chaired by YM Tunku Afwida Tunku Dato' Amalek who was appointed TM's SID on 1 November 2020, in place of Datuk Zalekha Hassan who retired on 10 June 2020.</li></ol>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. The Board undertakes a formal and objective annual evaluation of its own performance, committees and individual directors.</li> <li>2. The 2020 BEE was conducted by an external independent consultant, Willis Towers Watson, to ensure an objective, independent and candid board evaluations. A holistic approach was considered via multiple source of inputs covering key focus areas of Corporate Strategy and Direction Setting, Governance and Oversight, Boardroom Conduct and Dynamics, Board Management and Operations as well as diversity of the Board.</li> <li>3. Overall, the Board is effective and provides effective governance as well as strategic execution monitoring. The Board recognizes the need to continuously strengthen the composition, structure and diversity in line with its strategic direction whilst ensuring the processes enhance the efficiency and effectiveness of the Board and its committees. An improvement plan for 2021 has been put in place in this regard.</li> <li>4. Relevant disclosure on the results of 2020 BEE is provided on page 128 of the CG Overview Statement of the Corporate Overview book of TM's 2020 IAR.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. The Board has established the Directors' and Subsidiaries' Board Remuneration Framework which ensure that the remuneration mix is market competitive and equitable. The aim of the remuneration policy is to align compensation with our strategic thrusts and value drivers, attract and retain Directors of such calibre who are able to provide the necessary skills and experience, commensurate with the responsibilities for the effective management of TM Group as well as support the philosophy of value-based management. The remuneration framework is provided in the Board Charter, which is available in the Company's website.</li><li>2. The policy and framework for the overall remuneration of the ED and NEDs are periodically reviewed against market practices by the NRC, following which recommendations are submitted to the Board for approval prior to the same being tabled for shareholders' approval.</li><li>3. In addition, the remuneration guiding principle and framework for Top and Senior Management have been approved by NRC in 2018 and the same is available on TM's website.</li><li>4. The performances of the ED (as well as that of the Pivotal Positions and the Company Secretary) are reviewed annually by the NRC, and recommendations are submitted to the Board on specific adjustments in their remuneration and/or reward payments, reflecting their contributions for the year as well as the performance of the Company.</li><li>5. Disclosure on the remuneration of the Directors and top five (5) Senior Management is provided on pages 129 to 130 of the CG Overview Statement of the Corporate Overview book of the 2020 IAR.</li></ol>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. NRC has dual roles since its inception. Both roles i.e. nomination and remuneration have been combined for purpose of convenience and practicality, whereby the same members are entrusted with both functions. In addition to these function, NRC also oversees governance matters.</li> <li>2. The Committee's main objective is to implement policies and procedures on remuneration of the Board and Pivotal Positions or anyone that the NRC deems fit.</li> <li>3. The Long Term Incentive Plan (LTIP) Committee further oversees the implementation of the LTIP pursuant to the LTIP By-Laws.</li> <li>4. Disclosures on the activities of the NRC and LTIP Committees in 2020 are provided in pages 131 to 132 and pages 133 respectively, of the CG Overview Statement of the Corporate Overview book of the 2020 IAR.</li> <li>5. The ToR of NRC are stipulated in the Board Charter available on the Company's website at <a href="http://www.tm.com.my">www.tm.com.my</a>.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. In line with best CG practice, Directors' remuneration on a named basis, which include their fees, salary, bonus, benefits in-kind and other emoluments, has been disclosed in the IAR.</li><li>2. Detailed disclosure of the Directors' remuneration is provided in pages 129 to 130 of the CG Overview of the Corporate Overview book of the 2020 IAR.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. Details of the remuneration of the top five (5) Senior Management (including salary, bonus, benefits in kind and other emoluments) for FY 2020 are provided in bands of RM50,000 on a named basis as per page 130 of the CG Overview of the 2020 IAR.</li> <li>2. The remuneration framework for senior management is also available on TM website at <a href="http://www.tm.com.my">www.tm.com.my</a>.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. BAC is chaired by Hisham Zainal Mokhtar. He was appointed as BAC Chairman on 30 May 2019. He is a certified financial analyst (CFA) and is not the Chairman of the Board.</li> <li>2. The BAC ToR have specified that the Chairmanship of the BAC must not be chaired by the Chairman of the Board.</li> </ol>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. The Board recognises the need to uphold the independence of the External Auditors from the Board and Management. None of the members of the Board is a former key audit partner for TM Group. Hence, there is no such person being appointed as a member of BAC.</li> <li>2. The policy on the cooling-off period of at least two (2) years of a former key audit partner prior to being appointed as a member of BAC, and the BAC member must not be employed, engaged or attached to any audit firm at the point of appointment, are provided in the ToR of the BAC of the Board Charter.</li> </ol>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. Assessments of the external auditor's effectiveness are conducted by the relevant Management members and BAC members, coordinated by GIA. The external auditor's quality of service, sufficiency of resources, quality of communication and interaction, independence, objectivity and professionalism are assessed.</li><li>2. The external auditor, Ernst &amp; Young PLT (EY), has declared that it has maintained its independence during the course of the audit for TM Group for the year in accordance with the firm's requirement and the By-Laws on Professional Independence of the Malaysian Institute of Accountant (MIA). EY has further declared that upon review of the non-audit services to TM, none of the services provided compromise the form's independence as the Group's external auditor.</li><li>3. Apart from the written assurance, BAC has also relied on the assessment of the effectiveness of the external auditor undertaken by GIA.</li><li>4. Disclosure on BAC Report for FYE 2020 is provided in pages 140 to 145 of the CG Overview of the 2020 IAR.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<ol style="list-style-type: none"><li>1. TM BAC comprises solely of Independent Directors.</li><li>2. Membership of the BAC is provided in page 140 of the CG Overview of the Corporate Overview book of the 2020 IAR.</li></ol>

