

Corporate Governance Statement

The Board of Directors of Petronas Gas Berhad (PGB) recognises that reputation and trust are critical to sustain growth and company profitability, and enhance long-term value for its shareholders. It is fully committed to maintaining high standards of corporate governance, which is the underlying principle of its decision-making process.

In preparing this report, the Board has considered the manner in which it has applied the Principles of the Malaysian Code on Corporate Governance (the Code) and the extent to which it has complied with the Best Practices of the Code.

The Board and Board Committees

The Board of Directors is entrusted with the proper stewardship of the Company's resources for the best interests of its shareholders. Its members have been selected based on their character, judgement, extensive experience and expertise in a wide range of related and unrelated industries, as well as their ability to add strength to the leadership.

The directors are equally accountable under the law for the Company's activities, strategy and financial performance. Particular attention is given to ensure that the strategies proposed by the Management of the Company are fully discussed and critically examined by the directors.

Board Composition

As at the date of this report, the PGB Board comprises the following:

Executive Director (also the Managing Director/ Chief Executive Officer)	1/8	(12.5%)
Independent non-executive directors	3/8	(37.5%)
Non-independent non-executive directors (including the Chairman)	4/8	(50.0%)

The profile of each Director is presented in this Annual Report on pages 22 to 29.

There is a clear demarcation of responsibilities within the Company to ensure a balance of power and authority. The positions of Chairman and Managing Director are separately held. The Chairman is primarily responsible for running the Board and ensuring that all directors have full and timely access to all relevant information. The Managing Director oversees the day-to-day running of the business, implementation of Board policies and operational decision-making. The Managing Director who is also the Chief Executive Officer of the Company also defines the limits to Management's responsibilities. The Managing Director/Chief Executive Officer is assisted in the management of the business by the Management Committee, which he consults regularly.

All Non-executive Directors have the necessary expertise and skill to ensure that the strategies proposed by the Management are fully evaluated, taking into account the long-term interests of the stakeholders. In addition, they contribute to policy formulation and are actively involved in decision-making. They provide guidance and promote professionalism and competence among Management and employees.

The presence of the Independent Non-executive Directors is essential in providing unbiased and independent views, advice and judgement as well as safeguarding the interests of other parties such as minority shareholders and the community. The concept of independence adopted by the Board is in accordance with the definition of an Independent Director in Paragraph 1.01 of the Listing Requirements. Each new Director is given a comprehensive understanding of the operations of the Company through regular briefings on Company history and financial control systems and plant visits to ensure firsthand understanding of the Company's operations. It is the Company's policy that all Directors have undergone relevant training courses to enable them to effectively discharge their duties and responsibilities.

The Articles of Association of the Company further provides that at least one third of all Directors, are subject to retirement by rotation at each Annual General Meeting but shall be eligible for re-election in line with the Listing Requirements.

Providing Information to the Board

Board meetings are held at quarterly intervals with additional meetings held whenever necessary. The Board met four (4) times during the year under review. All directors attended more than 50% of Board meetings.

The meeting attendance record of the Members is as follows:

Table 1 : Attendance Record	
Name of Directors	Attendance
Tan Sri Dato' Mohd Hassan bin Marican	3/4
Abd Hamid bin Ibrahim	4/4
Dato' Mohamad Idris bin Mansor (resigned w.e.f 1.10.2002)	1/2
Abdul Rahim Hashim (appointed w.e.f 1.10.2002)	2/2
Dato' Sadasivan s/o N. N. Pillay	4/4
Chew Kong Seng	4/4
Muri bin Muhammad	3/4
Mohd Azhar bin Osman Khairuddin	4/4
Datuk Mohd Zain bin Abdul Majid	4/4

The Board has also delegated certain responsibilities to the Board Audit Committee, which operates within clearly defined terms of reference. The Chairman of this Committee reports the outcomes of the Committee meetings to the Board and these reports are incorporated as part of the minutes of the Board meetings.

The Board may, whenever required, as provided by the Articles of Association, set up Board committees delegated with specific powers and responsibilities. During the year, the Board set up a number of sub-committees to look into specific issues and submit their report and recommendations to the Board.

Prior to Board meetings, every Director is given an agenda and a set of Board papers covering the agenda items to facilitate informed decision-making. The Managing Director/Chief Executive Officer leads the presentation of Board papers and provides comprehensive explanation on pertinent issues. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

The Board is kept updated on the Company's activities and operations on a regular basis. All Directors have the same right of access to information, including monthly reports on Company activities, both financial and operational, via the Company's intranet or in hard copy.

In addition, whenever independent professional advice is required by the Directors, outside experts may, and have been engaged at the Company's expense.

The Directors have access to the advice and services of the Company Secretaries, whose appointments and resignations are subject to Board approval.

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The Board is fully aware of, and acts on specifically reserved matters for decision to ensure that the direction and control of the Company is firmly in its hands. Such matters, outlined in the Company's Limits of Authority, clearly establish the authority of Management and the Board.

Audit Committee

The Audit Committee has specific terms of reference including the review of the interim and full year financial statements and preliminary announcements; internal financial controls and the reports of the Internal Audit Department. It ensures the adequacy and integrity of the Company's internal control system and management information system in compliance with Company policies and procedures, applicable laws and regulations and KLSE listing requirements. During the year, the Board approved the Company's Risk Management Policy which was officially launched on 23 January 2003. It will continue to identify and monitor the principal risks facing the Company and to take appropriate measures to manage these risks.

Financial Control

For each financial year, the Board will, in advance, approve the Company's Plans and Budget including cash flow forecast for the year and outlined projections for the four (4) subsequent years, preparation of which is one of the key responsibilities of the Managing Director/Chief Executive Officer. These are prepared by respective operating units and support service units and reviewed by the Company's Management Committee before submission for Board approval. The Company's business performance results are reviewed periodically by both the Management and the Board. Results are reported to the Board on a quarterly basis together with an in-depth explanation and analysis of variances to the budget by the Managing Director/Chief Executive Officer.

Directors' Nomination and Remuneration

The Board as a whole serves as the Remuneration and Nomination Committee. No smaller committee is recommended as the Company believes that all members must be equally responsible for the duties of such a committee, stated as follows:

- to assess and recommend new Directors to the Board,
- to review annually the mix of skills and experience, and other qualities to enable the Board to function completely and efficiently,
- to implement a formal appraisal process for the evaluation of the effectiveness of the Board as a whole, the committees and the individual contribution of each Board member.
- to recommend to the Board the remuneration of all non executive directors; individual Directors do not participate in the discussion on their own remuneration.

The Board will deliberate on the above during the normal proceedings of the meeting of Directors.

With the exception of the Managing Director/Chief Executive Officer, all non executive directors are paid directors fees as approved by the shareholders at the Annual General Meeting, based on the recommendation of the Board. For the year of review, the breakdown of fees received by each Director is as per Table 2 below.

The Managing Director/Chief Executive Officer, an employee of PETRONAS, is seconded to the Company as an Executive Director. This gives the Board a deeper insight into the Holding Company's operations with greater accountability for the Company's performance, both financial and operational, in line with PETRONAS vision. In consideration of the above service, the Company is required to pay a

Table 2: Details of Directors' Fees

Name of Directors	Directors fees (RM)	BAC fees (RM)	Total (RM)
Tan Sri Dato' Mohd Hassan bin Marican	60,000	–	60,000
Dato' Mohamad Idris bin Mansor (resigned w.e.f. 1.10.2002)	18,000	–	18,000
Dato' Sadasivan s/o N.N. Pillay	36,000	12,000	48,000
Chew Kong Seng	36,000	8,400	44,400
Muri bin Muhammad	36,000	–	36,000
Mohd Azhar bin Osman Khairuddin	36,000	8,400	44,400
Abdul Rahim bin Hashim (appointed w.e.f. 1.10.2002)	18,000	–	18,000
Datuk Mohd Zain bin Abdul Majid	36,000	8,400	44,400
TOTAL	276,000	37,200	313,200

management fee to cover all payroll-related costs and benefits ordinarily incurred by him in the course of his employment. During the year, the Company paid RM736,800 as management fee. The Company also reimburses all reasonable expenses incurred by Directors, where relevant, in the course of carrying out their duties as Directors.

Other Management staff have also been seconded from PETRONAS. Their training and succession planning are aligned to the PETRONAS' Human Resources Division. The Board ensures that only appropriate personnel with the relevant skills and experience are appointed to the Management positions of the Company.

Relationships with Shareholders

The Company recognises the importance of timely and equal dissemination of information to shareholders and stakeholders. In this regard, it adheres strictly to the disclosure requirements of the Kuala Lumpur Stock Exchange (KLSE).

The Annual General Meeting (AGM) is a crucial mechanism in shareholder communication. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report 21 days before the meeting. At each AGM, the Board presents the progress and performance of the Company and provides shareholders with an opportunity to ask for more information, without limiting the time and types of questions asked, prior to seeking approval by show of hands from members and proxies on the Audited Accounts.

