

SUSTAINING VALUE & CONTINUOUS GROWTH



Our 2,400MW Bakun Hydroelectric Plant

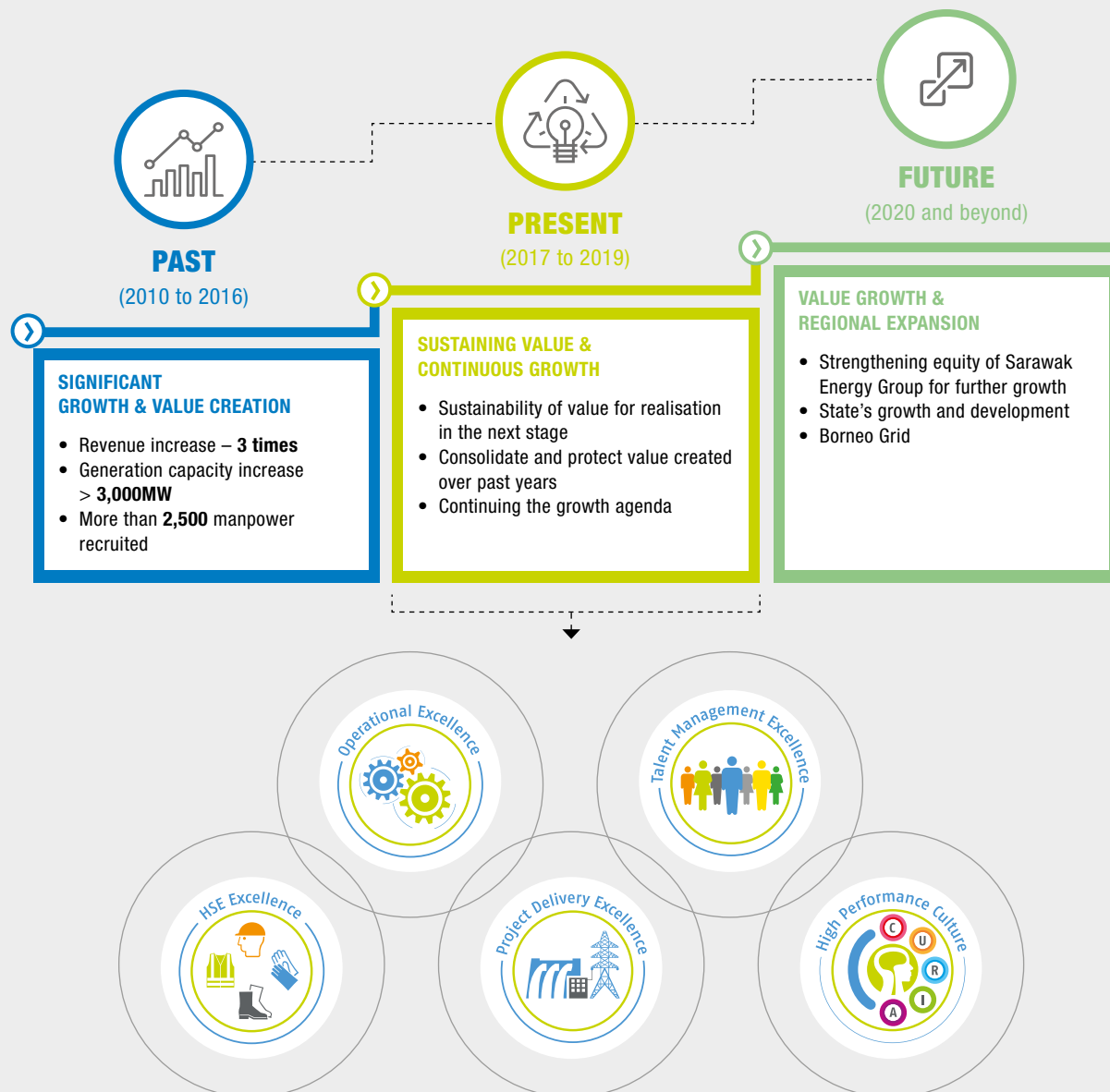
The year 2017 will be remembered for the acquisition of Sarawak Hidro from the Ministry of Finance through a RM2.5 billion share sale agreement, enabling Sarawak Energy to assume control of Sarawak Hidro.

As owner and operator of the 2,400MW Bakun Hydroelectric Plant (HEP), the largest hydropower plant in the country, Sarawak Energy can integrate operations of Bakun HEP into the Group, resulting in better reliability of power supply and efficiency in resource allocation.

Sarawak Energy can also have greater flexibility to maximise and operate electricity supply in Sarawak and power sustainable growth and prosperity in the state.

SUSTAINING VALUE & CONTINUOUS GROWTH

Sarawak Energy Excellence 2020



Sustaining Value & Continuous Growth

As Sarawak Energy marches towards achieving its ambition of becoming a regional powerhouse, we aim to uphold the high standards and operational momentum that our internal and external partners and industry players throughout the region have come to expect.

‘Sustaining value and continuous growth’ conveys our commitment to meeting this responsibility.

This year, we completed the acquisition of the 2,400MW Bakun Hydroelectric Plant (HEP); awarded the contract for the main civil works of the Baleh HEP; commissioned critical packages of the 500kV second transmission backbone; signed new power purchase agreements and for the first time in our history achieved profit in excess of RM1 billion.

Our success is attributable to the ability of our people and processes to deliver our promises. To this end, we invest extensively in our organisation and our Roadmap 2020 is accelerating our ability to compete with the strongest regional players and sustain value and growth for all our stakeholders.





