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2011 Sustainability Report



www.tm.com.my

Group Corporate Communications
TELEKOM MALAYSIA BERHAD (128740-P)
Level 8 (South Wing), Menara TM
Jalan Pantai Baharu, 50672 Kuala Lumpur
Malaysia





About the cover

Passion shapes dreams and turns words into action. The future really is in our hands. Believe that you can make a difference.



About the 'Hands' logo

The five hands symbolises nature's four elements: Earth, Air, Fire and Water – and a fifth elements was introduced, representing the role and responsibility of mankind to protect nature.



PASSION in... taking custodianship of our precious resources





Sustainability Report 2011

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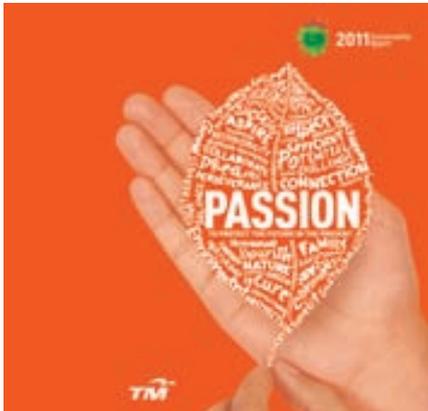
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**START TODAY,
SAVE TOMORROW**



TM Sustainability Report 2011

This is the fourth Sustainability Report to be produced by Telekom Malaysia Berhad (TM), as part of the Company's efforts to 'connect, communicate and collaborate' more effectively with our stakeholders. Together with the Annual Report, which highlights the financial aspects of our business, the two reports provide a clear, comprehensive and transparent representation of the Company's performance in managing the economic, social and environmental aspects of our operations.

The Report aims to be inclusive, and to address all material issues our stakeholders may have. TM also endeavours to enhance the level of transparency and objectivity of our Report, and wherever possible, quantitative indicators have been used for accuracy. For greater transparency, we also measure the impact of our Corporate Social Responsibility (CSR) activities based on their Social Return on Investment (SROI).

While we rely on some information from third parties, we ensure all measurements and claims in this Report are collected and reported as accurately as possible.

In order to track our progress, our achievements in 2011 have been compared against those of previous years, and 2011 performance will be used as a benchmark for 2012 targets. In keeping with international best practice, TM adopts new guidelines as they emerge. In 2011, these included ISO 26000 Guidance on Social Responsibility. We also take into consideration feedback from stakeholders, including the GRI and the judging panels of various CSR awards.

Uniting With Passion

The theme of this Report, 'Uniting With Passion', has been derived from the Company's Teaming with Passion (TWP) programme that has helped align all initiatives throughout the Company in 2011 while focusing on passionate leadership to achieve the 1TM business aspiration. The morale-boosting programme has proven to have a positive impact on performance and productivity.

Scope of Report

Reporting period : 1 January to 31 December 2011

Reporting Cycle : Annually

Coverage : TM and its subsidiaries as included in the Group's consolidated financial statements. Subsidiaries refer to all companies in which TM holds a majority stake or has direct managerial control.

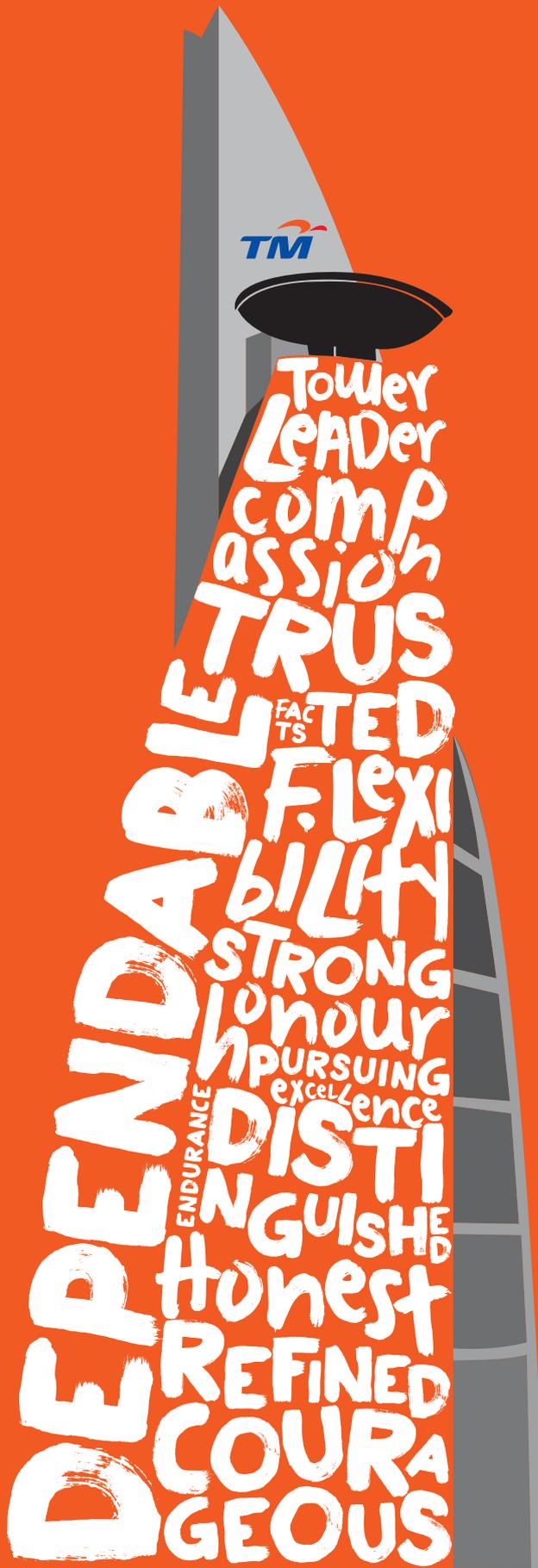
Reference and Guidelines

Principal Guidelines

- GRI-G3.1 Sustainability Reporting Framework

Additional Guidelines

- Bursa Malaysia's Corporate Social Responsibility (CSR) Framework
- Silver Book: The Putrajaya Committee GLC Transformation Manual
- ACCA Malaysia Sustainable Reporting Guidelines for Malaysian Companies
- ISO 26000: Guidance on Social Responsibility



Reliability of information disclosed

TM strives continually to improve the materiality and reliability of the information presented and has adopted an approach aligned with the ISO 26000 and the United Nation's Global Compact. Contents of this report have been verified by SIRIM QAS International Sdn Bhd and assessed by the Global Reporting Initiative (GRI) for how comprehensively the latest GRI-G3.1 guidelines have been applied achieving a top application level of A+.

TM's approach to sustainability is also widely endorsed by its stakeholders, as reflected in the awards received based on independent assessments of its performance. These are listed in this Report.

Feedback

This Report is available to all stakeholders in hard copy on request and can be downloaded from TM's corporate website. For further information and comments please contact:

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On behalf of the Board of Directors of Telekom Malaysia Berhad (TM), I am pleased to present the Sustainability Report for the financial year ending 31 December 2011. Although this is only our fourth Sustainability Report, the Company has taken issues of sustainability to heart practically from the time we first began to operate as the Telecommunications Department of Malaya in 1946.

Sustainability is given top priority at TM because it ensures our long-term viability. It also safeguards shareholder value and enhances the TM brand among important stakeholders such as investors, customers, regulators and even employees. Investors scrutinise the sustainability record of a company to ascertain its long-term prospects. Regulators view sustainability very positively, and in some instances enforce it, as it is in the interest of the nation. Employees are choosing to work for companies that show a heightened sense of responsibility, which is reflected in their sustainability initiatives.

By all measures, TM has an impressive sustainability record that extends beyond products and services. Our brand of sustainability enters into the realm of national development. Through our contribution to the Government's National Broadband Initiative (NBI) and Universal Service Provision (USP), we are committed to providing telecommunications services to all Malaysians across the nation, including those living in remote and rural areas.

Another area of sustainability that I am personally very proud of is TM's involvement in promoting more equitable education by targeting children from less privileged backgrounds. To me, education is a very powerful medium with which to really make a difference. Via our School Adoption Programmes with PINTAR Foundation and the Ministry of Information, Communications and Culture, we adopt under-performing schools and help them improve in many technological and developmental aspects. This has been a particularly enriching experience for us – the successes of the schools and the students, in which we share, have made overcoming the many challenges in managing multi-stakeholder needs and expectations worthwhile. In 2011, we entered the third phase of PINTAR programme, for which we adopted two new schools. I'm heartened by the fact that one of these – Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran (SKPKPT) in Sabah – is a special school for the visually impaired. This adds a whole new dimension to our community initiative; it presents us with new challenges and affords an incredibly enriching experience to all TM volunteers involved in helping the students with their school work, motivating the teachers and empowering the parents and others in the local community with Information & Communications Technology (ICT). Trying to understand the real needs of these special children is not easy, but we are determined to pave the way by extending our hands and hearts to them, opening up possibilities for those who really need that one opportunity to move forward.

At the heart of our educational efforts is our foundation, Yayasan TM, which has been awarding scholarships to deserving students since 1994 and has to date supported the academic ambitions of no less than 12,878 students

at the best local and foreign universities. It is immensely rewarding to think of how the lives of these children, and their communities, are positively impacted by the scholarships and the potential for advancement that the scholarships offer.

From this report, you will notice that we have intensified our efforts to integrate environmental sustainability into our operations. To us, this is of utmost importance because the environment is an invaluable shared national asset. In supporting the Government's plans towards a low carbon economy and achieving 40.0% reduction in carbon emissions by 2020, we believe that all parties – corporations and individuals alike – need to contribute towards efforts to preserve the environment. For our part, TM has an in-house environmental programme, BumiKu, that creates greater awareness of important issues among our staff. We also run TM Earth Camps for school children to instill a love of nature among our future leaders. Finally, as a responsible organisation, we ensure that all our processes are as environment-friendly as possible.

Being sustainable is a dynamic process, and I'm pleased to note that with every year TM continues to add to on-going initiatives. We have a very dedicated team in the Company that has shown, with constant and consistent effort that, it is possible not only to maintain a healthy financial bottom line, but also to do service to the community and our environment. They are further supported by countless others across the nation – employees, partners, NGOs, government agencies, volunteers and caring members of the community – all committed to making a difference. To all involved, I would like to say a heartfelt thank you. TM has become a model organisation of sustainability because of you.



DATUK DR HALIM SHAFIE
 Chairman

→ A Message From Our Group Chief Executive Officer



Corporate Responsibility (CR) is an important agenda for TM as CR is about doing business responsibly and ethically, with integrity and strong governance. This extends beyond our principles and philosophy – it is embedded into how we run our business and serve our stakeholders. It has evolved into an integral part of our existence into the fabric of our being. Our CR efforts are ingrained in all areas of our daily operations, ultimately aiming to achieve sustainability in the long run.

While you will find a comprehensive description of our efforts to be sustainable in the workplace, marketplace, community and the environment in the main body of this report, let me summarise some of the highlights of the year to give you an idea of the progress we made in 2011.

Commendable Corporate Governance

In terms of sustainability, I am pleased to say that we at TM are united in prioritising corporate governance, transparency and business ethics as we believe these are the cornerstones of any model company. We are the first government-linked company to have made available our Code of Business Ethics as an online training module, so that employees can access it at any time. We are also committed to making ourselves more transparent to our stakeholders with regard to our aspirations, goals, challenges and achievements. We continue to engage with our stakeholders on important and material issues via discussions and other platforms including our Annual Report and Sustainability Report. For these to be of true value, we take pains to ensure they are comprehensive, reader-friendly and make available details that are pertinent to our shareholders, customers, investors, business partners, the regulators, media and anyone else interested in our operations. Our recent success in the Malaysian Corporate Governance Index Awards 2011, where we won the Best Corporate Social Responsibility (CSR) Award, is testament to our integrated approach in responsible governance and sustainable initiatives.

Making good our 'COOL' strategy in the marketplace

Sustainability to us entails having the right processes and systems to ensure that TM is able to carry out our functions in the most efficient manner. This means, both directly and indirectly, getting the job done with minimal waste of resources – human resources, natural resources and the multitude of physical materials that are required for the provision of telecommunications and ICT services. Our on-going integration of IT systems from 700 to just 70 perfectly illustrates this. What's more, I'm proud to say, no other telco in the world has ever attempted to perform such a drastic task. TM is doing it because we realise it would greatly increase our efficiency, and because we know we should.

Sustainability is also about developing and offering the right products to ensure we meet the needs of our customers while exceeding their expectations. As the country's broadband champion with a vision of becoming the leading new generation communications provider, TM has always adapted the latest technologies to present increasingly sophisticated services to the nation. Today, as we roll out the most exciting telecommunications service to date – our UniFi high speed broadband – we are once again ensuring Malaysians have the opportunity to enjoy cutting-edge technology which will contribute immensely to their ability to connect, communicate and collaborate.

But the right products on their own are not sufficient to satisfy our increasingly more discernible customers. We need to complement high technology with a correspondingly high level of service. This we accomplish via an advanced Customer Relationship Management (CRM) system which we continuously upgrade. Our objective is to deliver an ever improving customer experience with the quality of our service and the level of professionalism displayed in our interactions with them. Just as an example, our recently implemented iCARE Prime system captures the entire CRM process line and allows our customer service personnel to obtain a complete picture of all our customers'



profiles and to access the status of any on-going transaction instantly. This has greatly increased our efficiency in dealing with service installations and recovery.

Another significant change in the marketplace during the year was the transformation of our outlets, beginning with the one in Kelana Jaya. We are revitalising our TMpoints to ensure that our staff are more approachable, and attend to walk-in customers so they need not wait long to complete their transactions. Towards this end, we are installing payment kiosks to reduce the queues at the counters. After being served at a counter, further, customers are encouraged to provide feedback via an electronic rating button on the level of service received. We realise that to sustain our competitive edge we need to provide outstanding service. Indeed, this is integral to our on-going transformation programme based on the COOL concept – of **C**ustomer-centricity and quality improvement, **O**ne-company mindset with execution orientation, **O**perational excellence and capital productivity as well as **L**eadership through innovation and commercial excellence.



Various aspects of employee well-being were also taken care of – our commitment to providing a safe and supportive workplace for all is evident through our Occupational Safety, Health and Environment (OSHE) enforcements and initiatives; our support to fulfilment of employees' spiritual and extracurricular needs via their involvement in clubs within the company; options for higher productivity through teleworking, flexible working hours and many more.

Teaming with Passion at the Workplace

With 26,667 employees on board, we recognise the need to reach out to everyone, bring them all together and raise their spirit to perform their best for the Company. The greatest challenge for us in this journey of TM's transformation is to ensure that no individual employee is left out in our effort to galvanise everyone together in the spirit of moving forward as one entity. In 2011, more employee engagement sessions were held, and internal communications to all employees are continuously improved to develop deeper sense of belonging to the team to achieve one-company mindset, more affectionately known as 1TM. We have also embarked on an internal campaign called 'Teaming with Passion' to bring about positive change while delivering customer centricity and inculcating a performance-based culture among our employees. These initiatives have made it possible for all of us here in TM to sustain the momentum in our aspiration to achieve more in delivering higher value and sustainable growth.

Reaching Out to the Community

In focusing on opening up possibilities as a model corporate citizen by transforming lives, empowering businesses and building the nation through connection, communication and collaboration, we continue to go beyond our core business operations through concerted efforts in education and in helping the underprivileged. Multimedia University (MMU) and Multimedia College (MMC) are key platforms in our mission to nurture a knowledge-rich and skilled human capital for the nation, complemented by Yayasan TM in providing the opportunities for capability building. At the grassroots level, we added another two schools in our School Adoption Programme under PINTAR – Promoting Intelligence, Nurturing Talent and Advocating Responsibility – namely Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran, Sabah and Sekolah Menengah Kebangsaan Chenderiang, Perak. Here, we support capacity building initiatives targeted, not only at the school children, but also at the teachers and the surrounding communities.



Taking to heart the increasing need of connectivity of those living in remote and rural areas, we pledged to continue our efforts in extending our network and assistance as much as we can. Until we are able to install fixed infrastructure at such locations, we have been rolling out wireless and satellite-based technologies to serve those who have yet to be connected. To make it easy for our customers to do business with us, our mobile TMpoint-on-Wheels (TMOW) units are deployed to areas not served by our network of TMpoint outlets. We are also working with the Malaysian Communications and Multimedia Commission (MCMC) to deploy and manage 1,072 *Kampung Tanpa Wayar* sites, 174 Community Broadband Centres and 740 Broadband Community Libraries and Clinics in rural areas. This will increase broadband usage and bridge the digital divide between urban and rural communities.

Start Today, Save Tomorrow for the Environment

As indicated in last year's Sustainability Report, TM has been intensifying our efforts to become a greener organisation across different parameters. In 2011, we started to measure the carbon emissions from all our operations towards building a comprehensive Carbon Management Plan. With this data, we will be able to set ourselves three-year targets to reduce our emissions across the board. The ball has already started rolling at Menara TM, where we have managed to reduce the energy consumption. At the same time, we are increasing the set air-conditioning temperature at various TM premises in order to further reduce our carbon footprint. We have also piloted the use of solar energy, which is a greener alternative to electricity,



to run telecommunications services in remote areas in the country. These initiatives fully support the Government's vision of nurturing Low Carbon Cities and achieving a 40.0% carbon dioxide emissions reduction by 2020 nation-wide.

Other on-going environmental efforts are also producing results. I'm pleased to report that in 2011 we surpassed our e-waste targets. From our successful internal environmental programme BumiKu, we have formed a nature club for employees, our very own Kelab Pencinta Alam (nicknamed Tapir Malaya), which has attracted no less than 600 members. I'm very proud of this club, not only because it is the first to be set up by a government-linked company but also because it was initiated by our employees themselves. This shows that all previous efforts to increase internal awareness of the importance of the environment have borne fruit.

And, that, after all is what sustainability is about. It is about creating change that is able to sustain itself by growing organically. I am very heartened by what we have achieved so far and I feel confident that, united as we stand in our passion for sustainability, TM will be able to make real strides in this arena over the next few years.



DATO' SRI ZAMZAMAIRANI MOHD ISA
Group Chief Executive Officer



TM is the largest integrated communications solutions provider in Malaysia, and one of Asia's leading communications companies, with a market capitalisation of RM17.7 billion and a workforce of 26,667 employees. Since signing a private public partnership with the Government to roll out high speed broadband (HSBB) in September 2008, the Company has been responsible for Malaysia having the highest HSBB subscription rate in Southeast Asia. Its implementation of the new-generation fibre network is acknowledged as being one of the fastest and most cost-efficient in the world; given the project's ambitious and comprehensive scope.

Just a year and a half since it was launched in four exchange areas in March 2010, the HSBB network has been laid in 62 residential and 16 industrial areas, having passed 1,160,000 premises. At the same time total subscription to TM's brand of HSBB, UniFi, reached 236,501 as at end 2011, representing a take-up rate of 15-20%, which far exceeds global figures. The aim is to increase subscription to 400,000 and for HSBB to pass 1.3 million premises by end 2012.

TM's foray into broadband began in 2001 with Streamyx, its offering on broadband for general population. Leveraging on Streamyx and UniFi, TM played an integral role in achieving 50.0% household broadband penetration by 2010, under the National Broadband Initiative. The Company is now further supporting the Government's vision of propelling the economy into high-income status by building a world-class ICT infrastructure, and transforming the country into a multimedia hub.

TM is also playing a major role in the development of the industry. Acknowledging Malaysians' appetite for the rich content and applications that are enabled by HSBB, TM has opened access services to its new-generation network to other service providers and is encouraging the development of a vibrant Content Service Delivery Platform in collaboration with other industry players and the Multimedia Development Corporation (MDeC). In 2011, two more leading telco players have signed up for HSBB access, bringing the total number of users to three. At the same time,

TM is forging more partnerships with leading ICT providers locally and internationally such as Google, Cisco, Akamai Technologies, NTT Communications Corporation, Microsoft and MIMOS to feed growing demand for more varied and sophisticated products and services. Its aim, ultimately, is to transform its legacy to leave a legacy as it evolves into an information exchange, enabling all communication within and traversing Malaysia.

In order to achieve this next phase in its transformation journey, TM is upgrading its network, systems and products to be able to deliver an enhanced and integrated digital lifestyle. It is migrating its legacy Public Switched Telephone Network (PSTN) network into an all Internet Protocol (IP)-based core for more efficient internal connectivity. To improve its international network capacity, TM is expanding its submarine cable systems. On 30 December 2011, the Batam-Dumai-Melaka Cable System was completed, connecting Malaysia with Indonesia; and in 2012 the Company's first private cable network, Cahaya Malaysia, will be operational. Developed with NTT Communications Corporation, this cable system will link Malaysia to Singapore, Hong Kong, Japan and the Philippines.

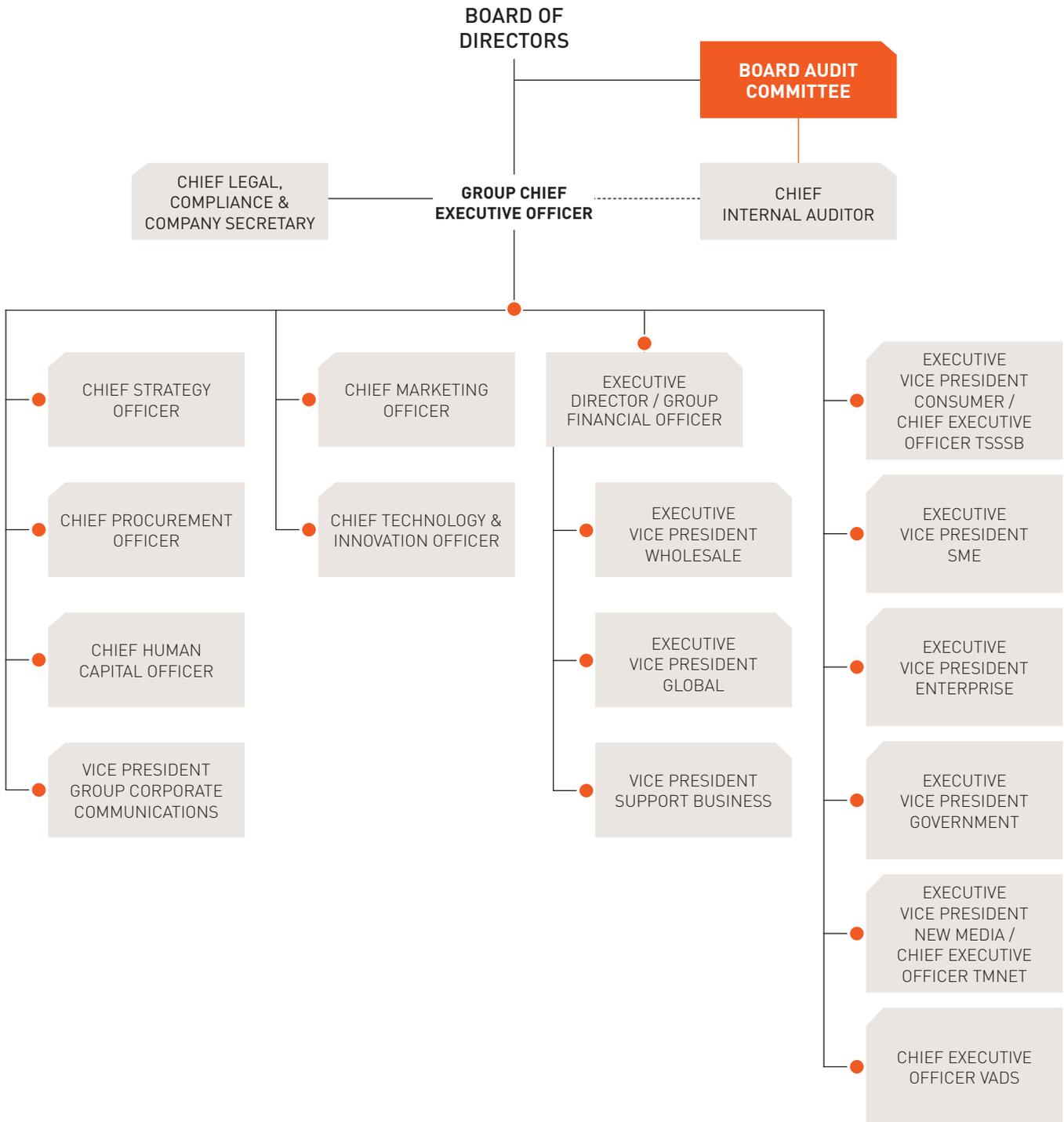
Internally, TM is streamlining its systems and processes so as to achieve greater cost efficiencies and promote a culture of sustainability. It is collapsing the 700 systems currently employed to 70. At the same time, employees are being trained with the knowledge and skills required of a next-generation telco. TM is also reinforcing a customer-centric mindset and, in 2011, 28.0% of all training centred on uplifting TM's service delivery. To further enhance the customer experience, the Company is transforming all its TMpoints nationwide to be more customer-friendly. At the same time, technological and human resource enhancements have led to improved installation and restoration times for all services, placing TM among the top quartile of telcos in the world. Various initiatives together have led to TM achieving a customer satisfaction score of more than 70, surpassing the global telco average of 67.