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During the meeting, the Chairman and Board members respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on issues and concerns raised by the shareholders. Status of all resolutions proposed at the AGM are submitted to the KLSE at the end of the meeting day. A summary of the discussions at the AGM is kept by Management for future reference.

The Board has ensured that each item of special business included in the notice of the Annual or Extraordinary General Meeting is accompanied by a full explanation of the effects of the proposed resolution.

In providing shareholders with the opportunity to gain first-hand exposure on the Company's operations, several visits to its gas processing plants and its centralised utility facilities were organized during the year. Shareholders were given a presentation on the Company's operations and the opportunity for direct dialogue with Management and shareholders. Management believes that shareholders, by having a better understanding of the Company's activities, will have a greater sense of belonging to the Company. Such two-way communication increases corporate transparency and helps shareholders take a longer term view of their investment on the back of a better understanding of the corporate strategy and operations.

Institutional investors and analysts are also welcomed and given the opportunity to meet with Management on performance, corporate governance and other matters affecting shareholders' interests.

In all circumstances, the Company is cautious not to provide undisclosed material information about the Company and continually stresses the importance of timely and equal dissemination of information to the various stakeholders.

Accountability and Audit

1. *Financial Reporting*

The Board aims to present a balanced and understandable assessment of the Company's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. The directors' responsibility statement is enclosed in page 60 of the Annual Report.

2. *Internal Control*

The Board continues to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The principle is further elaborated under the Internal Control Statement by the Directors in pages 62 to 65 of the Annual Report.

3. *Relationship with the Auditors*

The external auditors, Messrs. KPMG Desa Megat & Co., have continued to report to members of the Company on their opinions which are included as part of the Company's financial reports with respect to their audit on each year's statutory financial statements. In so doing, the Company has established a transparent arrangement with the auditors to meet the auditors' professional requirements. From time to time, the auditors highlight to the Board Audit Committee and Board of Directors on matters that require the Board's attention. Report by Board Audit Committee on the review of audit reports are enclosed in pages 52 to 53 of the Annual Report.

This statement is made in accordance with the resolution of the Board of Directors dated 23 May 2003.



TAN SRI DATO' MOHD HASSAN MARICAN
Chairman



ABD. HAMID IBRAHIM
Managing Director/Chief Executive Officer

Additional Compliance Information

1. Non-Audit fees

The amount of non-audit fees paid and payable to the external auditors by the Company for the financial year ended 31 March 2003 was RM81,000 (2002: RM84,000).

2. Sanctions

During the financial year, there were no sanctions and/or penalties imposed on the Company, directors or management by the relevant regulatory bodies.

3. Material Contracts

There were no material contracts entered into or subsisting between the Company and its directors/substantial shareholders during the financial year, other than the Gas Processing and Transmission Agreement entered since 1 April 1994 between the Company and its substantial shareholder, PETRONAS, for the provision of separating natural gas into its components and storing, transporting and distributing such components thereof for a fee.

Penyata Urus Tadbir Korporat

Lembaga Pengarah Petronas Gas Berhad (PGB) mengiktiraf bahawa reputasi dan kepercayaan adalah kritikal untuk syarikat mengekalkan pembangunan and keuntungan dan meninggikan nilai jangka masa panjang pemegang saham. Oleh itu, syarikat adalah komited untuk mengekalkan standard Kod Urus Tadbir Korporat Malaysia (Kod) yang tinggi, yang menjadi prinsip dasar dalam membuat apa jua keputusan.

Dalam menyediakan laporan ini, Lembaga Pengarah telah mempertimbangkan cara ia telah mengguna pakai Prinsip Kod Urus Tadbir Korporat Malaysia (Kod) dan setakat mana ia telah mematuhi Amalan Terbaik Kod itu.

Lembaga Pengarah dan Jawatankuasa Lembaga Pengarah

Lembaga Pengarah telah diamanahkan oleh pemegang saham untuk mengawasi harta syarikat untuk kepentingan pemegang saham. PGB diterajui dan diurus oleh Lembaga Pengarah yang terdiri daripada ahli yang berpengalaman dan mahir dengan pelbagai latar belakang industri yang berkaitan dan yang tidak berkaitan. Kemahiran dan pengalaman yang luas ini, memberi kekuatan tambahan kepada kepimpinan Syarikat.

Pengarah sama-sama bertanggungjawab di bawah undang-undang untuk mengendalikan dengan baik urusan Syarikat, strategi dan prestasi kewangan. Perhatian khusus diberikan bagi memastikan bahawa strategi yang dicadangkan oleh pihak Pengurusan Syarikat dibincangkan sepenuhnya dan dikaji dengan teliti oleh para pengarah.

Komposisi Lembaga Pengarah

Pada tarikh laporan ini dibuat, Lembaga Pengarah PGB terdiri seperti berikut:

Pengarah Eksekutif	1/8	(12.5%)
(juga Pengarah Urusan/Ketua Pegawai Eksekutif)		
Pengarah Bebas		
Bukan Eksekutif	3/8	(37.5%)
Pengarah Bukan Bebas		
Bukan Eksekutif	4/8	(50.0%)
(termasuk Pengerusi)		

Profil setiap pengarah diberikan dalam Laporan Tahunan ini pada halaman 22 hingga 29.

Syarikat mengamalkan pembatasan tanggungjawab yang jelas di samping mengekalkan imbalan kuasa dan kewibawaannya. Jawatan Pengerusi dan Pengarah Urusan dijabat oleh dua orang yang berlainan. Pengerusi bertanggungjawab khususnya bagi ketertiban perilaku dan fungsi Lembaga Pengarah. Pengarah Urusan bertanggungjawab terhadap pengurusan sehari-hari perniagaan, pelaksanaan dasar Lembaga Pengarah dan membuat keputusan tentang pengendalian Syarikat. Jadual tugas Pengarah Urusan yang juga Ketua Pegawai Eksekutif Syarikat mencakupi penentuan batas tanggungjawab pihak pengurusan. Pengarah Urusan / Ketua Pegawai Eksekutif dibantu oleh Jawatankuasa Pengurusan yang membantunya dalam pengurusan perniagaan.

Pengarah bukan eksekutif mempunyai kaliber yang diperlukan bagi memastikan strategi yang dicadangkan oleh Pengurusan dipertimbangkan dan dikaji dengan teliti, mengambil kira kepentingan jangka panjang pihak yang berkepentingan. Mereka menyumbang terhadap pembentukan dasar dan membuat keputusan melalui kepakaran dan pengalaman mereka. Mereka juga memberikan bimbingan, menggalakkan profesionalisme dan menilai kecekapan pihak pengurusan dan pekerja.

Kewujudan pengarah bebas bukan eksekutif adalah penting kerana mereka memberikan pandangan yang tidak berat sebelah dan bebas, nasihat dan pertimbangan serta menjaga kepentingan pihak-pihak lain, seperti pemegang saham minoriti dan masyarakat. Konsep bebas yang diterima pakai oleh Lembaga Pengarah adalah mengikut definisi pengarah bebas dalam Perenggan 1.01 Keperluan Penyenaian. Setiap pengarah baru diberi taklimat menyeluruh mengenai operasi Syarikat kepada setiap pengarah baru melalui taklimat tentang sejarah Syarikat dan sistem kawalan kewangan; serta lawatan ke loji bagi memastikan mereka benar-benar memahami

operasi Syarikat. Adalah menjadi amalan Syarikat untuk memastikan setiap pengarah menjalani latihan untuk memastikan mereka dapat melaksanakan tanggungjawab dan tugas lebih efektif.

Tataurusan Pertubuhan Syarikat menyatakan seterusnya bahawa, sekurang-kurangnya satu per tiga daripada pengarahnya, adalah tertakluk pada persaraan mengikut giliran bagi setiap Mesyuarat Agung, tetapi layak dipilih semula selaras dengan Keperluan Penyenaraian.

Memberikan Maklumat kepada Lembaga Pengarah

Mesyuarat Lembaga Pengarah diadakan setiap suku tahun dan mesyuarat tambahan diadakan apabila perlu. Lembaga Pengarah bertemu empat (4) kali dalam tahun yang dikaji. Semua pengarah menghadiri lebih daripada 50% mesyuarat Lembaga Pengarah.