2017 Highlights

Year in Review



Growth and Expansion

Acquisition of Bakun

- Sarawak Energy completed the **RM2.5 billion** acquisition of the **Bakun Hydroelectric Plant (HEP)**, the largest hydropower plant in Southeast Asia.
- This integrates operations of Bakun HEP into the Group, resulting in better reliability of power supply and efficiency in resource allocation

Finance / Profit

RM1 billion mark



- Critical packages of **500kV** were commissioned and energised
 - Mapai to Entinggan lines - August 2017
 - Similajau to Mapai lines - June 2017

Baleh HEP - main civil works awarded

- Sarawak Energy awarded the **1,285MW Baleh Hydroelectric Project** main civil works contract to China Gezhouba Group Company Limited and Untang Jaya Sdn. Bhd. Joint Venture

- New Power Purchase Agreements of **350MW** signed



Key Focus Areas Highlights

SAFETY IS OUR TOP PRIORITY

Life-Saving Rules

- Do not smoke outside designated areas
- Wear seatbelts, do not use handphones and do not speed while driving
- Work with an approved valid work permit
- Protect yourself against a fall when working at heights
- Obtain authorisation before entering a confined space
- Do not walk or work under a suspended load
- Do not use alcohol or drugs while working or driving
- Wear and care for appropriate Personal Protective Equipment
- Verify and re-verify Energy Isolation (LOTO Process) before any work involving hazardous energy
- Obtain authorisation before disabling or overriding safety critical equipment, including switching and modification
- Do not work near or under electric overhead lines if safe clearance is doubtful

The Life-Saving Rules act as an easy to follow visual set of rules to ensure that everybody understands Sarawak Energy's safety requirements.



Facts at a Glance

VERTICALLY INTEGRATED ELECTRICITY & ENERGY DEVELOPMENT COMPANY

Power generation, transmission, distribution, retail and export.



Manpower

≈ 5,000



Customers

≈ 650,000

ENABLING OUR PEOPLE

- The Sarawak Energy People System enables all employees to enhance their professional and personal skill sets and helps Sarawak Energy address the challenges ahead.
- The Sarawak Energy Employee Survey encourages staff to give comprehensive feedback to enable Sarawak Energy to continuously improve our corporate culture.



DIVERSITY & INCLUSIVENESS

- The Sarawak Energy Leading Women Network (SELWN) is a networking platform focused on women empowerment and leadership amongst women employees.

SECURING UPSTREAM RESOURCES

- **Coal resources**
 - The development of coal resources in Balingian will improve the standard of living and the socio-economy of the communities in the area through skills training and employment opportunities. It will also spur infrastructure growth such as access roads and other basic amenities.

EXPLORING NEW OPPORTUNITIES

- **Hydrogen fuel cell research**
 - Sarawak Energy has been entrusted to spearhead research of the State Government's Research Council in hydrogen fuel cell application in the state.

TOWARDS BECOMING A REGIONAL POWERHOUSE

- **Northern Province of Kalimantan (KALTARA)**
 - We continue to cement our partnership with Indonesia's Northern Province of Kalimantan (KALTARA) to improve the province's power supply infrastructure and support our aspiration of becoming a leading player for the ASEAN region.

ENERGY FOR SARAWAK

Generation capacity: **4,701MW**

Hydropower: **75%**

Thermal: **25%**

Coal: **10%**

Gas: **13%**

Diesel: **1.5%**

Alternative Energy: **0.5% and growing**

AFFORDABLE ENERGY

Sarawak has the **lowest** average unsubsidised tariffs in **Malaysia** and amongst the **lowest** average tariffs in the **region**

LIGHTING UP COMMUNITIES



95%

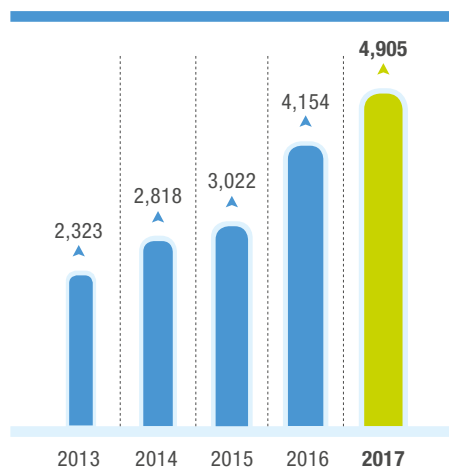
■ State domestic coverage

2017 Highlights

Five-Year Group Financial Highlights

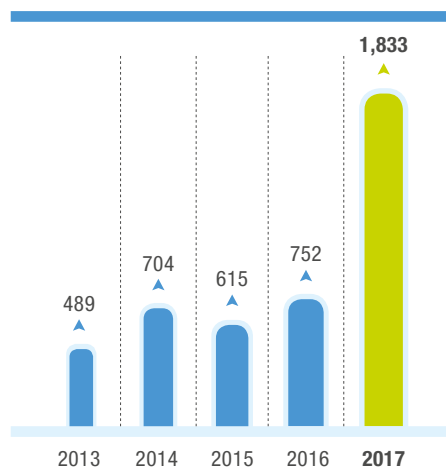
REVENUE (RM 'MIL)

