

# Statement of Corporate Governance

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The Sarawak Energy Berhad Board of Directors ('Board') is committed to ensure that the highest standard of Corporate Governance is practiced throughout the Group with the objective of strengthening the Group's corporate accountability and safeguarding the interests of its stakeholders.

The Board is pleased to present a statement to the Shareholders on how the Group has applied the principles of good governance while taking into consideration 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 as well as to guide Management towards the achievement of its objectives and goals.

The Board consists of seven (7) members, whereby six (6) 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 various industries and in the areas 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 44 to 50 of the Annual and 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 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. It sets out clear lines of accountability and responsibility over which the Sarawak Energy Berhad's Board of Directors reserve 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 five (5) Board meetings held during the financial year ending 31 December 2023. A summary of the attendance of each Director at the Board meetings in 2023 is as follows:



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## 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 notified of the Board meetings within a stipulated time prior to the date of the meetings. The Directors are also provided with an agenda and a set of Board papers prior to each Board meeting to enable them to be well-informed and properly briefed before the meeting.

In most instances, senior management of the Group is invited to attend the Board meetings and external advisors are sometimes also invited 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 individually in their capacity as a Director, at the Company's expense.

## Re-election of Directors

In accordance with the Company's Constitution, all Directors appointed by the Board are subject to election by Shareholders at the first Annual General Meeting after their appointment. One-third (1/3) of the remaining Directors are required to submit themselves for re-election by rotation at each Annual General Meeting. All Directors must submit themselves for re-election at least once every three (3) years.

## Directors' Training

The Directors have the option to attend various programmes organised by course providers to enhance their knowledge and skills to enable them to carry out their role as Directors effectively. The Company informs Directors of relevant courses and will make the necessary arrangements for their attendance.

Additionally in 2023, the Company Secretary updated the Directors on evolving regulatory changes and developments in corporate governance through the Directors' Refresher Series, initiated in 2021.

An induction programme was developed and implemented in 2022 to brief newly appointed Directors on the Group and its corporate governance requirements as well as on the roles and responsibilities of Directors.

## 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 approved by the Board that set out their authority and duties.

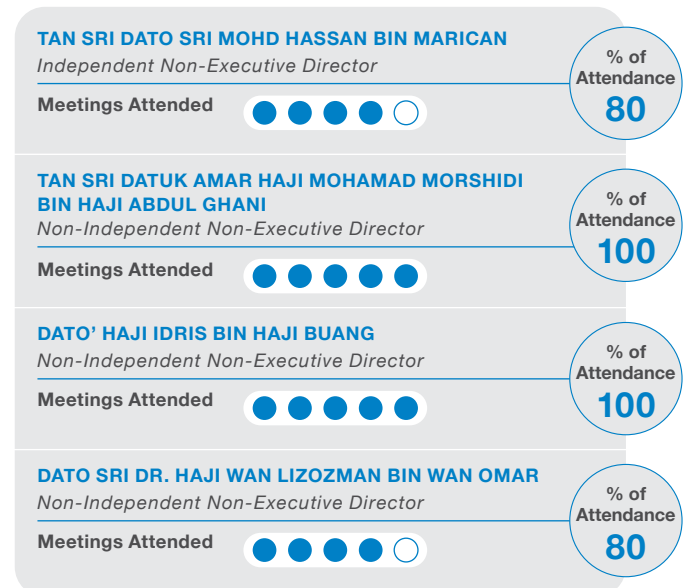
### 1. Board Audit and Risk Committee (BARC)

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 controls. The BARC is responsible for the review of accounting policies and the presentation of external financial reporting including the Group's interim results and its disclosures. It also oversees the activities of the internal audit function and ensures 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 members are appointed by the Board from its non-executive members and comprise one independent non-executive director and two non-independent non-executive directors of the Board.

The Chairman of the BARC, Tan Sri Dato Sri Mohd Hassan bin Marican is a Fellow of the Institute of Chartered Accountants in England and Wales, a Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

During the financial year under review, the BARC convened five (5) meetings. The attendance records of the members are as follows:



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The Vice President/Head of Internal Audit and the Group Company Secretary, who serves as the Secretary of the BARC, were present at all the meetings. Representatives from the External Auditors, Group Chief Executive Officer/Chief Financial Officer and other members of senior management and external parties also attended specific meetings upon invitation.