Rekod kehadiran ahli dalam mesyuarat adalah seperti yang berikut:

Jadual 1 : Rekod Kehadiran	
Nama Pengarah	Kehadiran
Tan Sri Dato' Mohd Hassan bin Marican	3/4
Abd Hamid bin Ibrahim	4/4
Dato' Mohamad Idris bin Mansor (meletak jawatan pada 1.10.2002)	1/2
Abdul Rahim Hashim (dilantik pada 1.10.2002)	2/2
Dato' Sadasivan s/o N. N. Pillay	4/4
Chew Kong Seng	4/4
Muri bin Muhammad	3/4
Mohd Azhar bin Osman Khairuddin	4/4
Datuk Mohd Zain bin Abdul Majid	4/4

Lembaga Pengarah telah mengamanahkan tanggungjawab tertentu kepada Jawatankuasa Audit Lembaga Pengarah, yang berfungsi dalam lingkungan terma rujukan yang ditentukan secara jelas. Pengerusi Jawatankuasa ini melaporkan hasil mesyuarat Jawatankuasa kepada Lembaga Pengarah dan laporan-laporan itu diambil kira sebagai sebahagian daripada minit mesyuarat Lembaga Pengarah.

Lembaga Pengarah boleh, apabila perlu, seperti yang diperuntukkan oleh Tataurusan Pertubuhan Syarikat, menubuhkan jawatankuasa Lembaga Pengarah yang diberikan kuasa dan tanggungjawab yang khusus. Dalam tahun tersebut, Lembaga Pengarah telah menubuhkan Jawatankuasa Kecil yang mengkaji isu-isu tertentu dan melaporkannya kepada Lembaga Pengarah berserta cadangan-cadangan mereka.

Sebelum mesyuarat Lembaga Pengarah, setiap pengarah diberikan agenda dan satu set kertas Lembaga Pengarah yang meliputi butiran agenda untuk memudahkan mereka membuat keputusan berdasarkan maklumat yang diberikan. Pengarah Urusan / Ketua Pegawai Eksekutif akan memulakan penyampaian kertas lembaga dan memberikan penerangan yang menyeluruh tentang isu-isu yang berkaitan. Semua prosiding mesyuarat Lembaga Pengarah diminitkan dan ditandatangani oleh Pengerusi mesyuarat mengikut peruntukan Seksyen 156 Akta Syarikat, 1965.

Lembaga Pengarah diberikan secara tetap maklumat terkini tentang kegiatan dan operasi Syarikat. Semua pengarah mempunyai hak yang sama terhadap maklumat, termasuk laporan bulanan tentang kegiatan Syarikat, baik laporan kewangan mahupun pengendaliannya melalui intranet Syarikat atau melalui bahan bercetak.

Ekoran daripada tugas mereka sebagai pengarah, jika nasihat profesional yang bebas diperlukan, khidmat pakar luar boleh dan pernah diambil atas perbelanjaan Syarikat.

Penyata Urus Tadbir Korporat

Semua pengarah berhak mendapatkan nasihat dan khidmat Setiausaha Syarikat. Oleh yang demikian, semua perantikan dan perletakan jawatan Setiausaha Syarikat mesti diluluskan oleh Lembaga Pengarah.

Lembaga Pengarah menyedari sepenuhnya dan bertindak terhadap perkara-perkara khusus yang perlu diputuskan bagi memastikan hala tuju dan kuasa terhadap Syarikat berada dalam kawalannya. Perkara-perkara seperti ini yang digariskan dalam Batas Kuasa Syarikat, dengan jelas menetapkan bidang kuasa pihak pengurusan dan Lembaga Pengarah.

Jawatankuasa Audit

Jawatankuasa Audit mempunyai kuasa dan tanggungjawab yang khusus termasuk mengkaji laporan kewangan awal dan akhir tahun termasuk pengumuman awal, sistem kawalan dalam dan laporan audit dalaman. Ia memastikan cukup tidaknya dan integriti sistem kawalan dalaman Syarikat dan sistem maklumat pengurusan adalah mematuhi polisi dan prosedur Syarikat, undang-undang dan Keperluan Penyenarian Bursa Saham Kuala Lumpur. Dalam tahun ini, Lembaga Pengarah telah meluluskan Polisi Pengurusan Risiko Syarikat yang dilancarkan secara rasmi pada 23 Januari 2003. Ia akan terus mengenalpasti dan mengawasi risiko utama Syarikat dan mengambil tindakan untuk mengendalikan risiko itu.

Kawalan Kewangan

Bagi setiap tahun kewangan, Lembaga Pengarah akan, terlebih dahulu, meluluskan Rancangan dan Belanjawan Syarikat, termasuk ramalan aliran tunai untuk tahun itu dan menggariskan unjuran bagi empat (4) tahun berikutnya. Semua dan persediaan ini merupakan salah satu tanggungjawab utama Pengarah Urusan/Ketua Pegawai Eksekutif. Rancangan dan belanjawan ini disediakan oleh unit operasi dan unit khidmat sokongan masing-masing dan dikaji semula oleh Jawatankuasa Pengurusan Syarikat sebelum mendapatkan kelulusan Lembaga Pengarah. Pihak Pengurusan dan Lembaga Pengarah menerima dan mengkaji semula keputusan

belanjawan secara berkala. Penerangan dan pembentangan yang mendalam tentang keputusan dan perbezaan belanjawan dimaklumkan kepada Lembaga Pengarah setiap suku tahun oleh Pengarah Urusan / Ketua Pegawai Eksekutif.

Pelantikan dan Ganjaran Pengarah

Lembaga Pengarah pada keseluruhannya akan bertindak sebagai Jawatankuasa Ganjaran dan Perlantikan. Jawatankuasa yang lebih kecil tidak digalakkan kerana Syarikat percaya bahawa semua ahli mesti sama-sama bertanggungjawab terhadap tugas jawatankuasa, yang dinyatakan seperti berikut:

- menilai dan mencadangkan pengarah baru kepada Lembaga Pengarah,
- mengkaji semula secara tahunan gabungan kemahiran dan pengalaman, dan sifat-sifat lain untuk membolehkan Lembaga Pengarah berfungsi sepenuhnya dan secara berkesan,
- melaksanakan proses penilaian bagi menilai keberkesanan Lembaga Pengarah secara keseluruhannya, sumbangan setiap ahli jawatankuasa dan Lembaga Pengarah secara individu.
- mencadangkan kepada Lembaga Pengarah ganjaran bagi semua pengarah bukan eksekutif. Setiap pengarah tidak terlibat dalam perbincangan tentang ganjaran mereka sendiri.

Lembaga Pengarah akan mempertimbangkan perkara di atas semasa prosiding biasa mesyuarat pengarah.

Kecuali Pengarah Urusan / Ketua Pegawai Eksekutif, semua pengarah bukan eksekutif dibayar ganjaran pengarah seperti yang diluluskan oleh pemegang saham pada Mesyuarat Agung Tahunan, berdasarkan cadangan Lembaga Pengarah. Bagi tahun yang dikaji, pecahan ganjaran yang diterima oleh setiap pengarah adalah seperti Jadual 2 di bawah.

Pengarah Urusan / Ketua Pegawai Eksekutif, yang merupakan seorang kakitangan PETRONAS, telah dipinjamkan kepada Syarikat untuk menjalankan tanggungjawab seorang

Jadual 2: Perincian Ganjaran Pengarah

Nama Pengarah	Ganjaran Pengarah (RM)	Ganjaran BAC (RM)	Jumlah (RM)
Tan Sri Dato' Mohd Hassan bin Marican	60,000	–	60,000
Dato' Mohamad Idris bin Mansor (meletak jawatan pada 1.10.2002)	18,000	–	18,000
Dato' Sadasivan a/l N.N. Pillay	36,000	12,000	48,000
Chew Kong Seng	36,000	8,400	44,400
Muri bin Muhammad	36,000	–	36,000
Mohd Azhar bin Osman Khairuddin	36,000	8,400	44,400
Abdul Rahim bin Hashim (dilantik pada 1.10.2002)	18,000	–	18,000
Datuk Mohd Zain bin Abdul Majid	36,000	8,400	44,400
JUMLAH	276,000	37,200	313,200

pengarah eksekutif serta Pengarah Urusan. Langkah seperti itu memberikan gambaran yang lebih baik terhadap pengendalian syarikat induk dan mewujudkan kebertanggungjawaban yang lebih terhadap prestasi Syarikat, baik dari segi kewangan mahupun pengendaliannya, sejajar dengan visi PETRONAS. Mengambil kira perkhidmatan di atas, Syarikat dikehendaki membayar ganjaran pengurusan untuk menampung semua kos berkaitan dengan senarai gaji dan faedah yang biasanya ditanggung oleh Pengarah Urusan / Ketua Pegawai Eksekutif semasa beliau menjalankan tugasnya. Pada tahun ini, Syarikat telah membayar RM736,800 sebagai ganjaran pengurusan. Syarikat juga membayar balik perbelanjaan yang berpatutan yang terpaksa ditanggung oleh pengarah apabila berkenaan, semasa menjalankan tugas mereka sebagai pengarah.

Pihak Pengurusan yang lain juga dipinjamkan daripada PETRONAS. Latihan mereka dan perancangan penggantian adalah selurus dengan Jabatan Sumber Tenaga PETRONAS. Lembaga Pengarah memastikan hanya staf yang mempunyai kemahiran dan pengalaman berkenaan dilantik ke pengurusan Syarikat.