increased by

18%  as at 2017

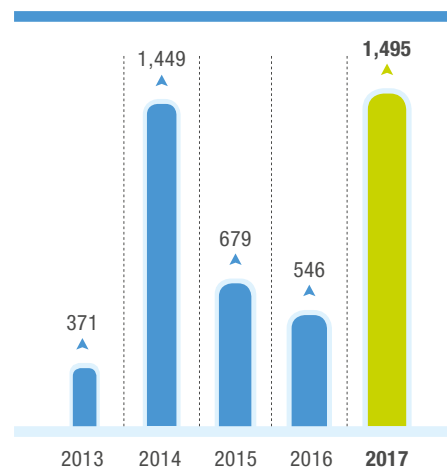
PROFIT BEFORE TAX (RM 'MIL)

increased by

144%  as at 2017

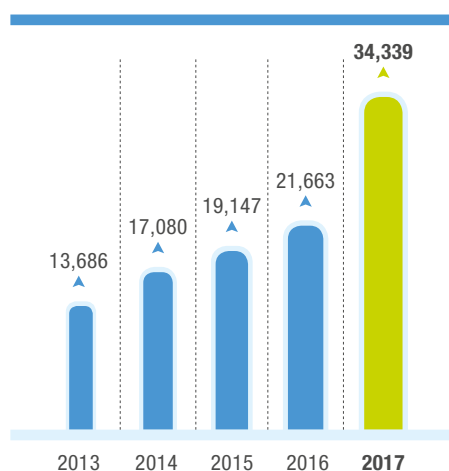
PROFIT NET OF TAX (RM 'MIL)

increased by

174%  as at 2017

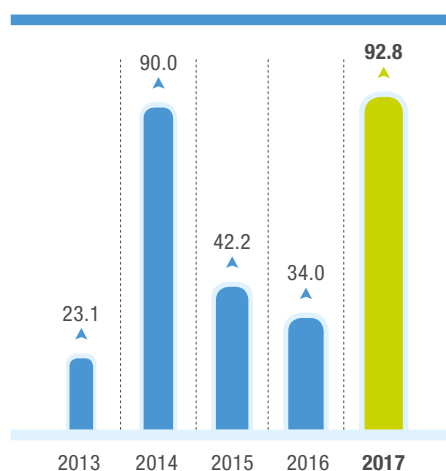
TOTAL ASSETS (RM 'MIL)

increased by

59%  as at 2017

NET EARNINGS PER SHARE (SEN)

increased by

173%  as at 2017

The Five-Year Group Financial Highlights should be read in conjunction with the Audited Financial Statements which are available for download on our website www.sarawakenergy.com. For more information on the 2017 Financial Performance, please refer to our Group CEO's Statement on page 27.

2017 Highlights

Five-Year Group Financial Highlights

Financial Year Ended 31 December	2017	2016	2015	2014	2013 Restated
PERFORMANCE (RM'000)					
Revenue	4,904,638	4,153,935	3,022,302	2,817,926	2,323,156
Profit before tax	1,833,187	752,249	615,333	703,966	488,991
Profit net of tax	1,494,904	545,848	678,623	1,448,664	371,137
Profit after tax and non-controlling interests	1,495,161	548,168	678,884	1,449,088	371,569
Net dividends	-	-	-	142,696	88,581
KEY FINANCIAL POSITION DATA (RM'000)					
Property, plant and equipment	27,558,928	17,019,679	14,206,961	12,710,705	11,188,242
Cash and bank balances	3,937,077	2,032,350	2,554,300	2,212,914	1,277,203
Total assets	34,339,234	21,663,158	19,146,624	17,079,994	13,685,534
Loans and borrowings	19,860,202	9,880,055	8,945,071	7,502,824	6,101,212
Total liabilities	26,199,338	15,005,875	12,999,974	11,468,287	9,429,194
Share capital	1,833,341	1,610,569	1,610,569	1,610,569	1,610,569
Equity attributable to owners of the Company	8,115,323	6,637,453	6,132,909	5,602,985	4,247,194
SHARE INFORMATION					
Net asset per share attributable to owners of the Company (RM)	5.04	4.12	3.81	3.48	2.64
Net earnings per share (sen)	92.8	34.0	42.2	90.0	23.1
Gross dividend per share (sen)	-	-	-	8.9	5.5

Notes:

Amounts for 2013 have been restated for the amendments to MFRS116.



The Five-Year Group Financial Highlights should be read in conjunction with the Audited Financial Statements which are available for download on our website www.sarawakenergy.com. For more information on the 2017 Financial Performance, please refer to our Group CEO's Statement on page 27.

What's inside

About This Report

SCOPE AND BOUNDARY

We are pleased to present our stakeholders with our Annual Report for 2017. It covers the financial year from 1 January 2017 to 31 December 2017 and is a comprehensive and detailed guide to our activities.

The report outlines our financial, environmental and social performance and gives concise analysis of our successes and challenges throughout the year. We also present our action plan for building on our success as we enter 2018.

Our stakeholders in Sarawak and Malaysia and in neighbouring Indonesia will read our report with particular interest.

Our financial statements are independently audited and present a detailed picture of our financial strength.

OUR COMMITMENT TO TRANSPARENCY

We make a clear and concise presentation of our operations to demonstrate our advocacy for transparency and accountability. We are not a listed public entity and therefore we are not governed by the disclosure requirements of Bursa Malaysia Securities Berhad. We make our company information available as an indication of the importance of integrity and dialogue with all our stakeholders.

In our Annual Report 2017, you will find a record of our performance in the fields of business operations, projects and people as well as our initiatives in the realm of health, safety and the environment, corporate responsibility, sustainability and corporate governance. Our audited financial statements are available for download at our website www.sarawakenergy.com.