The entire business model of the organisation is aligned according to TM's seven principal customer segments of Consumer, Small & Medium Enterprise (SME), Enterprise, Government, Wholesale, Global and New Media. This business structure enables greater synergies to be created between the various divisions, and allows TM to target its product and service offerings more specifically to the needs of the different niches. This includes communities in rural and remote areas, who are reached via 15 mobile TMpoint-on-Wheels (TMOW).

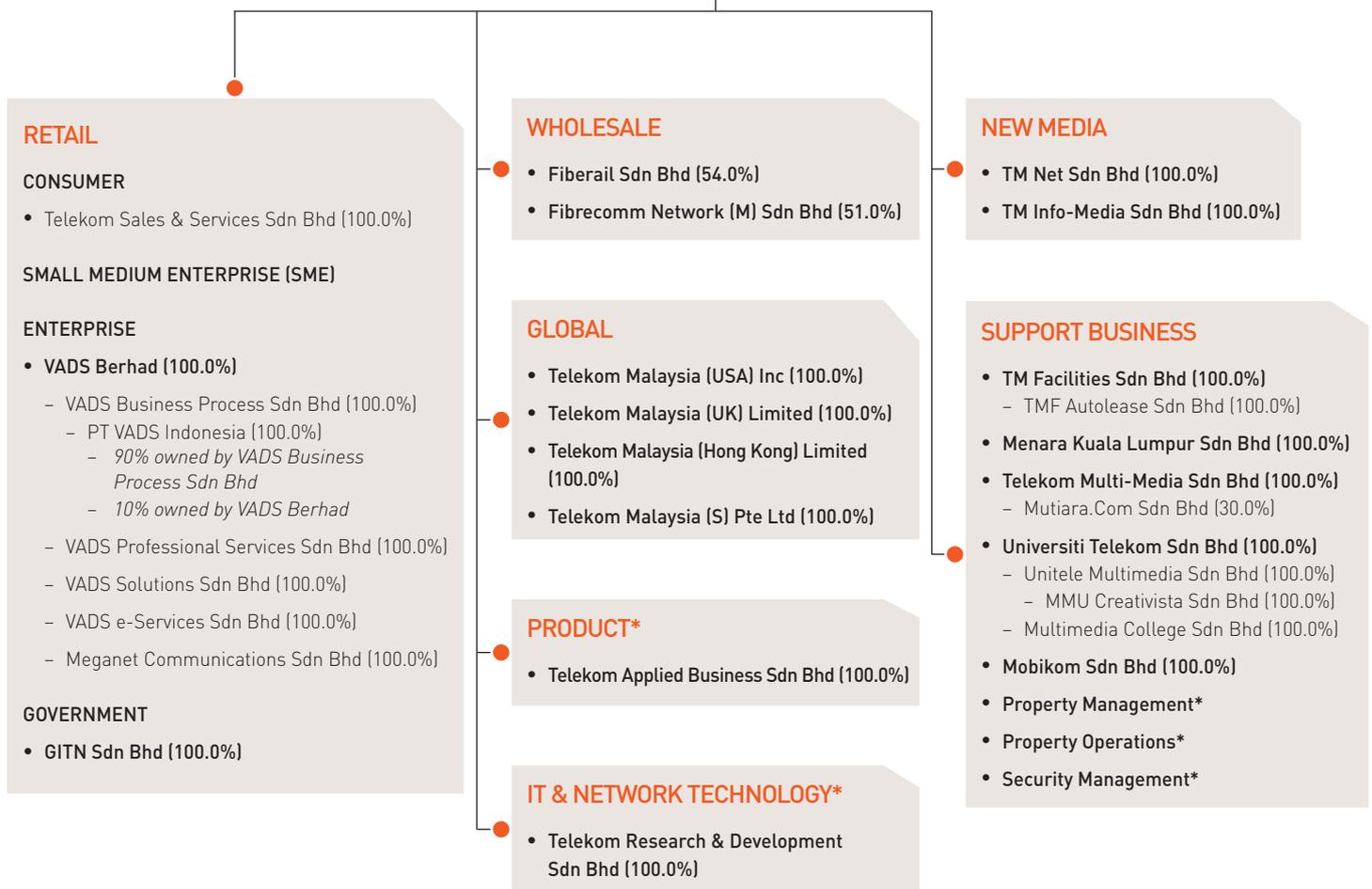
The Company's commitment to serving the people reflects a deep-rooted sense of corporate responsibility (CR) that underlines all its actions. TM's CR initiatives cover the four dimensions of the marketplace, workplace, community and the environment. As a former state-owned enterprise, TM continues to bridge the digital divide. It also places much emphasis on education, which has been the focus on its foundation, Yayasan TM (YTM), since this was established in 1994. To date, YTM has disbursed a total of RM444.8 million in scholarships that have benefited a total of 12,878 students. At the same time, the Multimedia University, set up 15 years ago as the country's first private university, has produced a total of 30,484 graduates. As a responsible corporate citizen, TM is also conscious of its duty to reduce its carbon footprint and takes into consideration the environmental impact of all its business decisions to ensure a sustainable future. In 2011, it launched a Carbon Management Plan and carried out a group-wide audit of carbon emissions to serve as a baseline for future activities to reduce this.

TM has evolved significantly since its establishment as the Telecommunications Department of Malaya in 1946. Its journey in recent years has been fuelled by a quest to become Malaysia's leading new generation communications provider, embracing customer needs through innovation and execution excellence.

Excellence in TM is an ongoing theme that cuts across the board, and is reflected in awards for almost every aspect of the Company's operations. In 2011, TM won Frost & Sullivan Malaysia Excellence Awards for its Broadband Service, Data Communications Service, Managed Service and Managed Security Service. It also won a Platinum award from Reader's Digest Trusted Brands Awards 2011 for Internet Broadband Service. Its human resources policies were acknowledged by the Company winning the 2nd Asia's Best Employer Brand Awards 2011; while it was also recognised for corporate governance, Corporate Social Responsibility (CSR) and quality of reporting by winning the Industry Excellence in Telecommunications & Media as well as Best CSR awards at the Malaysian Corporate Governance (MCG) Index & Awards; and the Platinum award for the Most Outstanding Annual Report of the Year at the National Annual Corporate Report Awards (NACRA) 2011.

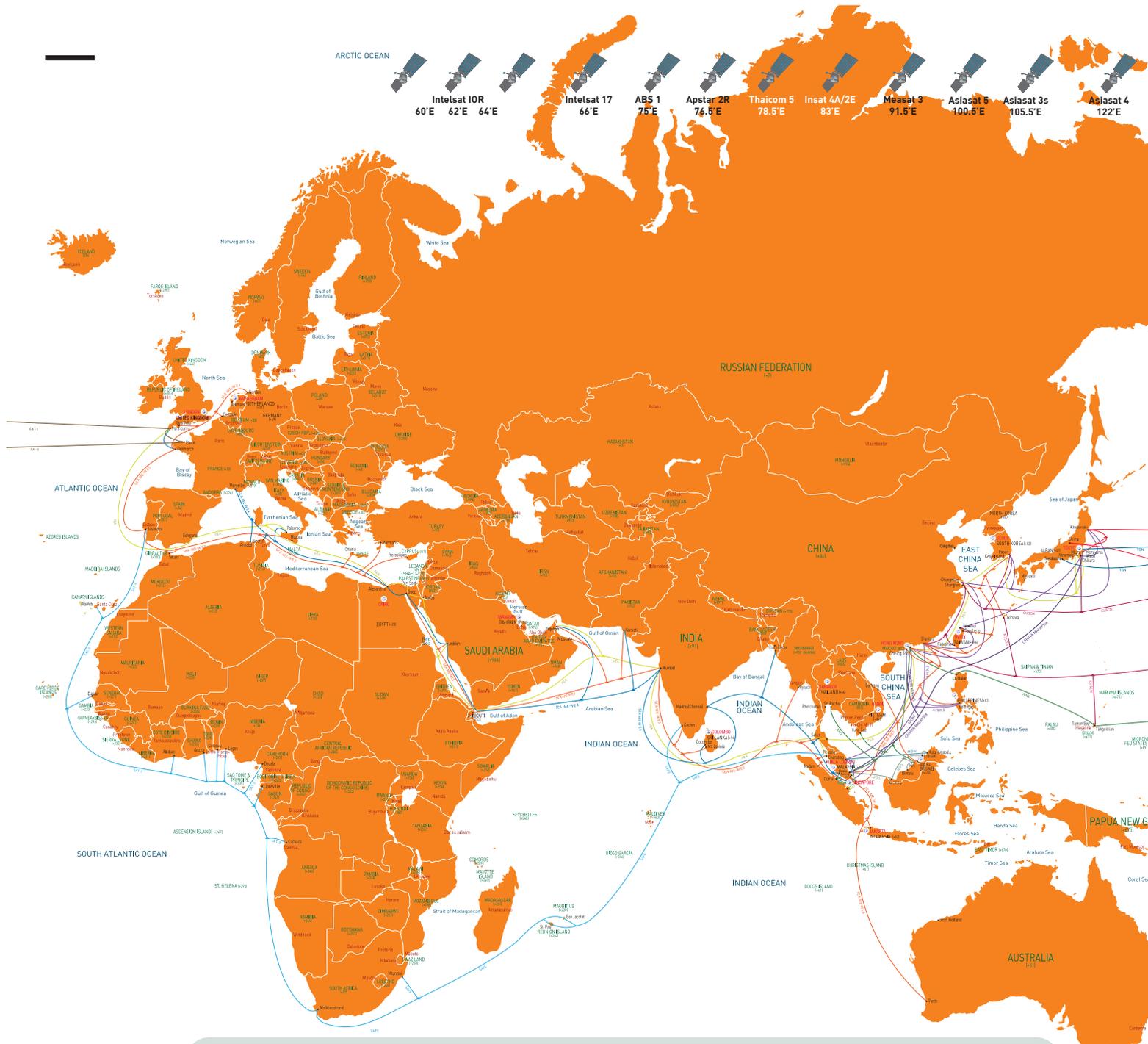


[AS AT 16 MARCH 2012]



* Business Functions

(AS AT 16 MARCH 2012)



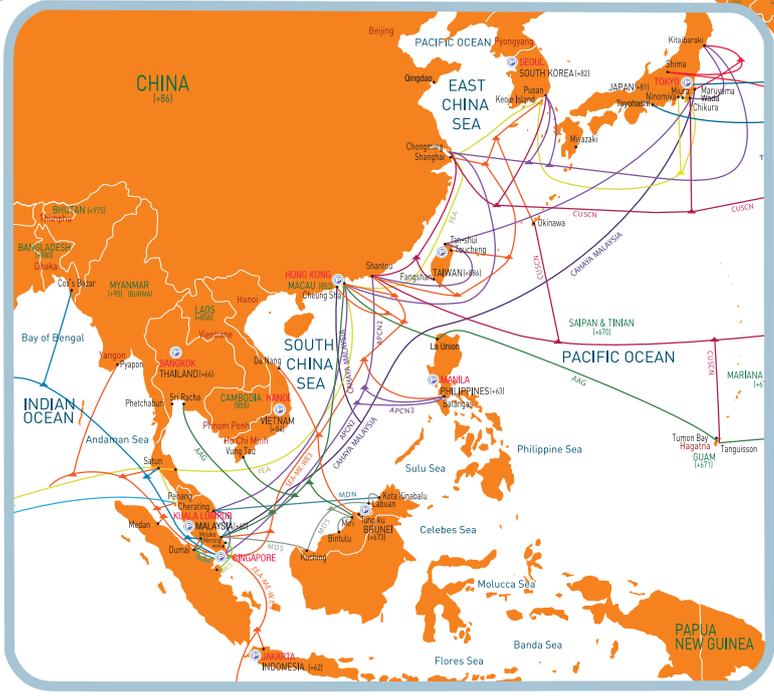
LEGEND

SUBMARINES CABLE

● LANDING POINT	■ AAG	■ CUSCN	■ FA-1	■ MDS	■ SEA-ME-WE-4	■ CAHAYA MALAYSIA: RFS Q2:2012
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11 January

The BrandLaureate Top Ten Masters Awards 2011

- SMEs' Most Preferred Brand in the Media category – won by TMIM's Yellow Pages

17-19 February

Malaysia Technology Expo 2011
TM R&D won the following Invention & Innovation Awards:

- Gold award for RFID Portracs
- Silver awards for EC0s and RFID Smart Fridge

25 February

PC.Com 11th Product Awards

- Best Fixed Broadband

23 March

The BrandLaureate Country Branding Awards 2010-2011

- won by Menara Kuala Lumpur

24 March

NEF-Awani ICT Awards

- Favourite Telecommunications Company 2010

24 March

Ministry of International Trade and Industry's Industry Excellence Award 2010

- Brand Excellence for Multimedia University

13 April

Frost & Sullivan Malaysia Excellence Awards

- Broadband Service Provider of the Year
- Data Communications Service Provider of the Year
- Managed Service Provider of the Year
- Managed Security Service Provider of the Year – VADS Berhad

7 May

Labour Day Celebrations 2011

- Outstanding Employee (Executive)
- Outstanding Employee (Non-Executive)
- Best Slogan

20 May

Arcstar Quality Award From NTT Communication

- Best Quality Improvement 2010

1 June

Reader's Digest Trusted Brands Awards 2011

- Platinum Award – Internet Broadband Service
- Gold Award – Phone Service

NACRA AWARDS 2011

- Most Outstanding Annual Report of the Year – Platinum Award
- Industry Excellence Award – Trading & Services
- Best Corporate Social Responsibility Award – Silver Award
- Best Designed Annual Report – Silver Award
- Best Annual Report in Bahasa Malaysia – Silver Award



21 June

Kuala Lumpur Mayor's Tourism Awards 2011

- Outstanding Achievement in Tourist Attraction – won by Menara Kuala Lumpur

4 July

SOCSO's Return to Work Platinum Award – won by VADS Berhad

22 July

The BrandLaureate Top Ten Masters Awards 2011

- Asia's Best Employer Brand Award 2011
- Asia's Best Brand Award 2011

14 September

Malaysia 1000's Industry Excellence Award for Computer Products – won by VADS Berhad

27 September

CIMA Enterprise Governance Awards 2011

- Second Runner-Up in the Overall Category
- Merit Award for Corporate Social Responsibility

27 September

Fly the *Jalur Gemilang* Competition by Kuala Lumpur City Hall (DBKL)

- Third place in Private Business Complex / Building (including Hotels and Banks) category – won by Menara TM

4 October

ACCA Malaysia Sustainability Reporting Awards – Reporting on Social Performance

4 October

Most Innovative SAP Business for Supplier Relationship Management

19 October

Risk Management Conference

- Third place in Risk Manager of the Year 2011 – won by Group Business Assurance

26 October

1st MEF Certified Service Provider in Malaysia

17 November

Wilayah Persekutuan Kuala Lumpur 2011 Most Beautiful Premises Competition

– Second place won by Menara TM

18 November

PIKOM 25th Anniversary Gala Dinner & ICT Leadership Awards 2011

- ICT Organisation Excellence Award
- ICT Personality of the Year – Dato' Sri Zamzamairani Mohd Isa, Group CEO

23 November

IMM Malaysian Women Marketeer Award 2011 – won by Rozalila Abd Rahman, Chief Marketing Officer

1 December

Best Wholesale Ethernet Service APAC 2011

7 December

Malaysian Corporate Governance (MCG) Index Awards

- Industry Excellence in Telecommunications & Media
- Best CSR
- Distinction (A+)



TM is leading Malaysia into a new telecommunications era which contributes to further economic development of the country in a more equitable manner and which also helps to conserve the environment. As we migrate our legacy network to a new-generation network and as we roll out our High Speed Broadband (HSBB), we strengthen the nation's telecommunications backbone to ensure the success of the Government's Economic Transformation Programme (ETP).

Both HSBB and our Broadband for the General Population (BBGP) enhance efficiency and productivity in all 12 National Key Economic Areas (NKEAs) identified under the ETP. HSBB, especially, will support innovation and creativity in line with the Government's focus on innovation-led growth.

At the same time as we are enabling progress with cutting-edge technology we are also maximising the value of our products and services by providing access to everyone, which is also in support to the Government Transformation Programme (GTP), specifically in improving rural basic infrastructure that was lined out as one of the seven National Key Results Areas (NKRAs) under the said programme. TM's objective is to connect all Malaysians, irrespective of language, culture, income, ability, level of education or age, in line with the National Telecommunication Policy of Malaysia (1994-2020) and the Government's Universal Service Provision (USP) initiative. We increase the accessibility and affordability of our services with value-add bundled packages as well as by engaging with stakeholders in community-business partnerships. Rural communities can now access broadband at the Community Broadband Centres, libraries and via facilities provided in the Digital Districts and *Kampung Tanpa Wayar*. Meanwhile, we also support low-income students and families via the 1Malaysia Netbook Programme and other programmes.

As a result of relentless efforts to take our services to every corner of the country, the national fixed line and wireless broadband penetration rate has reached 81.0%, as reported in Dewan Negara in December 2011.

Towards creating a more equitable society, TM promotes better education for children in rural and semi-urban areas, provides scholarships to deserving students and engages in Program Sejahtera under which we have adopted three single mothers and trained them to start their own business. We also provide educational support for their children.

In order to sustain our growth, and that of the nation, TM realises we have to be driven by a workforce who are passionate about the Company and our vision. 'Teaming With Passion' (TWP) was thus introduced in 2010, and heavily promoted in 2011 to nurture a spirit of solidarity, a sense of belonging and feeling that 'together we make a difference'.

Environmentally, the trend towards convergent technologies has reduced the need for hardware, thereby saving resources and minimising waste. Indeed, to protect future generations, TM has intensified our efforts to minimise our environmental impact. In 2011, we carried out an extensive exercise to monitor all our systems and ascertain our overall carbon footprint. This now serves as a benchmark for reduction measures under our Carbon Management Plan. We are committed to contribute to the 40.0% reduction in carbon emission by 2020 as envisioned by Prime Minister Dato' Sri Mohammad Najib bin Tun Haji Abdul Razak.

Corporate Responsibility (CR) within the TM Group is guided by a comprehensive CR Strategy which reflects the Group’s vision to be Malaysia’s leading new generation communications provider, embracing customer needs through innovation and seamless execution. In day-to-day operations, this covers promoting service excellence to enrich customers’ lifestyles; providing a conducive environment to motivate and empower employees; upholding the highest principles of Corporate Governance to increase shareholder value; responding to societal needs including marginalised communities; and continuing to develop the nation by providing a new generation of innovative services and solutions.



TM’S CR STRATEGY

TM’s approach to CR is based on principles articulated in our vision – ‘embracing stakeholder needs through market innovations, operational excellence and responsible business practices’ – which are also embedded in our mission statements.

To Customers	Striving towards service excellence and operational efficiency to continually enrich their lifestyle and experiences
To Employees	Providing a work environment that harnesses their best talents and empowers them to deliver beyond expectations
To Shareholders	Delivering high value by following the best practices of sustainable and responsible business in the spirit of good governance
To Society	Engaging with all stakeholders to gain better understanding and help fulfil expectations for a better tomorrow
To the Nation	Continuing to innovate, provide a new generation of services, information and communications solutions in full support of Malaysia’s continuing growth and development

Mapping TM's CR practices against Bursa Securities CR Framework for PLCs and Triple Bottom Line Reporting

Triple bottom line	CR Dimension	Key Initiatives			
Economic	Workplace	<ul style="list-style-type: none"> • Teaming with Passion (TWP) • Full-time employee package including disability and health benefits • Transparent performance measurement system including 360 degree feedback • Employee satisfaction monitoring • Occupational Safety, Health and Environment (OSHE) Policy implementation • Employee Assistance Programme (EAP) • Work-life balance (flexi-hour and teleworking) • Comprehensive talent development programmes • Women Empowerment 			
		Marketplace	<ul style="list-style-type: none"> • Customer Satisfaction Survey and online feedback • Focus Group and Customer Advisory Panels • Customer Service Management • Upgrading of TMpoints • Vendor training and standard procurement process • Education and training for TM ambassadors • Policy and guidelines to govern business conduct such as Corporate Integrity and Procurement Ethics • Enterprise Risk Management • Engagement with shareholders through IR programmes and Annual Report • Best Corporate Governance practices 		
			Social	Community	<p>TM in Education:</p> <ul style="list-style-type: none"> • Yayasan TM Scholarships • School Adoption Programmes: Promoting Intelligence, Nurturing Talent and Advocating Responsibility (PINTAR), Projek Sekolah Angkat Bersama KPKK* & TM • Multimedia University (MMU) • Multimedia College (MMC) • TM-MMU Graduate Employability Outreach Programme (GEOP) <p>TM in the Community and Nation Building:</p> <ul style="list-style-type: none"> • Program Sejahtera for Single Mothers • Contributions to disaster relief, the underprivileged, etc • Other community development activities: Kampung Tanpa Wayar, Universal Service Provision (USP), Community Broadband Centres

Triple bottom line	CR Dimension	Key Initiatives
Environment	Environment	<ul style="list-style-type: none"> • TM Environmental Management System (EMS) • Carbon Management Plan • Water management • Energy saving and conservation • Compliance to OSHE Policy • Environmental conservation and minimising impact: water, energy, waste, emissions, noise and other areas • Green landscaping at TM offices • BumiKu Campaign • Kelab Pencinta Alam (KPA) TM • Partnership with Malaysian Nature Society (MNS) for TM Earth Camp

* KPKK – Ministry of Information, Communications & Culture

Our Focus

TM prides itself on being an employer of choice, focused on creating a fair and meritocratic culture with ample opportunities for the professional development of employees. The Company fosters a workplace that delivers outstanding customer service and shareholder value. TM upholds the spirit of teamwork, commitment, harmony and integrity in working towards a shared vision. By uniting with passion, TM continues to open up possibilities.

Our Strategy

TM believes in Teaming With Passion (TWP) to create synergies that enhance performance at work and in life. The TWP programme also helps to align all initiatives across the Company, while facilitating the development of good leadership practices to achieve the 1TM business aspiration. TM continues to connect, communicate and collaborate with our internal and external stakeholders to achieve sustainable success.

Sustainability requires good corporate governance, transparency and a sense of responsibility to all stakeholders. The Company is guided by the Malaysian Code on Corporate Governance, the Putrajaya Committee on GLC High Performance's Silver Book on *Achieving Value Through Social Responsibility*, as well as our Corporate Integrity and Corporate Responsibility Strategy. TM's CR Strategy supports our transformation into a next-generation telco with a strong focus on sustainability. This includes sustaining customer retention through product innovation and service excellence; sustaining a high level of productivity and motivation among employees via a conducive work environment; sustaining shareholder confidence through uncompromising corporate governance; and sustaining TM's reputation in the marketplace by responding to the needs of society.