Hubungan dengan Pemegang Saham

Syarikat mengiktiraf kepentingan penyebaran maklumat yang sama dan yang tepat pada masanya kepada pemegang saham dan pemegang berkepentingan. Oleh itu, ia mematuhi sepenuhnya keperluan pendedahan Bursa Saham Kuala Lumpur (BSKL).

Mesyuarat Agung Tahunan merupakan mekanisme yang penting bagi komunikasi pemegang saham. Pemegang saham diberitahu mengenai mesyuarat dan diberikan

Penyata Urus Tadbir Korporat

senaskhah Laporan Tahunan Syarikat, 21 hari sebelum mesyuarat. Di setiap Mesyuarat Agung Tahunan, Lembaga Pengarah memaklumkan tentang kemajuan dan prestasi Syarikat dan memberikan peluang kepada pemegang saham untuk bertanya bagi mendapatkan lebih banyak maklumat, tanpa membataskan waktu dan jenis soalan yang ditanya, sebelum mendapat persetujuan secara mengangkat tangan daripada ahli dan proksi, berkaitan dengan akaun beraudit.

Semasa mesyuarat, Pengerusi dan ahli Lembaga Pengarah akan menjawab semua pertanyaan dan berusaha memberikan penjelasan secukupnya berkaitan isu dan hal-hal yang ditimbulkan oleh pemegang saham. Juruaudit luar juga hadir untuk memberikan penjelasan profesional dan bebas mengenai isu dan hal-hal yang ditimbulkan oleh pemegang saham. Status semua resolusi yang dicadangkan semasa Mesyuarat Agung Tahunan diserahkan kepada BSKL pada penghujung hari mesyuarat diadakan. Ringkasan perbincangan yang diadakan pada Mesyuarat Agung Tahunan disimpan oleh pihak Pengurusan untuk rujukan masa hadapan.

Lembaga Pengarah telah memastikan bahawa setiap butiran perniagaan khas yang termasuk dalam notis mesyuarat agung tahunan atau mesyuarat agung luar biasa disertai dengan penjelasan yang lengkap berkaitan kesan sesuatu resolusi yang dicadangkan.

Untuk memberikan peluang kepada pemegang saham bagi mendapatkan pendedahan secara terus mengenai operasi Syarikat, program lawatan ke loji pemprosesan gas dan Kemudahan Utiliti Berpusat telah dianjurkan. Penerangan mengenai operasi Syarikat dan dialog bersemuka antara pihak pengurusan dan pemegang saham diadakan semasa setiap program lawatan. Pihak pengurusan percaya bahawa perasaan kekitaan terhadap Syarikat di kalangan pemegang saham dapat dipertingkatkan

apabila mereka lebih memahami kegiatan Syarikat. Komunikasi dua hala sebegini dapat meningkatkan ketelusan kegiatan korporat dan membantu mewujudkan asas pemegang saham yang lebih stabil kerana mereka akan lebih bersedia untuk mengekalkan pemegangan saham mereka dan melihat pelaburan mereka sebagai pelaburan jangka panjang setelah lebih memahami strategi korporat Syarikat.

Pelabur dan penganalisis institusi juga dialu-alukan dan mereka juga mempunyai peluang yang sama untuk bertemu dengan pihak pengurusan kami berkaitan prestasi, tadbir urus korporat dan lain-lain perkara yang melibatkan kepentingan pemegang saham.

Dalam semua hal, Syarikat mengambil sikap berhati-hati agar tidak mendedahkan maklumat sulit mengenai Syarikat dan sentiasa menekankan tentang pentingnya penyebaran maklumat yang sama dan tepat pada masanya kepada pemegang saham dan pemegang berkepentingan.

Kebertanggungjawaban dan Audit

1. Laporan Kewangan

Lembaga Pengarah berhasrat untuk membentangkan penilaian yang seimbang dan dapat difahami berkaitan kedudukan dan prospek Syarikat. Ia juga bersabit laporan awam berkaitan harga dan laporan kepada pihak berkuasa. Pernyataan tanggungjawab pengarah dilampirkan di halaman 61 Laporan Tahunan.

2. Kawalan Dalaman

Lembaga Pengarah terus mengekalkan sistem kawalan dalaman yang kukuh untuk melindungi pelaburan pemegang saham dan aset Syarikat. Prinsip ini dijelaskan dengan lebih lanjut di bawah Pernyataan Kawalan Dalaman oleh Pengarah di halaman 65 hingga 67 Laporan Tahunan.

3. Hubungan dengan Juruaudit

Juruaudit luar, Messrs. KPMG Desa Megat & Co., telah melaporkan pendapat mereka secara berterusan kepada pemegang saham Syarikat yang dijadikan sebagai sebahagian daripada laporan kewangan Syarikat berkaitan dengan pengauditan mereka dalam pernyataan kewangan berkanun. Dengan berbuat demikian, Syarikat telah mewujudkan ketelusan urusan dengan juruaudit untuk memenuhi keperluan profesional juruaudit. Dari masa ke semasa, juruaudit akan mengemukakan kepada Jawatankuasa Audit Lembaga dan Lembaga Pengarah perkara-perkara yang perlu diberi perhatian oleh Lembaga Pengarah. Laporan oleh Jawatankuasa Audit Lembaga mengenai kajian semula laporan audit disertakan di halaman 54 hingga 55 Laporan Tahunan.

Penyata ini dibuat mengikut resolusi Lembaga Pengarah bertarikh 23 Mei 2003.



TAN SRI DATO' MOHD HASSAN BIN MARICAN
Pengerusi



ABD. HAMID BIN IBRAHIM
Pengarah Urusan/Ketua Pegawai Eksekutif

Maklumat Pematuhan Tambahan

1. Yuran-yuran bukan audit

Bayaran yuran-yuran bukan audit dibayar dan boleh dibayar kepada juruaudit luar oleh syarikat untuk tahun kewangan berakhir 31 Mac 2003 adalah sebanyak RM81,000 (2002: RM84,000).

2. Sekatan-sekatan

Dalam tahun kewangan, tiada sekatan dan/atau denda dikenakan ke atas syarikat, pengarah-pengarah atau pengurusan oleh pihak berkuasa yang berkaitan.

3. Kontrak Matan

Tiada sebarang kontrak matan yang dimeterai atau masih wujud di antara Syarikat dan pengarah/pemegang saham terbesar sepanjang tahun kewangan, selain daripada Perjanjian Pemprosesan dan Penyaluran Gas yang dimeterai sejak 1 April 1994 di antara Syarikat dan pemegang saham terbesarnya, PETRONAS, bagi peruntukan pengasingan gas semulajadi kepada komponen-komponennya, pengumpulan, penghantaran dan pengedaran komponen-komponen tersebut di mana ganjaran akan dikenakan.

Audit Committee Report

The Board Audit Committee (BAC) of PETRONAS Gas Berhad is pleased to present the Audit Committee Report for the year ended 31 March 2003.

Membership

The BAC was formed by the Board pursuant to its meeting on 14 August 1995. Currently the BAC comprises four (4) directors as follows:-

1. Dato' Sadasivan s/o N. N. Pillay
– Chairman
(Independent Non-Executive Director)
2. Chew Kong Seng
(Independent Non-Executive Director, member of the Malaysian Institute of Accountants)
3. Datuk Mohd Zain bin Haji Abdul Majid
(Independent Non-Executive Director)
4. Mohd Azhar bin Osman Khairuddin
(Non-Independent Non-Executive Director)

The BAC is governed by the Terms of Reference as stipulated in pages 56 to 57 of the Annual Report. All the requirements under the Terms of Reference were fully complied with and the BAC did not see any matters in breach of the Listing Requirements of the Kuala Lumpur Stock Exchange that warrant reporting to the Exchange.

Summary of Activities of the BAC

During the year, the BAC met four (4) times. By invitation, the Managing Director and the Company Secretary were present at all the meetings. External and internal auditors and the General Manager of Finance Division were also present during deliberations which required their inputs and advice.

Meeting attendance record of the members is as follows:

Name of Directors	Attendance
Dato' Sadasivan s/o N. N. Pillay	4/4
Chew Kong Seng	4/4
Mohd Azhar bin Osman Khairuddin	3/4
Dato' Mohd Zain bin Abdul Majid	3/4

The following activities were carried out by the BAC during the financial year ended 31 March 2003:-

1. Reviewed the annual internal audit plan for the year including its scope, basis of assessments and risk ratings of the proposed areas of audit.
2. Reviewed and deliberated on reports of audits conducted by the Group Internal Audit Division of PETRONAS.
3. Reviewed financial statements including quarterly financial announcements to the Kuala Lumpur Stock Exchange and year end financial statements and recommended the same for approval by the Board of Directors, upon being satisfied that, inter alia, the financial reporting and disclosure requirements of the relevant authorities had been complied with. Any significant issues resulting from the audit of the financial statements by the external auditors were also deliberated.
4. Reviewed significant accounting policies that were affected by the introduction of the new Malaysian Accounting Standards.
5. Reviewed the adequacy of the internal control system.
6. Reviewed the appointment of external auditors and their remuneration thereof.