## Summary of Activities of the BARC

During the financial year ending 31 December 2023, the BARC carried out the following main activities: -

- ▶ Reviewed and recommended the Quarterly Group Management Reports and Audited Financial Statements of the Company to the Board for approval;
- ▶ Reviewed and endorsed the External Auditor's Audit Plan, Scope of Work and Fees for the Company and recommended the same for approval by the Board;
- ▶ Reviewed the Quarterly Enterprise Risk Management Report – Updates on Sarawak Energy Berhad's Risk Profiles, Key Strategic and High Risks and Key Mitigation Actions taken by Management to address the risks;
- ▶ Reviewed and noted the strategic risk for SCORE and export customers' demand;
- ▶ Reviewed and approved the enhancement to Sarawak Energy Berhad's Risk Management Frameworks with regard to risk appetite and risk organisation;
- ▶ Reviewed and endorsed the BARC Reports, Statement on Risk Management and Internal Controls, and Corporate Governance Statement for inclusion in Sarawak Energy's Annual and Sustainability Report;
- ▶ Reviewed and endorsed Sarawak Energy's quarterly Integrity and Fraud Control Report;
- ▶ Reviewed and discussed Sarawak Energy Group Annual Revenue and Capital Budget and Year End Estimates and recommended the same for submission to the Board;
- ▶ Reviewed and endorsed the Report of Sarawak Energy Forex Hedging Committee on the hedging activities transacted during the year;
- ▶ Reviewed and noted the status updates on Sarawak Energy's insurance coverage and initiatives;
- ▶ Reviewed and approved/noted the Group Internal Audit Plans, KPIs Achievement and Quarterly Internal Audit Update Reports;

- ▶ Reviewed and deliberated reports issued by the External Auditors and Group Internal Audit on significant findings and remedial actions taken by Management to address the issues raised; and
- ▶ Reported to the Board on its activities and any significant issues and remedial actions taken by Management arising from the audits undertaken by the External and Internal Auditors on specific areas and reports/papers presented by Management at each BARC meeting.

## 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 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 and senior management, determine the terms of any compensation in the event of early termination of 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.

The composition of the GNRC members for the financial year ended 31 December 2023 is as follows:

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

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The GNRC held five (5) meetings during the financial year ended 31 December 2023. The attendance record of the members is as follows:



### 3. Bumiputera Participation Board Committee (BPBC)

The responsibility of the BPBC is to ensure the participation of local and Bumiputera service providers or contractors in Sarawak Energy's contract and procurement activities in line with the State government's vision to maximise local and Bumiputera participation and content in contract and procurement in Sarawak.

BPBC has formulated an overall plan and is implementing the plan to ensure that Sarawak Energy's current and potential contractors are fully aware of the opportunities and incentives available. The objective of these initiatives is to expand the pool of qualified local Bumiputera contractors that can participate in Sarawak Energy's projects.

The composition of the BPBC members for the financial year ending 31 December 2023 is as follows:

i) **Dato' Haji Idris bin Haji Buang** - Chairman

#### Representations from Public Sector

ii) **Tuan Dzulkornain bin Masron** - Member

#### Representations from Bumiputera Business Chambers

iii) **Datu Haji Abang Helmi bin Tan Sri Ikhwan** - Member

iv) **Dato Allan Keripin Nangkai** - Member

v) **Datuk Mutang Tagal** - Member

vi) **Ir. Haji Talhah@Talha Affendi** - Member

#### Representations from Professional and Entrepreneurial Group

vii) **Datu Haji Wan Kassim bin Tuanku Zubir** - Member

viii) **Dr. Simon Sinang Bada** - Member

ix) **Tuan Stell Sindau** - Member

x) **Tuan Haji Sulaiman bin Abdul Hamid**  
(Appointed on 16<sup>th</sup> August 2023) - Member

xi) **Ir. Haji Zawawi bin Haji Embong**  
(Deceased on 18<sup>th</sup> May 2023) - Member

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The BPBC held six (6) meetings during the financial year ending 31 December 2023. The attendance record of the members is as follows:

<b>DATO' HAJI IDRIS BIN HAJI BUANG</b> Chairman Meetings Attended	% of Attendance <b>100</b>
<b>DATU HAJI ABANG HELMI BIN TAN SRI IKHWAN</b> Member Meetings Attended	% of Attendance <b>66.7</b>
<b>DATU HAJI WAN KASSIM BIN TUANKU ZUBIR</b> Member Meetings Attended	% of Attendance <b>83.3</b>
<b>DATO ALLAN KERIPIN NANGKAI</b> Member Meetings Attended	% of Attendance <b>66.7</b>
<b>DATUK MUTANG TAGAL</b> Member Meetings Attended	% of Attendance <b>66.7</b>
<b>DR. SIMON SINANG BADA</b> Member Meetings Attended	% of Attendance <b>83.3</b>
<b>TUAN STELL SINDAU</b> Member Meetings Attended	% of Attendance <b>100</b>
<b>TUAN DZULKORNAIN BIN MASRON</b> Member Meetings Attended	% of Attendance <b>66.7</b>
<b>IR. HAJI TALHAH@TALHA AFFENDI</b> Member Meetings Attended	% of Attendance <b>100</b>
<b>TUAN HAJI SULAIMAN BIN ABDUL HAMID</b> Member Meetings Attended	% of Attendance <b>100</b>
<b>IR. HAJI ZAWAWI BIN HAJI EMBONG</b> Member Meetings Attended	% of Attendance <b>100</b>

**Notes:**

1. Ir. Haji Zawawi bin Haji Embong passed away on 18 May 2023.
2. Tuan Haji Sulaiman bin Abdul Hamid was appointed as a BPBC member on 16 August 2023.

## Management Committee

The Group Executive Committee ('GEC') is established to provide a Senior Management meeting and decision-making forum on specific matters as well as for reporting, information sharing, establishing cooperation or collaboration amongst the various departments or cross functions and finding resolutions to issues.

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 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;
- b) Review, decide on or endorse 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;
- c) Review, decide on or endorse strategic directions of the Sarawak Energy Group, including Decision Gates on projects, new business directions and the like;
- d) Review, decide on or endorse 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 improvement programmes and initiatives for the Sarawak Energy Group);
- e) Review, decide on or endorse strategic directions and policies for Key Performance Indicators ('KPIs') for the Sarawak Energy Group;
- f) Review, decide on or endorse 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 like);
- g) Manage and regularly review the operational and financial performance of the Sarawak Energy Group;
- h) Optimise and allocate the Sarawak Energy Group's resources;
- i) Discuss and debate Sarawak Energy Group's corporate culture and set ways forward to address any issues or encourage beneficial developments;

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- j) Function as the ERC for the Group and oversee 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 respond to changes in the Group's internal and external environments;
- k) Endorse any changes to the Group's Risk Management Framework to Board Audit and Risk Committee and Sarawak Energy Board for approval;
- l) Set the risk appetite within which the Board expects Management to operate and ensure that actions are taken in a timely manner when risks are outside acceptable tolerance ranges;
- m) Monitor the range of risk exposure against risk appetite tolerance;
- n) Deliberate and provide directives, where applicable, on risk appetite metrics and tolerance range, portfolio of key risks and risk issues highlighted to the ERC, through regular reports;
- o) Ensure that controls are in place to mitigate and manage the key risks of the Group;
- p) Provide reasonable assurance that any adverse impact arising from a foreseeable future event or situation on the Group's objectives is mitigated and managed; and
- q) Consider other matters as required by the Board;
- As of 31 December 2023, the GEC comprises the following members:-
- i) **Datuk Haji Sharbini bin Suhaili**  
(Group Chief Executive Officer) - Chairman
- ii) **Ung Sing Kwong, James**  
(Group Chief Operating Officer)
- iii) **Lau Kim Swee**  
(Chief Executive Officer, Syarikat SESCO Berhad)
- iv) **Bunyak Anak Lunyong**  
(Chief Executive Officer, SEB Power Sdn. Bhd.)
- v) **Pramod Kumar Karunakaran**  
(Executive Vice President, Project Delivery)
- vi) **Tan Kok Kiong**  
(Chief Financial Officer)
- vii) **Dr Mak Anak Met**  
(Senior Vice President, Human Resource)
- viii) **Siti Aisah Bt. Adenan**  
(Senior Vice President, Corporate Services)
- ix) **Nick Wright**  
(Senior Vice President, Business Development)
- x) **Sim Ko Sin**  
(Chief Digital Officer, Information and Communication Technology)
- xi) **Marconi Madai**  
(Senior Vice President, Health, Safety, Security and Environment)
- xii) **Alvin Lim Khiok Leong**  
(Chief Operating Officer, Sarawak Energy Resources)
- xiii) **Yusri bin Safri**  
(Senior Vice President, Contract & Procurement)  
(Appointed on 1 February 2023)
- xiv) **Dr. Chen Shiun**  
(Senior Vice President, Strategy and Corporate Development)  
(Appointed on 1 September 2023)
- xv) **George Albert William Chapman**  
(Senior Vice President, Legal & Compliance)  
(Appointed on 1 December 2023)
- xvi) **Haji Sulaiman bin Haji Abdul Hamid**  
(Senior Vice President, Contract and Procurement)  
(Retired on 31 March 2023)
- xvii) **Ting Ching Zung**  
(Executive Vice President, Strategy and Corporate Development) (Resigned on 31 August 2023)
- xviii) **Jacob James Paul**  
(Senior Vice President, Legal, Land and Company Secretary)  
(Retired on 30 November 2023)