Responsive TM

TM engages with our stakeholders through various formal and informal channels. We value two-way communication as we seek to understand stakeholders' expectations and manage them more effectively to achieve sustainable long-term relationships.



Stakeholder Groups	Engagement Methods	TM's Approach
Customers <ul style="list-style-type: none"> • Current • Potential 	<ul style="list-style-type: none"> • Customer feedback management • Customer support centre at 100 • www.everyoneconnects.net • Ongoing market research • Events, dialogue sessions, roadshows and engagement sessions 	<p>TM enhances each stage of our operations including R&D, promotions and marketing, point-of-sale and after sales to deliver high quality service.</p>
Government & Authorities	<ul style="list-style-type: none"> • Formal meetings • Performance reports • Compliance • Support for Government initiatives including Skim Latihan 1 Malaysia, Universal Service Provisioning and Carbon Management Plan 	<p>TM communicates regularly with authorities and regulatory bodies to achieve high levels of compliance across all business functions. TM is also committed to supporting the Government's projects particularly nation-building.</p>
Shareholders & Investors	<ul style="list-style-type: none"> • IR events including road shows, results briefing and investor conferences • Annual Reports • Annual General Meetings • Extraordinary General Meetings • Shareholder updates • Quarterly reports on financial and operational performance 	<p>TM recognises the importance of providing up-to-date information on the Company's achievements to assure shareholders of their good investment.</p>
Business Partners	<ul style="list-style-type: none"> • Progress reports • Annual and Sustainability Reports • Corporate presentations • Signing ceremonies 	<p>TM values its relationship with its business partners. Feedback and comments are useful for continuous improvement.</p>
Community	<ul style="list-style-type: none"> • Website and services catalogues • Annual and Sustainability Reports • Visits, seminars and joint activities • Community engagement through education, nation building and other social causes 	<p>TM recognises our responsibility to develop the nation, particularly local communities, rural and underserved areas.</p>
Employees	<ul style="list-style-type: none"> • Employee satisfaction surveys • Dialogues and engagement • Internet newsletter, intranet and departmental meetings • Employee engagement programmes • TM Clubs: Kelab TM, BAKIT and TIARANITA • TM talent development programmes • Corporate Integrity 	<p>We recognise our employees are our greatest asset and ensure smooth business operations. The spirit of teamwork as 1TM and passion at work are developed to achieve a common goal.</p>

Stakeholder Groups	Engagement Methods	TM's Approach
Suppliers	<ul style="list-style-type: none"> • Suppliers' transparency surveys • Suppliers' training and engagement programmes • Supplier relationship management • Corporate Integrity 	Two-way communication is vital for the success of business dealings. TM's suppliers and vendors receive good career security through the provision of training, protection and relationship management.
Trade Union & Professional Bodies	<ul style="list-style-type: none"> • Dialogues and engagement • Joint activities • Regular consultation on changes in TM operations 	TM respects the rights of our employees in line with Malaysia's Employment Act 1955 and Industrial Act 1967.
Analysts	<ul style="list-style-type: none"> • Analyst briefings • Regular site visits • Financial and operational performance seminars • Quarterly performance reports • Question and answer sessions 	TM acknowledges analysts' interest in the Company's progress for better risk management study and assessing our performance.
Public at large	<ul style="list-style-type: none"> • Website • TM contact centre • Annual and Sustainability Reports • Campaigns and road shows 	TM recognises the general public as a stakeholder group, directly or indirectly, with our wide coverage.
Non-Governmental Organisations (NGOs), Consumer Groups & Active Organisations	<ul style="list-style-type: none"> • Dialogue and engagement • Collaboration with NGOs including Malaysian Nature Society • Sponsorships 	TM partners with local NGOs and organisations as they are experts in particular projects and areas.
Media	<ul style="list-style-type: none"> • Press releases • Question and answer sessions • Media coverage • Press conferences • Media luncheons 	A healthy media relationship is important because of their influence in shaping public awareness and opinion.
Social Media	<ul style="list-style-type: none"> • Engagement sessions with bloggers, twitteratis and tech fraternity, as well as netizens in general • Corporate Twitter accounts • Other online channels 	TM regularly engages with social media fraternity (mainly representing customers, community and employees) to seek mutual understanding through stakeholder feedback.

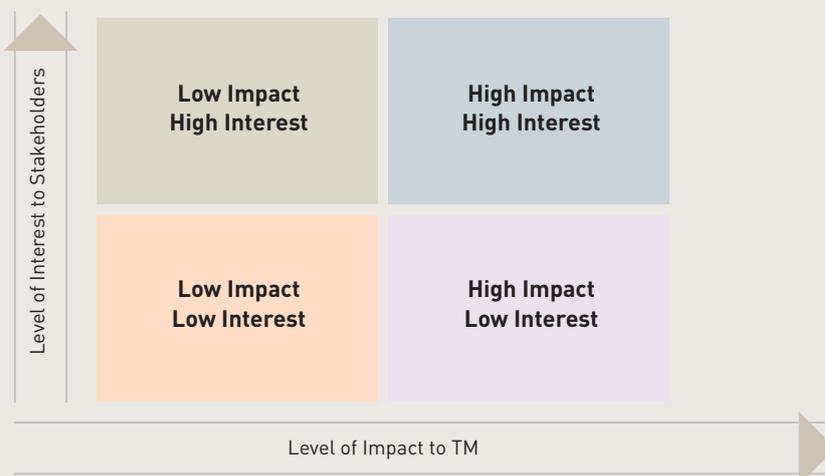
Addressing Material Issues

The Global Reporting Initiative Sustainability Reporting Guidelines (GRI-G3.1) defines material topics as those that have direct or indirect impact on an organisation’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders or society at large. Some of the impacts resulting from business operations are visible to stakeholders but some may be slow and cumulative. Materiality for TM sustainability reporting is not limited to areas that have an immediate financial impact on the Company. Determining materiality for a sustainability report also includes considering economic, environmental and social impacts which may have a significant financial impact in the near-term or long-term.

The GRI-G3.1 Guidelines on Sustainability Reporting have been used in formulating this sustainability framework. Sustainability efforts have also been structured by conducting materiality analysis which balances stakeholders’ concerns and impact with TM as a whole. The issues below have been identified, reviewed and approved by Senior Management as part of the Company’s ongoing commitment to sustainability. The four steps of this study are:

1. Identifying key issues according to stakeholders’ level of concern
2. Assessing the potential impact of each issue to TM
3. Balancing stakeholders’ level of concern and impact to TM
4. Focusing on material areas and mapping them accordingly to determine the level of disclosure in this Report. These levels are:

High Impact - High Interest	Issues for significant disclosure
High Impact - Low Interest	Issues for disclosure
Low Impact - High Interest	Issues for disclosure
Low Impact - Low Interest	Issues not disclosed



Materiality Level	Issues	Section	Raised by Stakeholder Groups	TM's Approach
High Impact - High Interest	Consumers demanding quality services	Marketplace	Customers, NGOs, consumer groups & active organisations	<ul style="list-style-type: none"> • Introduction of TM Consumer Line of Business • Refresher training provided if major complaints are received • Pilot TM customer rating system • Continued upgrade of quality-driven services including coverage, speed and compatibility
	Compliance	Workplace, Marketplace, Community, Environment, Corporate Governance	Government & authorities, analysts, business partners, general public	Each division conducts regular meetings to discuss issues raised and responds promptly to any non-conformance
	Corporate citizenship	Community	Government, community, general public	TM develops the nation through Governmental and company-owned initiatives.
	Products & services innovation	Marketplace	Suppliers, customers, business partners, consumer groups	TM R&D's stringent research processes in developing new products and services to be leading in telecommunication services.
	Active communication & engagement	Workplace, Marketplace, Community, Environment, Corporate Governance	Government & authorities, analysts, shareholders, employees, community	<ul style="list-style-type: none"> • Various engagement channels for each stakeholder • KPIs set based on the speed and accuracy of response to queries • Issues received are monitored and results discussed at departmental meetings
High Impact - Low Interest	Workplace Safety and elimination of accidents	Workplace	Employees, trade unions & professional bodies, Government & authorities	Strong OSHE guidelines with stringent procedures for high-risk areas
	Environment conservation and biodiversity	Environment	NGOs, consumer groups & active organisations	BumiKu, TM Earth Camp, Kelab Pencinta Alam TM and various internal activities
	Corporate Governance	Corporate Governance	Government & authorities, shareholders & investors	Systematic monitoring and upgrading of internal and external governance processes
	Carbon Footprint	Environment	Government & authorities, NGOs, Consumer Groups & active organisations	Streamlining of existing processes into a Carbon Management Plan
	Unity and teamwork in the workplace	Workplace	Employees	Exciting activities under 'Teaming With Passion' (TWP) to arouse the spirit of teamwork and passion among employees
Low Impact - High Interest	Human Rights	Workplace	Employees, trade unions & professional bodies	TM upholds policy on equal opportunity, non-discrimination & freedom to join unions

Materiality Level	Issues	Section	Raised by Stakeholder Groups	TM's Approach
	Women Empowerment	Workplace	Employees, community, trade unions & professional bodies	TIARANITA empowers women through activities including Women's Day, seminars, counselling and focus groups
	Promotion & Packages	Workplace	Customers, suppliers, business partners	<ul style="list-style-type: none"> Aggressive marketing and promotion campaigns Various packages introduced to accommodate customers' affordability and preference
	Social benefits	Community	Community, employees, general public	TM measures the value created by our Corporate Responsibility activities (e.g. with Social Return on Investment) to provide transparency & credibility to our contribution
Low Impact - Low Interest	Emissions from transportation	Environment	Community, general public, NGOs	These indicators are not relevant to TM's nature of business, have low impact and low interest and are not reported
	Environmental return on investment			

Opportunities and Challenges

Every risk provides an opportunity. TM's sustainability review focuses on emerging issues and their strategic implications for the Company. We continue to identify possible opportunities resulting from our core strengths and the challenges exposed.

Sustainability Areas	Opportunities	Challenges
Environment	The Carbon Management Plan is in response to the Government's aim to achieve 40.0% carbon reduction by 2020	Carbon offsetting programmes for TM nationwide
Community	Community development and reaching out	Equal distribution of infrastructure to bridge the digital divide and upgrade underserved communities
Workplace	Teaming With Passion (TWP)	Introducing more TWP activities to raise standards to the national level
Marketplace	Rigorous local and international marketing	Upholding the spirit of Team Malaysia by delivering a high quality experience to customers through TMpoints, telesales and Supplier Relationship Management



It is clear that corporate governance is the heart of the system by which companies are directed and controlled; hence the Board of Directors of Telekom Malaysia Berhad (TM) is firmly committed to maintaining the highest level of governance by ensuring that the Company's corporate governance framework and governance best practices remain robust, relevant and continuously strengthened in its pursuit to realise its vision of becoming Malaysia's leading new generation communications provider. Corporate governance is not only about commitment to values, ethical conduct and the implementation of best practices, but also understanding and managing stakeholders' expectations. Recognising that governance is not just a matter for the Board, the Board ensures that TM's internal processes, guidelines and systems are reviewed and/or aligned with sound corporate governance practices. TM also implements relevant programmes to educate and enhance governance awareness of the employees at all levels. The objective of these actions is to increase efficiency, transparency and accountability with the ultimate goal of entrenching corporate governance within the organisation.

Corporate Governance

3

awards won at Malaysian Corporate Governance (MCG) Index Awards

'Rakan Integriti'

Memorandum of Understanding (MoU) signed in May 2011

6

Board Committees to assist the Board in discharging its duties

Furthermore, TM takes cognisance that expectations in regard to corporate governance have heightened in light of the changing global financial and regulatory landscapes. The recent launch of the Corporate Governance Blueprint (CG Blueprint) by the Securities Commission on 8 July 2011, for example sets out the policies and strategic directions as well as detailed recommendations for strengthening corporate governance in the Malaysian capital market over the next five years. The Board supports the 35 recommendations of the CG Blueprint which aimed at complementing regulation by reinforcing self-discipline and market-discipline to promote greater internalisation of the culture of good corporate governance. The Board will regularly review the said recommendations, taking into account the impact on the Board and the Company and the appropriate timing of such implementation.

TM abides by the principles and best practices of corporate governance as prescribed by the following:

- Malaysian Code on Corporate Governance (Revised 2007) (CG Code);
- Guidelines to Enhance Board Effectiveness as codified in the 'Green Book' initiated by the Putrajaya Committee on GLC High Performance (PCG);
- Bursa Malaysia Securities Berhad's (Bursa Securities) Main Market Listing Requirements (Main LR);
- Bursa Securities' Corporate Governance Guide: Towards Boardroom Excellence (CG Guide);
- Bursa Securities' Corporate Disclosure Guide; and
- International best practices and standards on corporate governance.

Board of Directors

TM Group continues to be led and controlled by an active and experienced Board consisting of local and foreign directors with a wide range of business, financial, technical, regulatory and public service backgrounds, and experience in the telecommunications industry abroad.

The CG Blueprint provides for a balanced and diverse Board, which can be achieved if there is sufficient focus on the recruitment and retention of the best people, including women. The CG Blueprint expresses a goal for women participation on Boards to reach 30.0% by 2016. Currently, TM has one woman Director. The Board recognises that diversity is a critical attribute of a well functioning board and an essential measure of good governance. However, it should not be restricted to gender only as the skill-sets, experience and knowledge of the candidate should always be the primary factors in considering the appointment of a new board member.

The Board consists of 12 members, comprising a Non-Independent Non-Executive Chairman, two Executive Directors designated as the Managing Director/Group Chief Executive Officer (MD/Group CEO) and the Executive Director/Group Chief Financial Officer (ED/Group CFO), two Non-Independent Non-Executive Directors and one Alternate and seven Independent Non-Executive Directors including one foreign Director. The Board has reached its maximum size as provided under its Articles of Association. The current Board composition complies with paragraph 15.02 of the Main LR as more than half of the members are Independent Directors and they also fulfil the criteria of independence as defined under paragraph 1.01 of the Main LR. The high proportion of Independent Non-Executive Directors also provides for effective check and balance in the functioning of the Board. The Board's mix of skills and experience adds value to governing the strategic direction and performance of TM as it forges ahead to become a leading new-generation communications provider.

In addition to eight scheduled meetings during the year to deliberate and decide on core issues and quarterly financial results based on the predetermined agendas, two special meetings were held where immediate or strategic decisions needed to be made. A Board retreat was also held in the fourth quarter to deliberate specifically on core strategic and business priorities as well as business plan targets of the Group. Besides the Board Meetings, urgent decisions were approved via seven Directors' Circular Resolutions during the year.

DUTIES AND RESPONSIBILITIES OF THE BOARD

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group's customers, investors and all other stakeholders. The Board assumes the following six core responsibilities:

- Review and adopt a strategic plan for the Group
- Oversee and evaluate the conduct of the Company's business
- Identify and manage principal risks
- Succession planning
- Develop and implement an investor relations programme
- Review the adequacy and integrity of the Company's internal controls

Apart from these core responsibilities, the Board also takes full independent responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. To facilitate the effective discharge of these responsibilities, dedicated Board Committees have been established with clear terms of reference, comprising Directors who have committed their time and effort as members. The Board Committees are chaired by Non-Executive Directors whose leadership comes with the benefit of in-depth knowledge of the relevant industry.

BOARD EFFECTIVENESS EVALUATION

The Board Effectiveness Evaluation (BEE) was first adopted in 2004 and reviewed in 2006, 2008, 2009 and 2010 with the services of an external consultant. After seven years, in 2011, the Board decided that the BEE is to be conducted in-house by the Company Secretary. The Board is of the view that the Company Secretary has the calibre and integrity to conduct the BEE transparently and objectively.

The BEE comprises of a Board Evaluation, a Committee Evaluation and a Board of Directors' Self/Peer Assessment, and is designed to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed in order to maintain cohesion of the Board despite its diversity. Performance indicators on which the Board's effectiveness is evaluated include the Board's composition, administration and process, conduct, accountability, interaction and communication with Management and stakeholders, responsibility and its evaluation on Board Chairman and Group CEO. Performance indicators for individual Directors include their interactive contributions, understanding of their roles and quality of input.

The BEE involves the completion of questionnaires on the effectiveness of the Board of Directors as a whole, as well as that of the Board Committees. The Committees' structure

and processes; and accountability and responsibilities are evaluated in assessing the effectiveness of the respective Committees. Questionnaires are also completed by the Directors on Self and Peer Assessments. These questionnaires were reviewed in 2011 to ensure close scrutiny of the contribution, personality and quality aspects of individual Directors. The results of the BEE 2011 evaluation were generated based on the Directors' feedback on the questionnaires. Subsequently, interview sessions were held with the Chairman of the Board as well as Chairman of the NRC to obtain a more in-depth analysis of the results, whilst discussing the detailed BEE results with them, at the same time. Every Board member was provided with the results of the self-evaluation marked against peer evaluation to allow for comparison.

The 2011 BEE results showed that the Board had performed well with most of the areas being rated as 'Good' or 'Outstanding'. The overall average ratings for the majority of the areas evaluated had either improved or remained the same as compared to the 2010 results, indicating Directors' satisfaction with the overall performance. The 2011 results on Board Committee evaluation are fairly consistent with the 2010 ratings. Four Board Committees were rated 'Good to Outstanding', an indication that Committee members believe they have performed effectively as a group. Whilst the Board Risk Committee (BRC) members agreed that being a new committee, formed in 2010, there is room for improvement in the work of the BRC. Directors' Peer evaluation results continue to be high in 2011, indicating healthy Board dynamics and a collectively strong Board.

A summarised report was presented to the Board in February 2012 with a trend analysis of previous years' evaluation results to enable the Board to identify areas for improvement in line with the Board Performance Improvement Programme (BPIP).

BOARD PERFORMANCE IMPROVEMENT PROGRAMME (BPIP), TRAINING AND KNOWLEDGE ACQUISITION

This programme was implemented since 2006, with a view to improving the Board's functions and structure and ensuring the Board's priorities are aligned with the Group CEO's mandate. Various initiatives were introduced as deliverables under the BPIP to enhance the Board's effectiveness. These deliverables are monitored and reported to the Board annually.

All Directors have successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities, save for a new TM appointed director whose MAP is only due in April 2012. They are required to complete the MAP within four months of their appointment. Induction briefings, which include information on the corporate profile and activities of the Group, as well as business targets and group performance, were organised for the two newly appointed Directors in 2011.

TM Board Committees Structure



BOARD STRUCTURE

The roles of the Non-Independent Non-Executive Chairman Datuk Dr Halim Shafie, and Group CEO Dato' Sri Zamzamairani Mohd Isa, are separated with clear division of responsibilities, in line with best practices and to ensure appropriate supervision of the Management. Such separation accords a balance of power and authority in the Board. Moreover, Datuk Dr Halim Shafie is not previously a CEO or a Management member of the Company. The Chairman is responsible for the effectiveness of the relationship between the Non-Executive and Executive Directors. The Group CEO is responsible for the implementation of broad policies approved by the Board and is obliged to report and discuss at Board Meetings all material matters currently or potentially affecting the Group and its performance, including strategic projects and regulatory developments.



The Non-Executive Directors provide considerable depth of knowledge collectively gained from experience in a variety of public and private companies. They have the necessary quality and competence to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long-term interest of TM's shareholders and other stakeholders. They bring with them a wealth of experience which assists the Board in its decisions and policy formulations.

The Independent Non-Executive Directors, by virtue of their roles and responsibilities, in effect represent minority shareholders' interests. They are independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. They play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner. The robust engagement between the Management and the Independent Non-Executive Directors ensures that the strategies proposed by the Management are fully deliberated and examined, in the interest of shareholders, employees, customers and the many communities in which the Group conducts its business. The independence of the Non-Executive Directors is constantly reviewed and benchmarked against best practices and regulatory provisions.

To assist the Board in discharging its duties, the Board has established several Board Committees. The delegation of certain responsibilities of the Board to its Committees is made in accordance with Article 118 of the Company's Articles of Association. This is necessary as there is now greater reliance on the Board Committees in response to the complex challenges of the business. All Board Committees have written terms of reference, operating procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure they are relevant and up-to-date.

CORPORATE INTEGRITY

TM's Corporate Integrity sets forth the standards that guide every action in the Group. It applies to the Board of Directors, management and employees and all representatives of the Company, in line with TM's initiative to instil, internalise and uphold the value of 'Uncompromising Integrity' relating to the behaviour and conduct of all stakeholders of the Company.

Corporate Integrity describes and reinforces TM's guiding core values and is consistent with Company policies and practices. It is essential for TM's legal and regulatory compliance obligations. TM's ongoing commitment to these values is necessary to ensure that the Company upholds the highest ethical standards as we strive to become Malaysia's leading new generation communications provider.

All Directors, management members and employees are required to comply with the Corporate Integrity values. In 2011, we launched an Integrity Pact as an agreement between TM and its vendors to abstain both parties from any corrupt practices in ensuring transparency and accountability particularly in the procurement process. We also submitted our Corporate Integrity Pledge to Integrity Institute of Malaysia (IIM) and Government's Performance Management & Delivery Unit (PEMANDU) in support of the National agenda in combating corruption in line with the

objective of National Integrity Plan and the National Key Result Areas (NKRAs) of 'Fighting Corruption' under the Government's Transformation Programme. In addition, TM also became '*Rakan Integriti*' of IIM with the signing of Memorandum of Understanding (MoU) in May 2011.

WHISTLEBLOWER POLICY

The Board is committed to maintaining the highest possible standards of ethical and legal conduct within the Group. One of the initiatives undertaken is to establish an effective framework on whistleblowing under TM's Code of Business Ethics (CBE). This mechanism allows TM Group employees to report concerns about alleged unethical behaviour, actual or suspected fraud within the Group.

The importance placed on whistleblowing goes in tandem with the development in the law, namely the Whistleblower Protection Act 2010, as well as the requirements stipulated in the Capital Markets and Services Act 2007 (CMSA 2007), the CG Guide and the CA 1965.

Following establishment of the whistleblowing framework, an internal whistleblowing programme was introduced which provides the employees with a way to channel their concerns in respect of illegal, unethical or improper business conduct affecting the Company and about business improvement opportunities. The Board has also appointed an independent committee which specialises in providing a safe and confidential channel to the employee when they report.

An employee who has concerns about any illegal or unethical conduct in the workplace, but feels uncomfortable or reluctant to discuss the matter through the normal channels, has the option of using TM's Ethics Line telephone or fax number or the Ethics Website, through which his or her identity will only be known to a few specified persons.

Notwithstanding the above, strong assurance is given by the Board and the Management that employees will not be at risk of any form of victimisation, retribution or retaliation from their superiors or any members of the Management provided they act bona fide in their reporting.

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS (RPT)

The Directors are aware that the accountability to determine whether they have a potential or actual conflict of interest in relation to any matter which comes before the Board, rests on them at all times. The Company and the Group have established a process which requires all Directors to make written declarations on whether they have any interest in transactions tabled at regular Board meetings. A paper is tabled at each Board meeting to remind Directors of their statutory duties and responsibilities and to provide updates on any changes thereon.

The Directors further acknowledged that by declaring their interest in any transactions with the Company and Group, they are also required to abstain from deliberation and voting on the relevant resolutions at the Board or any general meetings convened to consider the matter. In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in TM, on the resolutions relating to the corporate proposal, and will further undertake to ensure that persons connected to them would similarly abstain from voting on the resolutions.

COMPLIANCE WITH BEST PRACTICES IN CORPORATE GOVERNANCE

Pursuant to paragraph 15.25 of the Bursa Securities' Main LR, the Board is pleased to report that the Company has fully complied with the principles and best practices of the revised CG Code. Best practices adopted by TM Group over and above the recommendations prescribed in the CG Code are those recommended by PCG and international best practices which the Board has deemed to be suitable for the Group. TM will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

Tax Incentives and Finance

In the 2008 Budget, the Government approved a 100.0% investment allowance on capital expenditure incurred by last mile network facilities providers for broadband infrastructure. This incentive is applicable on investments made and equipment purchased for five years effective from 8 September 2007. The incentive may be offset against 70.0% of the total statutory income for each year of assessment. The incentive requires Malaysian Communications & Multimedia Commission's (MCMC) certification and the Ministry of Finance's (MOF) approval.



