

STATEMENT OF CORPORATE GOVERNANCE

The Sarawak Energy Berhad Board of Directors (“Board”) is committed to ensure that the highest standard of corporate governance is practised throughout the Group with the objective of strengthening the Group’s growth and corporate accountability while safeguarding the interests of the stakeholders.

The Board is pleased to present a statement to the Shareholders on how the Group has applied the principles of good governance and compliance with the best practices set out in the Malaysian Code of Corporate Governance.

THE BOARD OF DIRECTORS

The Board’s principal responsibilities for corporate governance are to set out the strategic direction of the Group and establish the objectives and the achievements of the objectives and goals.

The current Board consists of five (5) members, whereby four (4) of the members are Non-Independent Non-Executive Directors and one (1) member is an Independent Non-Executive Director. The Directors collectively have a wide range of experience and expertise drawn from the area of business, accounting, economics, legal as well as public administration. Their expertise, experience and background are vital for the strategic direction of the Group. The profiles of the Directors are set out on pages 38 to 40 of the Annual & Sustainability Report.

The Chairman’s responsibility is to ensure the effectiveness and efficiency of the Board meetings and their conduct, whereas the role of the Independent Non-Executive Director is to ensure that the views provided are professional and independent and that the advice and judgment made on issues and decisions are in the best interest of the stakeholders and the Group.

The Group has put in place the Sarawak Energy Berhad Group Manual of Authority, which provides a consistent and formal framework for approving matters throughout the Group. It sets out clear lines of accountability and responsibility as to the matters over which the Sarawak Energy Berhad’s Board of Directors reserves authority and those which it has delegated to management.

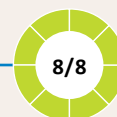
The Board meets at least four (4) times in a year, with additional meetings held as and when required. There were eight (8) Board meetings held during the financial year ended 31 December 2020. A summary of the attendance of each Director at the Board meetings in 2020 is as follows:

Datuk Amar Abdul Hamed bin Sepawi

Non-Independent Non-Executive Chairman

Meetings Attended

% of Attendance: **100%**

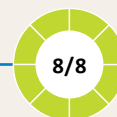


Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani

Non-Independent, Non-Executive Director

Meetings Attended

% of Attendance: **100%**

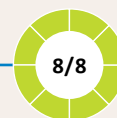


Dato' Haji Idris Bin Haji Buang

Non-Independent, Non-Executive Director

Meetings Attended

% of Attendance: **100%**

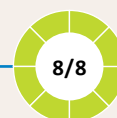


Dato Sri Fong Joo Chung

Non-Independent, Non-Executive Director

Meetings Attended

% of Attendance: **100%**

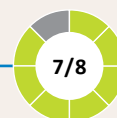


Tan Sri Dato Sri Mohd Hassan Bin Marican

Independent, Non-Executive Director

Meetings Attended

% of Attendance: **88%**





STATEMENT OF CORPORATE GOVERNANCE

SUPPLY OF INFORMATION

The Board and its Committees have full and unrestricted access to all information within Sarawak Energy pertaining to the Group's business and affairs.

All the Directors are to be notified of the Board meetings within a stipulated time prior to the date of the meetings. The Directors will also be provided with an agenda and a set of Board papers prior to each Board meeting to enable them to gain information, insights and to be properly briefed before the meeting.

In most instances, the Senior Management of the Group as well as external advisors may be invited to attend the Board meetings, to provide further information and to clarify issues that may be raised by the Board.

Board members also have access to the Company Secretary to obtain any further details they may require. Directors may also seek independent professional advice on any matter connected with the discharge of their responsibilities if deemed necessary and appropriate, whether as a full board or in their individual capacities, at the Company's expense.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to election by Shareholders at the first Annual General Meeting after their appointment. One-third of the remaining Directors are required to submit themselves for re-election by rotation at each Annual General Meeting thereafter. All Directors must submit themselves for re-election at least once every three years.

DIRECTORS' TRAINING

The Directors have the option to attend various accredited programmes organised by various course leaders to enhance their knowledge and skills to enable them to carry out their role as Directors effectively. The Company arranges for Directors to attend such courses to provide them with current updates and information so that they are equipped with the skills in good governance required to act as effective Directors of the Company.

BOARD COMMITTEES

The following Committees have been established to assist the Board in the execution of its responsibilities. These Committees have written terms of reference which have been approved by the Board and sets out their authority and duties.