7. Reviewed with the external auditors on audit strategy and scope for the statutory audit of the Company accounts for the financial year ended 31 March 2003.

Internal Audit

The internal audit function of the Company was carried out by the Group Internal Audit Division of PETRONAS, the holding company. They maintained at all times their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the BAC.

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Company's internal control systems in anticipating potential risks exposures over key business processes within the Company. The BAC had full access to internal auditors and received reports on all audits performed.

During the year, the internal auditors had carried out audits according to the internal audit plan which had been approved by the BAC. Internal audits were done on:-

- Transmission Operation Division, looking at the operation and maintenance with the objective of identifying areas for improvement and to give assurance to the management that the activities were performed to support the Company business objectives.
- Plant Operation Division maintenance activities, looking at the maintenance activities with the objective of identifying areas for improvement and to give assurance to the management that the activities were performed to support the Company business objectives.
- Information Technology ("IT") Activities at the Plant Operation Division and Transmission Operation Division to

Dato' Sadasivan s/o
N. N. Pillay



Chew Kong Seng



Datuk Mohd Zain bin
Abdul Majid



Mohammed Azhar bin Osman
Khairuddin

determine the adequacy and effectiveness of control over IT resources and operation in line with the established procedures and guidelines.

The resulting reports from the audits undertaken were forwarded to the Management for attention and necessary corrective actions as recommended. The Management is responsible for ensuring that corrective actions on reported weaknesses are taken within the required time frame.

A handwritten signature in black ink, appearing to read 'N. Pillay'.

Dato' Sadasivan a/l N. N. Pillay
Chairman
Board Audit Committee

Laporan Jawatankuasa Audit

Jawatankuasa Audit Lembaga Pengarah (BAC) PETRONAS Gas Berhad dengan sukacitanya membentangkan Laporan Jawatankuasa Audit bagi tahun yang berakhir pada 31 Mac 2003.

Keahlian

BAC telah ditubuhkan oleh Lembaga Pengarah semasa mesyuaratnya pada 14 Ogos 1995. Pada masa ini, BAC terdiri daripada empat (4) orang pengarah seperti yang berikut:-

1. Dato Sadasivan s / o N. N. Pillay
– Pengerusi
(Pengarah Bebas Bukan Eksekutif)
2. Chew Kong Seng
(Pengarah Bebas Bukan Eksekutif,
ahli Institut Akauntan Malaysia)
3. Datuk Mohd Zain bin Haji Abdul Majid
(Pengarah Bebas Bukan Eksekutif)
4. Mohd Azhar bin Osman Khairuddin
(Pengarah Bukan Bebas Bukan Eksekutif)

BAC ditadbir menurut Terma-Terma Rujukan seperti yang ditetapkan pada halaman 58 hingga 59 Laporan Tahunan. Semua keperluan di bawah Terma-Terma Rujukan telahpun dipatuhi sepenuhnya dan BAC mendapati bahawa tiada sebarang perkara yang melanggar Keperluan-Keperluan Penyenaraian Bursa Saham Kuala Lumpur yang mewajarkan laporan dibuat kepada Bursa tersebut.

Ringkasan Kegiatan BAC

Dalam tahun itu, BAC telah bermesyuarat sebanyak empat (4) kali. Atas undangan, Pengarah Urusan dan Setiausaha Syarikat telah dijemput untuk menghadiri semua mesyuarat. Juruaudit luar dan dalaman serta Pengurus Besar Bahagian Kewangan juga telah menghadiri mesyuarat semasa perbincangan yang memerlukan maklumat serta pendapat mereka.

Rekod kehadiran mesyuarat ahlinya adalah seperti yang berikut:

Nama Pengarah	Kehadiran
Dato Sadasivan a/I N. N. Pillay	4/4
Chew Kong Seng	4/4
Mohd Azhar bin Osman Khairuddin	3/4
Datuk Mohd Zain bin Abdul Majid	3/4

Kegiatan-kegiatan seperti berikut telah dijalankan oleh BAC sepanjang tahun kewangan yang berakhir pada 31 Mac 2003:-

1. Mengkaji rancangan audit dalaman tahunan bagi tahun itu, termasuk skop, asas penilaian dan penarafan risiko bidang audit yang dicadangkan.
2. Mengkaji dan membincangkan laporan audit yang dijalankan oleh Bahagian Audit Dalaman Kumpulan PETRONAS.
3. Mengkaji penyata kewangan termasuk pengumuman kewangan suku tahunan kepada Bursa Saham Kuala Lumpur dan penyata kewangan akhir tahun, serta mencadangkan yang sama untuk kelulusan Lembaga Pengarah, dan setelah berpuas hati bahawa, antara lain, pelaporan kewangan dan keperluan pendedahan pihak berkuasa yang berkaitan telah dipatuhi. Sebarang isu penting yang terhasil daripada audit penyata kewangan oleh juruaudit luar juga dibincangkan.
4. Mengkaji dasar perakaunan yang penting yang terlibat akibat pengenalan Piawaian Perakaunan Malaysia yang baru itu.
5. Mengkaji cukup tidaknya sistem kawalan dalaman.
6. Mengkaji pelantikan juruaudit luar dan ganjaran mereka.

7. Mengkaji strategi audit dan skop dengan juruaudit luar bagi audit berkanun akaun Syarikat bagi tahun kewangan yang berakhir pada 31 Mac 2003 .

Audit Dalaman

Fungsi audit dalaman Syarikat dijalankan oleh Kumpulan Audit Dalaman PETRONAS, syarikat induknya. Mereka telah mengekalkan keadilan, kemahiran dan perhatian professional yang sewajarnya dengan cara mengadakan pelan-pelan dan laporan mereka sentiasa di bawah bidang kuasa BAC.

Kerja audit dalaman telah dijalankan bagi memberi taksiran bebas ke atas kemampuan, kecekapan dan keberkesanan sistem kawalan dalaman Syarikat dalam menjangka potensi pendedahan terhadap risiko ke atas proses urusan utama dalam Syarikat. BAC juga boleh berhubung terus dengan kedua-dua juruaudit dalaman dan luar serta menerima laporan bagi semua audit yang dijalankan.

Dalam tahun itu, juruaudit dalaman telah menjalankan audit mengikut pelan audit dalaman yang telah diluluskan oleh BAC. Audit dalaman telah dijalankan terhadap:-

- Bahagian Operasi Penyaluran, iaitu melihat dari segi operasi dan penyelenggaraannya, di mana objektifnya adalah untuk mengenal pasti aspek-aspek yang boleh diperbaiki dan melahirkan keyakinan kepada pihak pengurusan bahawa aktiviti-aktiviti yang dijalankan menyokong objektif-objektif perniagaan Syarikat.
- Aktiviti-aktiviti penyelenggaraan bagi Bahagian Operasi Loji, melihat dari segi penyelenggaraan dengan objektif mengenal pasti aspek-aspek yang boleh diperbaiki dan memberi keyakinan kepada pihak pengurusan bahawa aktiviti-aktiviti yang dijalankan menyokong objektif-objektif perniagaan Syarikat.

- Aktiviti-aktiviti Teknologi Maklumat di Bahagian Operasi Loji dan Bahagian Operasi Penyaluran adalah bagi memastikan kemampuan dan keberkesanan kawalan yang ada terhadap sumber-sumber teknologi maklumat dan operasi yang sehaluan dengan tatacara dan garis panduan yang telah ditetapkan.

Laporan keputusan daripada kerja audit yang telah dijalankan dikemukakan kepada Pihak Pengurusan untuk perhatian dan tindakan pembetulan yang perlu seperti yang dicadangkan. Pihak Pengurusan bertanggungjawab untuk memastikan bahawa tindakan pembetulan terhadap kelemahan yang dilaporkan dilaksanakan dalam tempoh masa yang dikehendaki.



Dato' Sadasivan a/l N. N. Pillay

Pengerusi

Jawatankuasa Audit Lembaga Pengarah

Board Audit Committee's Terms Of Reference

Constitution

The Audit Committee was formed by the Board pursuant to its meeting on 14 August 1995.