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The management meetings held during the financial year ending 31 December 2023 are as follows:

Management Meetings Held	
GEC meetings	13
Special GEC meetings	10
GEC Strategic Risk Workshop	1
GEC Technology Council meetings	1
Group Digital Council meetings	3
GEC HSSE Council meetings	4
Rural Electrification Steering Committee	3
Group Investment Committee	7
Special Group Investment Committee	2
GEC Kaltara Hydro Steering Committee	8
Special GEC Kaltara Hydro Steering Committee	4

## GEC Sub-Committees

Within our organisational framework, GEC sub-committees, including the Technology Council, Digital Council, HSSE Council, Rural Electrification Steering Committee, Investment Committee, and KALTARA Hydro Steering Committee, play vital roles in addressing specific operational aspects. Operating within defined parameters, these committees engage in detailed discussions, reviews, and decision-making to enhance organisational efficiency. Accountable to higher governance bodies, these sub-committees are integral to ensuring focused attention on key areas crucial for our sustained success.

## Tender Committees

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

## Confidentiality of Information

Under the Company's Enterprise Information Management guidelines, documents are to be classified based on the confidentiality or sensitivity of their contents. 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.

## 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 is also responsible 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 and Sustainability Report. The Board is assisted by the Board Audit and 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.

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## Internal Controls

Information on the Group's internal controls system is presented in the Statement of Risk Management and Internal Control as set out on pages 67 to 73 of this Annual and Sustainability Report.

## Directors' Responsibility Statement

The Board is responsible for ensuring 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 and 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 ending 31 December 2023.

- 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 ending 31 December 2023.

- Revaluation Policy on Landed Properties

The Group did not adopt any revaluation policy on landed properties during the financial year ending 31 December 2023.



# Statement on Risk Management and Internal Control

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

The Group's risk management framework and system of internal control apply to Sarawak Energy and its subsidiaries while associated companies and joint ventures are excluded because the Group does not have full management control over them. Nonetheless, the Group, through its Board representations, exercises the power to participate in policy decisions of the associated companies and joint ventures.

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) and Principle B of the Malaysian Code of Corporate Governance. This statement outlines the nature and scope of the risk management and internal control systems within the Group during the year under review.

The Statement on Risk Management and Internal Control outlines the structure and processes that have been implemented to ensure the adequacy, effectiveness, and integrity of the risk management framework and system of internal control of the Group during the financial year ended 31 December 2023.

## Board

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 Audit and Risk Committee ('BARC') assists the Board in reviewing the adequacy and effectiveness of the system of internal controls in the Group as part of the governance and risk management processes.

## Management

The Group Executive Committee ('GEC') led by the Group Chief Executive Officer ('GCEO') is responsible for overseeing 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 respond to changes in the Group's internal and external environments.