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. BAC members collectively possess a wide range of necessary skills to discharge its duties. The Chairperson, Hisham Zainal Mokhtar is a CFA Charterholder. While Tunku Afwida Tunku Dato' A.Malek is a member of the MIA and a qualified Chartered Accountant with the Institute of Chartered Accountants in England and Wales. Dato' Ibrahim Marsidi is a former managing director and CEO of a public listed company. Balasingham A. Namasiwayam is a qualified professional engineer of the Board of Engineers, Malaysia.</li><li>2. All BAC members, Hisham Zainal Mokhtar, Tunku Afwida Tunku Dato' A.Malek, Balasingham A. Namasiwayam and Dato' Ibrahim Marsidi, as shown by their profiles in pages 152 to 156, are able to read and understand financial statements, and ask pertinent questions about the Company's financial reporting process. They have sound judgement, objectivity, independent attitude, management experience, professionalism, integrity and knowledge of the industry. With diverse skills and experience, they are able to discharge their duties responsibly.</li><li>3. In 2020, BAC members have attended various conferences, seminar and training programmes to enhance their knowledge in order to efficiently discharge their duties.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. TM Board is responsible for the establishment as well as oversight of the Group's risk management framework and internal control systems that are designed to manage the Group's risk appetite within acceptable levels of tolerance, to achieve the Group's goals and objectives in generating returns to shareholders. The BRC and BAC have been tasked to oversee the Company's risk management and internal control framework respectively.</li> <li>2. The Group's nature and scope of risk management and internal controls during the financial year 2020 are detailed in SORMIC as provided in pages 168 to 174 to be read together with Statement of Internal Audit, Enterprise Risk Management (ERM): Risk Committee Report and Business Continuity Management (BCM) illustrated in pages 175 to 183 of the Corporate Overview book of the 2020 IAR.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

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

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

## Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. Corporate risk issues that could jeopardise the Group's business, identified by the GRM are monitored through risk dashboard and updated to the BRC on a quarterly basis. The Board, delegating the task to BRC, ensures appropriate risk management framework and constantly monitors the review and management of principal risks by evaluating TM's corporate risk appetite and tolerance level for the Company's business sustainability.</li> <li>2. The Board has also established an appropriate control environment with a framework to review the effectiveness, adequacy and integrity of the Group's system of internal controls. It is designed to manage the risk of non-achievement of the Group's objectives and provide adequate assurance against the occurrence of any material misstatement or loss.</li> <li>3. SORMIC, which provides an overview of the state of internal controls within the Group, is enumerated in pages 168 to 174 to be read together with Statement of Internal Audit, ERM Report and BCM in pages 175 to 183 in the Corporate Overview book of the 2020 IAR.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.3 - Step Up