STATEMENT OF THE BOARD OF DIRECTORS OF SARAWAK ENERGY BERHAD

The Board is pleased to present our Annual Report for 2017 and does so with the confidence that it is a fair and honest presentation of Sarawak Energy's performance throughout the year.

Approved by the Board of Directors and signed on behalf of the Board:

Datuk Amar Abdul Hamed Sepawi
Chairman

Datu Sharbini Suhaili
Group Chief Executive Officer



As Sarawak Energy continues on our journey to become a powerhouse not only for Sarawak, but also for the region, we understand that the trust and engagement of our diverse and expanding stable of stakeholders is increasingly crucial to our growth and sustainability.

Sarawak Energy's Annual Report for 2017 captures the accomplishments and challenges that have supported our vision throughout the year and will steer us to continued success in the years to come.



To download our audited financial statements, please scan the QR code below:



<https://www.sarawakenergy.com/investors/audited-financial-statements>

NAVIGATION ICONS

The following icons feature throughout the report to improve usability and show integration between the various elements:



Indicates a page or note reference of information which can be found elsewhere in this report.



Indicates the caption of specific photo.



Indicates a website reference where more information can be found.

What's inside

Table of Contents



How We are Organised

This section provides information on who we are.

- 9 About Sarawak Energy
- 10 Vision, Mission and Living Our Values
- 12 Sustainable Energy for Sarawak



How We Strategised

A summary of how we shape and deliver our strategy against our goals.

- 17 Our Strategic Roadmap
- 18 How We Intend to Deliver on Our Strategy



How We Performed

This section provides information on our operating performance for the year under review.

- 21 Chairman's Statement
- 27 Group CEO's Statement
- 32 Management Discussion & Analysis
- 34 Developing Our People, Sharpening Our Leadership, Reward and Recognition
- 37 Health, Safety and the Environment
- 41 Exploring Potential Opportunities



Corporate Sustainability and Reputation

This section details our sustainability efforts.

- 43 Sustainability
- 44 Corporate Social Responsibility Initiatives
- 49 Lighting Up Communities
- 51 In Recognition of Our Efforts
- 53 Growing Our Presence
- 54 Initiatives, Events and Highlights



How We are Governed

An explanation of how we are organised, what the Board has focused on and how it has performed, our diversity practices, how we communicate with our shareholders.

- 59 Group Organisation Structure
- 60 Board of Directors Profiles
- 62 Our Management Team
- 66 Statement on Corporate Governance
- 70 Statement of Risk Management and Internal Control
- 72 Board Audit Committee Report



944MW Murum HEP



How We are Organised

- 9 About Sarawak Energy
- 10 Vision, Mission and Living Our Values
- 12 Sustainable Energy for Sarawak

Sarawak Energy is an energy development company and a vertically integrated utility. Building on a foundation of almost 100 years, Sarawak Energy is the primary provider of a reliable, stable and predominantly renewable energy supply to Sarawak, serving more than 650,000 customers across the state. We also engage in power exchange with our neighbour West Kalimantan. Sarawak Energy is committed to responding to market change and new ways of thinking, supporting our journey to become a modern and agile corporation with standards which regional competitors aspire to.

How We are Organised

About Sarawak Energy

Building on a foundation of almost one hundred years, Sarawak Energy delivers a reliable and safe supply of affordable energy to the people of Sarawak. We are the primary provider of electricity in Sarawak and we are trusted by more than 650,000 customers in the state to consistently provide services that meet the industry's highest standards.



944MW Murum HEP

Our electricity is derived predominantly from Sarawak's rich hydropower resources, making our power supply green and sustainable. We power the advancement of Sarawak Corridor of Renewable Energy (SCORE), the 70,000sq km economic development zone in the centre of Sarawak in support of the state's ambition towards becoming a developed and high-income state by 2030. We therefore also act as an accelerator for Sarawak's overall progress and prosperity.

Enhancing the daily lives of all Sarawakians is also a key priority. Working closely with the Federal and State Governments, our rural electrification initiative aims to bring electricity to the most remote communities. Our target is to electrify the whole of Sarawak by 2025.

We are also dedicated to empowering Sarawak's diverse communities. Our social investment programmes are designed to enhance the educational, professional and social needs of the people we serve and at the same time respect and nurture their cultural uniqueness.

Sarawak Energy Strategic Roadmap 2020 is firmly on track, an action plan that escalates our transformation into a high performance, sustainable company on par with the top-quartile utilities and multinationals. The strategy further refines our approach to our 5,000-strong workforce, processes and systems, while always adhering to our core values of courage, unity, respect, integrity and accountability.

We have confidence in our ability to meet our goal and we look forward to serving Sarawak, Malaysia and our overseas markets with greater speed, precision and relevance, enhancing our value for all our stakeholders.