Engagement with our Shareholders

The revised Malaysian Code on Corporate Governance states that the fifth responsibility of a board is 'developing and implementing an investor communications policy for the company'. Towards this end, we are strengthening our Investor Relations (IR) function and ensuring that the right company information is released in a fair and trustworthy manner to appropriate target audiences which include shareholders, investors (retail and institutional, domestic and foreign) as well as financial analysts.

TM keeps shareholders informed of our long-term strategies, and discloses short and medium-term events that affect the risk and reward profile of the Company. This involves two-way communication between the Company and our target audience via our IR portal on the corporate website, email contact, non-deal road shows, analyst briefings as well as regular one-on-one and group meetings with analysts and investors, Annual General Meetings, corporate presentations and conferences.

Key stakeholders for IR include shareholders, Government agencies, analysts, rating agencies, internal stakeholders and regulators.

Areas of Interest by our Stakeholders	Areas of focus for the IR team
<ul style="list-style-type: none"> • Financial - cost management initiatives • Performance of UniFi and lines of business • Strategy on niche segments and products, value differentiation • Competition and impact on TM • Newsflow 	<ul style="list-style-type: none"> • Continued focus on shareholder value creation <ul style="list-style-type: none"> • Optimising capital productivity • Dividend policy commitment • Opportunities from growing data and internet demand • UniFi/HSBB performance to date • Value differentiation • Market leadership • Headline KPIs



Workplace

TM realises that our employees are our most valuable asset and we are committed to attracting the best talent, retaining them and helping them realise their true potential so as to further propel the Company as a leading telecommunications provider. Other than provide very attractive and competitive remuneration packages, we fully engage with our employees at all levels to ensure they feel a sense of unity and belonging with the Company. We further challenge and motivate them to bring out their very best. We truly believe in 'teaming with passion' to improve our performance and deliver optimal value to our stakeholders.

We are proud to have won the Best Workplace category in the Prime Minister's CSR Awards 2010 for the second consecutive year. The Company was complimented on our winning formula in maintaining a motivated and driven workforce.

89.0% achievement for My1TM survey as compared to 86.0% in 2010, surpassing global benchmarks of high-performing companies

Emphasis on Women Empowerment with over **8,500** female employees attending TM Women's Day Celebration

1,400 OSHW committee members nationwide



Teaming with Passion

Our 'Teaming with Passion' (TWP) programme was launched in 2009 to create a greater sense of unity and camaraderie among employees. This programme promotes positivity in leadership among senior management and aligns them with the Company's strategic direction.

Employment and Benefits

TM's compensation package is competitive in the market, with salary schemes tailored to reward high performers who create business value for the Company. We offer a wide range of benefits to full-time employees, from comprehensive medical coverage which includes families and dental treatment to maternity leave and paternity leave. Compassionate leave is given to employees getting married, and to employees who suffer a bereavement. For the latter, funeral aid is also provided. Leave is granted to employees who wish to go on a pilgrimage. Other benefits include free fixed line rental and loan facility for the purchase of a house, vehicle or computer.

To safeguard employees' retirement years, TM contributes the mandatory 12.0% of employee's salary to EPF savings and tops this with an additional 4.5% to 7.0%, depending on the employee's years of service. Although we do not have our own private pension plan, our liabilities are fully covered through the Employees Provident Fund (EPF) scheme. Insurance coverage may also be provided to full-time employees.

Other allowances may be granted, as required, to both executive and non-executive employees, as indicated in the tables.

Non-Executives
Subsistence Allowance
Shift Allowance
Teaching Allowance
Regional Allowance
House Rental Allowance
Warm Clothing Allowance
Hardship Allowance
Cable Ship Allowance
Driving Allowance
Acting Allowance
Laundry Allowance
Standby Allowance
Housing Assistance Allowance
Overseas Duties Allowance
Cost of Living Allowance

Executives
Subsistence Allowance
Shift Allowance
Teaching Allowance
Regional Allowance
Housing Allowance
Warm Clothing Allowance
Car Allowances (Executives Band 3 and above only)
Health Screening (Executives above 40 years old)
Club Membership (Executives Band 2 and above only)
Professional Body Membership

The aggregate total value of TM's benefits plan coverage equals to an average of 31.0% of the total compensation package.

TM also provides social and recreational facilities including a fully-equipped sport complex, gymnasium, mosque, cafeteria and a child-care centre at our headquarters, Menara TM. Counselling is provided by a professional and certified counsellor through the Employee Assistance Programme (EAP) for employees facing work-related or personal problems. At least 40 hours of structured training is delivered each year per employee to develop a culture of performance-linked productivity. Study Leave, Examination Leave and Educational Assistance may also be granted.



Employee Engagement

TM ensures every employee feels engaged at work and understands the Company's business objectives. Regular updates are provided on the achievement of goals and changes to the business, while feedback is encouraged. The My1TM Survey [previously known as Employee Engagement Index (EEI)] conducted in 2011 showed a higher level of engagement at 89.0% as compared to 86.0% in 2010.

Information Technology is used to reach employees at all levels via the 1Intra portal, regular emails, video conferencing and weekly snippets of information. Several in-house publications including 1Ekspresi, 1Suara and 1Pulse provide additional channels through which we are able to communicate policies and programmes to employees.



The following activities are held to engage the maximum number of employees:

Engagement activities	Group Participation
Teh Tarik Bersama Group CEO	All Employees
Teh Tarik Bersama Group Leadership Team (GLT)	All Employees
Turun Padang Bersama Group CEO	Employees at States
Jom Bersama Group CEO	All Employees
Leaders Dialogue	All Employees
Jasamu Dikenang (JMDK)	Retirees
TM Awards Nite	All Employees
Teaming with Passion	All Employees
Festival Celebrations (Hari Raya, Maulidur Rasul)	All Employees
Group Human Capital Management (GHCM) Open Day	All Employees
National celebrations (Hari Wanita, Labour Day, Merdeka)	Headquarters Employees
Onboarding – New Experience	New Recruits
Management & Development Programmes	Talents & Management Teams
Human Capital Turun Padang Bersama Lines of Business (LOBS)	All Employees

Preparation for Retirement

TM delivers four-day seminars preparing employees for retirement. Areas covered include adjusting to a new lifestyle; living a healthy lifestyle; planning for retirement; effective time keeping; career opportunities for retirees; home and environment matters; state benefits and processes involved in retirement such as income tax, pensions and other documentation. Retraining programmes are also scheduled for those who wish to continue working.

Chill Out with GCC

The first Chill Out with Group Corporate Communications (GCC) event was conducted with 80 employees from TM Pahang on 20 November 2011. This management-staff interaction extends the reach of corporate messages and emphasises the importance of effective communication, targeting customer-facing personnel. Activities included a nature hunt, landscaping and painting. The team also planted 100 trees and painted the railings of the TM's Bukit Pelindung Base Station's viewing deck. Chill Out with GCC will be introduced in four other states in 2012.

Promoting Local Talent

TM grants preference to locals when hiring in Malaysia and overseas. We participated in 11 career fairs nationwide in 2011, which helped us strengthen our ties with key academic institutions. Supported career fairs include Hari Kerjaya Tasek Gelugor, Monash University Sunway, MMU Cyberjaya Career Fair, Jobstreet MCTF'11, BN Youth Job Fair Melaka, SIFE Worldcup, 1st NRC11-Graduan Career Talk in University of Malaya, ACCA Careers, BN Youth Job Fair PWTC KL and JobsMalaysia Iskandar.

Career Development

TM places great emphasis on continuous learning and development to nurture all employees and equip them with the necessary skills to succeed. Employee development begins from Day 1. New recruits are required to attend the TM Onboarding Training Programme which informs them about TM's background, culture, system and activities.

Various structured programmes are conducted to address the technical and functional skills requirements of each employee. Most of the training programmes are delivered through three schools:



Closer engagements with the management nurtured the development of TM's workforce.

School of Telecommunications – Technical training such as HSBB, Broadband, Digital Data Network (DDN) and Next Generation Network (NGN)

School of Information Technology – Corporate Application System such as NOVA, iCare Prime and NIS as well as IT & Multimedia Training

School of Management – Customer service training, soft skills and leadership such as S.M.I.L.E., Supervisor in Action (SIA), Teaming with Passion (TWP), OSHE, and UniFi Sales & Installation Guide

Training contents can be divided into two main areas:

- Soft Skills – Behavioural and Leadership
- Hard Skills – Functional Training such as Technical Training, IT/System Training and Management Training

The TM Training Centre (TMTC) avails of a blend of delivery methods to encourage learning and self-development. These include online learning (e-Learning), on-the-job training, three-person teaching and the In-Situ method.

All external training is funded by TM although such training costs are claimable from the Human Resources Development Fund (HRDF). Sabbatical periods with guaranteed return to employment are offered to those pursuing further studies under Yayasan TM or other scholarships.

Learning and development programmes being offered at TM include:

Programmes	Description
High Speed Broadband (HSBB) Training	Highly relevant programmes for identified focus groups to enhance their skills and experience, providing end-to-end installation services, product and system related training to HSBB implementation. Intensive modules and training programmes were designed to cover technical know-how and also the interpersonal aspects of customer service such as UniFi Sales, Installation, HSBB Metro-E and NOVA.
Non-Technical Training	Training programmes focusing on developing positive behavioural skills among all employees such as Teaming with Passion (TWP), S.M.I.L.E. and Supervisor in Action (SIA). The aim is to build teamwork, customer service and leadership skills.
Code of Business Ethics via e-learning	An awareness programme to promote ethical behaviour, inculcate and embrace good values as stipulated in TM's Corporate Integrity. In 2011, a dynamic e-learning module, the first of its kind in Malaysia was introduced for greater convenience of the non-executive employees in Bahasa Malaysia.

An Online Training application system has been developed for employees applying for all courses, seminars, industrial attachments, study visits and other development programmes conducted by TMTC.

Employee Performance Measurement

TM aligns our objectives with each individual's goals, or their Key Performance Indicators (KPIs). To ensure employees meet their KPIs, various appraisals are carried out. Biannually, all employees undergo a two-stage appraisal under which a first appraiser submits an evaluation to a reviewer, who then provides a second evaluation on the employee's performance to Group Human Capital Management.

In addition, a group-wide assessment is conducted annually to evaluate employees' short and long-term performance against their KPIs. The Managing and Assessing Performance System (MAPS) is used for all executives and non-executives in Peninsular Malaysia, Sabah and Sarawak, excluding non-executives in Sarawak who still use manual evaluation forms. MAPS helps promote a performance-based culture by focusing on KPIs. High performers are rewarded through the Performance Based Incentive Scheme.

Multiple surveys are conducted internally and externally measuring employees' satisfaction as follows:

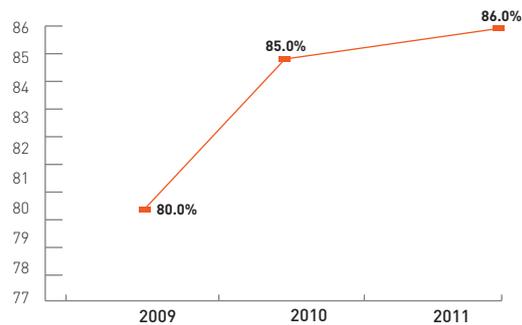
Engagement surveys	Frequency	Group Participation
My1TM Survey	Annual	All Staff
Internal Customer Satisfaction Survey (ICSI)	Annual	Internal Customers
Talent Management Index (TMI)	Annual	Talents
360 Degree Behavioural Assessment	Annual	Executives only

The results for the past three years are as follows:

Engagement surveys	2011	2010	2009
My1TM Survey	89.0%	86.0%	85.0%
Internal Customer Satisfaction Survey (ICSI)	7.40	7.38	7.28
Talent Management Index (TMI)	7.49	7.13	-

TM also monitors employees' competency levels through the Competency Index (CI) study. In 2011, a total of 9,279 executives from TM and local subsidiaries were assessed compared to 9,136 in 2010.

TM's Competency Index 2009-2011 (%)



360 Degree Feedback

TM's 360 Degree Feedback System provides an assessee with a clear evaluation of his or her work performance. Opinions are obtained from the interview, subordinates, peers, supervisors and internal customers. Used initially to identify development strengths and areas for improvement, the 360 Degree Feedback System has been modified to link to performance. It helps with career development and succession planning while reinforcing the current appraisal practice and assessment of future talents. This system encourages individuals to play an active role in their development and provides an opportunity to develop competencies aligned with the organisation.

Kristal Award

The Kristal Award was introduced to promote the spirit of TWP. Employees who internalise Kristal values are rewarded by the management. Winners are identified each month by the Kristal Award Committee. A Kristal Award ceremony is held quarterly at which three individuals and three teams are selected. Winners are rewarded with a certificate, plaque and cash prize in addition to being entered for the annual TM Awards Nite.

Freedom of Association and Collective Bargaining

Protecting employees' rights is fundamental to our Human Resources practices. TM cooperates fully with unions and representative groups and conducts regular collective agreements and open dialogues. Collective bargaining is an important component in any negotiation between TM and representatives from a unit of employees aimed at reaching agreements that regulate working conditions.

Trade unions in Malaysia are regulated by the Industrial Relations Act (IRA) 1967. The IRA allows employers to prohibit management, executives and those who work in a confidential or security capacity from joining a union. TM complies fully with the law and permits non-executive employees to join one of the Group's four unions. 66.0% of TM's workforce are members of a union. The National Union of Telecommunication Employees (NUTE) contains 91 articles; Union Telekom Employees of Sarawak (UTES) contains 96 articles; Sabah Union Telekom Employees (SUTE) and the Sabah Union of Telecommunication Employees (SUTEN), both covers 89 articles. Our Union Management Unit is responsible for managing these unions. Although the articles differ slightly, all agreements cover a variety of issues including:

- Relationship of the union which contains provision for Safety, Health and Environment
- Terms of Service such as salary, promotion, bonuses, training, working hours and benefits
- Allowances and claims including food, lodging, travel, rent and hardship
- Leave including sick, maternity, compassionate, pilgrimage, holiday and quarantine
- Loans to help with housing, vehicle and computer purchase
- Other provisions such as accident insurance, national service, burial assistance, arbitration and legal aid

In 2010, new collective agreements were signed with NUTE, UTES and SUTE covering a three-year period from 2010 to 2012, whereas SUTEN's new collective in 2011 for the same number of years for the employees of Telekom Sales & Services Sdn Bhd (TSSSB) in Sabah. These agreements enforce stronger provisions in relation to Occupational Safety and Health.

Dates on which these agreements were signed are as follows:

- NUTE – 3 June 2010
- UTES – 6 August 2010
- SUTE – 26 May 2010
- SUTEN – 14 June 2011

Notice Period for Operational Change

Any operational change that may affect employees is communicated throughout the Group by Group Human Capital Management via email or other electronic modes. TM consults our unions on ad-hoc changes and respects employees' rights based on Malaysia's Industrial Relations Act 1967. We have a policy of providing one to three months' notice based on business requirements and individual needs for any operational changes.

TM Union Breakdown 2011

UNION	NUTE	SUTE	UTES	SUTEN
No. of members	9,580	758	1,129	73

Employee Diversity and Equal Opportunities

TM's non-discrimination policy covers ethnicity, gender and disability. The Company values diversity, as reflected in our workforce which comprises 85.0% Malays, 5.0% Chinese, 4.0% Indians and 6.0% other ethnicities. A detailed breakdown by gender and age group can be found at the end of the workplace section. TM's non-discrimination policy accommodates differences in religion and culture wherever possible.

At the end of 2011, 9,712 or 36.5% of our employees were female. There are no disparities in pay between men and women; all employees in the same position receive the same salary regardless of gender (1:1). Although there is no minimum wage law in Malaysia, our base salary is competitive and includes results-based incentives and rewards to encourage performance.

TM provides equal employment opportunities to all applicants regardless of race, colour, religion, national origin, gender or disability. Our Code of Business Ethics prohibits Directors and employees from any act, activity or conduct which causes disharmony or feelings of enmity, hatred or ill-will. It also forbids attempts to prejudice the maintenance of harmony or unity on grounds of religion or race. In 2011, there were no incidents of discrimination involving implied or expressed racist elements.

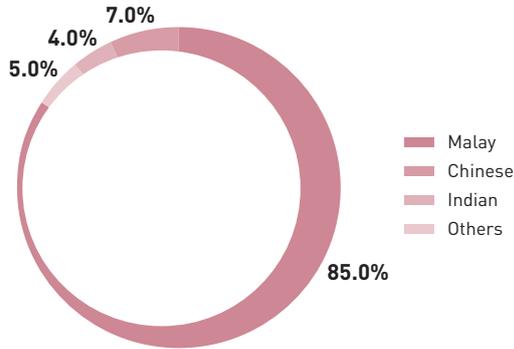
Total Breakdown of Employees by Gender 2009 to 2011



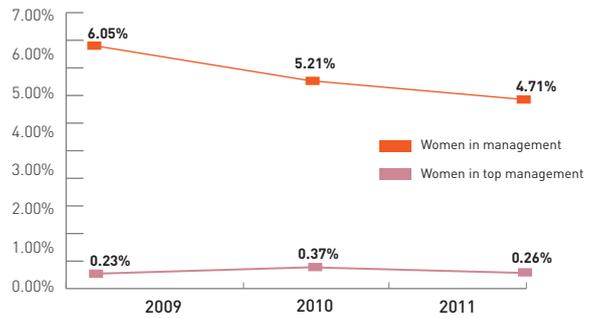
Total Breakdown of Employees by Executive of Non-Executive for 2011



Breakdown of Workplace Diversity, 2011



Percentage of Women in Management and Top-Management from 2009 to 2011



Sexual Harassment

TM is committed to eliminating any form of sexual harassment in the workplace. This includes sexual advances, requests for sexual favours and communication with sexual undertones. High priority is placed on maintaining the dignity and respect of all employees. TM takes appropriate disciplinary action against any employee guilty of sexual harassment. The Employee Handbook highlights well-defined policies and procedures on how to deal with this issue.



Women Empowerment

TM held its inaugural Women's Day from 23-25 March 2011. The event was officiated by Senator Datuk Seri Sharizat Abdul Jalil, Minister of Women, Family and Community Development, and attended by more than 8,500 female employees. The occasion was used to celebrate the achievements of our women employees and showcase how they have managed to balance their responsibilities as mothers, wives, children and successful career women. The focus was on special benefits provided for women by the Company, living a healthy lifestyle, stress management, work-life balance, crime prevention and sexual harassment. A dedicated session was also held by Persatuan Anggota-anggota dan Isteri-isteri Anggota TM (TIARANITA) on the New Millennium Woman.

Themed 'Saya Wanita TM Millenium Baru', TM's first ever Women's Day was supported by more than 8,500 female employees.

TIARANITA

TIARANITA is an organisation for women employees and wives of Telekom Malaysia with the mission to equip the members with the knowledge and experiences for life enrichment. It was formed on 4 July 1992 with an initial 50 members and as to date they are almost 2,679 members. Formally the society was known as MUTIARA.

The organisation is headed by the wife of TM's GCEO and membership is open for all women employees and wives of TM staff. The club's objectives include:

- Cultivating the spirit of *muhabbah* (harmony) and closeness among the members and wives of different races within TM;
- Encouraging the development of knowledge and skills in members through self-motivation programmes, talks, seminars and courses;
- Initiating and involving members in activities for the benefit of members and their families;
- Organising programmes to raise funds and contributions to charitable activities;
- Encouraging better rapport with other registered women's organisations to instil increased understanding and knowledge through national development programmes related to women.

Activities held by TIARANITA focus on benefits to members as well as their children. It can be divided into the following segments:

- Skills Enhancement which includes cooking classes, sewing workshops, grooming & ethical workshops, motivational camps, *Program Wanita Solehah* and English programmes.
- Sports such as TIARA ten pin bowling, badminton tournament, aerobic classes, swimming lessons and TIARA Walk-A-Hunt.
- Charity activities including financial assistance at the beginning of the year for members with schooling children and single mothers, flood victims and other situations where the members are in need. Donations are also given to orphanages, teenage girls shelter (Raudhatul Sakinah), old folks homes and hospital patients.

- Fund raising activities, e.g. the Bazaar Sale at the lobby of Menara TM during Ramadhan as well as on monthly basis. There are also sales of used items and TIARANITA merchandise. Funds are also collected from Secretaries Week Luncheon and Mother's Day Celebration.
- In order to foster close relationships amongst the TIARANITA members, events such as Hari TIARANITA and *Majlis Jalinan Mesra Aidilfitri* are held on a yearly basis.

Faith at Work - Badan Kebajikan Islam Telekom Malaysia (BAKIT)

BAKIT was registered with the Registrar of Societies, Federal Territory of Kuala Lumpur on 17 December 1990. BAKIT helps Muslim employees develop their religious knowledge and perform religious activities and charity. It contributes to a productive, honest and trustworthy culture imbued with integrity. Article 4 of BAKIT states its objectives are to:

- Enhance the image of Muslims within TM's workforce
- Strengthen solidarity among TM employees
- Carry out humanitarian and in-kind activities with members
- Enhance the image of TM

BAKIT has 8,328 members. In 2011 its activities included *Majlis Tilawah & Menghafaz Al-Quran Peringkat Kebangsaan* TM, TM's zakat distribution, *Sambutan Maulidur Rasul & Maal Hijrah*, *Majlis Berbuka Puasa*, *Program Korban & Aqiqah* locally and overseas, *Kuliyah Agama & Fardhu Ain*, charity programmes, visits to orphanages, the destitute and underprivileged, *Kursus Pengurusan Jenazah*, *Imam & Haji*, *Skim Pelan Takaful Keluarga* and *Wakaf Al-Quran & Kitab-Kitab Lama*.

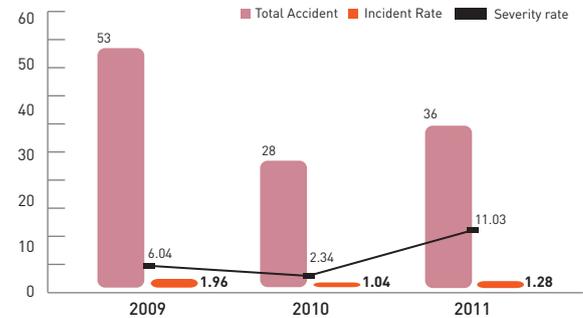
Occupational Safety, Health and Environment (OSHE)

TM is committed to keeping our workplaces free from hazards, and all employees are required to comply with provisions of our Occupational Safety and Health Manual. We realise that an effective safety and health management programme depends on the involvement of both management and employees, hence employees are required to report accidents, injuries and unsafe equipment, practices or conditions immediately to a supervisor or another designated person.

Our OSHE Framework provides for worksite safety analysis as well as stringent prevention and control measures coupled with thorough training programmes.

Programmes	Description
Promotion & Recognition	<ul style="list-style-type: none"> Wellness Programme: Quarter D Pounder – TM’s The Biggest Loser Programme The ‘365 - Accident Free Days Awards’ OSHE Campaign & Exhibition
Contractor Management	<ul style="list-style-type: none"> Awareness & Monitoring Programme Regular site inspections OSH seminar for contractors
Workplace Safety	<ul style="list-style-type: none"> Upgrading of PPE and safety equipment Hazard Identification, Risk Assessment & Risk Control (HIRARC) Programme Non-ionised Radiation Assessment TM Pandemic Preparedness Plan
Training	<ul style="list-style-type: none"> Aerial Rigger Competency Training Programme Basic Occupational First Aid Training Competency Training Programme OSHE Laws for Executives and Supervisors

TM OSHE Performance 2009 – 2011



Incident Rate = (total accident / average workers) x 1,000

Severity Rate = (Total lost day / total work hours) x 1,000,000

TM Accident Statistics



TM’s OSHE guidelines contain special provisions for employees working in high-risk categories including work at height and in confined spaces. Working by road sides and desk-bound jobs are also covered.

