

Profile of Board of Directors

Dato' Dr Awang Adek bin Hussin ▶
Chairman
Non-Independent Non-Executive Director

Dato' Dr Awang Adek bin Hussin, aged 48 and a Malaysian, was appointed to the Board of TNB as a Non-Independent Non-Executive Director on 1 December 2002. He holds a Bachelor of Arts (Cum Laude) in Mathematics and Economics from Drew University, USA, a Masters of Arts in Economics and a Doctor of Philosophy in Economics from Wharton School, University of Pennsylvania, USA. Dato' Dr Awang Adek is currently the Chairman of TNB. He started his career as a lecturer in Economics at Universiti Sains Malaysia and moved on to hold various positions in the Economics Department of Bank Negara Malaysia. He was also a Director of the Economics Department of Bank Negara Malaysia, Director of Bank Regulation Department and subsequently Assistant Governor. During his service with Bank Negara Malaysia, he was seconded for over two years as the first Director General of Labuan Offshore Financial Services Authority. He also sits on the board of several other companies notably Pos Malaysia and Services Holdings Berhad, Ya Hornng Electronics Malaysia Berhad, Avenue Assets Berhad and Labuan International Financial Exchange Inc. Dato' Dr Awang Adek sits on the Board Establishment Committee, the Board Finance & Investment Committee, the Board Planning & Development Committee, the Board Nomination & Remuneration Committee, and the Board Entrepreneur Development Committee of TNB. Dato' Dr Awang Adek has attended 13 Board meetings in the financial year.



Dato' Pian bin Sukro, 55 years old and a Malaysian, was appointed a Non-Independent Executive Director to the Board of TNB on 16 October 2001. Dato' Pian is currently the President / Chief Executive Officer of Tenaga Nasional Berhad. He was trained as an engineer and holds a B.Sc. (Hons.) degree. He later secured his M.Sc. in Project Analysis, Finance and Investment. Dato' Pian is also a Chartered Engineer, member of Institute of Electrical Engineers, UK, member of Institute of Engineers, Malaysia and a member of Professional Engineers, Malaysia. He has held senior positions at TNB within the 34 years of service with the organisation which covers the full spectrum of the utility business such as equipment manufacture and installation; power station and maintenance, project construction and commissioning, project engineering and management; steps and studies related to the introduction of nuclear power to Malaysia; project appraisals and feasibility studies; power system development planning including fuel procurement, energy pricing and siting studies; formulation of electricity tariff; ASEAN inter-utility cooperation; North-East and South-East Asian Utility cooperation; ASEAN energy cooperation; managing the implementation of thermal generation projects; corporate, financial and strategy planning; corporatisation of LLN to TNB; privatisation of TNB; industry regulation; introduction of independent power producers; power purchase agreements; corporate restructuring and formation of subsidiaries; sourcing of project and corporate funds (local and international); formation of joint ventures and JV companies; development and diversification of TNB's businesses locally and overseas. He has also undertaken various functions for other groups and organisations including the Ministry of Energy, Communications and Multimedia, ASEAN, International Atomic Energy Agency (IAEA), World Energy Council, Asian Development Bank and the World Bank (IBRD). Dato' Pian sits on the Board Tender Committee, the Board Finance & Investment Committee, the Board Planning & Development Committee, the Board Establishment Committee, the Board Entrepreneur Development Committee, and the Board Corporate Governance Committee of TNB. Dato' Pian has attended 19 Board meetings in the financial year.



▶ Dato' Pian bin Sukro
President/Chief Executive Officer
Non-Independent Executive Director



◀ Datin Husniarti binti Tamin
Non-Independent Non-Executive Director

Datin Husniarti binti Tamin, aged 55 and a Malaysian, is currently the Deputy Secretary General (Systems and Controls) in the Ministry of Finance. She was appointed to the Board as a Non-Independent Non-Executive Director on 4 August 2000. She graduated from University of Malaya with an Honours Degree in Economics and went on to get her Masters in Business Administration from the University of Oregon, USA. She was formerly the Assistant Secretary, Manpower Section, Economic Planning Unit (EPU); Principal Assistant Secretary, Industries Section, EPU; Head of Projects, Privatisation Section, EPU; Director, Energy Section, EPU and Deputy Secretary General (Energy), Ministry of Energy, Communications & Multimedia. Datin Husniarti also sits on the board of several other companies notably Kuala Lumpur International Airport Berhad, Syarikat Prasarana Nasional Bhd, Pengurusan Danaharta Nasional Berhad, Syarikat Perumahan Negara Bhd, Khazanah Nasional Berhad and Penerbangan Malaysia Berhad. Datin Husniarti chairs the Board Tender Committee. She also sits on the Board Establishment Committee, the Board Finance & Investment Committee, the Board Planning & Development Committee, the Board Disciplinary Committee, and the Board Entrepreneur Development Committee. Datin Husniarti has attended 16 Board meetings in the financial year.