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<ol style="list-style-type: none"><li>1. The BRC was established pursuant to TM Board's approval on 25 March 2010 to focus on risks issues. The role of the BRC is to assist the Board in ensuring that the Company has in place a sound and robust ERM framework and such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives.</li><li>2. In carrying out its duties and responsibilities, the BRC's authority is accorded through its ToR in the Board Charter.</li><li>3. BRC is chaired by an INED.</li><li>4. As at 31 December 2020, BRC comprises a majority of independent directors i.e. three (3) out of four (4) members are INEDs.</li><li>5. Disclosure on BRC and its activities in FY 2020 is provided in pages 138 to 139 in the CG Overview of the Corporate Overview book of the 2020 IAR.</li></ol>

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. GIA reports directly to the BAC to preserve its independence and objectivity. Audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The internal audit charter approved by BAC defines GIA's purpose, authority and responsibility.</li> <li>2. GIA provides independent, objective assurance and consulting services designed to enhance and protect organizational value. The Chief Internal Auditor (CIA) periodically reports on GIA activities and key strategic and control issues observed to the BAC.</li> <li>3. BAC approves and periodically reviews GIA's and the CIA's performances to observe their progress and achievements. Disclosure on BAC's activities regarding internal audit is illustrated in page 143 to be read with SORMIC in pages 168 to 174 and the Statement of Internal Audit in pages 175 to 177 in the Corporate Overview book of the 2020 IAR.</li> </ol>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<ol style="list-style-type: none"> <li>1. GIA reports directly to the BAC to preserve its independence and objectivity and ensure audit personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence.</li> <li>2. The CIA has an administrative reporting line to the GCEO, enabling the requisite stature and authority of Internal Audit to fulfil its responsibilities. Haikel Ismail is a Certified Internal Auditor with the Global Institute of Internal Auditors (USA). His profile is provided in page 166 of the Corporate Overview book of 2020 IAR.</li> <li>3. BAC reviews and approves GIA's audit plans, annual budget and human resources requirements to ensure resources with the right competencies are sufficient to carry audit functions aligned with the Group's objectives.</li> <li>4. To manage its functions and perform the audit engagements, GIA adopts the International Professional Practices Framework (IPPF)<sup>®</sup> inclusive of the mandatory elements, Core Principles for the Professional Practice of Internal Auditing, International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA), the definition of Internal Auditing and Code of Ethics.</li> <li>5. GIA is also guided by the internal policies, procedures and framework as well as the Internal Control Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and Control Objectives for Information and Related Technology (COBIT) in assessing and reporting on the adequacy and effectiveness of the design, implementation and efficiency of the Group's overall system of internal controls, risk management and governance.</li> <li>6. The number of resources in the internal audit department and the qualification of the person responsible for internal audit is included in the Statement of Internal Audit, which is provided in pages 175 to 177 in the Corporate Overview of 2020 IAR.</li> </ol>

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

## Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. The Board acknowledges the importance of an effective, transparent and regular communication with its stakeholders, institutional investors and the investing public at large to provide a clear picture of the Group's performance and position. TM is committed in maintaining high standards in the dissemination of relevant and material information on the Group in order to maintain effective, comprehensive, timely and continuing disclosure of information.</li><li>2. TM maintains an effective investor relations and shareholders' communication programme and policy that ensures effective communication of TM's operations to its shareholders and stakeholders, and accommodates feedback from them.</li><li>3. A sound IR programme is vital in managing the interests of shareholders, stakeholders and investors in the Company. Continuous engagement is maintained with the investing community through a planned IR programme managed by the Corporate Finance and Investor Relations (CFIR) Unit under the patronage of Group Chief Financial Officer (GCFO). Shareholders and market observers are also welcomed to raise queries at any time through GSC and the CFIR Unit.</li><li>4. An alternative communication line is presented to the investing community and other stakeholders through the SID. This is an important channel for minority shareholders and relevant stakeholders to air their concerns to the Company and Management.</li><li>5. Communication and feedback from investors can also be directed to <a href="mailto:investor@tm.com.my">investor@tm.com.my</a> or  VP, Corporate Finance &amp; Investor Relations (CFIR) Level 11 North Wing, Menara TM, Jalan Pantai Baharu 50672 Kuala Lumpur Malaysia</li><li>6. TM also embraces social media, apart from the Company's website, as an important communication channel with stakeholders as these channels allow immediate and easy access to information as well as providing a platform to gain feedback from stakeholders.</li><li>7. The Board also ensures that the AGM and Extraordinary General Meeting (EGM) of the Company are conducted in an efficient manner and serve as crucial mechanisms in shareholder communications.</li></ol>