All employees involved in work at height, including contractors’ employees, must first attend special training. Provisions are made to prevent persons falling if work is conducted within two metres from an edge on a new or existing structure from which any person could fall three metres or more.

Strict regulations for the installation, operation and maintenance of all masts and telecommunications towers by contractors are stipulated in the OSHE Management System. The Contractor Management Procedure requires contractors to submit an OSH Plan before work commences. Contractors working on masts or towers must have a valid competency certificate and use TM-approved fall protection devices. A Job Safety Analysis is required for each activity. Proper and adequate control measures are submitted for review and approval by TM OSHE Unit.

Health and Safety for Contractors and Vendors

TM R&D ensures that activities by its contractors and suppliers comply with Occupational Health and Safety requirements. TM R&D provides training to safeguard water, air and soil quality while protecting the local flora and fauna during the execution of work. It increases awareness of hazardous chemicals in compliance with the Factory and Machineries Act 1967 and Occupational Safety and Health Act 1994. Suppliers are required to register their OSH Plan with TM R&D's authorised officer prior to execution of any work.

All contractors and workers – including sub-contractors, sub-vendors and providers of machinery or equipment – are required to attend the National Institute of Occupational Safety & Health (NIOSH) TM Safety Passport Programme (NTMSP) and must display their NTMSP cards when entering TM premises. The NTMSP was jointly developed by NIOSH and the Company's OSH Team in 2006.

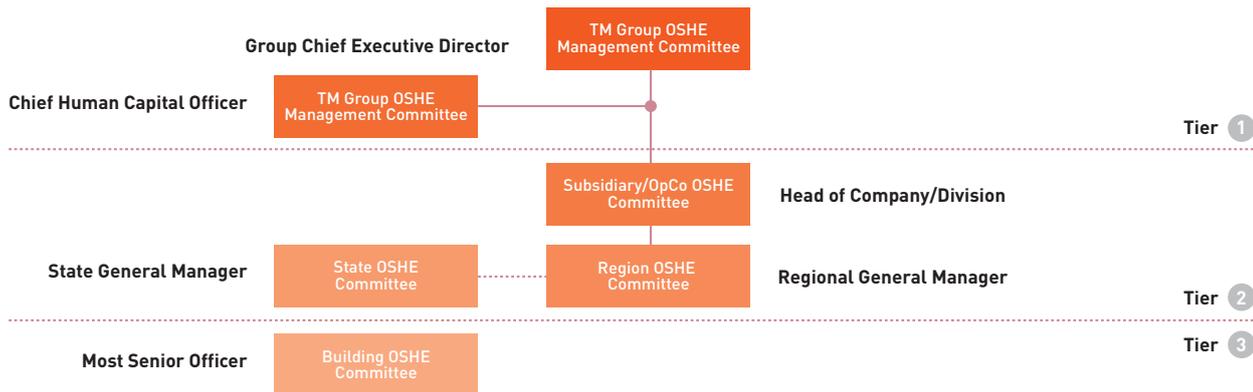
International Commission on Non-Ionising Radiation Protection (ICNIRP) Guidelines

Most of TM hill stations and other transmission stations equipped with heavy transmission equipment have been assessed by the Malaysian Nuclear Agency (Nuclear Malaysia), which confirms that these comply with ICNIRP requirements for non-ionised radiation exposure. Nuclear Malaysia also introduced standard Non-Ionised Radiation Hazard Signage, making TM the first organisation to do this.

In its report, Nuclear Malaysia stated: *"Based on the findings of these surveys, we strongly believe that the presence of the radiofrequency and microwave radiation emitted by the towers would not lead to any significant radiation exposure received by workers staying or working in the areas around the towers. We are of the opinion that based on current knowledge and available scientific evidence on the biological effects of radio frequency and microwave radiation, such radiation levels observed during the survey around the towers are highly unlikely to cause observable health effects on exposed persons."*

TM's OSHE Committee

Occupational Safety, Health and Environment Committee Governance Structure





In Malaysia, employers are required to establish a safety and health committee whenever there are 40 or more workers at any workplace. TM's OSHE Committee consists of more than 1,400 members representing about 5.0% of the total workforce. Emphasis is given to ensure all divisions and units are adequately represented. The Department of Occupational Safety and Health (DOSH) frequently checks that the committee has a minimum of four representatives each for workers and management, as TM has more than 100 workers in most of its workplaces.

The committee fosters cooperation and consultation between management and workers in identifying, evaluating and controlling workplace hazards. It also encourages the exchange of ideas to solve occupational safety and health problems. Feedback from workers greatly assists TM in promoting and providing a safe and healthy work environment.

TM's OSHE Committee comprises three tiers:

- **Tier 1:**
 1. TM Group OSHE Management Committee (Policy-making Level);
 2. TM OSHE Steering Committee (Execution Level @ HQ)
- **Tier 2:**
 1. State/ Subsidiary Level
 2. Regional Level (For Network Development & Network Operation only) *
- **Tier 3:**
 1. Building Committees

* Note: As most of the accidents occurred in these two main Operating Divisions at ground level, the Divisions have taken a bold step to establish their own OSHE Committees.

Employees who are not members of the Committee are encouraged to be First-Aiders, Fire Marshals or Floor Representatives, or to be part of the Emergency Response Team (ERT).

Serious Diseases

In cases of a pandemic such as H1N1, TM collaborates with Government agencies including the Ministry of Health to run education, awareness, counselling, prevention and risk-control programmes.

Emergency Preparedness and Response

TM's Emergency Preparedness and Response Procedures aim to minimise, prevent or mitigate associated adverse OSHE damage or impact caused by an emergency. The OSHE unit collaborates with the Academy of Safety and Emergency Care (ASEC) to train all TM members on Basic Occupational First-Aid (BOFA), Basic Fire Fighting (BFF), Emergency Response Plan (ERP) and Combined Emergency Drill (CED).



Statement on Compliance

TM operations are structured by the Malaysian Employment Act 1955 which prohibits exploitative labour practices; the Children And Young Persons (Employment) Act 1966 which prohibits the employment of children under the age of 14; and other international agreements preventing child labour. There have been no reported incidents or infringement with regards to child labour, forced labour or freedom of association, nor any recorded violations against the rights of indigenous people at any time during the Company's history.

Workplace Statistics From 2009-2011

	2009	2010	2011
Employees			
Total number	24,744	26,629	26,627
Executive	8,734	9,321	9,435
Non-Executive	16,010	17,308	17,192
Inside Malaysia	24,708	26,535	26,589
Outside Malaysia	36	94	38
Permanent Staff	20,231	22,070	24,358
Non-permanent staff	4,513	4,559	2,269
Female	9,162	9,586	9,712
Male	15,582	17,043	16,915
Union members	11,425	10,866	11,467
% of Union members from total population	46.0%	41.0%	67.0%
Breakdown by Unions			
NUTE	9,428	9,123	9,580
SUTE	775	733	758
UTES	1,222	1,010	1,129
Non-Union members	13,319	15,763	15,160
Age group			
< 30	5,812	7,587	8,035
30-40	6,637	6,657	6,690
40-50	7,234	6,425	6,160
> 50	5,061	5,960	5,742
Diversity			
Malay	20,606	22,338	22,544
Chinese	1,362	1,332	1,253
Indian	1,070	1,065	1,083
Others	1,706	1,894	1,747
Employee Turnover Rates			
Global	1,661	1,555	1,563
In Malaysia	1,656	1,542	1,552
Outside Malaysia	5	13	11
Female	485	540	547

	2009	2010	2011
Male	1,176	1,015	1,016
Age Group			
< 30	415	622	464
30-40	214	284	248
40-50	105	136	101
> 50	927	513	750
Women in Management - From total employees			
% Women in management	6.05%	5.21%	4.71%
% Women in top management	0.23%	0.37%	0.26%
Training			
Employee participation in training	54,618	70,860	78,950
Average attendance per training programme	18	20	19
Average training budget per employee	2,648	2,954	2,806
Average total hours of training per employee	58	49	35
Performance Review towards Career Enhancement			
% Employee who are formally appraised (at least annually)	98.42%	95.00%	95.00%
Occupational Safety and Health (OSH)			
Total recordable injury frequency rate	80	43	43
Absenteeism Rate (headcount)			26,652
Absenteeism Rate (in days)			542,424
Lost Time Injury Frequency Rate (No. of cases)	53	28	38
Fatal Accident Rate (No. of cases)	2	3	1
Employee Satisfaction Survey Results (EEI)	85.0%	86.0%	89.0%
Disabled Staff (%)	0.05%	0.04%	0.04%



Marketplace

In order to sustain our edge as a leader in the telecommunications market, we realise we need to meet the increasingly more demanding needs and expectations of our key stakeholders – our customers. Excellence in products and service delivery are paramount in maintaining customer loyalty. At the same time, we rely on a consistently high level of professionalism and integrity from our vendors and suppliers. We therefore place much emphasis on customer service excellence and quality performance by our suppliers.

>70

points for TRI*M Index (Customer Satisfaction Index), surpassing target

7.4

achieved in Transparency Index

88

Zone Business Councils (ZBC) established nationwide to deliver more focused service to customers

Procurement Practices

Well-defined procurement procedures are highlighted in our Code of Business Ethics. TM's procurement philosophy is to procure quality goods, services and work at the best price in an open and transparent manner. Our 'Total Cost of Ownership' approach ensures the best returns for the Company. All participants in the procurement process are required to uphold the basic principles of trust, honesty, fairness and transparent behaviour in all business dealings. We ensure there is no conflict of interest in any procurement activity and that personnel abstain from participation if such conflict exists.

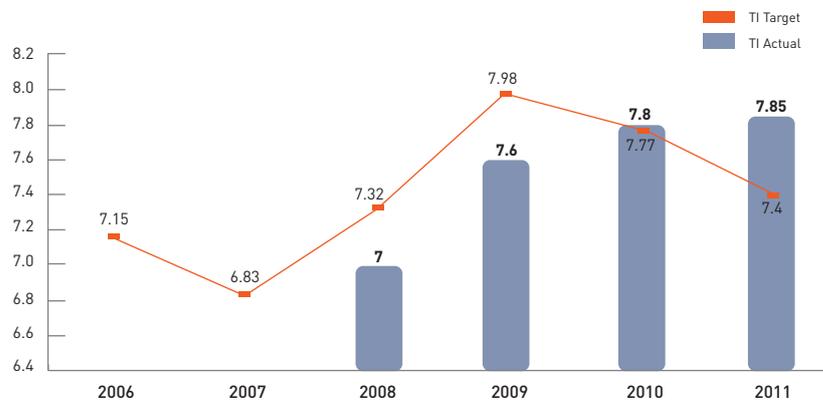


We organise roadshows, dialogue sessions and even training to increase awareness among our vendors and suppliers of ethical issues. Unethical practice by any supplier or business partner is not tolerated. They are likely to be delisted as TM's vendors and their contracts or dealings terminated. Starting from 2012, suppliers are required to make annual declarations to uphold these principles.

Transparency Survey

An annual online survey is conducted to obtain suppliers' feedback on procurement activities within TM Group. Parameters measured in this survey include the competency of TM staff in managing procurement activities; adequacy of tender; Request for Quotation; Direct Award and Contract Management practices; and effectiveness of the Supplier Relationship Management (SRM) system. In 2011, 1,093 suppliers responded to this 60-questions Transparency Index (TI) survey and a score of 7.4 was obtained against a target of 7.85, compared to 7.7 in 2010.

Transparency Index Trend



Promoting Local Suppliers

TM is committed to maximising Bumiputera and local participation in its sourcing activities. TM's philosophy for Bumiputera and local suppliers is focused on increased value, high quality services and sustainability as prescribed by Khazanah's Red Book on Procurement Best Practice. It addresses TM's long-term requirements by nurturing a capable set of new Bumiputera and local suppliers while strengthening the quality of the current suppliers. TM's expects its suppliers to continuously improve their capability and capacity in line with TM's requirements, diversify their customer base and capitalise on their expertise to reduce their dependency on TM and become regional players.

Towards this end, TM has implemented a Vendor Development Programme (VDP) since 1993. VDP plays a key role in developing a stable and competitive supplier base, particularly among Bumiputera suppliers. TM's VDP has undergone several transformation phases in line with the national agenda and business needs. Currently, there are 570 companies under VDP from the Manufacturing, Engineering Services and ICT sectors.

In line with the launch of TM's triple play product, UniFi and TM driving the 'Communication, Content & Infrastructure' NKEA, a new ICT technopreneurship programme called 'Blue Lane' was recently introduced. Blue Lane's primary objective is to harness local home-grown ICT technology and encourage the development of the local ICT ecosystem by providing local players market access to TM's platform and infrastructure.

Phase	Year Implemented	Features
Phase 1	1993	<ul style="list-style-type: none"> Initial effort was more of a 'Corporate Social Responsibility'. Support national agenda to enhance manufacturing sector. Focus on manufacturing sector.
Phase 2	2006	<ul style="list-style-type: none"> Red Book implementation. Develop pool of quality and sustainable suppliers. Focus changed to engineering services contractor involved in High Speed Broadband (HSBB) project implementation.
Phase 3	2011	<ul style="list-style-type: none"> Launch of TM's new triple-play product, UniFi. Focus changed to ICT sector. Develop high performing Bumiputera suppliers / SMEs in line with the national agenda.

VDP companies undergo holistic annual assessment which covers contractual and financial performance; business operations and management; product or customer diversification; certification; creativity, innovation and awards. Based on their assessment score, the companies are ranked and their training needs are analysed. Holistic development programmes, consisting of technical; business and financial management; leadership and strategic thinking; governance and compliance; quality certification; motivational and soft skills are formulated based on needs in preparation for their graduation. Graduates who are accorded preferred vendor status remain in VDP for post-graduate Groombig development. Assistance given to suppliers under VDP in 2011 include:

- Receiving a grant from Ministry of International Trade and Industry Malaysia (MITI) and SIRIM for Quality and Productivity Improvement Through ISO, 5S and Kaizen Certification involving 28 companies for a total of RM804,400. The companies are expected to be certified by the end of 2012. TM is the first GLC to be awarded this grant.
- Collaborating with Malaysia Productivity Corp (MPC) to implement 'Innovative & Creative Circle' (ICC) to enhance the companies' creativity and innovativeness in managing and expanding their business. Six companies are involved with the projects expected to be completed by the end of first quarter of 2012.
- Collaborating with SME Corp in the 'University Internship Programme' where a vendor worked with Universiti Malaysia Sabah (UMS) for four months to solve problems.
- Arranging vendor financing packages with Maybank, Malaysia Debt Ventures Berhad (MDV) and Credit Guarantee Corporation (CGC).
- Participating in a tri-partite collaboration with Malaysian Association of Bumiputera ICT Industry & Entrepreneurs (NEF) and Bank Simpanan Nasional (BSN) under TM's Blue Lane Programme to receive funding for the NEF community from 'Creative Industry Fund' whereby TM provides market access to its existing platform and infrastructure, BSN provides the fund while NEF acts as the facilitator.
- Study visit to South Korea to explore new business opportunities and learn from SME best practices there. 32 companies took part in this visit and nine of them were winners of 'TM Entrepreneur Awards 2010'. To incentivise the winners, their travel cost amounting to RM34,000 was fully sponsored by TM.

Moving forward, in 2012, VDP will focus on developing high performing Bumiputera suppliers in line with the national agenda. Among the key initiatives to be implemented are a SCORE assessment on our suppliers/vendors; leveraging on the strategic partnerships established to continue with our 'outcome-based' development programmes; and admission of VDP companies into Bumiputera Agenda steering Unit (TERAJU)'s High Performing Bumiputera SMEs (TERAS) Programme.

TM Research & Development (TM R&D), a subsidiary concentrating on Research and Development, follows the Policies and Guidelines set by TM, prioritising local sources and suppliers wherever possible. To date, 98.0% of suppliers are local. TM R&D's open quotation system has encouraged a stable and competitive supplier base selection. Transparency and efficiency have been improved through the introduction of an e-Procurement system.

TM R&D evaluates potential suppliers based on commercial and technical factors. The commercial evaluation involves price, delivery period, warranty and payment terms, while the technical evaluation covers compliance with technical specifications. All suppliers must comply with the Environmental Quality Act 1974.





Products and Service Quality

TM Consumer believes in delivering reliable and trusted quality service. It provides a strict and consistent delivery process for its agencies including front liners at TMpoints, employees at Contact Centers and telemarketers. TM Consumer regularly engages with consumers through our website, touch points (TMpoints and Contact Centers) and other media including newspapers, TV, radio and the social media. Updates and training sessions on TM products and services are communicated to all agencies through video conferencing. Refresher training is also delivered if major complaints are received. All calls are monitored to ensure employees abide with the official scripts and guidelines. A summary of training sessions conducted in 2011 is as follows:

New Training	98 sessions
Existing Training	78 sessions
Refresher Training	12 sessions

A customer rating system was piloted in 2011 and will be introduced to all TMpoints nationwide in 2012. Also in 2011, *Pejabat TM Tempatan* (PTT) was introduced to deliver more focused service to each customer. Malaysia has been divided into 88 zones, each led by a zone leader who reports to the PTT head before the state general manager. Using this system, we are able to understand our customers better and, in turn, re-strategise our deliverables more effectively.

TM Wholesale, meanwhile, conducts training sessions for its sales and marketing personnel to deliver high standards of quality assurance including:

Training category	Types of training conducted in 2011
Business As Usual (BAU)	NOVA, iCare PRIME, CAMS System
Customised Training	Business Communication, Account Management, Negotiation Skills and Product Awareness

In addition to publicly available communication tools such as annual reports, product brochures, the website, portal, seminars, business magazines and press releases, TM Wholesale also actively educates its customers on products and services through more personal methods of engagement, which include:

- One-on-one consultations
- Workshops on TM product and service features, process flow, maintenance, cost savings and marketing elements
- Training on the self-service portal, including the HSBB Portal

At TM Government, each account executive is assigned to a few Government agencies and face-to-face meetings are held with the customer regularly. Government departments involve larger and longer-term contracts averaging three years which may be renewed depending on customer satisfaction. TM Government customers include ministries, departments, state governments and companies (subsidiaries) under the state government. Account managers meet their customers at least monthly to report on progress, provide updates and after sales service, and to receive feedback.

Different government agencies have different requirements such as higher security provision, level of Service Level Guarantees (SLG) and Service Level Agreements (SLA). Account managers provide bespoke packages according to budgets. Customers are sometimes given the option of service trials using the Proof of Concept (POC) approach.

TM Government conducted product awareness, planning sessions and technology updates for government agencies in 2011 as provided for under our service agreements. Customers are given rebates if service is not provided as agreed in the SLA/SLG.

Customer Engagement

TM SME engaged with business customers throughout 2011 by hosting, and participating in, a wide range of events. Seventeen SME Biznet seminars were held to provide an overview of services and products available for SMEs. TM SME also showcased its products and services at several PC fairs including PIKOM PC Fair and Malaysia Technology Expo 2011. Awards nights, golf tournaments, seminars, road shows and dialogues were also held, involving Khazanah Nasional, the media, state general managers and representatives from market development and channel management.

Management System

TM R&D was ISO 9001 certified in 2002 and has maintained this certification under the scope of Planning, Research & Development, Consultancy, Testing and Product Delivery for ICT. TM R&D was also rated as Capability Maturity Model Integration (CMMI) Level 3 in August 2007 and has been maintaining this. Meanwhile, TM's calibration service was ISO/IEC 17025 accredited in December 2011 under the scope of electrical.



Life-cycle Stages for Product Development at TM R&D

Life-cycle stages	Action Points
Temperature Rise Test	Temperature recorder connects to each part using a thermocouple to ensure temperature limits are not exceeded.
Drop Test	This test ensures the mechanical robustness and studies the dynamics and specified performance of equipment.
Test Plan: Radiated Emission Measurement for ITE Product (CISPR 22) Requirement	This test measures Electromagnetic Interference (EMI) interference emitted by the Information Technology Equipment (ITE) to ensure products are within the regulation limits of Special International Committee On Radio Interference (CISPR) 22.
Part Rating Test	Materials and components are tested to ensure they do not pose a fire hazard. Components are selected which remain within their manufacturers' ratings under normal operating conditions and do not create a hazard when faulty.
Electrical Abnormal Test	An Electrical Abnormal Test is conducted to prevent product accidents by ensuring there is no danger of fire, electric shock or casualty. The temperature of each critical component is tested to ensure the critical component temperature does not exceed the temperature limit for the part itself.
Test Plan : Vibration	This test is applied to components, equipment and other articles which may be subjected to conditions involving vibration of a harmonic pattern during transport or service. Vibrations may be generated by rotating, pulsating or oscillating in ships, aircraft, land vehicles, rotorcraft and space applications. It may be caused by machinery and seismic phenomena. Parts and components are examined for damage to check if connection or parts have loosened in a way which might compromise safety.
Test Plan: Environmental Durability (Hardware)	This test verifies product performance according to System Requirements Specifications (SyRS)/Functional Requirements Specifications (FRS) against environmental effects, and detects potential field failures that could result in low customer satisfaction and warranty claims.
Hardware Engineering Process	The process assesses the electrical, Electromagnetic Compability (EMC), mechanical, environmental and safety characteristics of the hardware to test the functionality of each module. This reveals hardware design failure and ensures defined input signal will produce an expected output signal (for digital module) that agrees with application logic design.
Hardware design	<ul style="list-style-type: none"> • Platform chip selection and review • System Requirement Specification analysis • System Design Document review • Electromagnetic Compatibility • Product Validation Conformance Test Requirement
Product Quality Inspection	A Product Quality Assurer inspects cosmetics and functions to ensure the quality of parts and components before shipping.
Installation	An installation team installs as instructed in the work order form. The team's supervisor reports any additional procedures.
Delivery	The project team provides user training as agreed with the user or customer and transfers the knowledge and documents in the Operation Manual.
Post-Production Support and Maintenance	Technical Support Unit (TSU) is responsible for handling complaints, feedback or suggestions concerning problems or faults affecting the functionality of TM R&D's products.

SMILE – Superb Meaningful Interaction Leading to Excellence

SMILE was introduced in May 2011 as a training and certification programme under the Customer Service Academy initiatives and is specifically designed for TM frontliners. It aims to raise competencies, confidence and capacities which drive customer engagement excellence and professionalism to offer a seamless customer experience at all touch points. The ultimate goal of SMILE is to deliver the best customer handling experience. TM hopes that SMILE will:

- Position TM as the premier customer care organisation by 2015
- Enhance the customer experience by effectively managing customers’ expectations and meeting our customer promise



The programme highlights core values which reflect real care for customers.

Semester	Training Modules
Semester 1	<ul style="list-style-type: none"> • TM in You • Effective Customer Management • Email Etiquette
Semester 2	<ul style="list-style-type: none"> • Managing Customer Behaviour • Enriching Customer Experience through Power Phrases
Semester 3	<ul style="list-style-type: none"> • Negotiation Skills • Getting It Right!

Customer Relationship Management

TM has cultivated a strong customer-centric culture through its six principal customer segments namely consumer, SME, Enterprise, Government, Wholesale and Global. Overseen by the Customer Centricity Committee, each Line of Business (LOB) supports accountability areas such as presale, infrastructure management, billing, complaints and the termination process. TM’s iCARE (Integrated Customer Allied Relationship) Prime is the business support system used by all touch points and back-end support staff to manage service orders and complaints more effectively.