The GEC also functions as the Executive Risk Committee ('ERC') for the Group, to promote risk discussion at the Top Management level.

## Business Units, Corporate Support Functions, and Individuals

The following are led by the respective GEC members and supported by Risk Controllers. They are responsible for:

- ▶ Identifying and assessing risks, implementation of appropriate control measures and action plans to mitigate and control these risks whilst balancing risks and opportunities.
- ▶ Timely reporting and communication of risks under their purview.
- ▶ Reviewing and updating of the Risk Appetite Statement ('RAS') metrics and ensuring risk-taking activities are within the Group's tolerance range.
- ▶ Embedding of risk-informed decision-making and culture.

# Statement on Risk Management and Internal Control

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## Enterprise Risk Management ('ERM')

ERM is responsible for:

- ▶ Setting the overall risk management standards and providing a risk management framework, inclusive of policies, procedures, processes, and guidelines.
- ▶ Providing risk advisory and support to the business units and corporate support functions to effectively manage risks.
- ▶ Managing risk aggregation across business units and corporate support functions and providing GEC, BARC, and Board with a comprehensive corporate-level view (reporting) of risk.
- ▶ Driving performance management in terms of Key Risk Indicators, i.e. RAS metrics and risk reports on breaches and mitigation.

With changes in the overall risk landscape, business aspirations and how the business (including risks) is being managed, the risk governance, operating model, and organisation structure were enhanced to clearly articulate the risk-related roles and responsibilities of the 3 Lines to ensure effective risk management, thereby avoiding organisational blind spots and overlapping actions.

## Risk Management Framework

In addition to discharging its duties and responsibilities in maintaining a robust and sound system of internal control, the Board has approved the Risk Management Framework for the Group to provide guidance relating to the implementation of enterprise risk oversight and management processes. This framework, in alignment with the ISO 31000:2018 guidelines, guides the execution of enterprise-wide risk oversight and management activities. It outlines processes for identifying, assessing, mitigating, controlling, monitoring and reviewing risks.

The 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.

## Risk Management Process

The Group implements the ERM process to identify potential unfavourable events that may adversely affect the Group's business objectives and strategies as well as to prioritise risks within the Group's risk appetite.

The following is the summary of the tools and processes that ensure effective risk management in the Group:

- ▶ The Group's RAS articulates strategic and business risks that the Group is willing to accept to achieve its strategic ambitions. The Board determines the Group's risk appetite and tolerance which provides early warning of increasing risk exposures and potential risk events. The Group RAS metrics are monitored and reported on a quarterly basis to the ERC, BARC and the Board.
- ▶ The Group's Strategic Risk Profile consists of strategic and emerging risks with corresponding risk mitigations. This allows sufficient management oversight, the ability for timely intervention or mitigation of risks, as well as enabling risks to be appropriately considered in business decision-making. The profile is presented to BARC and the Board.
- ▶ The Group Risk Impact and Likelihood Parameters and Matrix, which is aligned with the Group's risk appetite, are used to guide the assessment and prioritisation of risks that are identified during planning initiatives, projects and operations, thereby developing appropriate mitigation and resolution plans.
- ▶ To enable comprehensive identification and prioritisation of risks throughout the Group, a top-down and bottom-up risk review process was implemented.
- ▶ Sarawak Energy Enterprise Risk ('SEERisk') serves as the single source of truth for enterprise risk information and facilitates the identification, assessment, monitoring and mitigation of enterprise risk. This streamlines the risk review process across the Group with timely review and updates of risks and mitigation actions, enhances the visibility of risks and the progress of mitigation plans, speeds up work processes through online approvals, monitoring and reporting, among others.
- ▶ In supporting the above enhancements and implementation of the enterprise risk system and as part of inculcating a risk-conscious culture within the Group, risk awareness and education programmes have been conducted for appointed Risk Controllers and other employees through internal engagement sessions and risk-sharing sessions with other leading risk practitioners.

# Statement on Risk Management and Internal Control

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## Key Risks of the Group

The Group’s strategic risk profile identifies critical risks that could potentially hinder the achievement of the Group’s strategic objectives. The following are the main categories of risks outlined in the Group’s Strategic Risk Profile.

