

BOARD RISK COMMITTEE REPORT

The Board Risk Committee (BRC) was established on 5 June 2013 by the Board of Directors (Board) to assist the Board to carry out its responsibilities. The Board of Directors, through the BRC, is ultimately responsible for the identification of Tenaga Nasional Berhad Group's (the Group) risks and implementing appropriate systems and processes to manage these, in line with the Malaysian Code on Corporate Governance and Bursa Malaysia's Listing Requirements.



MEMBERSHIP AND MEETINGS

The BRC is to consist of a minimum of three members including the Chairman, with a majority of Non-Executive Directors, at least one of whom shall preferably have recent and relevant experience in risk management.

BRC members and details of their attendance at BRC meeting(s) held during the Financial Year are as follows:

Name	Status of Directorship	Independent	No. of Meetings Attended
Datuk Chung Hon Cheong <i>Chairman</i>	Non-Executive Director	Yes	1/1
Dato' Zainal Abidin bin Putih	Non-Executive Director	Yes (Senior Independent)	1/1
Tan Sri Dato' Hari Narayanan a/I Govindasamy	Non-Executive Director	Yes	1/1
Datuk Nozilah binti Bahari	Non-Executive Director	No	1/1

As the BRC was established in June 2013, only one meeting was held during the financial year. Attendees, internal or external, were invited to deliberate on matters within their purview. Action sheets were issued by the Company Secretary on the decisions made and actions required. These were circulated to Management for their action.

PURPOSE

The purpose of the BRC is to assist the Board of Directors in ensuring that the Group has in place a sound and robust enterprise risk management framework to enhance the Group's ability to achieve its strategic objectives.



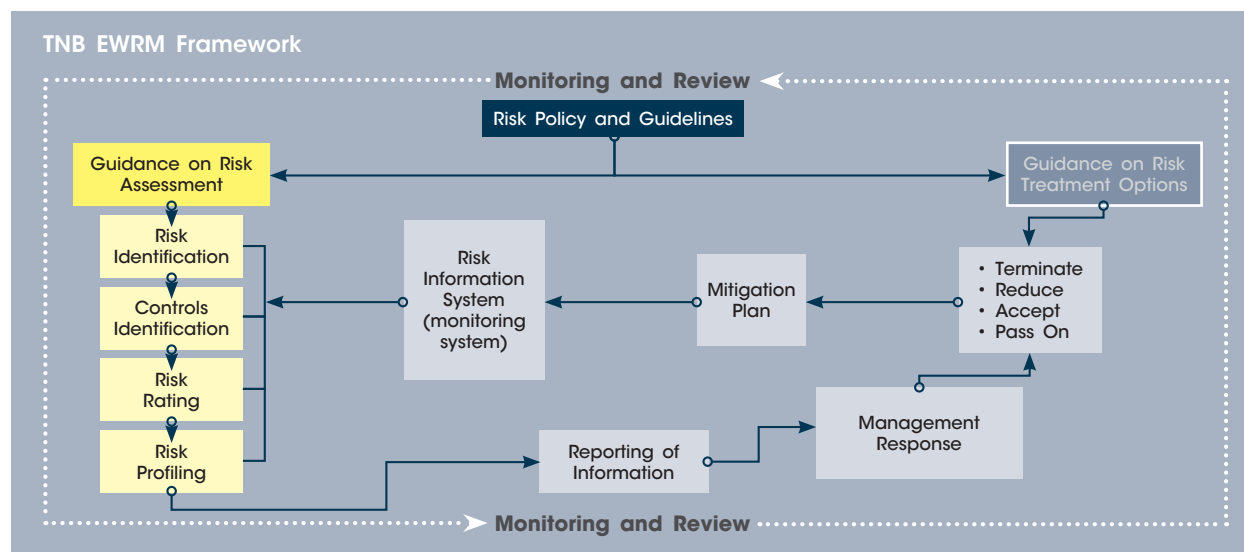
ROLES AND RESPONSIBILITIES

The BRC is:

- a) Unreservedly committed to monitoring the establishment and implementation of the risk management system, and to reviewing its effectiveness at least annually, including the risk management policies and practices approved by Management;
- b) Accountable to endorse the risk management policies and practices on behalf of the Board, and to review periodic reports on risk management and recommendations that will be presented to the Board;
- c) Essentially well-versed on risk management matters to present periodic summarised information on the Group Wide Risk Assessment process. It has the authority to request for information and/or direct special investigations, on behalf of the Board, into significant risk management activities as and when necessary;
- d) Responsible to review the adequacy of and to provide independent assurance to the Board of the effectiveness of risk management functions in the Group;
- e) To ensure that the principles and requirements of managing risk are consistently adopted throughout the Group;
- f) To identify, analyse, evaluate and deliberate strategic risks as well as key operating risks highlighted by Management in their report to BRC; and
- g) To effectively control, monitor and measure the risk exposure of the Group and ensure it adheres strictly to the TNB Enterprise Wide Risk Management Policy.

ENTERPRISE WIDE RISK MANAGEMENT

The TNB Enterprise Wide Risk Management (EWRM) framework, in place since 2003, prioritises strategic and operational risks throughout the Group while enabling the development of an internal compliance and review plan. This framework provides for a complete risk management cycle incorporating the assessment, analysis, treatment, monitoring and review of business risks within the Group.



The implementation of EWRM is supervised through risk committees, with operational divisions being primarily responsible for identifying and managing risks at the onset. The EWRM Department is principally tasked with assisting the risk committees and monitoring and reporting on the implementation of EWRM in the Group. The implementation of EWRM is also subjected to the independent assurance and assessment of the Group Internal Audit Department.

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The application of the EWRM framework is described in detail in the TNB Group-Wide Risk Assessment Process. It details a six-step process of risk identification, controls identification and effectiveness, risk profiling and risk treatment options. The online and real-time TNB Risk Information System (TRIS) captures the risk registers of the Group and provides the platform for operating divisions and subsidiaries to monitor their identified risks and mitigation plans.

Below is a summary of activities carried out by EWRM Department in the financial year under review to internalise enterprise risk management in the Group:

Risk Reporting & Monitoring	21 risk awareness and review sessions for the Group.
	Analysis and reporting of half-year risk assessment reports to risk management committees.
	A management colloquium with the Group Executive Management Committee members to internalise and embed risk management culture in the Group.
Risk Communication	Two risk management forums: 1) Discussed TNB's current strategic direction and related risks, as well as the risk of stress and its impact on human resources. 2) Discussed the challenges and success factors in the application of enterprise risk management in Securities Commission Malaysia, the risks involved in the implementation of TNB Key Result Area no. 4, Grow Profitable New Business, and the compliance risk of debt covenants.
	Risk management training made available by TNB's training subsidiary, TNB Integrated Learning Solutions Sdn Bhd (ILSAS).
	Seven risk management training sessions held as part of the Young Executives Development Programme (YEDP).
TNB Risk Information System (TRIS)	241 TRIS Helpdesk requests received and resolved.
Risk Management Compliance Review	19 risk management compliance reviews were conducted. Observation: most of the divisions/departments/subsidiaries reviewed have fulfilled the requirements stipulated in the EWRM Policy and Procedures.
TNB Corporate Emergency Response Plan (CERP)	Ongoing review and update of CERP documents and maintenance of the National and Strategic Operation Rooms to increase preparedness.
	Ongoing activities towards ISO/IEC 27001: 2005 Information Security Management System (ISMS) certification of TNB critical installations to secure against cyber or information security threat.

CONCLUSION

Throughout the financial year, the operational risks of the Group were adequately and satisfactorily managed. The Group will remain attuned to changes in the environment and seek to implement responses as appropriate to limit potential negative impact while capturing any possible upside opportunities.

This statement was made in accordance with the resolution of the Board of Directors dated 23 October 2013.