▲ Datuk Dr Halim bin Shafie
Non-Independent Non-Executive Director

Datuk Dr Halim bin Shafie, 54 years of age and a Malaysian, is currently the Secretary General in the Ministry of Energy, Communications and Multimedia. He was appointed to the Board of TNB as a Non-Independent Non-Executive Director on 1 February 2001. He holds an Honours Degree in Economics from University of Malaya and a Masters in Public and International Affairs, University of Pittsburgh, USA and a Certificate in Advanced Management Program from Harvard Business School, Boston, USA. He also holds a Ph.D in Information Transfer from Syracuse University, USA. Formerly, he has held senior positions such as Assistant Secretary, Ministry of Education; Senior Research Officer, National Institute of Public Administration (INTAN); Programme Coordinator, National Computer Training Center, National Institute of Public Administration (INTAN); Director of Information Technology, MAMPU; Director of National Institute of Public Administration (INTAN) and Deputy Secretary General 1, Communications & Multimedia Sector, Ministry of Energy, Communications and Multimedia. Datuk Dr Halim is also director of Telekom Malaysia Berhad and Pos Malaysia Berhad. Datuk Dr Halim sits on the Board Establishment Committee, the Board Finance & Investment Committee, the Board Nomination & Remuneration Committee, the Board Tender Committee, and the Board Planning & Development Committee of TNB. Datuk Dr Halim has attended 10 Board meetings in the financial year.

Datuk Iskandar Dzakurnain bin Badarudin, a Malaysian aged 56, is currently Director-General in the Economic Planning Unit (EPU) in the Prime Minister's Department. He was appointed to the Board of TNB as Non-Independent Non-Executive Director on 14 May 2001. Datuk Iskandar Dzakurnain holds an Honours Degree in Economics from University of Malaya and a Masters in Business Administration from Cornell University, USA. He has served as Assistant Secretary EPU, Prime Minister's Department; Assistant/Senior Assistant Secretary of the Implementation Coordination Development Administration Unit in the Prime Minister's Department; Senior Assistant Secretary, Tax Analysis Division of the Treasury; Senior Assistant Director, Budget Division of the Treasury; Secretary, Tax Analysis Division of the Treasury; General Manager, Malacca State Development Corporation; State Financial Officer of Selangor State Government; General Manager, Penang Development Corporation and Secretary General, Ministry of Culture, Arts & Tourism. He also sits on the board of several other companies notably Petronas, Khazanah Nasional Berhad, HICOM Holdings Berhad, DRB HICOM Berhad and HICOM Berhad. He sits on the Board Finance & Investment Committee, Board Planning & Development Committee and the Board Nomination & Remuneration Committee of TNB. Datuk Iskandar Dzakurnain has attended 10 Board meetings in the financial year.



Datuk Iskandar Dzakurnain bin Badarudin
Non-Independent Non-Executive Director ▲



Datuk Zainun Aishah binti Ahmad, 57 years old and a Malaysian, is currently the Director-General of the Malaysian Industrial Development Authority (MIDA), the Malaysian government's principal agency for the promotion and coordination of industrial development in the country. Datuk Zainun Aishah was appointed as an Independent Non-Executive Director to the Board of TNB in 1995. She graduated with an Honours Degree in Economics from the University of Malaya. In her 33 years of public service, she has held various key positions in MIDA as well as in some of the country's strategic councils, notably her pivotal role as National Project Director in the formulation of Malaysia's First Industrial Master Plan and Member of the Industrial Co-ordination Council in the implementation of the 2nd Industrial Master Plan. Datuk Zainun Aishah is also a member of the Industrial Coordination Act Advisory Council. She holds a directorship on the Board of Kulim Technology Park Corporation Berhad. Datuk Zainun Aishah chairs the Board Disciplinary Committee and the Board Corporate Governance Committee. She also sits on the Board Tender Committee, the Board Finance & Investment Committee, the Board Planning & Development Committee, the Board Nomination & Remuneration Committee, and the Board Entrepreneur Development Committee of TNB. Datuk Zainun Aishah has attended 18 Board meetings in the financial year.