WHAT WE DO



Energy for Sarawak

- 75% hydropower
- 25% thermal



A Reliable, Secure Power System for Sarawak

Critical packages of 500kV were commissioned and energised



Alternative Energy for Sarawak

Lighting up off-grid communities via solar and mini hydro



Sustainability

Aligning our focus with the United Nations Sustainability Development Goals



An in-depth overview of 'What We Do' is available online at <https://www.sarawakenergy.com/what-we-do>

Vision, Mission & Living Our Values

Vision

Sustainable growth and prosperity for Sarawak by meeting the region's need for reliable, renewable energy

Mission

To realise our vision, we will:

- Pursue opportunities for growth by fully developing the Sarawak Government's SCORE agenda
- Ensure our own safety and the safety of others, with a commitment to do 'no harm to anyone at any time'
- Provide a reliable supply of clean, competitively-priced energy to support the economic and social development of Sarawak and our partners in the region
- Operate as a business based on principles that reward our owners and employees, and delight our customers
- Honour the trust placed in us by the people of Sarawak, by acknowledging and respecting them and contributing to their well-being
- Set and achieve high ethical and corporate standards that are a source of pride for our employees, customers and owners
- Develop our people, leadership and teamwork to build an agile, open and customer-focused culture that responds to challenges and the need for change with innovation and cooperation
- Harness and utilise natural resources in a sustainable and responsible way
- Achieve operational excellence through a commitment to continual improvement and best practice



An in-depth overview of 'About Us' is available online at <https://www.sarawakenergy.com/about-us>

Vision, Mission & Living Our Values

Demonstrating Our Core Values and Winning Behaviours towards a High Performance Culture

OUR VALUES

**COURAGE**

We dare to do what is right and in the best interests of our Company and the community, even when it is not easy to do so.

Key Attributes

- Dare to speak one's mind
- Dare to share different view points
- Dare to intervene to right the wrong
- Dare to take risks in decision-making

**UNITY**

We collaborate and work together to deliver our business objectives.

Key Attributes

- Purposeful collaboration
- Enterprise-first mindset
- We before me
- Synergy and teamwork

**RESPECT**

We value differences, include and acknowledge different points of view, and listen well in all situations.

Key Attributes

- Value differences
- Be inclusive
- Listen
- Humility

**INTEGRITY**

We are honest and can be trusted by people to do what is right.

Key Attributes

- Professionalism
- Honesty
- Trustworthy
- Do the right thing

**ACCOUNTABILITY**

We work hard and are responsible for delivering our promises to the highest standards.

Key Attributes

- Ownership
- Commitment
- Delivery on promises
- Do things right / professionalism

- Proactive on HSE
- Value and bottom-line driven with strong cost discipline
- Keeping our delivery promises
- Demonstrating urgency through speed and precision
- Conducting our business with the highest level of integrity
- Focused on team work and integration

WINNING BEHAVIOURS

- Working across functional and organisational boundaries
- Always doing what is best for the Sarawak Energy enterprise and brand
- Adaptable and open to leveraging on technology as solution
- Always learning from our experiences, particularly mistakes
- As employees of choice, working for the employer of choice

How We are Organised

Sustainable Energy for Sarawak

INTRODUCTION

‘Sustainable Energy for Sarawak and Beyond’ captures the Company’s ambition to provide clean, renewable, reliable and affordable power for the growth and prosperity of the region.

Sarawak Energy is harnessing the state’s abundant natural resources such as hydro, indigenous coal and gas to generate energy and drive development of the state.

SECURING UPSTREAM RESOURCES

Sarawak Energy continues to secure its upstream resource supply by developing coal resources in Balingian for its modern, low-emission coal-fired power plant scheduled for commissioning in phases over 2018 and 2019.

The coal mines in the Balingian area will be able to supply the life of the 2 x 312MW Balingian Coal-Fired Power Plant for 25 years. Coal resource development at Balingian is also set to spur infrastructure growth like access roads and other basic amenities within the area. Sarawak Energy is also engaged in coal resources development activities in Merit Pila, Kapit.

ADVANCING HYDROPOWER

Sarawak Energy supports the state in developing hydropower to provide sustainable, reliable, affordable and renewable energy for Sarawak and its people. The development of hydropower has enabled Sarawak to enjoy the lowest electricity tariffs for domestic, commercial and bulk industrial customers in Malaysia and within ASEAN.

Sarawak Energy’s move towards hydropower began in 1985 when Batang Ai, Sarawak’s first hydroelectric plant, came into operation. Sarawak Energy now has 75% hydro in the generation mix derived from the Murum, Bakun and Batang Ai plants. To maintain diversity and security of supply and to harness Sarawak’s indigenous coal and gas resources, about 15% of Sarawak’s generation mix is derived from gas-powered plants and 10% from coal-fired plants.



Acquisition of Bakun Hydroelectric Plant (HEP)

In August 2017, Sarawak Energy acquired Sarawak Hidro Sdn. Bhd. from the Ministry of Finance, making Sarawak Energy the sole owner and operator of the 2,400MW Bakun Hydroelectric Plant (HEP). The purchase allows Sarawak Energy to integrate the operations of Bakun HEP into the Group, optimising water resources management between Bakun and Murum HEPs, resulting in a more efficient allocation of resources, long-term savings and supporting the distribution of a reliable power supply to the state.

Baleh Hydroelectric Project

In August 2017, a contract for the main civil works of the 1,285MW Baleh Hydroelectric Plant was signed between Sarawak Energy’s subsidiary SEB Power Sdn Bhd and China Gezhouba Group Company Ltd and Untang Jaya Sdn. Bhd. Joint Venture. The contract includes the design, construction, intake structure, spillway and penstocks for the dam.

Located on the Baleh River, about 95km upstream from the confluence with the Rejang River in Kapit, the 188m high Concrete Faced Rockfill Dam, one of Sarawak’s largest infrastructure projects, will generate 1,285MW of renewable energy once complete. Construction is expected to begin in October 2018 and the project is expected to be fully commissioned in 2026.

The construction of the Baleh HEP marks China Gezhouba Group Company Ltd’s entry into Malaysia’s construction industry. An established hydropower specialist with more than 40 years of experience, China Gezhouba Group has constructed more than 100 hydropower projects. Untang Jaya Sdn. Bhd. is a Sarawak-registered Class A contractor from the Baleh/Kapit area with extensive background in construction.