Risk Description	
<b>1. Major and Strategic Investments</b>	Quality of investment decisions in delivering value targets.
<b>2. Project Delivery</b>	Delay in scheduled completion of projects leading to cost overrun and inability to meet customer demand.
<b>3. Cybersecurity</b>	Cyber-attacks resulting in operation disruptions, confidentiality, and integrity breaches and loss of information and data.
<b>4. Human Capital</b>	Competency and capacity gaps to meet new areas of business.
<b>5. Operational</b>	Failure to ensure a reasonable level of grid system reliability, stability, and security.

## System of Internal Controls

Internal control is an integral part of risk management. The Sarawak Energy Control Framework, which serves as an overarching framework, captures the various components of controls and how the controls are implemented by the Group to provide reasonable assurance that Sarawak Energy will achieve its goals and fulfil external obligations and commitments.

The details of the Group’s system of internal control are as follows:

### Corporate Structure

- The Group’s Organisational and Management Structure and Guidelines formally define the line of responsibility for all aspects of the Group’s affairs, which is aligned with its strategic and operational requirements. The structure and guidelines will be reviewed and updated as and when needed to reflect the changing business environment and operating activities within the Group.

### Limits of Authority

- The Sarawak Energy Berhad Group Manual of Authority (‘MOA’) serves 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. The MOA was reviewed and updated in 2023 to ensure the continued relevance and appropriateness of its contents.

## Policies, Procedures and Guidelines (‘PPG’)

- Under the custody of the Governance and Regulatory Unit of the Legal Division, the Group’s Policy Central was established as a centralised portal for the Group’s PPG. These documents are consistently reviewed and enhanced when necessary to ensure relevance and effectiveness.
- The Group strives to implement and maintain best practices, some of which have been recognised and awarded with various International Organisation for Standardisation (‘ISO’) Management System certifications. Integrated Management System and Assurance (‘IMSA’) is realising the integrated management system (‘IMS’) in managing the Conformance & Compliance Assessment (‘CCA’) formerly known as ISO Internal Audit for all ISO Management Systems subscribed by the Group. The corporate-wide internal assessments are conducted at planned intervals by IMSA Division to ensure compliance with ISO standards requirements, internal PPG, statutory and regulatory requirements, as well as the adequacy and effectiveness on the implementation of the established management system including Quality, Environmental, Occupational, Safety & Health, Information Security, Asset Management, 5S, HSS and any other subscribed standard/protocol in the future.

# Statement on Risk Management and Internal Control

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## Strategy, Planning and Appraisal

- Sarawak Energy established strategy, planning, and appraisal processes that align with its purpose and vision. These processes translate the Group’s purpose and vision into actionable strategies, develop and implement plans in line with those strategies, and evaluate performance against objectives.
- 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 GCEO to the Board.

## Financial Management

- Finance Policies and Procedures covering key processes, including Invoice to Pay, Record to Report, Planning, Budgeting and Forecasting, Order to Cash, Taxation, Treasury, Corporate Finance, and Investor Relations, where relevant, have been reviewed and enhanced to ensure compliance and control.
- The BARC reviews the statutory annual financial statements and the quarterly group management reports and recommends them to the Board for approval.
- Assessment of the adequacy of insurance coverage for employees and assets is conducted annually to safeguard against any contingent incidents that could result in material losses.

## Human Resources Management

- 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 the Group to achieve its strategic goals and objectives.

## Procurement Management

- Procurement Policies and Procedures are updated and in place to govern the procurement activities within the Group.

## Customer Management

- Sarawak Energy has implemented control measures to oversee and enhance the efficiency and security of customer interactions across various platforms. The SEB cares mobile app and the integrated 24/7 Customer Care Centre are subjected to stringent

controls, ensuring the integrity of services, billing and payment processes, outage reporting and customer service matters.