Membership

- The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than 3 members of whom a majority shall be Independent Directors. Independent Director shall be one who fulfills the requirement as provided in the KLSE Listing Requirements.
- At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or must have at least 3 years working experience and passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or must have at least 3 years working experience and is a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Director.
- If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board shall within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.
- No alternate director can be appointed as a member of the Audit Committee

Meeting

- A quorum shall be two members, both being independent directors and one of whom shall be the Chairman of the Audit Committee. At least once a year the Audit Committee shall meet with the External Auditors without any Executive Director present. The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Audit Committee.
- The Company Secretary shall be the Secretary of the Audit Committee. Minutes of the meetings shall be duly entered in the books provided therefor.
- Meetings shall be held not less than three times a year. The External Auditors may request a meeting if they consider it necessary. The Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the External Auditor believes should be brought to the attention of the Directors or Shareholders.

Authority

- The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Audit Committee.
- The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties And Functions

The duties and functions of the Audit Committee shall be :-

- a) To consider the appointment of the External Auditors, the audit fees, and any question of resignation or dismissal of the External Auditors before making recommendation to the Board;
- b) To discuss with the External Auditors before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- c) To review with the Management and the External Auditors the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
 - any change in accounting policies and practices
 - significant and unusual events
 - major judgmental areas
 - significant adjustments resulting from the audit
 - the going concern assumption
 - compliance with accounting standards
 - compliance with stock exchange and legal requirements
- d) To arrange for periodic reports from Management, the External Auditors, and the Internal Auditors to assess the impact of significant regulatory changes, and accounting or reporting developments proposed by accounting and other bodies, or any significant matter that may have a bearing on the annual examination;
- e) To discuss problems and reservations arising from the interim and final audits, and matters the auditors may wish to discuss (in the absence of Management where necessary);
- f) To review the internal audit programme, consider the major findings of internal audits and Management's responses, and ensure coordination between the Internal and External Auditors;
- g) To review any related party transaction and conflict of interest situation that may arise in the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- h) To keep under review the effectiveness of internal control systems, and the Internal and/or External Auditors' evaluation of these systems and in particular review the External Auditors' Management Letter and Management's responses;
- i) To review the audit reports;
- j) To direct and where appropriate supervise any special project or investigation considered necessary;
- k) To prepare periodic reports to the Board of Directors summarising the work performed in fulfilling the Audit Committee's primary responsibilities; and
- l) To consider other topics, as defined.

Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.

Lembaga Jawatankuasa Audit Terma-Terma Rujukan

Perlembagaan

Jawatankuasa Audit telah dibentuk oleh Lembaga Pengarah berikutan keputusan mesyuaratnya pada 14 Ogos 1995.

Keahlian

- Ahli Jawatankuasa Audit akan dilantik oleh Lembaga Pengarah dari kalangan mereka dan terdiri tidak kurang daripada tiga (3) orang ahli yang secara majoriti ialah Pengarah Bebas. Pengarah Bebas merupakan mereka yang memenuhi kehendak seperti yang dinyatakan dalam Keperluan Penyenaraian BSKL.
- Sekurang-kurangnya seorang ahli Jawatankuasa Audit mestilah ahli Institut Akauntan Malaysia atau mestilah mempunyai sekurang-kurangnya tiga (3) tahun pengalaman kerja dan lulus peperiksaan yang ditetapkan di Bahagian 1 Jadual Pertama Akta Akauntan 1967; atau mestilah mempunyai sekurang-kurangnya tiga (3) tahun pengalaman kerja dan merupakan ahli salah satu persatuan akauntan yang ditetapkan di Bahagian II Jadual Pertama Akta Akauntan 1967.
- Ahli Jawatankuasa Audit hendaklah melantik Pengerusi di kalangan mereka yang merupakan Pengarah Bebas.
- Jika mana-mana ahli Jawatankuasa Audit meletak jawatan, meninggal dunia atau disebabkan oleh apa jua sebab tidak lagi menjadi ahli yang menyebabkan bilangan ahli kurang daripada tiga (3) orang, Lembaga hendaklah dalam tempoh tiga (3) bulan dari kejadian tersebut, melantik ahli baru mengikut bilangan yang sama seperti yang diperlukan untuk menjadikan jumlah minimum ahli ialah tiga (3) orang.
- Tidak ada pengarah selang ganti boleh dilantik sebagai ahli Jawatankuasa Audit.

Mesyuarat

- Korum dalam sesuatu mesyuarat mestilah terdiri daripada dua ahli, kedua-duanya ialah pengarah bebas dan salah seorang daripadanya ialah Pengerusi Jawatankuasa Audit. Sekurang-kurangnya sekali dalam setahun Jawatankuasa Audit mestilah bertemu dengan Juruaudit Luar tanpa kehadiran mana-mana Pengarah Eksekutif. Juruaudit Luar berhak untuk hadir dan memberi keterangan dalam mana-mana mesyuarat Jawatankuasa Audit dan hendaklah hadir di hadapan Jawatankuasa apabila dikehendaki berbuat demikian oleh Jawatankuasa Audit.
- Setiausaha Syarikat hendaklah Setiausaha Jawatankuasa Audit. Minit mesyuarat hendaklah dicatat sewajarnya di dalam buku yang disediakan untuknya.
- Mesyuarat hendaklah diadakan tidak kurang daripada tiga kali setahun. Juruaudit Luar boleh meminta mesyuarat diadakan jika difikirkan perlu. Pengerusi Jawatankuasa Audit akan mengadakan mesyuarat Jawatankuasa Audit untuk menimbangkan apa-apa perkara yang difikirkan perlu oleh Juruaudit Luar dibawa ke perhatian Pengarah atau Pemegang Saham.

Kuasa

- Jawatankuasa Audit diberi kuasa oleh Lembaga Pengarah untuk menyiasat apa-apa aktiviti dalam bidang tugasnya. Jawatankuasa Audit diberi kuasa untuk mendapatkan apa-apa maklumat yang diperlukan dari mana-mana kakitangan dan semua kakitangan diarah untuk memberi kerjasama dengan sebarang permintaan Jawatankuasa Audit.
- Jawatankuasa Audit diberi kuasa oleh Lembaga Pengarah untuk mendapatkan nasihat undang-undang atau nasihat

profesional bebas lain dari luar serta menjamin kehadiran orang luar dengan pengalaman dan kepakaran yang berkaitan jika difikirkan perlu.

Tugas Dan Fungsi

Tugas dan fungsi Jawatankuasa Audit adalah:-

- a) Untuk mempertimbangkan pelantikan Juruaudit Luar, bayaran audit, dan apa-apa persoalan tentang peletakan jawatan atau penamatan khidmat Juruaudit Luar sebelum membuat syor kepada Lembaga;
- b) Berbincang dengan Juruaudit Luar sebelum pengauditan bermula mengikut jenis dan skop audit, dan memastikan keselarasan apabila lebih daripada satu firma audit terlibat;
- c) Untuk menyemak, bersama-sama pihak Pengurusan dan Juruaudit Luar, pernyataan suku tahunan dan pernyataan kewangan akhir tahun sebelum diluluskan oleh Lembaga Pengarah, dengan menumpukan khusus kepada;
 - apa-apa pertukaran polisi dan amalan perakaunan
 - kejadian yang penting dan luar biasa
 - bidang pertimbangan utama
 - andaian kemajuan
 - pematuhan piawai perakaunan
 - pematuhan bursa saham dan kehendak undang-undang
- d) Untuk menguruskan laporan berkala daripada Pengurusan, Juruaudit Luar dan Juruaudit Dalam untuk menilai kesan perubahan pengawalaturan yang penting, dan perkembangan perakaunan atau laporan yang dicadangkan oleh badan perakaunan dan badan lain, atau apa-apa perkara penting yang berkaitan dengan pemeriksaan tahunan;
- e) Untuk membincangkan semua masalah dan kesangsian yang timbul daripada pengauditan interim dan akhir, dan

perkara yang ingin dibincangkan oleh juruaudit (tanpa kehadiran pihak Pengurusan jika perlu);

- f) Untuk menyemak program audit dalaman, mempertimbangkan dapatan utama pengauditan dalaman dan maklum balas Pengurusan, dan memastikan keselarasan antara Juruaudit Dalam dengan Juruaudit Luar;
- g) Untuk menyemak apa-apa urusan niaga pihak berkaitan dan keadaan konflik kepentingan yang mungkin timbul di Syarikat termasuk apa-apa urusan niaga, prosedur atau pengendalian yang mempersoalkan integriti pengurusan;
- h) Untuk mengawal keberkesanan sistem kawalan dalaman, dan penilaian Juruaudit Dalam dan/atau Luar terhadap sistem ini dan secara khusus menyemak maklum balas Surat Pengurusan Juruaudit Luar dan Pengurusan;
- i) Untuk menyemak laporan Juruaudit Dalam;
- j) Untuk mengarahkan dan jika berkenaan menyelia mana-mana projek atau penyelidikan khas yang difikirkan perlu;
- k) Untuk menyediakan laporan berkala kepada Lembaga Pengarah secara ringkas tentang kerja yang dilaksanakan untuk memenuhi tanggungjawab utama Jawatankuasa Audit; dan
- l) Untuk mempertimbangkan topik lain, seperti yang ditentukan.