◀ Datuk Zainun Aishah binti Ahmad
Independent Non-Executive Director



Senator Dato' Lau Yin Pin
@ Lau Yen Beng
Senior Independent Non-Executive Director

Senator Dato' Lau Yin Pin @ Lau Yen Beng, a Senior Independent Non-Executive Director, aged 54 and a Malaysian, was first appointed to the Board of Lembaga Letrik Negara in 1988 and later to the TNB Board in 1990. Senator Dato' Lau was educated at Tunku Abdul Rahman College where he obtained a Diploma in Commerce with distinction in 1972. He is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) UK since 1981 and a graduate of the Institute of Chartered Secretaries and Administrators (ICSA). He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) since 1979. He has practised as a Public Accountant and an Auditor under the name of Lau & Co, and is also currently a business and financial consultant of Perunding Niaga Sdn Bhd. He sits as a Director on the Board of YTL Corporation Berhad and all its public-listed subsidiaries. Senator Dato' Lau chairs the Board Audit Committee and also sits on the Board Corporate Governance Committee and the Board Tender Committee of TNB. He was appointed as a Senator to the Dewan Negara of the Malaysian Parliament on 25 November 2002. Senator Dato' Lau Yin Pin has attended 19 Board meetings in the financial year.

Tan Sri Dato' Hari Narayanan a/l Govindasamy
Independent Non-Executive Director

Tan Sri Dato' Hari Narayanan a/l Govindasamy, aged 53 and a Malaysian, a businessman by profession, was appointed to the Board of TNB in 1995 as an Independent Non-Executive Director. He holds a Bachelor's Degree in Electrical and Electronic Engineering from the University of Northumbria, England. Tan Sri Dato' Hari Narayanan is a Director of Puncak Niaga Holdings Bhd, Lembaga Lebuhraya Malaysia, Asian Institute of Medicine, Science and Technology and SP Setia Berhad. He is a member of the Institute of Engineers, Malaysia and a Registered Professional Engineer with the Board of Engineers Malaysia. His working experience includes as an Electrical Engineer at Inchcap Berhad, Project Manager at Tamco Cutler-Hammer Sdn Bhd, Chairman of Noblemax Resources Sdn Bhd and Deputy Chairman of Emrail Sdn Bhd. Tan Sri Dato' Hari Narayanan sits on the Board Audit Committee, the Board Nomination & Remuneration Committee and the Board Corporate Governance Committee. Tan Sri Dato' Hari Narayanan has attended 19 Board meetings in the financial year.





◀ Dato' Shaziman bin Abu Mansor
Independent Non-Executive Director

Dato' Shaziman bin Abu Mansor, aged 39 and a Malaysian, was appointed to the Board of TNB as an Independent Non-Executive Director on 16 October 2001. He holds a Bachelor of Science in Civil Engineering from Tri-State University, Indiana, USA and a Diploma in Civil Engineering from Universiti Teknologi Malaysia. He started his career as a Management Executive at Aokam Tin Bhd and Malaysian Assurance Alliance, and subsequently became Chairman of Inter Builders Sdn Bhd. As an entrepreneur, he is also involved in the fabrication of steel products for the oil and gas industry. He is also a Member of Parliament for Tampin, Negeri Sembilan. Dato' Shaziman also sits on the Board Entrepreneur Development Committee, the Board Finance & Investment Committee and the Board Tender Committee of TNB. Dato' Shaziman has attended 18 Board meetings in the financial year.

Datin Paduka Hajjah Seripah Noli binti Syed Hussin, aged 47 and a Malaysian, is a businesswoman and was appointed as an Independent Non-Executive Director to the Board of TNB on 29 January 2002. Datin Paduka Hajjah Seripah Noli obtained her Degree in Business Administration from Western Michigan University, USA. Datin Paduka Hajjah Seripah Noli started her career as an Account Officer at Koperasi Polis Diraja Malaysia in 1979 and in 1983 she moved on to United Malayan Banking Corporation Berhad as Assistant Executive Officer and was subsequently elevated to the position of Head of the Credit Administration Unit. Datin Paduka Hajjah Seripah Noli is also a Director of Brisdale Holding Berhad, Lembaga Tabung Haji, Kumpulan Hartanah Negeri Selangor, and Perbadanan Putrajaya. She is also a Trustee of Yayasan Selangor and a Member of Parliament for Sepang, Selangor. Datin Paduka Hajjah Seripah Noli has attended 17 Board meetings in the financial year.