## Health, Safety, Security and Environment (‘HSSE’) Management

- Sarawak Energy’s dedication to achieving HSSE Excellence is guided by key focus areas in Health, Safety, Security, and Environment. Our commitment revolves around:

- 1 Cultivating a healthy and productive workforce.**
- 2 Ensuring zero harm to people by achieving zero fatalities and zero Loss Time Injury (LTI).**
- 3 Preventing intrusion at all guarded power stations, substations, and offices, and**
- 4 Achieving zero harm to the environment by maintaining 100% compliance with internal and external environmental regulatory frameworks and laws.**

- Sarawak Energy is committed to fostering a robust HSSE culture built on the foundation of core behaviours i.e. Assess, Comply, and Empower – which the Group actively demonstrates to embed in the hearts and minds of all employees.
- The foundational drivers of HSSE at Sarawak Energy also include strong leadership, exemplified by leaders exhibiting the right HSSE behaviours. The Group aims to embed a culture where individuals take safety upon themselves, fostering a genuine desire to maintain a safe environment.
- Critical activities are conducted with the right competency by competent personnel. Proper stakeholder engagement is integral, contributing to actual performance, which is measured through various performance tools.

## Sustainability Strategy and Governance

- A Sustainability Strategy and Roadmap which provides the Group with strategic direction and delineates various action plans integrated across all business functions are in place to improve the sustainability performance of the Group.

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- The Sustainability Strategy focuses on five (5) main themes:

**1**  
Theme **Sustainability Leadership**

**2**  
Theme **Sustainable Growth**

**3**  
Theme **Business Resilience**

**4**  
Theme **Climate Action**

**5**  
Theme **Workforce and Supply Chain**

- Aligned with the Sustainability Strategy under Theme 1: Sustainability Leadership, Sarawak Energy strengthened its governance and oversight of sustainability through the establishment of the Group Sustainability Committee ('GSC').
- The GSC assumes responsibility for ensuring a proper and effective implementation of the strategy, roadmap, and plan. This includes setting of appropriate targets and Key Performance Index ('KPI'). The GSC reports to and advises the GEC on matters pertaining to sustainability.

## Cybersecurity and Data Management

- The Group acknowledges the benefits of Information Technologies ('IT') in enhancing operations but is aware of cybersecurity threats. Mitigation measures include well-defined IT policies, employee training on cybersecurity, secure remote access, role-based data access, updated anti-virus software, proactive vulnerability management, ISO 27001 certification, and deployment of firewalls and secure email gateways. These efforts signify the Group's commitment to a resilient cybersecurity posture.
- Sarawak Energy is dedicated to upholding customer privacy rights and protecting personal data. A notable contribution includes active involvement in formulating the Personal Data Protection Code of Practice for the Utilities Sector (Electricity), providing guidance for processing and handling customers' personal data.

- In addition, the Group also enhanced the use of information and communication technology by implementing mobile device management information security control to protect company data and implement digital literacy and a comprehensive cyber security awareness campaign aimed at developing employees' digital capabilities and competencies.

## Project Management

- The Sarawak Energy Project Model ('SEPM') is a business process that facilitates prudent management of investments more than RM50 million. As a stage-gated process, SEPM ensures the assessment of commercial viability, effective front-end planning and design, contracting and final investment decisions. All capital works projects of more than RM50 million undertaken by the Group shall comply with the requirements as defined in the SEPM.

## 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 and recovery process that safeguards the interests of its key stakeholders, reputation, and value-creating activities.
- The Group has implemented the BCM Framework and Crisis Management Plan. It is also continuing its rollout of the BCM implementation roadmap and related programmes.
- Additionally, Crisis Simulation Exercises, BCM Awareness and 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.

## Legal

- Significant contracts and legally enforceable agreements are reviewed by the Legal Division prior to finalisation and execution.

## Integrity and Compliance

The Integrity and Compliance Division, led by the Chief Integrity and Compliance Officer ('CICO'), was established to provide independent oversight of integrity, fraud, bribery and corruption control, and compliance within Sarawak Energy Group.