Sustainable Energy for Sarawak

The Baleh HEP is opening up the more remote parts of Kapit Division and connects villages to the main town. Four bridges linking Kapit town to the project site in Putai will be constructed as part of the Alternative Road package to Baleh HEP. The linked road will provide direct access from Kapit to the dam site and will benefit longhouses located along the route when the spur roads are constructed. The first of the four bridges was completed in October and the other three bridges are due to be completed by the middle of 2018.

BALEH HYDROELECTRIC PLANT

1,285MW

of renewable energy, one of Sarawak's largest infrastructure projects

CHINA GEZHOUBA GROUP COMPANY LTD

more than 40 years

of experience in hydropower development

THERMAL POWER FOR ENERGY SECURITY**Balingian Coal-Fired Power Plant**

The construction of the 2 x 312MW Balingian Coal-Fired Power Plant is progressing well and the first power is expected by Q1 2019. The plant has the first and largest Circulating Fluidised Bed (CFB) boiler in the South East Asia region, designed to leverage on Sarawak's indigenous coal reserves.

The project is situated near the Balingian River, 25km southeast of the Mukah 2 x 135MW Power Station and about 60km from Mukah Town. Valued at around RM3 billion, the project consists of nine work packages: the construction of the main power plant; substation and plant site earthworks; upgrading of the access road; administration and ancillary buildings; operator's village; the 33kV supply; 275kV transmission substation and lines and ash pond. About 45% of the work is undertaken by local contractors.

Sarawak Energy has been awarded 3 General Prospecting Licenses to explore coal in the Balingian area. The state has around 1.7 billion tonnes of coal resources and Sarawak Energy plans to use 5.4 million tonnes of locally mined coal per year to generate power from coal-fired power plants.

The coal mines will supply the Balingian Coal-Fired Power Plant for 25 years and Sarawak Energy will use improved mining practices and mine planning techniques to optimise coal recovery and ensure long-term coal resource development for power generation in the state.

Sustainable Energy for Sarawak

Tanjung Kidurong New Combined Cycle Gas Turbine (CCGT)

The Tanjung Kidurong Combined Cycle Gas Turbine (CCGT) Project is an extension of the existing Kidurong Power Station at Bintulu. The two CCGT blocks are expected to add 842MW of gross generating capacity when commissioned in July 2020 and February 2021 respectively, and will be amongst the highest net efficiency power plants in Sarawak.

In March, Sarawak Energy signed an eight-year service agreement with General Electric (GE) for operations and maintenance support of the Tanjung Kidurong new CCGT. Sarawak Energy constantly looks into ways to optimise the performance of its power plants by using improved technology and innovation and GE's expertise will enhance Tanjung Kidurong's operational performance, making its output more efficient and reliable. Under the agreement, GE will provide training for operations and maintenance personnel, technical support and major spare parts for the plant.

Using the predictive capabilities of GE's Monitoring and Diagnostics (M&D) Centre in Kuala Lumpur, Sarawak Energy will utilise real-time data collection for enhanced decision-making and could potentially reduce the maintenance costs at Tanjung Kidurong. GE's computerised maintenance system will help to prevent potential failure mechanisms and increase the reliability and efficiency of the plant.

STRENGTHENING THE RELIABILITY OF OUR SYSTEM**Critical Packages of 500kV Transmission Backbone Commissioned and Energised**

Our RM2.7 billion 500kV transmission line is a key state infrastructure project and will act as a second transmission backbone to the current 275kV transmission grid for better reliability of Sarawak's power system. The project saw major progress with commissioning and energising of two critical packages – the Similajau to Mapai line in June and the Mapai to Entinggan line in August.

**Murum Junction Substation Open**

In September, Sarawak Energy's 275kV Murum Junction Substation was commissioned, marking a significant milestone in the state's continued efforts to develop a modern power system in rural areas and ensure access to reliable 24-hour power for communities residing in Sarawak's interior.

Located 160km from Bintulu in the Belaga District and built at a cost of RM100 million, the transmission substation integrates bulk power generated from the 2,400MW Bakun and 944MW Murum Hydroelectric Plants and supplies power to villages through rural substations and into the State Grid via the Similajau transmission substation, strengthening the overall system reliability for the state. Belaga town and longhouses along the way will also be connected to the substation, and eventually the Belaga diesel power plant will be decommissioned.

The line will subsequently be extended to Punan Bah and supply longhouses in the vicinity. The Murum Junction Substation will use covered conductors to connect to Belaga town by the end of 2018, as part of the state's effort to constantly improve the performance of the distribution system in the rural areas. The installation of the insulated lines will be undertaken and fully financed by Sarawak Energy at a cost of around RM40 million.