Datin Paduka Hajjah Seripah Noli binti Syed Hussin
Independent Non-Executive Director ▶

◀ Ng Lip Yong @ Ng Lip Sat
Independent Non-Executive Director

Ng Lip Yong @ Ng Lip Sat, a Malaysian aged 53, is currently a Company Director. He was appointed to the Board of TNB as an Independent Non-Executive Director on 20 January 2003. Ng Lip Yong holds a Bachelor of Engineering in Electronic Engineering from University of Sheffield and a Masters of Science in Communications & Microwave Engineering from University of Leeds, UK. He has served in Standard Telephone & Cables, Essex, England; Telecommunications Authority of Singapore; GTE International Inc and GN Comtext Malaysia Sdn Bhd. He is also a Member of Parliament for Batu Constituency. He sits on the Board Disciplinary Committee, the Board Establishment Committee and the Board Audit Committee of TNB. Ng Lip Yong has attended 10 Board meetings in the financial year.





◀ Dato' Zainal Abidin bin Putih
Non-Independent Non-Executive Director

Dato' Zainal Abidin bin Putih, aged 57 and a Malaysian, is currently a Joint Chairman of Ernst & Young Malaysia; Non-Executive Chairman of Pengurusan Danaharta Nasional Berhad (Danaharta) and Chairman of Malaysian Accounting Standards Boards (MASB). He was appointed to the Board of TNB as a Non-Independent Non-Executive Director on 1 May 2003. Dato' Zainal Abidin holds a Chartered Accountant degree from England and Wales Institute, UK. He has 30 years of experience in Public Accounting Practice, holding positions as Partner, Executive Director, Country Managing Partner and Chairman in the firm of Hanafiah, Raslan & Mohamad, which merged with Ernst&Young in 2002. He was a former Chairman of Mentakab Rubber Company Berhad; a past Member of Multimedia & Communications Commission of Malaysia and past President of Malaysian Institute of Certified Public Accountant (MICPA). He is presently a Director of ESSO Malaysia Berhad, CIMB Berhad, and a member of the Panel of Investment of Employees Provident Fund (EPF). He is also a Trustee of Institut Jantung Negara Foundation. He sits on the Board Audit Committee, the Board Finance & Investment Committee, and the Board Establishment Committee of TNB. Dato' Zainal Abidin has attended five Board meetings in the financial year.



◀ Dato' Kamariah binti Hussain
Non-Independent Non-Executive Director

Dato' Kamariah binti Hussain, aged 55 and a Malaysian, was appointed to the Board of TNB as an Alternate Director to Datin Husniarti binti Tamin on 4 August 2000. Dato' Kamariah is currently the Secretary at the Tax Analysis Division of the Treasury. She holds an Honours Degree in Economics from University of Malaya and a Masters in Public Administration, Pennsylvania State University, USA. Her previous engagements were as Deputy Secretary, Tax Analysis Division, Treasury; Deputy Secretary, Development Division, Ministry of Defence; Deputy Secretary, Tax Analysis Division (Revenue) Treasury and Secretary of the Government's Procurement Management Division, Ministry of Finance. Dato' Kamariah has attended four Board meetings in the financial year.



Dato' Syed Hamzah bin Syed Othman, aged 55 and a Malaysian, was appointed as an Alternate Director to Datuk Dr Halim bin Shafie to the Board of TNB on 7 February 2001. Dato' Syed Hamzah is currently the Deputy Chief Secretary II at the Ministry of Energy, Communications and Multimedia. He holds a Bachelor of Economics Degree with Honours from University of Malaya. Dato' Syed Hamzah has held many senior positions of responsibility in the civil service including Commissioner of Trade to Kuwait, Iran and Iraq, Director Export Trade Centre (MEXPO), Ministry of Trade, Secretary Air Division, Ministry of Transport and Director-General of Film Negara Malaysia, Ministry of Information. He is a Director of Sabah Electricity Sdn Bhd, Sarawak Hidro Sdn Bhd and an Alternate Director of Pusat Tenaga Malaysia. Dato' Syed Hamzah has attended nine Board meetings in the financial year.