	Comprehensive and timely information is provided to shareholders to encourage active participation at the AGM and EGM.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

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

## Practice 11.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. TM had embarked on a 3-year plan (since 2014) as preparation for Integrated Reporting. However, the Company has earlier adopted and published an IAR in 2016.</li> <li>2. TM's 2020 IAR has evolved and refined to reflect best reporting practices, particularly the principles of the International Integrated Reporting Framework (IIRF) prescribed by the International Integrated Reporting Council (IIRC), which covers Transparency, Materiality, Balance, Comparability and Potential.  The 2020 IAR is also measured using the materiality exercises and determination conducted internally and externally. The content of our reporting focuses on the issues, opportunities and challenges that are material to both our stakeholders and our business, which consequently impacts our performance.</li> <li>3. By adopting an integrated approach, the IAR 2020 is intended to address the information requirements of all stakeholders. We demonstrate our ability to tap into six (6) capital inputs to deliver value, as measured in our financial and non-financial performance of the year. The report also articulates our risks, opportunities, mitigation strategies, and long-term approach on our sustainable growth trajectory, to create shareholder value and continuously enable the country towards a full-fledged Digital Malaysia by 2030 – a more digital society, digital business and digital Government.</li> <li>4. The IAR 2020 was duly approved by the Board of Directors, upon recommendation by the BAC in April 2021.</li> </ol>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	



<b>Timeframe</b>	:		
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### Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. Notice of the 36<sup>th</sup> AGM is issued electronically to shareholders with valid email address, and via post 31 days before the AGM, beyond the 21 days' requirement stipulated in the Companies Act 2016 and the Main LR of Bursa Securities.</li><li>2. The notice is also published in The Star and Berita Harian newspapers and made available on the Company's website.</li><li>3. The additional time given to shareholders allow them ample time to make the necessary arrangements to attend and participate in our 36<sup>th</sup> AGM which will be held on fully virtual basis. It would also enable the shareholders to familiarise with the Remote Participation and Electronic Voting (RPEV) provided by our Share Registrar, Boardroom Share Registrars Sdn Bhd.</li><li>4. The additional notice period also enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the AGM.</li><li>5. In line with MCCG 2017's principle in encouraging shareholders' engagement with Board and Senior Management of the Company and participation in general meetings, the AGM notice is continuously enhanced to include all relevant information with regard the resolutions proposed for shareholders' approval.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"> <li>1. The 35<sup>th</sup> AGM was held on 10 June 2020 as a fully virtual meeting via live streaming. All eleven (11) Directors were present in person at the Broadcast Venue.</li> <li>2. Apart from Directors and GCFO, several key Senior Management were also present at the AGM location to provide the necessary support during the AGM proceedings.</li> <li>3. Shareholders were allowed to submit questions via a dedicated email from the date of issuance of the 2019 IAR up to 24 hours prior to the AGM date i.e. 9 June 2020. The availability of the dedicated email was disseminated to the shareholders in the Administrative Details of the AGM. This practice has been implemented since 2018 and will continue to be implemented for the Company's AGMs in the future.</li> <li>4. In addition, upon commencement of the 35<sup>th</sup> AGM, the Chairman duly advised the shareholders that they were allowed and encouraged to submit their questions or queries throughout the AGM proceedings. Members have encouragingly taken the opportunity to raise questions on the agenda items of the AGM. Appropriate answers and/or clarification were provided by the Board members during the AGM and post AGM via email, where applicable.</li> <li>5. The proceedings of the AGM were recorded in minutes of the meeting and have been disclosed on the Company's website.</li> </ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ol style="list-style-type: none"><li>1. The 35<sup>th</sup> AGM was the first fully virtual AGM held by the Company which was conducted pursuant to the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission dated 18 April 2020 (Guidance on General Meetings). Shareholders participated in the AGM remotely via live streaming and online voting using the RPEV facilities managed by our Share Registrar.</li><li>2. The 36<sup>th</sup> AGM is also scheduled to be held fully virtual in line with the revised Guidance on General Meetings.</li></ol>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

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

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

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