1. Board Audit and Risk Committee (BARC)

The BARC plays an important role in reviewing the Group's financial management as well as reporting and assessing the integrity of the Group's accounting procedures and financial control. The BARC is responsible for the review of accounting policy and the presentation of external financial reporting including the Group's interim results and its disclosures. They also oversee the activities of the internal audit function and ensure an objective and professional relationship is maintained with the External Auditors and that conflicts of interest, if any, are avoided. The BARC has full access to both Internal and External auditors, who in turn, have access to the Chairman of the BARC at all times.

The BARC strives to ensure that it keeps abreast of all material developments in regulations and best practices in its area of responsibility.

The report of the BARC, including their attendance at the Committee meetings, is set out on page 56 of this Annual & Sustainability Report.

2. Governance, Nomination and Remuneration Committee (GNRC)

The responsibilities of the GNRC are to identify potential candidates for Directorships to the Board and make recommendations for all new or re-appointments of members of the Board. Further, the GNRC also makes recommendations on the Company's framework for remuneration and its cost as well as to determine specific remuneration packages on behalf of the Board and the terms and conditions of employment for the Group's employees.

The GNRC's additional duties are to provide remuneration input on contracts of employment with executive directors, determine the terms of any compensation in the event of early termination of the employment contracts, make recommendations on human resource policies from time to time and discuss and approve the revision of the Group's organisation structure as and when needed.

The GNRC also acts as a disciplinary committee to decide and recommend disciplinary action for senior staff misconduct to the Board for approval.

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The composition of the GNRC members for the financial year ended 31 December 2020 is as follows:

- i) **Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani**
(Non-Executive Director) – Chairman
- ii) **Tan Sri Dato Sri Mohd Hassan bin Marican**
(Non-Executive Director)
- iii) **Dato Sri Fong Joo Chung**
(Non-Executive Director)
- iv) **Dato' Haji Idris bin Haji Buang**
(Non-Executive Director)

The GNRC held five (5) meetings during the financial year ended 31 December 2020.

The attendance record of the members is as follows:

DIRECTORS	Meetings Attended	% of Attendance
Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani <i>Non-Independent Non-Executive Director</i>	5/5	100
Tan Sri Dato Sri Mohd Hassan bin Marican <i>Non-Independent Non-Executive Director</i>	4/5	80
Dato' Haji Idris bin Haji Buang <i>Non-Independent Non-Executive Director</i>	5/5	100
Dato Sri Fong Joo Chung <i>Non-Independent Non-Executive Director</i>	5/5	100

3. Bumiputera Participation Board Committee (BPBC)

The responsibility of the BPBC is to ensure participation of local and vendors in Sarawak Energy's contract and procurement activities in line with the State government's vision to maximise local participation in contract and procurement in Sarawak.

The composition of the BPBC members for the financial year ended 31 December 2020 is as follows:

- i) **Dato' Haji Idris bin Haji Buang**
(Non-Executive Director) - Chairman
- ii) **Dzulkornain bin Masron**
(Public Sector) - Member
- iii) **Dato Ir. Abang Jemat bin Abang Bujang**
(Professional & Entrepreneurial Group) - Member
- iv) **Datu Haji Wan Kassim bin Tuanku Zubir**
(Professional & Entrepreneurial Group) - Member
- v) **Dr. Simon Sinang Bada**
(Professional & Entrepreneurial Group) - Member
- vi) **Ir. Haji Zawawi bin Haji Embong**
(Professional & Entrepreneurial Group) - Member
- vii) **Stell Sindau**
(Professional & Entrepreneurial Group) - Member
- viii) **Datu Haji Abang Helmi bin Tan Sri Ikhwan**
(Local Business Chambers) - Member
- ix) **Datuk Mutang Tagal**
(Local Business Chambers) - Member
(appointed with effect from 31 January 2020)
- x) **Dato Allan Keripin Nangkai**
(Local Business Chambers) - Member

The BPBC held four (4) meetings during the financial year ended 31 December 2020.



STATEMENT OF CORPORATE GOVERNANCE

MANAGEMENT COMMITTEE

The Group Executive Committee (“GEC”) is established to provide a meeting and decision-making forum on specific matters with the view of reporting, information sharing, establishing cooperation or collaboration amongst the various departments or cross functions and finding resolutions to the issue or matter at hand as the case may be.

The GEC shall also function as the Executive Risk Committee (“ERC”) for the Group, to promote risk discussion at the top management level.