Prosedur Laporan

Setiausaha akan mengedarkan minit mesyuarat Jawatankuasa Audit kepada semua Ahli Lembaga Pengarah.

Statement Of Directors' Responsibility

IN RELATION TO THE FINANCIAL STATEMENTS

The financial statements as set out on pages 138 to 166 of the Company, are properly drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2003 and of the results of its operations and cash flows for the year ended on that date.

The Directors consider that in preparing the financial statements,

- the Company has used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are also responsible for ensuring that the accounting and other records and registers required by the Companies Act, 1965 to be retained by the Company have been properly kept in accordance with the provisions of the said Act.

The Directors also have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

Penyata Tanggungjawab Pengarah

BERKAITAN DENGAN PENYATA KEWANGAN

Penyata kewangan Syarikat seperti yang terdapat di halaman 176 hingga 205, telah disediakan dengan betul untuk memberikan gambaran yang tepat dan saksama mengenai hal-ehwal Syarikat setakat 31 Mac 2003 dan keputusan operasi serta aliran tunai bagi tahun yang berakhir pada tarikh tersebut.

Pengarah mempertimbangkan bahawa dalam menyediakan penyata kewangan,

- *Syarikat telah menggunakan dasar perakaunan yang wajar dan ia diguna pakai secara tekal;*
- *pertimbangan dan anggaran yang munasabah dan berhemat telah dibuat; dan*
- *semua piawaian perakaunan yang diluluskan di Malaysia yang boleh diguna pakai telah dipatuhi.*

Pengarah juga bertanggungjawab memastikan bahawa rekod perakaunan dan lain-lain rekod serta daftar yang diperlukan oleh Akta Syarikat, 1965 yang harus disimpan oleh Syarikat, telah disimpan dengan baik mengikut peruntukan Akta tersebut.

Pengarah juga mempunyai tanggungjawab umum bagi mengambil langkah seumpama itu, yang boleh mereka lakukan untuk melindungi aset Syarikat, dan mencegah serta mengesan penipuan dan lain-lain perkara di luar aturan.

Internal Control Statement

Board's Responsibility

The Board is committed to its responsibility of maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets and of reviewing the adequacy and integrity of the system. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure of achieving the corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls.

Following the publication of the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Internal Control Guidance"), the Board confirms that there is an on-going process of identifying, evaluating and managing all significant risks faced by the Company, that has been in place for the year and up to the date of approval of the Annual Report and Financial Statements, and that this process is regularly reviewed by the Board so as to be in accordance with the Internal Control Guidance.

Current Risk Management Framework

During the year the Company has reviewed and restructured the risk management frameworks previously in place within the various operating divisions, into one formal and integrated risk management framework for the Company. As an outcome of this exercise the Company's Risk Management Policy had been formalised and officially launched on 23 January 2003 by the Managing Director / Chief Executive Officer.

Workshops were held at the working level to complete an integrated risk profile of the Company, which together with a summary of key findings had been discussed and deliberated by the Risk Management Steering

Committee and had been submitted to the Board for consideration and approval.

The various risk events arising from various parts of the business value chain had been identified. In view of the nature of the business, safety is a principal risk, which has attracted an appreciable amount of Management focus. It is managed at all fronts and business stages, for example, design and construction of plants and facilities, operation, maintenance and turnarounds.

Believing that risk management should be the responsibility of all employees, several road shows had been conducted at the various parts and regions of the Company. Detailed risk events identified were then discussed and highlighted together with the appropriate measures and control to effectively manage the risks. Areas for improvements have also been discussed to continually assess the effectiveness of the controls.

Moving Forward

To further embed a formal and structured risk management process within the culture of the Company, integrated risk monitoring systems are being set up to monitor and assess the effectiveness of the implementation of risk management at various levels of the Company. This will include systematic implementation of the following:

- Environment scanning
- Risk Monitoring
- Risk Reporting / Dashboard
- Risk Auditing

Internal Audit Function

The Group Internal Audit Division of PETRONAS, the holding company, continues to perform the internal audit function of the Company. They maintain their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the PGB Board Audit Committee.

Internal audits are undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Company's internal control systems in anticipating potential risk exposures over key business processes and in controlling the proper conduct of business within the Company. The Board Audit Committee had full access to internal auditor reports on all audits performed.

The internal audit function reviews the internal controls of various activities of the Company's businesses based on the annual internal audit plan which is presented to the Board Audit Committee for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the operating divisions of the Company.

The resulting reports from the audits undertaken are reviewed by the Board Audit Committee and then forwarded to the Management for attention and necessary corrective actions as recommended. The Management is responsible for ensuring that appropriate corrective actions on the reported weaknesses are taken within the required time frame.

The key activities of the internal audit function are set out in the Audit Committee Report on pages 52 to 53 of the Annual Report.

Other Risks Control Processes

Apart from risk management and internal audit, the Board has the following control processes in place:

- The full Board meets at least quarterly and has set a schedule of matters, which is required to be brought to it for discussion, thus ensuring that it maintains full and effective supervision. The Managing Director/Chief Executive Officer will lead the presentation of Board Papers and provide

comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Company's activities and its operations on a regular basis.

- The Managing Director/Chief Executive Officer also reports to the Board on significant changes in the business and the external environment which result in significant risks to the Company. The General Manager of the Finance Division provides the Board with quarterly financial information. These include, amongst others, the monitoring of results against budget, with major variances being followed up and Management action taken, where necessary. Where areas for improvement in the system are identified, the Board considers the views and recommendations made by the Audit Committee and Management.
- A documented delegation of authority with clear lines of accountability and responsibility. It sets out the decisions that need to be taken and the appropriate approving authority at various levels of Management including matters that require Board approval.
- An organisational structure, as set out in page 16 of the Annual Report, with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. It includes the publication of the Employees Handbook which highlights policies on health and safety, training and development, equality of opportunity, staff performance and serious misconduct.

Statement Of Internal Control

- Verifications are also conducted by the Systems and Control Section, a section within the Finance Division, covering one of the significant finance functions throughout the business divisions in the Company. Reports on the appraisal of control processes implemented by Management were submitted to the General Manager of Finance Division and the Managing Director/Chief Executive Officer.
- As the Plant, Transmission and Technical Facilities Development divisions, and Head Office are also accredited with ISO 9002, quality system audits are performed throughout these divisions of the Company to ensure conformance to ISO9002 requirements. Such conformance is further ensured by SIRIM surveillance auditors before extension to the certificates are given.
- Each Division has a Tender Committee which reviews and awards all major contracts; both capital and operational. At least three quotations are called for and tenders are awarded based on factors such as quality, track record, speed of delivery, and cost.
- The Five Quality Principles which are:
 1. Conformance to Requirements
 2. Prevention
 3. Right Things Right Every Time
 4. Price of Nonconformance
 5. Proactive Leadership At All Levels

have already been inculcated within the Company's Quality Culture with strong emphasis on risk assessment and prevention.

Weaknesses in internal controls that result in material losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

This statement is made in accordance with the resolution of the Board of Directors dated 23 May 2003.



TAN SRI DATO' MOHD HASSAN BIN MARICAN
Chairman



ABD. HAMID BIN IBRAHIM
Managing Director/Chief Executive Officer

Penyata Kawalan Dalaman

Tanggungjawab Lembaga

Lembaga Pengarah pada dasarnya bertanggungjawab terhadap sistem kawalan dalaman Syarikat termasuk mewujudkan persekitaran kawalan dan kerangka yang wajar, di samping mengkaji semula kemampuan serta keutuhan sistem itu. Memandangkan wujudnya batasan dalam mana-mana sistem kawalan dalaman, sistem ini direka bentuk untuk mengurus, dan bukan untuk menghapuskan risiko kegagalan bagi mencapai matlamat korporat. Sehubungan dengan itu, ia hanya boleh memberi keyakinan yang munasabah dan bukan jaminan sepenuhnya terhadap kerugian atau kenyataan salah yang material. Sistem kawalan dalaman mencakupi, antara lain, pengurusan risiko dan kewangan, pengendalian operasi dan pematuhan.

Berikutan penerbitan Penyata Kawalan Dalaman: Panduan untuk Pengarah Syarikat Awam Tersenarai ("Panduan Kawalan Dalaman"), Lembaga Pengarah mengesahkan proses yang sedang dilaksanakan untuk mengenal pasti, menganalisa dan mengurus risiko utama yang mungkin dihadapi oleh Syarikat, yang telah dijalankan sepanjang tahun ini dan sehinggalah tarikh kelulusan laporan tahunan dan penyata kewangan, di mana proses ini selalu dikaji semula oleh Lembaga Pengarah sejajar dengan Panduan Kawalan Dalaman.