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Demonstrating the Group’s unwavering commitment to integrity and zero tolerance for fraud, bribery, and corruption, as well as compliance with laws, regulations, and internal PPG, the Group has implemented a series of controls, including:

- ▶ Collaboration between Internal Audit, Enterprise Risk Management, Integrity and Compliance Division and other assurance partners on Integrated Risk Assurance to share on assurance, risk, and compliance matters.
- ▶ Implementation of action plans to mitigate the risk of Non-Compliance with Regulations and PPGs.
- ▶ All regulatory non-compliance or breaches of laws and regulations are reported to the BARC on a quarterly basis.
- ▶ Conducting regular engagement sessions and awareness sessions such as the Governance & Compliance Programme, addressing topics like ‘Accountability and Integrity’ in efforts to cultivate a strong culture of good governance and compliance.
- ▶ Ongoing engagements with the Malaysian Anti-Corruption Commission (‘MACC’) to exchange knowledge, discuss issues and challenges, and collaborate in efforts against fraud, corruption, and bribery.
- ▶ Revision 3.0 of the Fraud, Bribery & Corruption Risk Management Framework (‘FBCRM’).
- ▶ Enhancement of the Sarawak Energy Ethics Channel (‘SEEC’), accessible to both Sarawak Energy employees and the public.
- ▶ Implementation of Fraud, Bribery, and Corruption Risk registers and clinics to address identified risks.
- ▶ Annual signing of the Sarawak Energy Integrity Pledge for the GEC, existing employees as well as new recruits as part of its recruitment and onboarding process.
- ▶ Carrying out the Annual Sarawak Energy Integrity Survey (‘SEIS’).
- ▶ Conducting Annual Mandatory Online Anti-Fraud, Bribery, and Corruption (‘ABC’) training.
- ▶ Conducting briefings to tenderers and third parties on Zero Tolerance to Fraud, Corruption and Bribery, and ABC Policy.
- ▶ Continuous training, education, and Governance and Compliance programmes, including awareness briefing on Zero Tolerance to Fraud, Corruption, and Bribery, ABC Policy, PPG on Gift, Entertainment and Hospitality (‘GEH’) Policy, Conflict of Interest (‘COI’) Policy, and Whistleblowing Policy.
- ▶ Continual implementation of the Integrity, Fraud, and Corruption roadmap, along with regular reviews of internal PPGs, aimed at fostering an integrity and compliance-driven culture.
- ▶ Conducting compliance awareness training/clinic to reinforce the importance of compliance with regulations and PPGs.

## 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 for all activities carried out by the GIA.

The head of GIA has the relevant qualifications and experience to lead and manage the internal audit (‘IA’) function which includes overseeing the planning, execution, and reporting of GIA activities - assuring the Board, BARC and senior management that the Group’s internal control systems are operating effectively.

As part of its mandate, the GIA conducts regular and systematic audits of the Group’s operations, including financial, operational, information technology (‘IT’), project, and compliance audits. The Group’s internal auditors conduct their functions according to the standards set by recognised professional bodies, i.e., the Institute of Internal Auditors (‘IIA’) International Professional Practices Framework (‘IPPF’), and IA activities are conducted based on the IA charter and IA framework.

In the past year, GIA has conducted a comprehensive risk assessment and developed an annual audit plan that covers key business processes, high-risk areas, emerging risks, and regulatory requirements. GIA has also strengthened its collaboration and communication with the BARC, Board, senior management, and other stakeholders to ensure that audit findings and recommendations are effectively communicated and acted upon.

Furthermore, GIA has also successfully undergone an External Quality Assessment (‘EQA’) conducted by PricewaterhouseCoopers. This assessment validates the GIA’s commitment to upholding the highest standards of internal auditing and confirms its general conformance to the IPPF.

Additionally, as part of the ongoing Quality Assurance & Improvement Program (‘QAIP’), GIA has conducted peer reviews on selected audit engagements and a comprehensive full self-assessment. These reviews are instrumental in ensuring the quality and effectiveness of the internal audit function. Through these rigorous assessments, GIA has identified areas of strength and opportunities for improvement, ultimately enhancing the value it brings to the Group.

The Group’s IA function has played a vital role in evaluating and improving the effectiveness of the Group’s risk management, control, and governance processes. GIA will continue to enhance its capabilities to ensure that the Group has a robust and effective internal control system that supports our business objectives and safeguards the interests of our stakeholders.



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## Conclusion

The Board has obtained assurances from the GEC through a statement of assurance 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 were 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 and 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's Annual and Sustainability Report for the year ended 31 December 2023, 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 and 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) and Principle B of Malaysian Code of Corporate Governance which is for the Board to make a statement in its Annual and 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 30 May 2024.