The GEC has written terms of reference which have been approved by the Board, and their authority and duties are set out as follows:-

- | | |
|--|---|
| a) Monitor and evaluate political, economic and business conditions and formulate measures to ensure that any potential material impact is identified and managed; | i) Discuss and debate Sarawak Energy Group corporate culture and set ways forward to address any issues or encourage beneficial developments; |
| b) Review, decide, endorse on strategic decisions and policy discussions or such other matters that require submission to, or further deliberation on a decision from, the Board of Directors, Board Committees or Subsidiary Company Boards; | j) Consider other matters as required by the Board; |
| c) Review, decide or endorse on strategic directions of the Sarawak Energy Group, including Decision Gates on projects, new business directions and the likes; | k) Oversees the establishment, implementation and consistent adoption and communication of the Group’s risk management framework, which includes policies, processes and procedures to identify, analyse, evaluate, monitor and report on significant financial and non-financial risks, and is responsive to changes in the Group’s internal and external environment; |
| d) Review, decide or endorse on strategic directions and policies relevant to the Sarawak Energy Group (such as Human Resources and leadership development, implementation of management leadership, change management and continuous improvements programmes and initiatives for the Sarawak Energy Group); | l) Endorses any changes to the Group’s Risk Management Framework to Board Audit and Risk Committee and Sarawak Energy Board for approval; |
| e) Review, decide or endorse on strategic directions and policies for Key Performance Indicators (“KPIs”) for the Sarawak Energy Group; | m) Sets the risk appetite within which the Board expects Management to operate and ensures that actions are taken in a timely manner when risks are outside acceptable tolerance ranges; |
| f) Review, decide, endorse or share issues of timely importance to the Sarawak Energy Group (such as Corporate Risk, Health, Safety, Security and Environment, Customer related issues, land access concerns and the likes); | n) Monitors risk exposure against risk appetite tolerance ranges; |
| g) Manage and regularly review the operational and financial performance of the Sarawak Energy Group; | o) Deliberate and provide directives, where applicable, on risk vappetite metrics and tolerance ranges, portfolio of key risks and risk issues highlighted to the ERC, through regular reports; |
| h) Optimise and allocate the Sarawak Energy Group’s resources; | p) Ensures that controls are in place to mitigate and manage the key risks of the Group; and |
| | q) Provides reasonable assurance that any adverse impact arising from a foreseeable future event or situation on the Group’s objectives is mitigated and managed. |

STATEMENT OF CORPORATE GOVERNANCE

As of 31 December 2020, the GEC comprises the following members:-

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|--|--|
| i) Datu Haji Sharbini Bin Suhaili
(Group Chief Executive Officer) - Chairman | x) Nooruddin Bin Abdullah @ Liew Sze Hoon
(Senior Vice President, Legal & Enterprise Risk)
(contract ceased with effect from 31 October 2020) |
| ii) Lu Yew Hung @ Lu Yew Hong
(Group Chief Operating Officer) | xi) James Paul
(Senior Vice President, Legal, Land & Company Secretary)
(appointed with effect from 1 December 2020) |
| iii) Lau Kim Swee
(Chief Executive Officer, Syarikat SESCO Berhad) | xii) Hajah Siti Aisah Bt. Adenan
(Senior Vice President, Corporate Services) |
| iv) Ung Sing Kwong, James
(Chief Executive Officer, SEB Power Sdn. Bhd.) | xiii) Nick Wright
(Senior Vice President, Business Development) |
| v) Ting Ching Zung
(Executive Vice President, Strategy & Corporate Development) | xiv) Sim Ko Sin
(Vice President, Information & Communication Technology) |
| vi) Pramod Kumar Karunakaran
(Executive Vice President, Project Delivery) | xv) Marconi Madai
(Vice President, Health, Safety, Security & Environment) |
| vii) Alexander Chin
(Chief Financial Officer) | xvi) Alvin Lim Khiok Leong
[Chief Operating Officer, SER (COO SER)]/
Vice President, Coal Resources (VP CS)] |
| viii) Haji Sulaiman bin Haji Abdul Hamid
(Senior Vice President, Contract & Procurement) | |
| ix) Dr Mak Anak Met
(Senior Vice President, Human Resources) | |

There were nineteen (19) GEC meetings, fourteen (14) Special GEC meetings, two (2) GEC Technology Council meetings, three (3) Group Digital Council meetings, and three (3) GEC HSSE Council meetings held during the financial year ended 31 December 2020.