Kerangka Pengurusan Risiko Terkini

Dalam tahun ini, Syarikat telah mengkaji dan menyusun semula Kerangka Pengurusan Risiko yang sebelum ini terada dengan semua jabatan operasi kepada satu keserupaan dan bersepadu Kerangka Pengurusan Risiko Syarikat. Sebagai hasil kajian itu, Kerangka Pengurusan Risiko Syarikat telah diformalkan dan dilancarkan secara rasmi pada 23 Januari 2003 oleh Pengarah Urusan / Ketua Pegawai Eksekutif.

Latihan telah diberikan kepada semua pekerja untuk melengkapi profil risiko bersepadu Syarikat. Latihan tersebut dan laporan ringkas penemuan utama telah dibincangkan oleh Jawatankuasa Pemandu Pengurusan Risiko dan dihantar kepada Lembaga Pengarah untuk dibincangkan dan diluluskan.

Pelbagai kejadian risiko yang terdapat di bahagian-bahagian rantaian nilai perniagaan telah dikenal pasti. Memandangkan jenis perniagaan, keselamatan adalah risiko utama, pihak pengurusan telah memberikan perhatian yang lebih kepadanya. Ianya diuruskan dari setiap peringkat dan tahap seperti merekacipta and membangunkan loji dan kemudahan, operasi, penyelenggaraan dan kerja baik pulih.

Bergerak Ke Hadapan

Untuk memastikan proses pengurusan struktur risiko dijadikan sebahagian daripada budaya Syarikat, sistem pengawasan risiko bersepadu telah diwujudkan untuk mengawasi dan menilai keberkesanan pelaksanaan pengurusan risiko pada setiap tahap Syarikat. Ianya termasuk pelaksanaan secara bersistematik seperti berikut:

- Penelitian persekitaran
- Pengawasan Risiko
- Laporan/Papan Pemuka Risiko
- Audit Risiko

Fungsi Audit Dalaman

Fungsi audit dalaman Syarikat dilaksanakan oleh Bahagian Audit Dalaman Kumpulan syarikat induknya, PETRONAS. Mereka mampu mengekalkan prinsip tidak belah bagi, kecekapan dan sikap profesional dengan meletakkan pelan dan laporan mereka di bawah pengawasan Jawatankuasa Audit Lembaga Pengarah.

Penyata Kawalan Dalam

Audit dalaman dijalankan untuk menyediakan penilaian yang bebas, terhadap kecekapan dan keberkesanan sistem kawalan dalaman Syarikat dalam menjangka potensi pendedahan terhadap risiko melibatkan proses perniagaan yang penting dan usaha mengawal perilaku perniagaan yang betul di dalam Syarikat. Jawatankuasa Audit Lembaga Pengarah juga boleh menghubungi juruaudit dalaman dan luar dan menerima laporan bagi semua audit yang dijalankan.

Audit dalaman berfungsi mengkaji semula kawalan dalaman berkaitan aktiviti penting perniagaan Syarikat berdasarkan rancangan audit dalaman tahunan yang dibentangkan kepada Jawatankuasa Audit Lembaga Pengarah untuk mendapatkan kelulusan. Fungsi audit dalaman menerima pakai pendekatan berasaskan risiko dan menyediakan rancangan dan strategi auditnya berdasarkan profil risiko bahagian operasi Syarikat.

Laporan audit tersebut dikaji oleh Jawatankuasa Audit Lembaga Pengarah, dan selepas itu dikemukakan kepada pihak Pengurusan untuk perhatian dan bagi membolehkan tindakan pembetulan yang sewajarnya seperti yang telah dicadangkan. Pihak Pengurusan bertanggungjawab memastikan tindakan pembetulan kelemahan yang dilaporkan diambil kira dalam jangka masa yang ditentukan.

Kerja-kerja utama fungsi audit dalaman ada dalam Laporan Jawatankuasa Audit di mukasurat 54 hingga 55 Laporan Tahunan

Lain-lain Proses Kawalan Risiko

Selain pengurusan risiko dan audit dalaman, Lembaga Pengarah mempunyai proses kawalan yang teratur, seperti berikut:

- Mesyuarat penuh Lembaga Pengarah diadakan sekurang-kurangnya setiap suku tahun dan telah menetapkan jadual perkara yang perlu dibincangkan, dan dengan itu, memastikan bahawa ia dapat mengekalkan penyeliaan sepenuhnya dan berkesan terhadap kawalan yang berkenaan. Pengarah Urusan/Ketua Pegawai Eksekutif akan mengetuai pembentangan kertas Lembaga Pengarah dan memberikan penjelasan yang menyeluruh terhadap isu-isu berkaitan. Dalam membuat sebarang keputusan terhadap cadangan yang dikemukakan oleh pihak Pengurusan, adalah menjadi prasyarat kepada Lembaga Pengarah untuk mempertimbang dan membincangkannya dengan teliti. Selain itu Lembaga Pengarah sentiasa dimaklumkan mengenai kegiatan dan operasi Syarikat.
- Pengarah Urusan/Ketua Pegawai Eksekutif juga melaporkan kepada Lembaga Pengarah mengenai perubahan penting dalam perniagaan dan persekitaran luar yang mempengaruhi risiko utama. Pengurus Besar Bahagian Kewangan akan memaklumkan kepada Lembaga Pengarah maklumat kewangan suku tahunan. Ini termasuklah, pemantauan hasil berbanding dengan belanjawan, langkah susulan dibuat terhadap perbezaan-perbezaan utama dan tindakan pengurusan diambil, di mana perlu. Lembaga Pengarah akan mempertimbangkan cadangan membabitkan bidang di mana sistemnya dikenal pasti boleh diperbaiki yang dibuat oleh Jawatankuasa Audit Lembaga Pengarah dan Jawatankuasa Pengurusan.
- Tugas kuasa yang didokumenkan dan tanggungjawab digariskan secara jelas. Ia menentukan keputusan yang perlu diambil dan pihak yang berkuasa memberikan kelulusan di pelbagai tahap pengurusan termasuk perkara yang memerlukan kelulusan Lembaga Pengarah.

- Struktur organisasi, seperti yang dinyatakan di halaman 16 Laporan Tahunan, yang dilengkapi dengan panduan tanggungjawab dan tugas kuasa secara formal. Proses laporan mengikut hierarki telah diwujudkan dan ini memberikan laluan bagi pendokumentasian dan pengauditan yang dilakukan secara bertanggungjawab. Ini termasuk penerbitan buku Panduan Pekerja yang menonjolkan dasar-dasar berkaitan kesihatan dan keselamatan, latihan dan pembangunan, kesamarataan peluang, prestasi pekerja dan salah laku yang besar.

- Pengakusaksian kewangan juga dikendalikan oleh Bahagian Sistem dan Kawalan, suatu bahagian dalam Bahagian Kewangan, yang meliputi fungsi pembiayaan berisiko tinggi di seluruh bahagian perniagaan dalam Syarikat. Laporan penilaian proses kawalan yang dilaksanakan oleh pihak pengurusan diserahkan kepada Pengurus Besar Bahagian Kewangan dan Pengarah Urusan/Ketua Pegawai Eksekutif.

- Berikutan pengiktirafan ISO 9002 kepada Bahagian Loji, Bahagian Pembangunan Kemudahan Penghantaran & Teknikal serta Ibu Pejabat, audit kualiti dalaman dijalankan di seluruh bahagian-bahagian ini bagi memastikan pematuhan sistem dan tatacara. Pematuhan ini dipastikan seterusnya oleh juruaudit pengawasan SIRIM sebelum pelanjutan sijil diberikan.

- Setiap Jabatan mempunyai Jawatankuasa Tender yang mengkaji dan memberikan semua Kontrak besar untuk operasi dan harta. Sekurang-kurangnya tiga sebut harga dipanggil dan tender diberikan atas faktor seperti kualiti, rekod prestasi, kelajuan penghantaran dan harga.

- Lima Prinsip Kualiti iaitu:

1. Menepati Keperluan
2. Pencegahan
3. Betul dan Tepat Setiap Kali
4. Kerugian Tidak Menepati Keperluan
5. Kepemimpinan Proaktif Semua Peringkat

telah ditanam dalam Budaya Kualiti dengan penekanan diberikan terhadap penilaian dan pencegahan risiko.

Kelemahan dalam Kawalan Dalaman yang Mengakibatkan Kerugian Matan

Tidak ada sebarang kerugian besar ditanggung dalam tahun kewangan semasa akibat dari kelemahan dalam kawalan dalaman. Pihak Pengurusan terus mengambil langkah untuk mengukuhkan persekitaran terkawal.

Pernyataan ini dibuat mengikut resolusi Lembaga Pengarah bertarikh 23 Mei 2002.



TAN SRI DATO' MOHD HASSAN BIN MARICAN
Pengerusi



ABD. HAMID BIN IBRAHIM
Pengarah Urusan/Ketua Pegawai Eksekutif