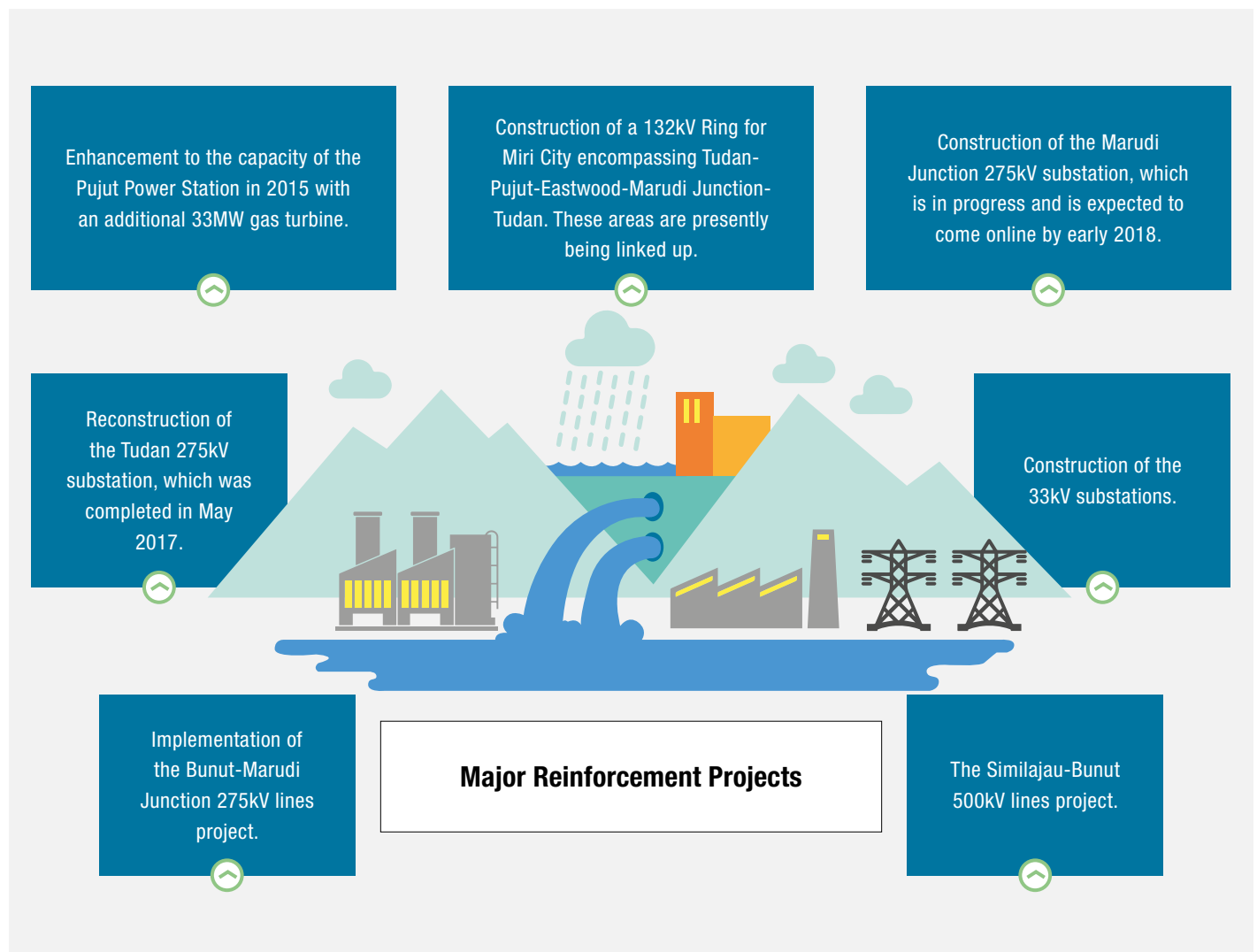


Sustainable Energy for Sarawak

Reinforcement Projects to Strengthen Miri Electricity Grid

Over the period from 2014 to 2020, Sarawak Energy will spend almost RM1 billion on reinforcement work to enhance the reliability of Miri's electricity supply. A number of major projects have been implemented simultaneously since 2014 including additional injection points and the construction of zone substations in urban Miri and its outskirts to cater for the city's rapid development and expansion. Other infrastructure have also been upgraded including feeders and transformers, and ageing equipment and power lines have been replaced.

Most of the projects and upgrading works are expected to be completed within the next five years and will significantly strengthen the Miri network.