TENDER COMMITTEES

Tender committees are established to approve the award of tenders in line with Procurement Limits of Authority that was approved by the Board.

CONFIDENTIALITY OF INFORMATION

Under the Company's Information Governance guidelines, documents are to be classified. For documents classified as Confidential, Secret or High Secret, there are stipulated guidelines to be adhered to.

Staff or external parties privy to information or documents classified as "Confidential" or higher are required to sign a Secrecy Oath or Confidentiality Agreement.



STATEMENT OF CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible for ensuring that the annual financial statements of the Group are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016.

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual financial statements and quarterly financial results as well as the Chairman's Statement and Review of Operations in the Annual & Sustainability Report. The Board is assisted by the Board Audit & Risk Committee in overseeing the Group's financial reporting processes and the quality of its financial reporting.

Relationship with Auditors

Through the BARC, the Board has established a formal, transparent and appropriate relationship with the Group's Auditors, both External and Internal. The BARC meets regularly with External and Internal Auditors to discuss the yearly audit plan, quarterly financial results, annual financial statements and internal audit reports, and at every Board meeting convened, the Chairman of the BARC briefs the Board on significant matters discussed and deliberated at each BARC meeting and makes recommendations for the Board's approval and endorsement.

Internal Controls

Information of the Group's internal controls system is presented in the Statement of Risk Management and Internal Control as set out on pages 52 to 55 of this Annual & Sustainability Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible to ensure that the financial statements are prepared in accordance with the Companies Act, 2016 and the applicable approved accounting standards set by the Malaysian Accounting Standards Board to present a true and fair, balanced and understandable assessment of the Group's financial position and results. In this Annual & Sustainability Report, an assessment is provided in the Directors' Report of the Audited Accounts.

The BARC reviews the statutory compliance and scrutinises the financial aspects of the Audited Accounts prior to deliberation at the Board level.

ADDITIONAL COMPLIANCE INFORMATION

To the best of the Directors' knowledge:

- **Material Contracts**
Neither the Company nor its Subsidiaries entered into any material contracts not in the ordinary course of business during the financial year ended 31 December 2020.
- **Sanctions/Penalties**
There were no material sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any relevant regulatory authorities during the financial year ended 31 December 2020.
- **Revaluation Policy on Landed Properties**
The Group did not adopt any revaluation policy on landed properties during the financial year ended 31 December 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

As part of our commitment to good corporate governance, Sarawak Energy has voluntarily adopted the best practices for Sarawak Energy's Board of Directors (Board) to provide a statement in its Annual & Sustainability Report on the state of risk management and internal control as a Group.

Sarawak Energy's Board is pleased to present the following statement that has been prepared in accordance with the best practices recommended by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (2012). This Statement outlines the nature and scope of the risk management and internal control systems within the Group during the year under review.

The Board is committed to its responsibility of maintaining a sound risk management framework and system of internal control, covering financial and operating activities to safeguard Shareholders' investment, the Group's assets and customers' interests. This Statement on Risk Management and Internal Control outlines the processes that have been implemented to ensure the adequacy, effectiveness and integrity of the risk management framework and system of internal control of Sarawak Energy Group during the financial year ended 31 December 2020.

The Group's risk management framework and system of internal control apply to Sarawak Energy and its subsidiaries. Associated companies and joint ventures are excluded because the Group does not have full management control over them.

BOARD RESPONSIBILITY

The Board has an overall responsibility for the Group's risk management framework and system of internal control to provide reasonable assurance of efficient operations, effective internal checks and compliance with laws and regulations.

The ongoing process for identifying, evaluating, monitoring and managing the significant risks faced by the Group is periodically reviewed by the Board during the financial year under review. However, the Board recognises that the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve its objectives, hence it can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

The Board is assisted by the Management in the implementation of the approved policies and procedures on risks and controls, in which the Management identifies and assesses the risks faced as well as implements and monitors appropriate control measures to mitigate and control these risks.

Further, the Board is assisted by the Board Audit and Risk Committee (BARC) to review the adequacy and effectiveness of the system of internal controls in the Group as part of the governance and risk management processes.

ENTERPRISE RISK MANAGEMENT (ERM)

The Board acknowledges that effective risk management is part of good business practices and recognises the need for a sound system of internal control capable of managing the significant risks of the Group.