◀ Dato' Syed Hamzah bin Syed Othman
Non-Independent Non-Executive Director



Raja Dato' Zaharaton binti Raja Zainal Abidin, a Malaysian aged 55, is currently the Deputy Director General (Sectoral) Economic Planning Unit (EPU), Prime Minister's Department. She was appointed to the Board of TNB as an Alternate Director to Datuk Iskandar Dzakurnain bin Badarudin on 30 July 2001. She holds a Degree in Economics from University of Malaya and a Masters in Economics from the University of Leuven, Belgium. She was formerly Assistant Director, External Aid Section, EPU, Prime Minister's Department; Principal Assistant Director, Industries Division, Ministry of International Trade and Industry and Deputy Director, Public Enterprises Sector, Implementation Coordination Unit. She also served as Deputy Director, Unit for Monitoring Government Companies, Treasury; Director, Trade and Industry Division, EPU Prime Minister's Department, and as Deputy Director General (Macro) EPU, Prime Minister's Department. Raja Dato' Zaharaton has attended five Board meetings in the financial year.

◀ Raja Dato' Zaharaton binti Raja Zainal Abidin
Non-Independent Non-Executive Director



◀ Zainal Abidin bin Yunus
Company Secretary

Zainal Abidin bin Yunus, aged 54 and a Malaysian, is currently the Company Secretary of Tenaga Nasional Berhad. He holds a Bachelor of Arts Degree (Honours) from University Malaya. Zainal Abidin began his career as an Assistant Secretary in the Secretary Department, Lembaga Letrik Negara; Senior Manager (Procurement) and subsequently Assistant General Manager (Procurement Services) in the Corporate Services Department and Deputy Secretary in the Company Secretary Office of TNB prior to his appointment as Company Secretary in April 2002.

Statement of Internal Control

RESPONSIBILITY OF THE BOARD

The Board of Directors (the Board) recognises the importance of a sound system of internal controls that covers risk management, financial, operational, and compliance controls. The Board acknowledges its overall responsibility for the Group's system of internal controls (including system for compliance with applicable laws, regulations, rules, directives and guidelines), and for reviewing the adequacy and integrity of this system. Such system is designed to safeguard shareholders' investments and the Group's assets. However, the Board recognises that reviewing the Group's system of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing those objectives, this system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board recognises that the management of principal risks play an important and integral part of the Group's daily operations and that the identification and the management of such risks will affect the achievement of the Group's business objectives. This is an ongoing process undertaken at each level of operations, which is subject to regular review by the Board, and accords with the Statement of Internal Control: Guidance for Directors of Public Listed Companies (Internal Control Guidance). As a result, the Board has initiated an Enterprise-Wide Risk Management (EWRM) programme to complement the current strategic initiatives by enabling various business units to systematically identify, evaluate and manage risks.

EWRM Policies and Guidelines

TNB's EWRM Policies and Guidelines have been approved by the Group Executive Committee (GEC) and formally adopted by the Board. The said policies and guidelines outline the guiding principles of Risk Management approach, Group-wide risk assessment process, the EWRM structure, roles, responsibilities, accountabilities and reporting requirements of the Group. It is designed to formalise the EWRM functions across the Group and to increase the awareness of the Group's employees to risk identification, measurement, control, ongoing monitoring and reporting. In supporting the EWRM framework, the EWRM Policy and Guidelines document has outlined an appropriate EWRM organisational structure, clear roles and responsibilities have been established from the Board level to the management level to facilitate risk management, risk monitoring, and risk reporting, as follows:-

Board Corporate Governance Committee - Appointed by the TNB Board to carry out its oversight responsibilities on behalf of the Board in relation to risk management.

Risk Management Committee (RMC) - Appointed by the TNB Board and responsible for continuous development and supervision of the implementation of risk management for the Group.

Enterprise-Wide Risk Management (EWRM) Department - Coordinate, consolidate, and report all EWRM information to the Risk Management Committee to ensure that the risk management process is consistently adopted and implemented throughout the Group.



CONTROL STRUCTURE AND ENVIRONMENT

The Board is fully committed to ensuring that a proper control environment is maintained within the Group to govern the manner in which the Group and its employees conduct themselves. **The key elements of controls are:-**

Independence of the Board Audit Committee

The Board Audit Committee comprises Non-Executive Directors all of whom bring with them diversified experience. The Board Audit Committee has full and unimpeded access to both the Internal as well as External Auditors, and met with the External Auditors four times during the year under review.

The Board Audit Committee plays an active oversight role in maintaining the system of internal controls as evidenced by numerous requests for ad-hoc audits directed by the Board in order to uphold a constant level of integrity and competency in operational, financial, and business functions. As described in more detail in the Board Audit Committee report on pages 118 to 119, the Board Audit Committee has met 21 times during the financial year to discuss issues pertinent to the Group's system of internal controls.