Customer Information and Privacy

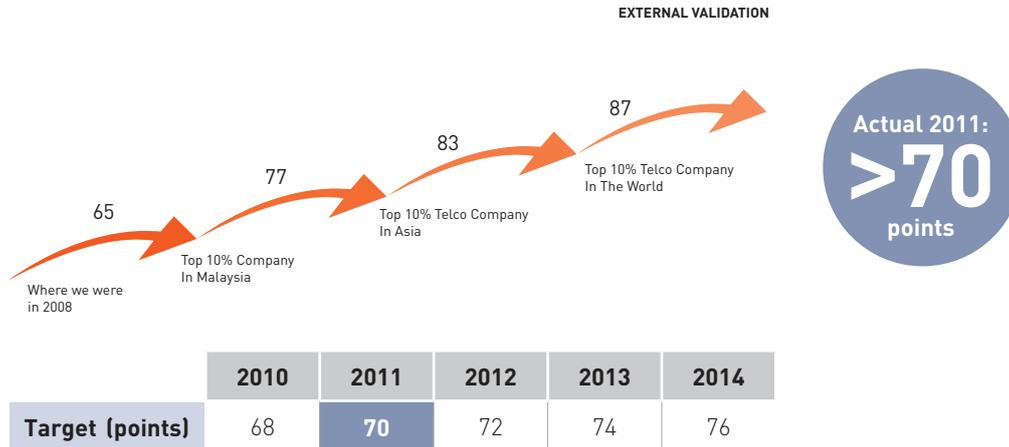
TM protects sensitive, private or confidential customer information as required by regulatory requirements and Malaysian law. Private and confidential information can only be accessed by those authorised. Requests for customer information by legal practitioners are forwarded to the Legal Division; requests from public authorities such as the police, Customs Malaysia or the Malaysian Anti-Corruption Commission are directed to Malaysian Security.

The privacy of customer communication is fundamental to TM’s integrity. Except when required by law or in the normal course of business such as performing repairs, isolation of trouble or preventive maintenance, TM will not:

- Disclose customers’ information or information on the location of equipment, circuits, trunks or cables
- Tamper with or intrude in any voice, video, data, fax or any communication transmission
- Listen to or repeat customers’ conversations or communication or permit it to be monitored or recorded or allow access to any communication transmitted by the Company
- Install or permit anyone to install any device that enables someone to listen to, observe or determine that a communication has occurred

All divisions within TM Group are responsible for the protection of consumer information in accordance with the Protection of Personal Information under the General Consumer Code of Practice, and in compliance with the Personal Data Protection Act (PDPA) which comes into force in early 2012. Currently, all divisions are collaborating on preparations for the PDPA.

TM Customer Satisfaction Index (CSI) 2011 – 2014 Roadmap



Customer Satisfaction

Customer satisfaction is measured externally three times a year using TRI*M methodology. Each time, two dipstick studies focus on mass products such as Voice, Broadband and UniFi. Major data products are also included such as TM Direct and Internet Protocol Virtual Private Network (IPVPN), mainly for the Retail Lines of Business (LOBs); and one main wave study covers all major products from all six LOBs namely the four Retail LOBs, TM Wholesale and TM Global. In 2011, to demonstrate commitment to enhancing customer experience, the TRI*M index score was included for the first time, as a headline Key Performance Indicator (KPI) announced to the public. TM achieved a TRI*M index (Customer Satisfaction Index) of more than 70, higher than the target announced.

TRI*M allows TM to gauge the overall satisfaction and loyalty level of customers. Customers are asked to rate on a scale of one to seven answers to the following four questions:

1. **Overall Performance** – Taking all your experience and knowledge about the current provider, can you please tell me how would you assess the overall performance of TM?
2. **Recommendation** – Given what you know about other providers, would you recommend TM to others?
3. **Repurchase** – Given what you know about other providers, would you continue to purchase from TM?
4. **Benefits and Advantage** – Given what you know about other providers, how would you rate the benefits and advantages of dealing with TM rather than with any other provider?

Provision of Information

Product and service information is available on TM websites, Annual Reports, Contact Centres and product marketing materials associated with each product portfolio. Customers and the public may also approach TM ambassadors at our Customer Support Centre at 100. Meanwhile, customers have 24/7 access to our interactive website at www.everyoneconnects.net. To date, TM has 105 TMpoints, 68 e-Kiosks, 18 TMpoint-on-Wheels (TMOWs) and 43 TMpoint Authorised Dealerships to meet customers' expectations.

Responsible Sales and Marketing

We believe in building long-term relationships with customers based on honesty and integrity. All Company marketing and advertising are required to be accurate and truthful. Deliberately misleading messages, omissions of important facts or false claims about competitors' offerings are unacceptable and contravene Company regulations. TM adheres to the Malaysian Code of Advertising Practices and complies with the Malaysian Communications and Multimedia Commission Act 1998. All marketing materials must comply with the Group Corporate Advertising & Promotions (A&P) Guidelines before being approved.

Compliance

TM complies with all regulatory requirements in the day-to-day running of our business. There has been no incidence of non-compliance with laws or regulations concerning our products and services, including our marketing communication, advertising, promotions and sponsorships.





Community

TM has always served the social function of providing telecommunications services to Malaysians, thus enabling them to connect with each other, and the rest of the world. Today, we are championing the National Broadband Initiative (NBI), and are committed to bridging the digital divide between urban and rural communities by empowering underprivileged and marginalised individuals, families and communities to connect, communicate and collaborate.

RM19.2 million

spent for Yayasan TM, including 533 scholarships

1,072

Kampung Tanpa Wayar, 174 community Broadband Centres and 740 Community Broadband Libraries were set up nationwide

11,547

lives benefited from 10 schools under our School Adoption Programme to date

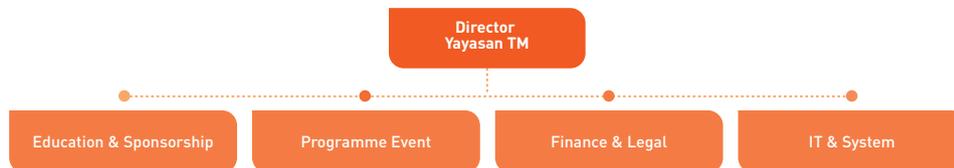
(I) CAPACITY-BUILDING THROUGH EDUCATION



Yayasan TM

TM's foundation, Yayasan TM (YTM), was formed in 1994 and is managed by a dedicated team led by a director. It is supervised by a Secretary to the Board of Trustees to ensure conformance with the Trust Deed Act 1952 and the Inland Revenue Board.

Yayasan TM's Structure



Yayasan TM Unit Roles and Responsibilities

Education & Sponsorship	<ul style="list-style-type: none"> • Manage scholarships/loans for public & TM employees
Programme Events	<ul style="list-style-type: none"> • Manage CSR & YTM events
Finance & Legal	<ul style="list-style-type: none"> • Manage YTM funds
IT & System	<ul style="list-style-type: none"> • Manage YTM system, online application & other systems

Since its formation, YTM has disbursed RM444.8 million for education, development programmes and various donations, benefiting a total of 12,878 students, deserving individuals and organisations. TM allocated a budget of RM19.2 million for YTM in 2011. The breakdown of how this fund was spent is as follows:

Items	RM
Operating cost	3,499,192
Cost of Scholarship	13,708,260
Museum	2,000,000
Total	19,207,452

YTM conducted various programmes and activities in 2011 under four main categories.

Scholars Development Programme – YTM provides financial assistance, facilitators and content to develop the soft skills and academic excellence of TM scholars. It identifies relevant training programmes offered by outsiders and funds the participation of students in these. In 2011, nine programmes were held which benefited more than 500 TM scholars.

Excellence Award Ceremony – In 2011, 58 newly graduated TM scholars were invited to the Excellence Award Ceremony held with TM’s Group CEO. The high achievers interacted directly with Senior Management while being updated on TM’s progress and latest developments. Students were presented with awards including certificates and a memento from the Group CEO in recognition of their academic achievements.

Donation Activities – YTM provides aid to underprivileged individuals and organisations involved in educational activities. Donations are also given to those requiring medical aid. A total of RM150,000 was disbursed to various beneficiaries in 2011.

CSR Programmes – YTM works closely with TM Group Corporate Communications to support the School Adoption Programmes. YTM helps to finance examination seminars, teachers’ motivational programmes and other relevant activities. Collaborating with other foundations such as Yayasan Universiti Multimedia (YUM) and state foundations has helped YTM play a more active role in extending educational opportunities to the larger community.

Scholarships offered in 2011:

Category	Type of Programme	Scholarship distribution
Overseas	Pre-U	3
	Degree	2
MMU/MMC	Pre-U	53
	Diploma	50
IPTA	Degree	10
	Diploma	0
Minor	Degree	15
	Form 1	200
	Form 4	200
Total		533

YTM also supported the Government’s Skim Latihan 1Malaysia (SL1M) initiative to train unemployed graduates hence improve their employability. In addition, it collaborated with Yayasan Sultanah Bahiyah to develop an educational programme on the historical contribution of telecommunications to society. Students with excellent UPSR exams were selected for this programme. During the year, YTM also awarded two additional scholarships to students who are already studying for their undergraduate degrees in the United Kingdom.

Multimedia University

Multimedia University (MMU) is a tertiary educational institution established through Universiti Telekom Sdn. Bhd. (UTSB) and is a wholly owned subsidiary of TM. MMU is the first private university in Malaysia which also serves as a catalyst for the development of the high tech ICT industry of the nation. It parallels the Silicon Valley-Stanford model in the United States.

The University has two campuses; its original campus in the historical city of Malacca and a campus in Cyberjaya. It has produced 30,484 graduates consisting of 2,400 international and 28,084 local students. There are currently 10,515 students in Melaka campus and 9,222 students in the Cyberjaya campus. Of this population, 3,961 are foreign nationals representing 77 countries. An employment survey conducted in 2011 shows that more than 91.9% of graduates successfully secured employment within six months.

In 2011, MMU expanded its infrastructure in both campuses with the completion of Phase 3 of development in the Melaka Campus and Phase 2 of development in the Cyberjaya Campus. MMU now hosts more than 10 Research Centres which focus on the niche areas of nanotechnology, microsystems, biometrics, virtual reality, green technologies, i-knowmedia, information security and cyber laws, microwave and telecommunications, engineering, photonics, advanced robotics and business. MMU contributes to the nation's human resource needs as it grows into a knowledge economy. This is in line with TM's initiative to further develop the ICT industry in the nation as a whole. The establishment of MMU as a research university also benefits the nation's ICT industry to be an innovator rather than just a consumer of technology, MMU's continued growth and sustainability is a clear indication of TM's strong commitment to the development of education and research in the nation.

MMU Energy, the trading name of Unitele Multimedia Sdn Bhd, is the commercial arm of Multimedia University with the objective of bringing innovations and knowledge to market through short courses, industry collaborations, intellectual property licensing and building businesses. In 2011, activities by MMU Energy included:

1. **Prestige Leadership Programme:** leadership development programme targeting Malaysian GLCs in collaboration with Durham University and University Putra Malaysia. TM organised the programme for our middle-management in July to groom future leaders.
2. **Juniper Network Academic Alliance:** MMU is the first Academic Institution in Asia Pacific to collaborate with Juniper Network Academic Alliance to conduct Juniper Training for the TM Group.
3. **SAR Sensor System for ARSM Technofound Ministry of Science, Technology and Innovation (MOSTI) project:** Developed with MMU's Faculty of Engineering & Technology.

Awards and Recognition in 2011:

- MMU was given the Brand Excellence Award 2010 in March 2011 by the Ministry of International Trade and Industry (MITI)
- MMU was ranked eight best University in Malaysia by QS.Com
- In April 2011, MMU achieved ISO/IEC 20000-1:2005 certifications, the first university to do so
- MMU was ranked fifth overall and the best private university by Malaysian Science & Technology Indicators based on the number of publications and citations.





MMU Student Exchange Programme

In 2011, MMU expanded its Student Exchange Programme as a result of the overwhelmingly positive response from students. 45 students participated in the programme, representing a 5.0% increase from 2010. The exchange programme involves countries including France, Belgium, South Korea, Germany, Thailand and Finland.

TM Graduate Employability Outreach Programme (GEOP)

The Graduate Employability Outreach Programme (GEOP) is an intensive programme delivered by MMU lecturers at the Melaka campus to increase the marketability of unemployed graduates. It consists of two months' soft skills training and six months' on-the-job training.

The soft skills course comprises six modules that groom the participants in, among others, effective communication, information management and business etiquette to build a positive and professional mindset. Upon completion of the soft skills training, participants spend six months at TM Group companies and/or subsidiaries where they gain hands-on, experiential learning while also focusing on leadership and teamwork. Participants are required to manage real-life projects either individually or in groups, and put the soft skills already acquired to use.

TM GEOP Programme Details

Soft Skills Training	On-the-Job-Training
Duration: Two months	Duration: Six months (Online and Technical Content for three months each)
Modules: <ul style="list-style-type: none"> • Essential communication skills • Effective information management • Multimedia application in the workplace • Achieving effective employee mindset • Unearthing the gem in you • Grooming and social etiquette for young professionals 	Modules (Online Content): <ul style="list-style-type: none"> • Internet Protocol Televisyen (IPTV) development group • IPTV content group • Online New Media group • Sales and Marketing • Multimedia content group
	Modules (Technical Content): <ul style="list-style-type: none"> • HSBB Access group • HSBB Technical • Customer Service – TM Unifi Centre (TMUC) • IT/HSBB System • HSBB Installation
Benefits: <ul style="list-style-type: none"> • Allowance: RM400 per month • Participants are provided with the following benefits: <ul style="list-style-type: none"> – Accommodation at MMU Melaka Campus – Meals – Transportation – Insurance 	Benefits: <ul style="list-style-type: none"> • Allowance: RM1,000 per month • Training programme at TM or its subsidiaries • Immediate placement provided criteria are met • Employment within TM can be considered at the end of programme





Multimedia College

Multimedia College (MMC) became a subsidiary of Multimedia University (MMU) in 2009. It specialises in telecommunications and creative multimedia and offers affordable full- and part-time diploma programmes which students can complete within two-and-a-half to three years. It invests heavily on skills training and aims to introduce eight skills-based diploma courses in 2012 in subjects including photography, animation and fibre optics.

The 2011 cohort consisted of 1,787 students including 1,002 new intakes, representing an increase of 90.0% from the intake in 2010. 85.0% of MMC graduates achieved a Cumulative Grade Point Average (CGPA) of 2.5 and above. Motivation classes are conducted to provide career path assistance including job applications and interviews advice. Employment opportunities are also offered through TM subsidiaries.

MMC provides financial and non-financial support for students with disabilities. To date, it has had two students with disabilities, and allocated four facilities to be disabled-friendly. In terms of CSR, it supports the underprivileged and in 2011, students ran a special fund-raising drive to support the wife of blogger Ahmad Daniel Sharani, who was diagnosed with kidney cancer. Since the fund was launched on 16 May 2011 RM26,000 has been raised. On 13 November 2011, a greening activity was held for the first time. To commemorate the event, three trees were planted in MMC grounds to support the green initiative.

In 2011, MMC's facilities were improved, including a new lecture office, a creative media studio and a telecommunications laboratory.



School Adoption Programme – PINTAR & Projek Sekolah Angkat Bersama KPKK & TM

PINTAR (Promoting Intelligence, Nurturing Talent and Advocating Responsibility) is a school adoption programme inspired by Khazanah National and run by GLCs as well as some private corporations in Malaysia. The aim is to foster excellence among underprivileged students nationwide. Via PINTAR, TM allocates RM200,000 to each adopted school for the duration of three years. Funds are used for motivational and teambuilding programmes, educational and academic support programmes, capability & capacity building and reducing vulnerabilities & societal issues apart from upgrading ICT facilities and resources.

TM is one of the most active GLCs in the PINTAR programme. We adopted two schools in Penang under Phase 1 of the programme which ended in 2009; another two schools – in Kedah and Johor – under Phase 2, which ends in December 2012; and in 2011, we adopted yet two more schools – in Sabah and Perak.

One of the schools we adopted in 2011 is for visually impaired children, namely Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran (SKPKPT). We have spent RM27,000 on upgrading the school's facilities and programmes, with the aim of not only improving the quality of education provided but also enhancing the children's mobility. TM is the first GLC among PINTAR participating companies to adopt a school for special needs children.

The second new school adopted, Sekolah Menengah Kebangsaan Chenderiang in Tapah, Perak, is one of the schools with students qualified under the Government's 1Malaysia Netbook Scheme. We improved the learning environment here by providing WiFi access to the whole school and its vicinity to support the use of the sponsored notebooks.

We also collaborate with the Ministry of Information, Communications and Culture (KPKK) in a school adoption programme that encourages the use of ICT in schools. Using the same model as PINTAR, we strive to achieve academic excellence, identify talent and inculcate strong moral values in the students. The schools are used as community centres for ICT knowledge dissemination to bridge the digital divide. Participating schools under this project include Sekolah Menengah Kebangsaan Ayer Lanas (SMK Ayer Lanas), Sekolah Kebangsaan Teriang (SK Teriang), Sekolah Menengah Rendah Agama Repah (SMRA Repah) and Sekolah Menengah Kebangsaan Pakan (SMK Pakan).

School Adoption Programme activities in 2011 include:

Schools	<ul style="list-style-type: none"> • Installation and upgrade of IT infrastructure such as LAN cabling, broadband access and PCs • Maintenance of IT infrastructure Computer and ICT classes • Contribution of books to the schools' libraries
Students	<ul style="list-style-type: none"> • Computer and ICT classes • Motivational workshops • Workshop for UPSR students • Excellence awards for high performing students • Scholarships for high achievers • In-kind contribution such as school uniforms, bags and stationery for poorer students • Visits to TM's adopted schools, TM state offices and TM headquarters
Teachers	<ul style="list-style-type: none"> • Computer and ICT classes • Teambuilding and motivational workshops • PC maintenance training, web design and use of teaching solutions such as Bestari Ed
Community	<ul style="list-style-type: none"> • Computer and ICT classes • Seminar on parental roles and responsibilities • Motivational camp

The adoption of schools has resulted in:

- Increased participation in co-curricular activities
- Improved examination results
- Advanced understanding on the use of internet and email communication
- Improved IT skills such as Microsoft Office
- Use of PC applications to facilitate teaching

PINTAR achievements recorded in 2011

SMRA Repah, Tampin, Negeri Sembilan	<ul style="list-style-type: none"> • 89.1% pass rate for Penilaian Menengah Rendah (PMR) • 5 students obtained straight As • Listed as one of the best Agama (religious) schools in Negeri Sembilan
SK Seri Bandan, Air Hitam, Johor	<ul style="list-style-type: none"> • 96.2% passes obtained in 2011 UPSR, exceeding the target of 81.0% • 11 students achieved 5As • Listed as one of the best schools in Kluang district and shortlisted as one of the best schools in Malaysia
SK Teriang, Jelebu, Negeri Sembilan	<ul style="list-style-type: none"> • 69.2% pass rate for UPSR 2011 • 9 students achieved 5As, an increase of 17.3% compared to last year • Best UPSR results in the Tampin district
SMK Pakan, Sarikei, Sarawak	<ul style="list-style-type: none"> • 2011 PMR pass rate at 75.0%, 32.0% increase from 2010 • 3 straight As students • Best PMR result in Sarikei district

Via the School Adoption Programme, TM produces high performing students who are also responsible corporate citizens. Various awareness campaigns are organised focusing on social issues such as drugs, vandalism, *rempit* and violence in school. In addition, we work closely with the Parent Teacher Associations to run seminars and team-building activities for the parents and teachers. We also use the schools' computer labs to offer ICT training for the community at large.

In June 2011, TM conducted a computer maintenance and website development training course which was attended by two teachers from each school. A website development competition was organised and all schools' websites were launched on 29 November 2011.

In total, we now have 10 schools that have benefited from our School Adoption Programme, which touched 11,547 lives to date, nationwide.

(II) NATION BUILDING

TM has always contributed towards nation building by providing telecommunication services to the Rakyat. Today, the focus is on bridging gaps that exist in access and connectivity, and in supporting the Government as it strives to transform Malaysia into a high income nation.

We support the Government's Universal Service Provision (USP) initiative by installing fixed wireless facilities and providing services and applications in underserved areas. This includes the setting up of 174 Community Broadband Centres and 740 Community Broadband Libraries nationwide. We are also creating entire Digital Districts and established 1,072 *Kampung Tanpa Wayar* (Wireless Villages) so far. These initiatives have established TM as the national broadband champion. As a result of our relentless efforts to promote broadband, the country has exceeded the target set by the National Broadband Initiative (NBI) to achieve 50.0% household penetration by end 2010, when the actual penetration rate was 55.0% in 2010 and 61.7% in 2011. Our next target is to achieve 75.0% household penetration by 2015.



These services are supported by our mobile units, TMpoint-On-Wheels (TMOW), which take products and services offered by our normal TMpoint outlets to the villages. A total of 15 TMOW trucks have been allocated to all states nationwide. The TMOW truck stops at designated areas within each state and operates daily from 10.00 am until 7.00 pm.

TM's role in achieving 75.0% broadband household penetration by 2015 includes:

<p>Schoolnet Projects</p>	<ul style="list-style-type: none"> • Providing broadband facilities to 10,000 schools nationwide of which approximately 6,300 are in rural areas
<p>Digital Districts (DD) Projects</p>	<ul style="list-style-type: none"> • The Digital District (DD) concept is to establish an ICT ecosystem to the smallest whole geographic unit of a district (<i>daerah</i>) or sub-district (<i>mukim</i>) • DD in Malaysia: <ul style="list-style-type: none"> – Digital Pekan – Digital Pagoh – Digital Jempol
<p>Community Broadband Centre (CBCs) & Rural Community Broadband</p>	<ul style="list-style-type: none"> • Installing broadband in community centres • Computer training conducted by a TM Manager and Assistant Manager • Each CBC is equipped with 14–20 computers and broadband internet connection at 2Mbps • To date, TM manages 174 CBCs, 740 clinics and libraries nationwide • Since the establishment of CBC in 2007, more than 100,000 members have registered and been trained





<p>Kampung Tanpa Wayar</p>	<ul style="list-style-type: none"> • Providing Collective Broadband Access to underserved areas via the USP fund • Serving communities within the universal service targets • Bringing the reach of CBCs nearer to home under the CBC-to-Home project; 1,072 sites nationwide
<p>Special Packages for Low Income with 1Malaysia Netbook Programme (MCMC)</p>	<ul style="list-style-type: none"> • MCMC had allocated one million netbooks to be distributed to poor students and low-income groups • TM bundled an affordable broadband package with the 1Malaysia Netbooks and 100,000 subscriptions were fully activated by Q1 2011 • TM launched the Cool Unipack broadband package with netbook for 100,000 eligible students
<p>Soft-skill Training for community</p>	<ul style="list-style-type: none"> • Also known as 1Malaysia Human Capital & Development (1MHCD) • Equipping rural communities with IT literacy and soft skills • Five modules offered – managing PC hardware; software; content; applications and troubleshooting – to encourage local content development • Available for students, school leavers and adults • Since July 2010, TM has trained more than 9,000 participants (target: >100,000 certified by Intel)

Today, TM is rolling out the most exciting service to date – high speed broadband (HSBB) offering speeds exceeding 10Mbps – under a Public-Private Partnership (PPP) with the Government. HSBB is set to change the economic landscape as well as the general lifestyle of all Malaysians. It will bring countless benefits to corporations and industry in terms of communication efficiency while opening a whole new digital world to consumers. While TM is investing RM8.9 billion into the HSBB project, as a responsible corporate citizen we are opening access to the HSBB network to other service providers so as to encourage healthy competition for the ultimate benefit of the end user, and the country.

Program Sejahtera

Program Sejahtera was launched in 2009 by the Prime Minister of Malaysia and is driven by Khazanah Nasional Berhad in collaboration with GLCs. The programme aims to alleviate poverty and provide a sustainable livelihood for the less fortunate. Through Program Sejahtera, TM adopted three single mothers in 2010 whom we assist in several ways. We trained the women to develop their skills in areas that have business potential, for example in cooking, baking, sewing, arts and crafts. We then provided them with grants to fund new businesses.