In addition to discharging its duties and responsibilities in maintaining a robust and sound system of internal control, the Board has also formalised and implemented an ERM Framework for the Group to provide guidance relating to the implementation of enterprise risk oversight and management processes. This framework incorporates identification, assessment, mitigation and control, monitoring and reviewing processes especially relating to significant risks and their trends.

The ERM framework ensures that significant risks are continuously identified and that instituted controls are efficaciously applied by the management to manage risk exposure at levels that are tolerable and acceptable to the Group, consistent with its risk appetite and risk management practices. Through the ERM framework, the Group's risk appetite statements and profiles are established, monitored and reported on a quarterly basis to the Group Executive Committee (GEC), BARC and the Board:

- Sarawak Energy's Risk Appetite Statements (RAS) articulates the type of risks that the Group is willing to accept as well as the tolerance and threshold levels to guide strategic decisions
- The Risk Profiles consist of strategic risks with the corresponding risk mitigations and key risk indicators established, where relevant. This allows actions to be taken to ensure that key risks are being effectively managed within the tolerance and threshold levels across the Group



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Continuous risk awareness and education programmes are conducted for employees including through the on-boarding programme for new recruits with the ultimate aim of inculcating a risk-conscious culture within the Group.

In 2020, the unprecedented COVID-19 pandemic brought about new uncertainties and risks to the Group's operations and financials. In response to the pandemic, an assessment of the Group's resilience and business continuity has been carried out, and the following mitigating actions have been put in place to manage the risks:

- Established the Cash Conservation and Management Office to conserve the Group's cashflow and building liquidity buffers;
- Activated the Group Crisis Management Team and established the COVID-19 Contingency Plans which have been rolled out across the Group;
- Proactively work with the State Immigration Department and State Disaster Management Committee, in light of project and operational disruptions in delivery of materials and immigration restrictions of foreign workers during the Movement Control Order period;
- Introduced the Group New Work Arrangement as a preventative measure to reduce the risk of workplace transmission. The Group Standard Operating Procedures and Workplace Specific Standard Operating Procedures were established to reinforce the objectives of the New Work Arrangement as well as to continue the flexibility of working remotely, while minimising disruption to work; and
- Ongoing enhancement of the use of information and communication technology by extending secure remote working enablement, implementing additional information security controls, and the implementation of an ongoing digital literacy and comprehensive cyber security awareness campaign aimed at developing employees' digital capabilities and competencies.

BUSINESS CONTINUITY MANAGEMENT (BCM)

The Board acknowledges the significance of instituting a holistic BCM Framework and Crisis Management Plan for the Group to build and enhance organisational resilience with the capability and capacity to create an effective response that safeguards the interests of its key stakeholders, reputation, and value-creating activities.

The Group has implemented the BCM Framework, Crisis Management Plan and continues its rollout of the BCM implementation roadmap and related programmes.

In addition, Crisis Simulation Exercises, BCM Awareness & Refresher training as well as Business Impact Analysis / Business Continuity Plan documentation review workshops were conducted to enhance business resiliency by building organisational capability and capacity for effective emergency responses and systematic recovery strategies to maintain business continuity.

SYSTEM OF INTERNAL CONTROLS

Some of the key elements of the Group's System of Internal Control are as follows:

- The Group's Organisational and Management Structure formally defines the line of responsibility for all aspects of the Group's affairs which is aligned to its strategic and operational requirements. The structure will be reviewed and updated as and when needed to reflect the changing business environment and operating activities within the Group.
- Senior Management prepares and presents the business plans and budgets to the Board annually for approval and updates on the progress on a quarterly basis.
- Measurement of performance is regularly monitored through reports incorporating key project progress, financial and operational key performance indicators and departmental initiatives by the Group Chief Executive Officer to the Board.
- The BARC reviews the statutory annual financial statements and the quarterly group management reports and recommends to the Board for approval.
- The Sarawak Energy Berhad Group Manual of Authority has been formalised and rolled out in 2020, as a means of governing and safeguarding the Group in key approval matters for strategic and critical financial and non-financial matters as well as sets a sound framework of authority and accountability to facilitate timely, effective and quality decision-making.
- Under the custody of the Governance and Compliance Unit of the Legal Division, the Sarawak Energy Group Policy Central was established as a centralised portal for the Group's Policies, Procedures and Guidelines. These documents are consistently reviewed and enhanced when necessary to ensure continued relevance and effectiveness.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Finance Policies and Procedures covering key processes, including Invoice to Pay, Record to Report, Planning, Budgeting & Forecasting, Order to Cash, Taxation, Treasury, Corporate Finance & Investor Relations, have been reviewed and enhanced to ensure compliance and control.
- Procurement Policies and Procedures were updated and in place to govern the procurement activities within the Group.
- Major capital project investments will be subject to Sarawak Energy's Project Model (SPM). The SPM is a stage-gated decision process to systematically progress the development and implementation of capital investment projects. This will allow consistency in the assessment of investment opportunities as well as effect discipline and efficiency in the management of the invested capital in order to achieve business goals.
- The suite of Human Resources Policies, Procedures and Guidelines encompasses areas of human resources management such as recruitment, onboarding, employee development, benefits and remuneration among others and is supported by the promotion of a high performance culture to enable Sarawak Energy to achieve its strategic goals and objectives.
- The Group strives to implement best practices, some of which have been recognised and awarded with International Organisation for Standardisation (ISO) Management System certifications. ISO internal audits are conducted at planned intervals by the Integrated Quality Management System (IQMS) Division to ensure compliance with ISO27001 and internal requirements, as well as effectiveness of implementation.
- Assessment of the adequacy of insurance coverage for employees and assets are conducted annually to safeguard against any contingent incidents that could result in material losses.
- Significant contracts and legally enforceable agreements are reviewed by the Legal Division prior to finalisation and execution.
- All regulatory non-compliance or breach of laws and regulations are reported to the BARC on a quarterly basis.

INTERNAL AUDIT FUNCTION

The BARC, assisted by the Group Internal Audit (GIA), provides the Board with the assurance it requires on the adequacy and effectiveness of the system of internal controls. The BARC has an oversight function of all activities carried out by the GIA.

The GIA adopts a risk-based approach in preparing its audit strategy and annual plan. The GIA independently reviews the risk exposures and control processes implemented by the Management and conducts assignments that cover auditing and review of critical areas within the Group, including financial, operations, projects and IT/information systems. The internal audit functions and activities are guided by its internal audit charter and annual audit plan which are approved by the BARC and the internal audit reports are tabled at the BARC meetings for review and deliberation.

Further, the GIA engages in regular communication with the senior management team and various departments within the Group related to internal audit activities and efforts for continuous improvement in operations and systems. External auditors' recommendations for improvements noted during their audit, if any, are also closely monitored and followed up to ensure that they are promptly implemented.

INTEGRITY & FRAUD CONTROL FUNCTION

In 2020, the Integrity and Fraud Control Unit was established under the GIA. The Group appointed a Chief Integrity and Fraud Control Officer whose key role is independent oversight of integrity and fraud control in the Group.

The Management of the Group has implemented the following key initiatives, which demonstrates Sarawak Energy's commitment to integrity and zero tolerance to fraud, as well as a step in its journey towards meeting the Adequate Procedures requirement of Section 17A of the MACC (Amendment) Act 2018:

- Reviewed and enhanced the Code of Ethics to include the revised Code on conflict of interest, corporate gifts, entertainment and corporate hospitality among others;
- All employees are required to sign the Sarawak Energy Corporate Integrity Pledge, including new recruits with effect from August 2020 as part of its recruitment and onboarding process;
- Online Anti-Bribery and Corruption Training is mandatory;
- Revision of the Fraud Risk Management Framework; and
- Integrity survey with 100% participation from Sarawak Energy employees.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group also continues to implement the Fraud Risk Management Framework roadmap, which comprises Fraud Control Policy and Plan as well as fraud awareness training, reporting procedures and related programmes.

CONCLUSION

The Board has obtained assurances from the GEC that to the best of their knowledge and belief, the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. Where weaknesses are identified, rectification steps have been put in place.

To the best of their knowledge and belief, the Board is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement for inclusion into the Annual & Sustainability Report, is adequate and effective to safeguard shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report (AAPG3) issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Sarawak

Energy Annual & Sustainability Report for the year ended 31 December 2020, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual & Sustainability Report is not prepared, in all material respects, in accordance with the principle disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor is the Statement factually inaccurate.

AAPG3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon.

The report from the external auditors was made solely for and directed solely to the Board in connection with their voluntary adoption of the best practices recommended by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (2012) which is for the Board to make a statement in its Annual & Sustainability Report about the state of risk management and internal control as a Group and for no other purpose or parties. The external auditors do not assume responsibility to any person other than the Board in respect of any aspect of this report.

This statement is made in accordance with the resolution of the Board dated 28 April 2021.