Organisation structure with defined roles and responsibilities

The Board has appointed nine committees and two management committees and specific responsibilities have been delegated to these committees with the establishment of formalised terms of reference, to assist the Board in the execution of its responsibilities. These committees have the authority to examine all matters within their scope and report back to the Board on a periodic basis with their recommendation for review or approval by the Board, where appropriate.

The Group is currently implementing strategic initiatives to streamline and enhance performance so as to ensure that the corporate structure of the Group conforms to the Group's Vision of being a more focused, efficient, and capable organisation. In addition, job functions and job profiles of all employees in the Group have been redefined and streamlined with the view to provide well-defined roles and responsibilities for the enhancement of the Group's performance.





Documented policies and procedures

Internal policies and procedures where delegated authority limits are clearly defined, and operational framework are provided for the management to deal with significant risks as set out in a series of clearly-documented standard practice manuals covering a majority of operational areas within the Group.

Authority Limits

Investments and projects are subject to formal review and authorisation procedures where the respective Board committee will review significant projects before making recommendations to the Board for consideration, and where appropriate, the projects will be sent to the Ministry of Finance for approval.

Financial and operational information

The Board Finance and Investment Committee, together with the respective business units, review the quarterly performance in detail before the said performance is tabled to the Board for their review, consideration, and approval. In addition to the above, detailed monthly management reports containing key financial results and operational performance indicators are prepared and compared with the approved operating plan.

At each Board Meeting, the Board is furnished with Board papers, and the Board is further briefed on significant matters for their consideration and deliberation. In order to facilitate close and smooth communication between the Board and senior management, the Company Secretary carries out Post-Board Meeting briefings through Group Executive Committee Meetings to inform the members about the Board's decisions and to keep senior management abreast with the decision of the Board.



MONITORING AND REVIEW

The processes by which the effectiveness of the control environment is monitored, reviewed, and reported are:-

Performance Monitoring and Review

Monthly performance reports produced by core business units are compared against the approved performance budget. The Group Executive Committee (GEC) monitors the performance of all business units on a regular basis and a consolidated reporting of the Group's performance is carried out by the GEC and submitted to the Board on a periodic basis for deliberation. The external auditors carry out a review of the Group's quarterly financials in accordance with International Standards on Auditing 910: Engagements to Review Financial Statements.

Risk Monitoring and Review

Risk monitoring and review will form part of management reviews. It includes evaluating the effectiveness of the risk treatment plan, reviewing risk strategies and the risk management system. Following the completion of the group-wide risk assessment for the core businesses and key corporate functions of the Group, detailed action plans will be prepared, with implementation timescales to address risk and control issues. The risk management action plans are subject to a regular cycle of monitoring and review to ensure that they are undertaken within the planned timeframe and that the changes in risks and new assessments are documented and agreed upon.

Monitoring Controls

The Group has an internal audit function whose primary responsibility is to provide an independent evaluation, enabling continual improvement in the processes and controls and to independently assure the Board, through the Board Audit Committee, that the system of internal controls functions as intended. In providing this assurance, the Board Audit Committee has formulated with the Group Internal Audit Department (GIAD) an audit plan that indicates the auditable areas in order of priority and significance. In order to ensure adequate coverage of audit areas, several internal audit engagements were outsourced to accounting firms.

The Internal Auditors carried out operational, compliance and investigative reviews for the Group and reported to the Board Audit Committee. The progression of the reviews and audits carried out by the Internal Auditors are based upon the areas identified in the rolling two-year Group Internal Audit Business Plan approved by the Board Audit Committee.

The internal audit function also frequently perform ad-hoc reviews at the request of the Board Audit Committee and the management. In this respect, the Board may also direct additional management actions to be taken by the respective divisional management and subsidiaries to address any issues deemed pertinent by the Board.

The work and findings of outsourced internal audit work and the findings arising from the External Auditors' audit of the statutory financial statements assisted the Board Audit Committee in their evaluation of the control environment of the Group.

The system of internal controls described in this statement is considered by the Board to be adequate and the risks are considered by the Board to be at an acceptable level within the context of the business environment throughout the Group's businesses. However, such system does not eliminate the possibility of human error, collusion, or deliberate circumvention of control procedures by employees and others.

Signed on behalf of the Board of Directors in accordance with their resolution dated 13 November 2003.



Senator Dato' Lau Yin Pin @ Lau Yen Beng, DPMT, ASM, JP
Chairman
The Board Audit Committee
Tenaga Nasional Berhad
(Senior Independent Non-Executive Director)