The 'gotong royong' spirit for Program Sejahtera was led by Datuk Dr. Halim Shafie, Chairman of TM.

We also provide school books and extend financial support to help the women raise their children. Five of their children receive tuition fees to attend Multimedia College and sufficient living allowance. In 2011, TM also contributed RM5,000 to one child who was offered a place to study at the Madrasah Mafhatul Ulum in Bandar Sri Petaling, covering his registration fees, monthly tuition fees and living allowance.

In conjunction with Hari Raya Aidilfitri, TM contributed RM1,000 to each of the single mothers. A 'house rebuilding project and gotong royong' was also organised to renovate their homes, which are now equipped with internet connections and electricity supply. TM's clubs, TIARANITA and BAKIT, donated essentials to these families including clothes and household items.

Other Community Initiatives

As a caring organisation, TM also contributes to humanitarian causes. In 2011, we donated almost RM1.5 million to a number of beneficiaries including the Society for The Blind Malaysia, the National Cancer Society Malaysia and the Malaysian Armed Forces.

Meanwhile, TM's Disaster Recovery Call Centre (DRCC) ensures timely and effective delivery of support to affected communities by providing critical services to save lives.

Appreciating Culture and Heritage in TM

In 2011, Yayasan TM (YTM) focused on transforming Muzium Telekom into a living museum that highlights the impact of telecommunications on our lifestyle, in a chronological fashion. A mini High Speed Broadband Experience Centre was set up where visitors can experience the wonders of digital technology. YTM also collaborated with Muzium Negara to enhance the outreach programme with free admission.

TM allocated RM2,000,000 for the upgrade of the museum, which is expected to benefit about 70,000 visitors. The renovation is expected to create RM7 in social value for every ringgit spent, based on a social return on investment calculation.

Public Policy, Development and Lobbying

TM contributes to public policy development and lobbying by providing our views and feedback in industry working groups, public inquiries or public consultation papers on subjects including Universal Service Provision (USP) and Broadband For All (BBFA). The Company cannot make any political contributions as stipulated in our Corporate Integrity pledge.

TM complies with Chapter 4 – Rate Regulation and Section 197 – 201 of the Communication & Multimedia Act (CMA) 1998. Section 197 of the CMA states that a provider may set rates in accordance with market rates. Section 198 of the CMA goes on to stipulate that the rates shall be established based on the following principles:

- Must be competitive and fair
- Should be oriented towards cost
- Should not contain discounts that jeopardise competition
- Should be structured to attract investments
- Should consider regulations and recommendations of international organisations of which Malaysia is a member

TM coordinates the preparation of quarterly updates on published retail rates for submission to the Malaysian Communications and Multimedia Commission.

Gratification and Corruption

TM complies with the anti-corruption laws of the countries in which we operate. Directors and employees are forbidden from directly or indirectly offering or making corrupt payments to government officials including employees of government-owned enterprises.

These requirements apply to our Board of Directors, management, employees and all representatives of the Company. This also extends to TM agents, such as sales representatives, regardless of where they are doing business. The Company ensures all our agents are reputable and agree in writing to our requirements and ethical standards.

The Company expects all our suppliers and business partners to share the same principles and policies as prescribed in our Code of Business Ethics. Any supplier or business partner found to conduct any unethical practice or violate any law or regulation is liable to have its contract or dealing terminated. Starting 2012, suppliers are required to declare their allegiance to our Code of Business Ethics every year.

TM does not have a specific programme that focuses on any business deemed risky, hence no specific analysis on corruption is done for these units. TM conducts investigations through Investigation Papers (IP) and Enquiry Papers (EP). IP is a full scale investigation to establish conclusive facts and evidence; EP is a preliminary investigation to ascertain sufficient facts and evidence prior to initiating a full scale investigation. The number of investigations which were conducted and their outcomes are listed below.

IP and EP corruption investigations and the outcomes during 2011

Investigation Type	Under Investigation		COMPLETED								Total No. Of Cases
			Pending Decision		Substantiated		Exonerated		Unfounded		
Investigation Papers	2	18.0%	4	36.0%	3	27.0%	2	18.0%	0	0.0%	11
Enquiry Papers	2	18.0%			3	27.0%	3	27.0%	3	27.0%	11

Three cases of IP corruption were substantiated and submitted to domestic inquiry process with recommendation for disciplinary action: one perpetrator was given an administrative warning and transferred to a non-sensitive unit; one was dismissed and the third case is still pending a decision of the disciplinary panel. For the substantiated EP cases, corrective measures were taken to improve business processes.

Anti-corruption training is conducted as part of the TM Code of Business Ethics. Representatives including senior management attended a *Program Bicara Integriti* on 4 August 2011. TM also conducted an integrity talk which focused on corruption during the launch of our e-learning module for TM's Code of Business Ethics in Bahasa Malaysia on 21 September 2011.

Anti-competition

TM believes in competing fairly to ensure all parties benefit from fair, free and open markets. We compete strictly on the merits of our products and services and make no attempt to restrain or limit trade. All employees are required to adhere to local competition laws and also the competition laws of the countries in which the Company's business is conducted.

Practices that are prohibited include rate fixing, market sharing, boycott of suppliers or competitors and mandatory tying or linking arrangements for the provision of products and services.

The Malaysian Communications and Multimedia Commission has published the following two competition guidelines:

- Guideline on Substantial Lessening of Competition in a Communications Market
- Guideline on Dominant Position in a Communications Market

Compliance

TM is pleased to report that there were no significant fines or non-monetary sanctions against the Company in 2011. However, as a large corporation, TM is inevitably exposed to legal action by third parties. The table below lists the number of legal suits above one million Ringgit Malaysia which were managed by TM during 2011. The claim amount, status and the risk assessment of the legal suits based on proper legal advice are also included.

Ongoing Court cases against TM in 2011 and the risk assessment.

Party Suing	Claim Amount	Status	Risk Assessment
Tan Sri Dato' Tajuddin Ramli (TSDTR)	RM13.5 billion	<ul style="list-style-type: none"> The legal suit against TM and TESB was struck off by the High Court on 12 November 2009. The Court of Appeal has set 13-16 February 2012 as the hearing date for TSDTR's appeal against the High Court's decision above. 	<ul style="list-style-type: none"> Rare – As the legal suit is presently struck off, there is technically no claim against TM and TESB.
Network Guidance Sdn Bhd (NGSB)	RM23.95 million	<ul style="list-style-type: none"> On 11 February 2011, NGSB served on TM a Re-amended Writ and Statement of Claim whereby NGSB reduced its quantified claim from RM908 billion to RM23.95 million. The case is fixed for continued trial on 29 February, 2 March, 13 April, 7 May, 8 May and 9 May 2012. 	<ul style="list-style-type: none"> Unlikely – Despite the dismissal of the appeal in relation to TM's striking out application by the Court of Appeal, TM's panel of solicitors is still of the view that TM and TM Net have a reasonably good chance in defending the legal suit.
Mohd Shuaib Ishak (MSI) (Personal Action)	RM2.1 million	<ul style="list-style-type: none"> The Court has fixed 20 February 2012 for Case Management of the legal suit and 19 March 2012 for the hearing of TM and TESB's application to strike out the legal suit. 	<ul style="list-style-type: none"> Unlikely – Based on the advice from TM's Panel of Solicitors, TM and TESB have a reasonably good chance of success in defending the legal suit.
AA Auto Sdn Bhd (AA Auto)	RM3.1 million	<ul style="list-style-type: none"> The Court of Appeal has dismissed AA Auto's claim on 13 April 2011. On 12 May 2011, AA Auto filed an application for leave to appeal to the Federal Court. The application which was originally fixed for case management on 9 February 2012 has been postponed to a date to be notified by the Federal Court. 	<ul style="list-style-type: none"> Rare – As the legal suit is dismissed, there is technically no legal suit against TM.
AINB Tech (M) Sdn Bhd (AINB)	RM25 million	<ul style="list-style-type: none"> Legal suit was dismissed by the High Court on 30 June 2011. AINB filed an appeal to the Court of Appeal on 29 July 2011. The Court of Appeal has yet to set the appeal hearing date. 	<ul style="list-style-type: none"> Rare – As the legal suit is presently dismissed, there is technically no claim against TM. Based on the advice from TM's Panel of Solicitors, TM has a reasonably good chance of success in the appeal.
Multimedia Glory Sdn Bhd (MGSB)	RM5.5 million	<ul style="list-style-type: none"> On 27 May 2011, the case was deferred indefinitely pending the outcome of arbitration between both parties before Dato' Shaik Daud Ismail, a retired Court of Appeal judge. On 2 February 2012, both parties submitted before the arbitrator with regards to TM's application to strike out certain portions of MGSB's Points of Claim. The arbitrator has fixed 3 April 2012 to deliver his decision on the above said application. 	<ul style="list-style-type: none"> Unlikely – Based on the advice from TM's Panel of Solicitors, TM has a reasonably good chance of success in defending the legal suit.

TM complies fully with all Malaysian laws and is pleased to announce that there has been no successful legal action against the Company for anti-competitive behaviour, anti-trust or monopolist practices.



Environment

TM respects the environment by complying with all applicable environmental laws in all the countries in which we have operations. The Company is committed to protecting the environment by minimising the environmental impact of our operations and conducting business in ways that will sustain the world's natural resources. We have a number of policies aimed at minimising our impact on the environment including our Environmental Conservation Guidelines. TM's Environment Management System (EMS), launched in 2008, outlines various procedures to reduce the environmental footprint of our day-to-day activities at Menara TM. For example, we conduct Environmental Impact Assessments prior to laying new cables on land and in the sea. Particular attention is paid to avoid damaging coral reefs.

1,368

participants were involved in TM Earth Camp

132.13m³

average water recycled monthly via Water Recycling Irrigation Project

RM748,560

total spent on environmental initiatives and activities

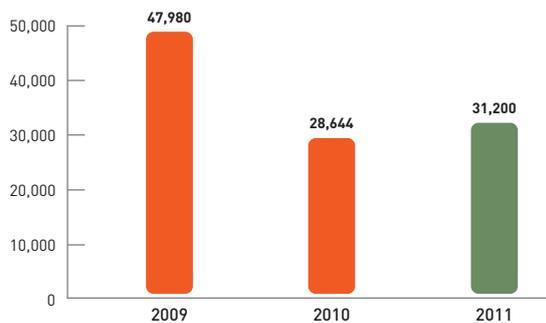
Energy Management

TM's Environmental Programme and Action Plan contains a policy aimed at reducing energy consumption. We are focusing on systems that consume large quantities of energy, such as air-conditioning and mechanical ventilation. In 2011, we launched a programme to reduce the energy usage of the Chilled Water Pumping System using 2009 consumption as the baseline. It involves monitoring electricity usage, implementing electricity reduction initiatives and monitoring the energy conservation system and measures. Programmable thermostats are used which automatically coordinate indoor climates with daily and weekend patterns to increase comfort and reduce electricity.

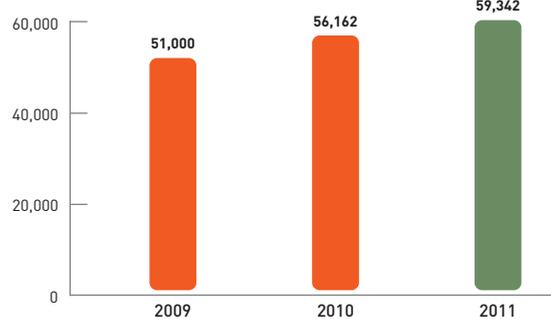
Energy conservation guidelines has been introduced into the workplace which recommend proper insulation and ventilation be included for building construction materials and design. Hot radiation from the windows should be avoided and the purchase of electricity-saving and electricity efficient appliances encouraged. In 2011, it was recommended that blinds and shades on the south and west-facing windows be used during the day and shading devices such as tinted windows be installed.

We have begun to use light fixtures such as reflectors and directional lamps, which can save up to 50.0% of lighting electricity, and employees are reminded to switch off lights when they leave a room. Halogen floor lamps are discouraged as they use more power and produce heat. On the other hand, laptops are encouraged as they use considerably less electricity than desktop computers. Employees are also asked to minimise printing and use inkjet printers if possible as they require less power than laser printers. The use of one large power strip for a computer, broadband modem, scanner, printer, monitor and speakers is recommended and all equipment should be switched off when not in use to reduce standby power.

Total Diesel Consumption 2009-2011 (litre)



Electricity Consumption (MWh)



* Data is for Commercial Building Central Property Operations which include Menara TM, TM Annexe, Menara Celcom Semarak, Wisma TM Taman Desa and Cyberjaya.

Energy saving initiatives and savings during 2011

Building	Initiatives	Description	Saving recorded in 2011 (%)	Concept
TM Pekeliling & TM Subang Jaya	Installation of ElectroFlow (Z-CEP System) at the incoming supply via serial connection equipment with built-in bypass system that caters to all loads	ElectroFlow (or Z-CEP SYSTEM) is an Intelligent Automatic Voltage Optimisation Equipment that manages changing incoming voltages relative to power requirements. It is an integrated power saving system for total load including motors, lighting and air-conditioning. The Super Low Loss Design with custom built automatic transformer and Fail-Safe Power Supply System automatically bypasses the electrical supply if the system detects inferiority.	8.0% - 10.0%	Shared-Savings
TM Jalan Raja Chulan	Installation of 400TR Water Cooled Chillers to replace aging Air Cooled Chillers	Improved efficiency from about 1.60-2.00 KW/TR to about 0.60 KW/TR	64.0% - 66.0%	Shared-Savings
TM Brickfields and TM Kelana Jaya	Installation of 300TR Water Cooled Chillers to replace aging Air Cooled Chillers	Improved efficiency from about 1.60-2.00 KW/TR to about 0.60 KW/TR.	65.0% - 70.0%	Shared-Savings
TM Setapak, Batu, Sg Way, Taman Petaling; Damansara, Tunku Abdul Rahman, Bukit Bintang & Sentul	Conversion of R22 refrigerant to Hydrocarbon gas (natural gas)	Drop-in replacement for R22 without any modification to existing equipment. Equipment is cleaned thoroughly before filling with hydrocarbon gas. 168 split units converted from eight exchanges.	10.0%	Outright Purchased

Renewable Energy in Bario

TM has provided Bario, an isolated village in the highlands of north-eastern Sarawak, with Internet access via generator-powered desktop computers connected to our solar-powered Very Small Aperture Terminal (VSAT) satellite, installed specifically for this purpose. This initiative offers the native Kelabit community voice, data and multimedia services on par with that available in cities and other urban areas.

Management of Ozone Depletion Substances

TM continues to replace Halon in stages. Recognising that the usage of Halon might harm the ozone layer, we aim to complete this replacement programme nationwide in the near future.

Environmental Monitoring

Emission Monitoring

TM monitors and measures smoke emissions and noise of the standby diesel generator at Menara TM. In the basement carpark, we launched an initiative to minimise the Carbon Monoxide (CO) accumulation from exhaust fumes to a level less than 200 ppm. and recorded a consistently low level of 29 ppm throughout the year.

Dust Monitoring

In compliance with the Environmental Quality (Clean Air) Regulations 1978, we measured the concentration of dust particulates in the stack flue gases from our generator sets. We also monitored the volume of dark smoke emitted from the stacks. Our results show that the dust concentration emitted is well below the limit as specified under the EQ (Clean Air) Regulations 1978.

Stacks	Source Description	Average Dust Concentration (gm/Nm ³)	Environmental Quality (Clean Air) Regulations 1978
Stack 1	Generator Set No 1 (Diesel Firing)	0.0092	0.4 gm/Nm ³
Stack 2	Generator Set No 2 (Diesel Firing)	0.0106	0.4 gm/Nm ³
Stack 3	Generator Set No 3 (Diesel Firing)	0.0464	0.4 gm/Nm ³

Noise Monitoring

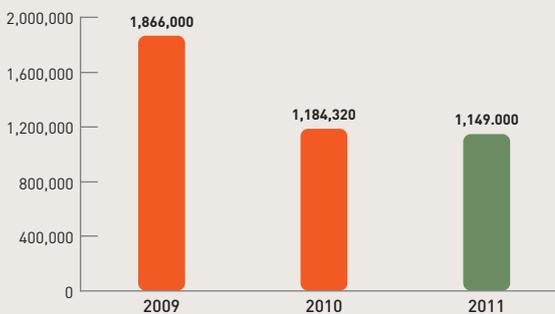
Noise levels were measured for 24 hours at 15 minute intervals, by a third party accredited laboratory. The night time boundary noise level is 70dBA; the day time 65dBA as granted by the Department of Environment (DOE). Noise sources observed at these locations were generally from vehicular movement on the Federal Highway, at the main road and at the TM Tower area.

Location	Daytime	Night time
N1 - Vehicular movement within TM Tower Area and the main road	54.4-78.7	61.9-67.3
N2 - Vehicular movement within TM Tower area and at the Federal Highway	58.4-97.7	52.7-79.5
N3 - Vehicular movement at the Federal Highway and LRT Station area and within TM Tower Area	70.2-82.3	66.1-76.3
N4 - Vehicular movement at the Federal Highway and LRT Station area, within TM Tower area, sound from blower	61.6-98.9	57.0-66.8

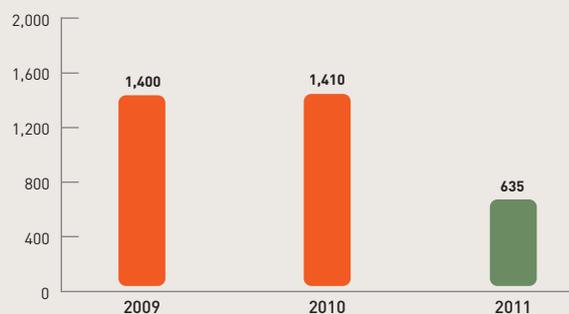
Waste Management

TM's waste management procedures contain provisions to manage and ensure proper waste generation disposal. The Company aims to achieve 100.0% on-time waste disposal. The total waste disposed in 2011 was 1,149 tonnes. The Company did not receive any complaints from tenants or property managers relating to waste management and disposal at Menara TM in 2011.

Solid Waste Generated in 2009-2011 (kg) *



Scheduled Waste Generated in 2009-2011 (kg) *



* Data for solid waste is for Commercial Building Central Property Operations which include Menara TM, TM Annexe, Menara Celcom Semarak and TM Cyberjaya, whereas data for scheduled waste is only for Menara TM.

Scheduled Waste Handling at Menara TM

The five types of scheduled waste generated at Menara TM are:

- Fluorescent bulbs (SW 110)
- Batteries (SW 104)
- Empty can (SW 409)
- Oil waste (SW 305)
- Rags (SW 410)

Below are the procedures involved during the storage of scheduled waste:

- There is a dedicated storage area for scheduled waste
- Incompatible scheduled waste are stored in separate containers and placed in separate secondary containment areas
- Scheduled waste at Menara TM is disposed by DOE's licensed contractor
- The scheduled wastes are clearly labelled with the first generated date, name, address and telephone number of the waste generator

TM's e-waste including old telephone sets is managed according to the Environmental Quality (Scheduled Waste) Regulations 2005. e-Waste contains toxic materials which require proper handling and management. e-Waste must be stored in designated areas which prevent it from entering into the environment.

3R at Menara TM

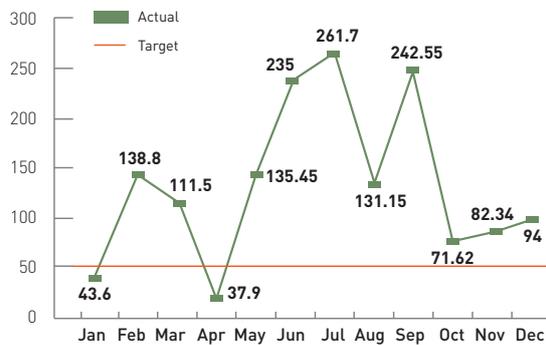
TM has introduced a policy to Reuse, Reduce and Recycle waste in the workplace. Recycling bins for paper, plastic and metal have been provided in designated areas. Employees are encouraged to recycle old newspapers and other paper waste including printouts, memos and copies. Using the backs of old memos is also encouraged, while files, folders and interoffice envelopes are reused wherever possible. Employees are requested to use biodegradable or reusable products whenever possible, such as washable mugs instead of styrofoam or polystyrene cups.

Water Management

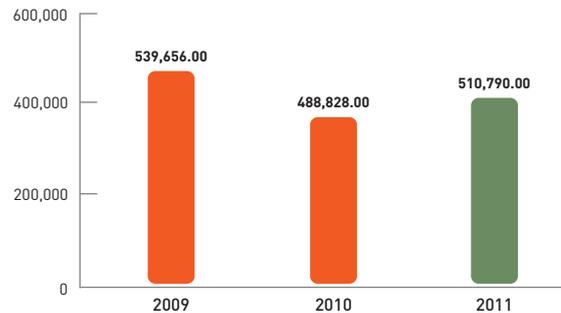
TM is committed to reducing, reusing and recycling water as it is a scarce asset in the world. We introduced a Water Recycling Irrigation project to recycle water for watering the plants surrounding Menara TM. This serves to decrease the diversion of water from sensitive ecosystems and helps to reduce the nutrient loads from wastewater discharge into waterways, thereby preventing pollution.

We set a target of using 50 m³ of recycled water per month in 2011. Although we did not meet this target in January and April, the Company recycled in average of 132.13 m³ per month which was much higher than targeted

Monthly water recycling during 2011 against target



Water Consumption in 2009 - 2011 (m³) *



* Data for water consumption is for Commercial Building Central Property Operations which include Menara TM, TM Annexe, Menara Celcom Semarak, Wisma TM Taman Desa and Cyberjaya.

TM environmental conservation guidelines recommend that our water sprinklers are adjusted so that only the required areas are watered and the largest areas of grass are targeted. Smaller areas should be watered by hand and it is recommend the sprinklers are switched off if rain is expected or the system is malfunctioning. If possible, the plants should be watered in the early morning hours and organic mulch is placed around them to minimise evaporation. Ornamental water features and fountains are avoided to reduce evaporation.

In 2011, low-volume water consumption toilets were also installed and installation of water efficient appliances encouraged. The guidelines recommend the installation of leak detection equipment, smart irrigation controllers, pre-rinse spray valves and water brooms for the food court and cafeteria. Water saving notices are displayed in the washrooms. Employees are encouraged to drop tissues in the trash rather than flush them down the toilets to avoid re-flushing, and to be frugal with water use when washing hands.

Climate Change and GHG Emissions

During the United Nations Climate Change Conference (COP 15) in Copenhagen in December 2009, Prime Minister Datuk Seri Najib Abdul Razak announced the initiative to achieve a 40.0% reduction in carbon and other greenhouse gas (GHG) emissions by 2020. TM fully supports this vision, and in 2011 we incorporated carbon management, measurement and reporting into our Environmental Management Plan.

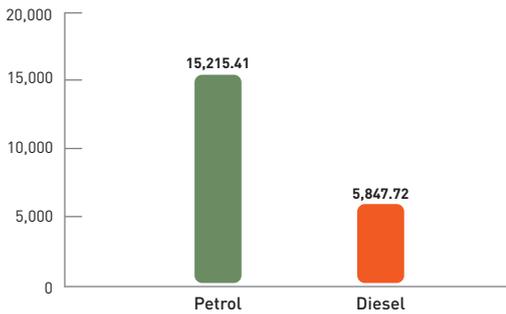
TM's emissions accounting is based on the GHG Protocol classification of direct and indirect emissions.

Emissions Scope	Category	TM's emissions
Scope 1	Direct GHG Emissions	Company-owned vehicles
Scope 2	Indirect GHG Emissions	Electricity
Scope 3	Other Indirect GHG Emissions	Air travel

Scope 1

GHG emissions from company-owned vehicles are monitored by tracking and tabulating all fuel purchases used for company-owned vehicles including passengers cars, 4 wheel drivers, vans and trucks. The CO₂ emissions from the consumption of fuel was derived from the emission factor published by the IPCC Guidelines for National Greenhouse Gas Inventories.

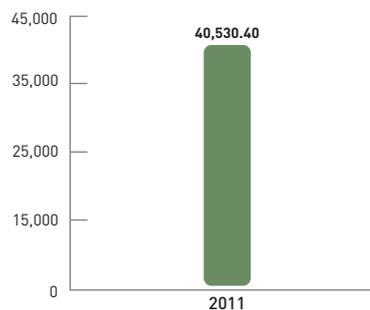
CO₂ Emissions (MT) from Company-Owned Vehicles in 2011



Scope 2

TM's energy saving programme has resulted in a significant decrease in the amount of electricity consumed in 2011. We reduced our electricity consumption by more than 10.0% at our Commercial Building Central including Menara TM, TM Annexe buildings, Menara Celcom Semarak, Wisma TM Taman Desa and Cyberjaya, resulting in a significant decrease in emissions. The CO₂ emissions from the use of electricity was derived using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular grid.

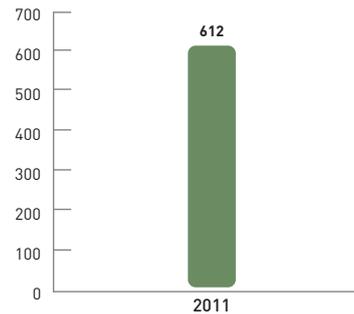
CO₂ emissions (MT) electricity usage at TM Commercial Building Central in 2011



Scope 3

GHG emissions resulting from air travel were measured from point to point including the number of employees on board, distance and flight class. All short and long-haul flights were included in the GHG calculation. Online tools derived from the World Resource Institute (WRI) Greenhouse Gas Protocol have been used to estimate the CO₂ emissions from air travel.

CO₂ emissions (MT) from Air Travel in 2011



The carbon footprint reading for 2011 now serves as a benchmark for TM's Carbon Management Plan which is to be implemented in 2012. Targets and initiatives to reduce carbon emission will be mapped on the Plan and will be disclosed in TM's next Sustainability Report.



Other Environmental Initiatives At Menara TM

Description	Objective	Target	Results											
			J	F	M	A	M	J	J	A	S	O	N	D
Maintain noise generated from air conditioning and ventilation system within FMA 1967	To ensure noise level from air conditioning unit at office area is within permissible limits	Less than 5 complaints a month from employees, tenants and other parties; and these are to be resolved within 24 hours	2	3	2	0	1	1	0	2	1	0	0	0
R22 gas may be released during maintenance activities of air-conditioning units	Minimise release of R22 gas	Not more than one number of R22 gas discharge per unit per month	1	0	0	0	1	1	1	0	1	0	1	1
Breakdown of air conditioning system at Menara TM will increase room temperature and create discomfort to tenants	To maintain room temperature in office area at 23-26°C	Less than 25 complaints per month	7	10	1	0	7	7	10	6	13	10	12	2
Maintaining good air quality is vital to achieve a good working environment	To ensure air quality at the workplace	No penalty from DOSH or complaint related to IAQ issues	√	√	√	√	√	√	√	√	√	√	√	√
Disposal of solid waste may release unpleasant odours to surrounding area	To reduce and prevent odour generation from solid waste in Menara TM	<5 complaints in year 2011, and to be resolved within 24 hours	0	0	0	0	0	0	0	0	0	0	0	0
CO emissions from cars at basement can be hazardous to the air quality	Minimise toxic fumes (CO) in basement car park	CO level less than 200 ppm	29	29	29	29	29	29	29	29	29	29	29	29
TM highest energy usage is generated from its electricity	To reduce electricity usage	3.0% reduction in electricity usage from 2009 baseline	-4.8%	-0.8%	-17.4%	-27.2%	-39.3%	-24.8%	-13.4%	-4.17%	-10.3%	-33.9%	-22.5%	+3.23%



Environmental Awareness Programmes

BumiKu

BumiKu is an employee awareness programme launched in October 2009 to educate staff on environmental practices, increase awareness of climate change and encourage energy savings at work and home. In 2011, we promoted BumiKu more aggressively by encouraging two-way efforts between the programme champion, Group Corporate Communications, and all employees. Snippets containing environmental facts and two BumiKu tips from employees are shared weekly via email. Employees are encouraged to submit their BumiKu ideas and the best ones are displayed on a BumiKu Idea Tree at the Ground Floor of Menara TM.

TM launched a BumiKu Green Week from 18 - 22 April 2011 in conjunction with Earth Day on 22 April 2011. Campaigns included no plastic bags and wear green for work. In 2011, BumiKu also promoted a recycling campaign for various types of waste including paper, cartons, aluminium, e-waste, glass and mixed plastic.

During the BumiKu Green Week campaign, various eco-friendly activities were organised including a 'bring your own container' day, a book exchange programme, photography contest, recycling drive, reuse campaign and an origami folding exercise. TM Chairman Dr Halim Shafie planted the last of 105 trees planted throughout the week around TM offices nationwide, and declared Friday as a Green Day for TM.



TM's 'Share-A-Ride' Car Pool Drive reduces carbon emissions, traffic congestion on the roads and need for parking space. TM has allocated 40 parking bays for cars with Share-A-Ride passes. Each pass holder must have a minimum of three passengers to park in the allocated bays. Response to this initiative has been very encouraging.

A BumiKu Camp was organised on 14-16 October 2011 at Hutan Belum Temenggor, Perak, attended by 101 members and 10 volunteers. Activities included island hopping, wildlife observation, community work at the Orang Asli village, a night walk, water monitoring and an introduction to blowpipes. A survey was conducted at the end of the camp to evaluate the success of the programme. All participants commented that they look forward to joining the camp again.

TM also organised a BumiKu Fun Run during the Karnival Sukan TM on 17 July 2011 to increase employees' awareness of this campaign. BumiKu Fun Run is an environment-themed dress run participated by employees from all states.



TM Earth Camp

TM Earth Camp was launched in March 2010 in partnership with the Malaysian Nature Society (MNS). The three-day nature camp targets students who are members of nature clubs in their schools. TM aims to increase students' awareness of Malaysia's rich biodiversity through real-life experience, in the hope that they will spread their knowledge about nature's beauty with their school peers. Activities include campaigns on habitat protection, water testing and climate change awareness, nature craft, engagement with the local communities such as fishing and appreciation of handicraft and other cottage industry products.

Camps were held in the following six different zones between March and July 2011:

Zone	Date	Location
Central Zone	25 – 27 March 2011	Laman Nur Bestari, Ulu Yam, Selangor
Eastern Zone	1 – 3 April 2011	Peladang Agro Resort, Setiu, Terengganu
Borneo Zone (Sabah)	20 – 22 May 2011	Tambunan Village Resort Centre, Sabah
Northern Zone	10 – 12 June 2011	Perasa Auto Camp, Taiping
Southern Zone	24 – 26 June 2011	Taman Negara Endau-Rompin, Johor
Borneo Zone (Sarawak)	22 – 24 July 2011	Permai Rainforest Resort, Kuching, Sarawak

Support for endangered species, awareness and clean-up programmes are among the activities organised by TM with eager participants and volunteers.

In 2011, a total of 1,368 participants from all over the country attended these camps, including teachers, students from TM's adopted schools, TM volunteers and members of the surrounding community. Each nature camp was special and emphasised a different theme; Earth, Water, Climate Change and Energy. The involvement of government agencies and other organisations added value to the camps. These included the Ministry of Education, Ministry of Natural Resources and Environment, Johor National Parks Corporation, the Sabah Forestry Department and the local communities of Kampung Mangkok, Kampung Dew, Kampung Peta and Kampung Santubong.

Kelab Pencinta Alam

TM also established Kelab Pencinta Alam TM on 5 March 2011, which now has 626 members nationwide. The club is also known as Tapir Malaya.

TM's KPA membership by state

State	Members
Pulau Pinang	10
Perak	25
Kuala Lumpur/Selangor	440
Johor	30
Kedah/Perlis	12
Sarawak	31
Kelantan	3
Pahang	14
Melaka	17
Negeri Sembilan	13
Sabah	14
Terengganu	17
TOTAL	626

It is hoped that Tapir Malaya will lead future activities to reduce our carbon footprint. TM was complimented by MNS for being the first company to introduce its own nature club. Through this club, we aim to provide employees the opportunity to explore nature through the TM Bumiku Programme, Bumiku Camp and tree planting at Z00. Employees can also participate in workshops, seminars, nature camps and field trips. We encourage active participation in conservation activities in the workplace, state and country.





TM spreads the message of environment conservation through TM Earth Camp series implemented nationwide for secondary school students.

Environmental Compliance

TM complies with all environmental guidelines, legislation and best practice including:

- Environmental Quality Act 1974 (Act 127)
- Environmental Quality (Clean Air) Regulations, 1978
- Environmental Quality (Industrial Effluent) Regulations 2009
- Environmental Quality (Sewage) Regulations 2009
- Environmental Quality (Motor Vehicle Noise) Regulations 1987
- Environmental Quality (Scheduled Waste) Regulations 2005
- Environmental Quality (Halon Management) Regulations 1999
- Environmental Quality (Refrigerant Management) Regulation 1999
- Environmental Quality (Declared Activities) (Open Burning) Order 2003
- Local Government Act 1976
- Occupational Safety and Health Act 1994
- Fire Services Act 1988 (Act 341)

There were no significant penalties for environmental non-compliance or violations of laws and regulations in 2011.

Total Environmental Expenditure (RM)

2009	2010	2011
RM240,000.00	RM749,400.00	RM748,560.00

Section : AR – Annual Report 2011; FC – Front Cover
Application : C – Core; A – Additional
Status : • Fully Report; □ Partially Reported; x Not Reported

G3.1 Content Index

STANDARD DISCLOSURES PART I: Profile Disclosures

1. Strategy and Analysis

Profile Disclosure	Description	Status	Cross-Reference	Reason for omission & Explanation
1.1	Statement from the most senior decision-maker of the organisation	•	P4-9	
1.2	Description of key impacts, risks, and opportunities	•	P6-9	

2. Organisational Profile

2.1	Name of the organisation	•	Front Cover, P3	
2.2	Primary brands, products, and/or services	•	Annual Report 2011	
2.3	Operational structure of the organisation	•	P13	
2.4	Location of organisation's headquarters	•	P3	
2.5	Number of countries where the organisation operates	•	P13-15	
2.6	Nature of ownership and legal form	•	P13	
2.7	Markets served	•	P14-15	
2.8	Scale of the reporting organisation	•	P3	
2.9	Significant changes during the reporting period	•	P4-9	
2.10	Awards received in the reporting period	•	P16-17	

3. Report Parameters

3.1	Reporting period	•	P3	
3.2	Date of most recent previous report	•	P3	
3.3	Reporting cycle	•	P3	
3.4	Contact point for questions regarding the report or its contents	•	P3	
3.5	Process for defining report content	•	P3, 25-27	
3.6	Boundary of the report	•	P3	

G3.1 Content Index

3. Report Parameters

Profile Disclosure	Description	Status	Cross-Reference	Reason for omission & Explanation
3.7	Specific limitations on the scope or boundary of the report	•	P3	
3.8	Basis for reporting on joint ventures, subsidiaries, etc	•	P3	
3.9	Data measurement techniques and the bases of calculations	•	P70, P80	
3.10	Explanation of the effect of any re-statements of information	•	P3-9	
3.11	Significant changes from previous reporting period	•	P4-9	
3.12	Table identifying the location of the Standard Disclosures	•	GRI Content Index	
3.13	Policy and current practice with regard to seeking external assurance for the report	•	Assurance Statement	

4. Governance, Commitments and Engagement

4.1	Governance structure of the organisation	•	P28-31	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	•	P29	
4.3	Independent and/or non-executive members of the Board	•	P29	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	•	P22-23	
4.5	Linkage between compensation and the organisation's performance	•	Annual Report 2011	
4.6	Processes in place to ensure conflicts of interest are avoided	•	P32	
4.7	Qualifications and expertise of the Board	•	P30	
4.8	Internally developed statements of mission or values, codes of conduct, and principles	•	P32	
4.9	Identification and management of economic, environmental, and social performance, conduct, and principles	•	P32	

G3.1 Content Index

4. Governance, Commitments, and Engagement

Profile Disclosure	Description	Status	Cross-Reference	Reason for omission & Explanation
4.10	Processes for evaluating the highest governance body's own performance	•	P30	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	•	P23-27	
4.12	Externally developed economic, environmental, and social charters, principles	•	P51, P53, P60	
4.13	Memberships in associations	•	P71	
4.14	List of stakeholder groups engaged by the organisation	•	P22	
4.15	Basis for identification and selection of stakeholders with whom to engage	•	P22-24	
4.16	Approaches to stakeholder engagement	•	P22-25	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics	•	P25-27	

STANDARD DISCLOSURES: Performance Indicators
Economic

Performance Indicator	Description	Status	Cross-Reference	Reason for omission & Explanation	To be reported in
Economic performance					
EC1	Direct economic value generated and distributed	•	P11		
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	•	P79-80		
EC3	Coverage of the organisation's defined benefit plan obligations	•	P36		
EC4	Significant financial assistance received from government	•	P71		

Market presence

EC5	Standard entry level wage vs. local minimum wage	•	P35-36		
EC6	Policy, practices, and proportion of spending on locally-based suppliers	•	P50		
EC7	Procedures for local hiring	•	P37		

Indirect economic impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	•	P18, P69-70		
EC9	Understanding and describing significant indirect economic impacts	•	P67-70		

Environment

Performance Indicator	Description	Status	Cross-Reference	Reason for omission & Explanation	To be reported in
Materials					
EN1	Materials used by weight or volume	x	-	We are in the process of improving our data collection. We hope to have this indicator disclosed in our upcoming Report	2013
EN2	Percentage of materials used that are recycled input materials	x	-	We are in the process of improving our data collection. We hope to have this indicator disclosed in our upcoming Report	2013

STANDARD DISCLOSURES: Performance Indicators

Environment

Performance Indicator	Description	Status	Cross-Reference	Reason for omission & Explanation	To be reported in
Energy					
EN3	Direct energy consumption by primary energy source	•	P75		
EN4	Indirect energy consumption by primary source	•	P75		
EN5	Energy saved due to conservation and efficiency improvements	•	P76		
EN6	Initiatives to provide energy-efficient or renewable energy	•	P77		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	•	P76		
Water					
EN8	Total water withdrawal by source	•	P79		
EN9	Significant impact of withdrawal of water	•	P79		
EN10	Percentage and total volume of water recycled and reused	•	P79		
Biodiversity					
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas	□	P83	Location of our TM Earth Camp, which is a programme aimed at improving awareness on biodiversity is disclosed. However, the size of this location is still not available. We hope to improve our disclosure on this indicator in our next Report	2013
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas	•	P83		

STANDARD DISCLOSURES: Performance Indicators
Environment

Performance Indicator	Description	Status	Cross-Reference	Reason for omission & Explanation	To be reported in
EN13	Habitats protected or restored	x	-	Our TM Earth Camp programme focuses on increasing awareness rather than protecting habitats	We hope to disclose this indicator when the Company has implemented a biodiversity programme which involves habitats protection
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	□	P83	We hope to improve our disclosure on this indicator when a formal strategy and plans are implemented	2013
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	x	-	Our TM Earth Camp programme focuses on increasing awareness rather than protecting habitats	We hope to disclose this indicator when the Company has implemented a biodiversity programme which involves habitats protection
Emissions, effluents and waste					
EN16	Total direct and indirect greenhouse gas emissions by weight	•	P79-80		
EN17	Other relevant indirect greenhouse gas emissions by weight	•	P79-80		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	•	P81		
EN19	Emissions of ozone-depleting substances by weight	•	P77		
EN20	NO _x , SO _x , and other significant air emissions by type and weight	x	-	We are in the process of improving our data collection. We hope to disclose this indicator in our upcoming Report	2013
EN21	Total water discharge by quality and destination	□	P79	Total water discharged is disclosed and we are in the process of improving our monitoring process by quality and destination	2013
EN22	Total weight of waste by type and disposal method	□	P78	Total waste disposed is disclosed and we are in the process of improving monitoring process by type and disposal method	2013

STANDARD DISCLOSURES: Performance Indicators

Environment					
Performance Indicator	Description	Status	Cross-Reference	Reason for omission & Explanation	To be reported in
EN23	Total number and volume of significant spills	N/A	-	This indicator is not applicable due to the nature of our operation as a telecommunication service provider	-
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous	•	P81		
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	•	P79		
Products and services					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	•	P75-81		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	N/A		This indicator is not applicable due to the nature of our operation as a telecommunication service provider	-
Compliance					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	•	P85		
Transport					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	N/A		This indicator is not applicable due to the nature of our operation as a telecommunication service provider	-
Overall					
EN30	Total environmental protection expenditures and investments by type	•		P85	

Social: Practices and Decent Work

Performance Indicator	Description	Status	Cross-Reference	Reason for omission & Explanation	To be reported in
Employment					
LA1	Total workforce by employment type, employment contract, and region	•	P40-41, P46		
LA2	Total number and rate of employee turnover by age group, gender, and region	•	P46		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	•	P36		
LA15	Return to work and retention rates after parental leave, by gender	✘	-	We are in the process of improving our data collection. We aim to report on this indicator in our upcoming Report	2013
Labor/management relations					
LA4	Percentage of employees covered by collective bargaining agreements	•	P39		
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	•	P40		
Occupational health and safety					
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	•	P45		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	•	P47		
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	•	P45		
LA9	Health and safety topics covered in formal agreements with trade unions	•	P39		
Training and education					
LA10	Average hours of training per year per employee by employee category	•	P47		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	•	P37-38		
LA12	Percentage of employees receiving regular performance and career development reviews	•	P46-47		

Social: Labor Practices and Decent Work					
Performance Indicator	Description	Status	Cross-Reference	Reason for omission & Explanation	To be reported in
Diversity and equal opportunity					
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	•	P46-47		
Equal remuneration for women and men					
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	•	P40		
Social: Human Rights					
Diversity and equal opportunity					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	•	P41, P44		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	•	P41, P44		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	•	P47		
Non-discrimination					
HR4	Total number of incidents of discrimination and actions taken	•	P40		
Freedom of association and collective bargaining					
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	•	P39		
Child labour					
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	•	P46		
Forced and compulsory labour					
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	•	P46		

Social: Human Rights					
Performance Indicator	Description	Status	Cross-Reference	Reason for omission & Explanation	To be reported in
Security practices					
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	•	P32		
Indigenous rights					
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	•	P46		
Assessment					
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	•	P32		
Remediation					
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	•	P32		
Social: Society					
Performance Indicator	Description	Reported	Cross-Reference	Reason for omission & Explanation	To be reported in
Community					
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	•	P60-69		
S09	Operations with significant potential or actual negative impacts on local communities	•	P18, P60-70		
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	•	P18, P60-70		

Social: Society					
Performance Indicator	Description	Reported	Cross-Reference	Reason for omission & Explanation	To be reported in
Corruption					
S02	Percentage and total number of business units analysed for risks related to corruption	•	P71-73		
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures	•	P32, P71-73		
S04	Actions taken in response to incidents of corruption	•	P72-73		
Public policy					
S05	Public policy positions and participation in public policy development and lobbying	•	P71		
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	•	P71		
Anti-competitive behaviour					
S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	•	P71		
Compliance					
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	•	P71-73		

Social: Product Responsibility					
Performance Indicator	Description	Status	Cross-Reference	Reason for omission & Explanation	To be reported in
Customer health and safety					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	•	P54		
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	•	P57		
Product and service labelling					
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	•	P57		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	•	P57		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	•	P56		
Marketing communications					
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	•	P57		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	•	P57		
Customer privacy					
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	•	P55		
Compliance					
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	•	P57		

GRI PILOT VERSION : TELECOMMUNICATION	
Indicator	Cross-reference
Compliance with ICNIRP standards and guidelines	P44
Deployment and access in remote/low population areas	P18, P69
Addressing the digital divide	P9, P68
Ensuring availability and reliability	P67-69
Availability in areas where we operate	P9, P18, P67-69
Supplying low and no income sectors of the population	P69



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Independent Verification Statement

Scope and Objective

SIRIM QAS International Sdn. Bhd., a third party Conformity Assessment Body in Malaysia, with extensive expertise and experience in the provision of sustainability related assurance services, was engaged by Telekom Malaysia Berhad (TM) to perform an independent verification of its 2011 Sustainability Report. The main objective of the verification process is to provide TM and its stakeholders with an independent opinion of the accuracy of the information presented in the report. This was confirmed through checking and verifying claims made in the report. The verification audit by SIRIM QAS International audit covered all sustainability related activities which had been included in the 2011 Sustainability Report. The report was also assessed against the G3.1 Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines.

The information in this report is the responsibility of the management of TM. The objectivity and impartiality of this verification statement is assured as no member of the verification team and no other employee of SIRIM QAS International was involved in the preparation of any part of the report.

Methodology

The verification process was carried out by SIRIM QAS International in February 2012. It involved the following activities:

- Reviewing and verifying of the accuracy of the data collected from various sources and that are presented in the report;
- Reviewing of internal and external documentation and displays such as awards, reports, newsletters, etc.; and
- Interviewing of key personnel responsible for collating and writing various parts of the report in order to substantiate the veracity of the claims.



MS ISO/IEC 17021 : 2006 CS-0121096 CS 01
 MS ISO/IEC 17021 : 2004 EMS 1712000 CS 02
 MS ISO/IEC 17021 : 2006 PC 0710004 CS 01
 MS ISO/IEC 17021 : 2006 OHS 0612000 CS 01
 MS ISO/IEC 17021 : 2006 HACCP 1700000 CS 02
 ISO/IEC 22000 : 2007 F BMS 2312000 CS 01
 MS ISO/IEC 17021 : 2004 PMS 1012000 CS 02



MS ISO/IEC 17025
 CALIBRATION/TESTING
 SARMS/NO: 080 SARMS/NO: 085
 SARMS/NO: 087 SARMS/NO: 078
 SARMS/NO: 020 SARMS/NO: 067
 SARMS/NO: 088 SARMS/NO: 084
 SARMS/NO: 077



074



During the verification process, issues were raised and clarifications were sought from the management of TM relating to the accuracy of some of the data and statements contained in the report. The report was reviewed and revised by TM as a result of the findings of the verification team. It can be confirmed that changes have been incorporated into the final version of the report to satisfactorily address the issues raised.

The verification process was subject to the following limitations:

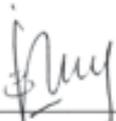
- The scope of work did not involve verification of financial data, other than that relating to expenses for environmental related activities;
- Only the corporate office was visited as part of this assurance engagement; and
- Contractor and third party data was not reviewed in detail.

Conclusion

Based on the scope of the verification process, the following represents SIRIM QAS International's opinion:

- The TM 2011 Sustainability Report is in accordance with the A+ Application Level of the GRI G3.1 Sustainability Reporting Framework;
- The TM 2011 Sustainability Report represents a true and fair representation of the organization and its activities in compliance with G3.1 reporting criteria of the GRI.
- The level of accuracy of data included in the report was found to be acceptable;
- The information has been presented in an appropriate manner;
- Data trails were easily identifiable and traceable;
- The personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data;
- TM has satisfactorily addressed, in the final version of the report, all issues that had been raised during the verification audit;
- The report provides a reasonable and balanced presentation of the sustainability performance of TM.

Prepared by:



AMINAH ANG
Verification Team Leader
Sustainability Certification Section
Management System Certification Department
SIRIM QAS International Sdn. Bhd.
Date : 13 March 2012

Approved by:



PARAMA ISWARA SUBRAMANIAM
Senior General Manager
Management System Certification
Department
SIRIM QAS International Sdn. Bhd.
Date : 13 March 2012



Statement GRI Application Level Check

GRI hereby states that **Telekom Malaysia Berhad** has presented its report "Telekom Malaysia Sustainability Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, March 6th 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI logo in the background.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because **Telekom Malaysia Berhad** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on February 27th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

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