How We Strategised

- 17 Our Strategic Roadmap
- 18 How We Intend to Deliver on Our Strategy

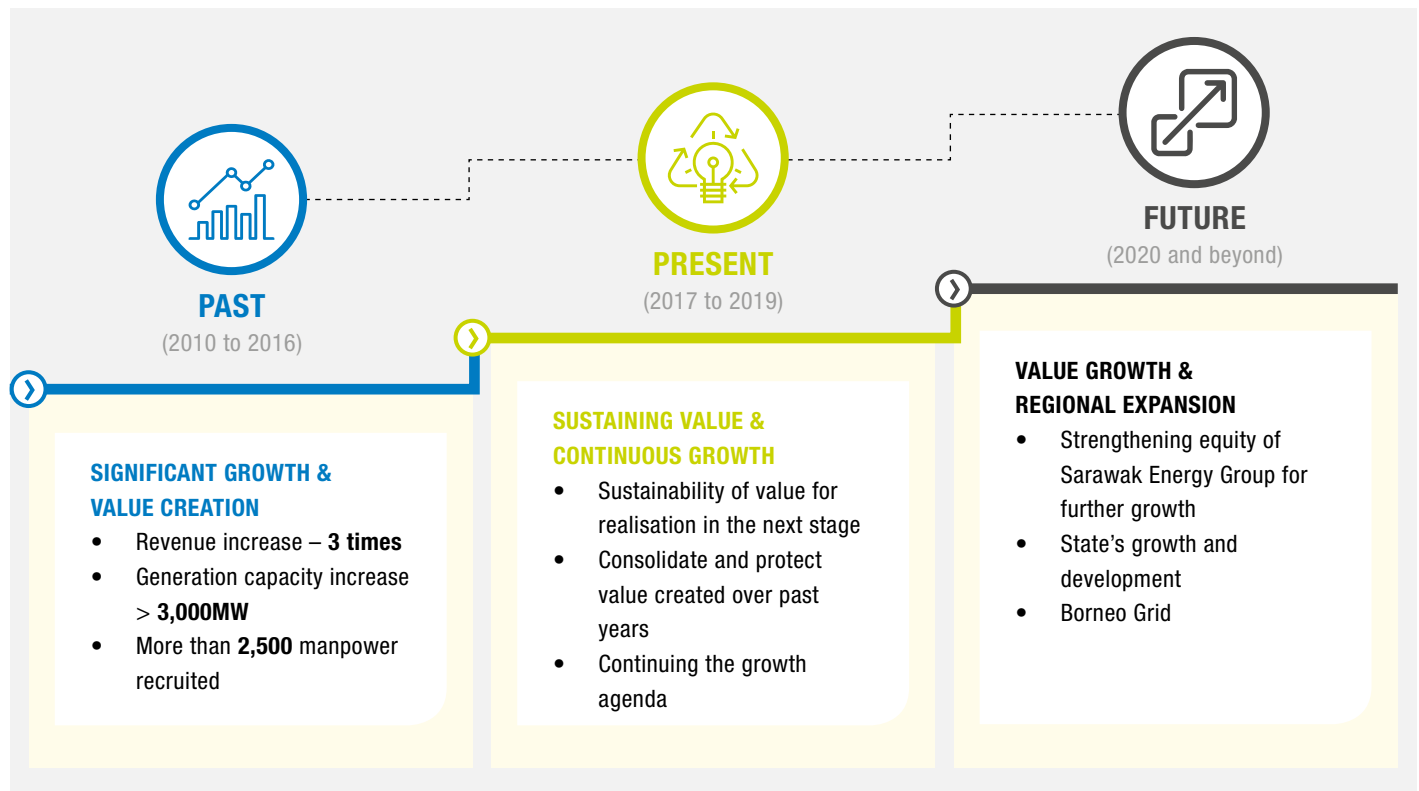
Sarawak Energy is committed to support the state of Sarawak achieve sustainable growth and prosperity. In this endeavour, Sarawak Energy treats the needs of all its customers – industrial, commercial and residential – with equal importance and constantly strives to improve on its award-winning reputation for excellence. As Sarawak Energy continues to elevate its role as a provider of power for the region, it understands the importance of nurturing and retaining the trust of both its external and internal stakeholders.

How We Strategised

Our Strategic Roadmap

SARAWAK ENERGY EXCELLENCE 2020

To be a top quantile electric utility and on par with the best-in-class multinational corporations, we have a clear vision that everybody in the organisation can work towards, a great sense of purpose and focus within the organisation.



Our strategic roadmap is about creating this organisational focus, ensuring that all 5,000 of our staff are headed in the same direction and working towards the same objectives.

Safety is our top priority. To make sure everybody goes home safely and achieve HSE Excellence, we must have the right safety culture. All leaders in the organisation must make safety their top priority. The Life-Saving Rules that we recently launched are a very important part of the safety system within the organisation.

A big part of Operational Excellence revolves around getting the basics right through standardisation and simplification, and the

application of technology. We monitor our performance metrics vis-à-vis the top quartile performers and focus on how we can bridge the gap in performance delivery.

For Project Delivery Excellence, we must deliver our projects safely, on-time and at-cost as we promised our stakeholders. To get this right, we must have the right processes and the right competencies in our project teams.

People are our most important asset and it is critical that we develop our human capital well. It does not matter how good our facilities and physical assets are – if we do not have capable, competent people and people with integrity

managing and operating them, we will not be successful as a company and good people will not want to work for us.

To deliver all of the above, we must have a progressive corporate culture. We are already blessed with diversity and should leverage on our collective strengths to propel the Company forward. Again, effective leadership at all levels of the organisation is key.

Every one of us must do our best work, lead and help drive the cultural change.

Datu Sharbini Suhaili
Group Chief Executive Officer

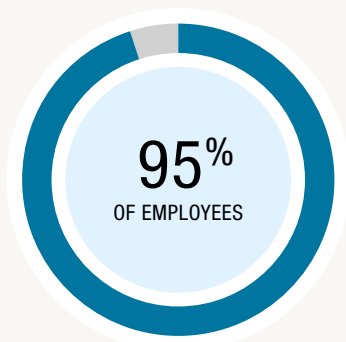
How We Strategised

How We Intend to Deliver on Our Strategy

Sarawak Energy Excellence 2020 and 5 Key Focus Areas



CONTRIBUTION TO GROUP



95% of employees with Body Mass Index (BMI) < 30

SAFETY

Zero Lost Time Injury (LTI)
& Zero Fatality

ENVIRONMENT

100%

Compliance
with Regulatory Laws

Generation Excellence

Coal	Gas	Hydro
EAf 90% FOR 2%	EAf 92% FOR 2%	EAf 95% FOR 1%

Notes:

1. **EAf** = Equivalent Availability Factor

2. **FOR** = Forced Outage Rate

Network Excellence

Zero total blackout at major load centres of **Kuching, Sibul, Bintulu, Miri and Samalaju**

Customer Service Excellence

SAIDI
60 MINS

Customer Satisfaction Index
> 82%

Age of Debtors >42 days
< 20%

Non-technical losses
< 1%

SAIFI
1 TIME

90% Resolution of Key Services

Street Lighting
< 24 hours

Service Call
< 45 mins

Connection Charge
< 14 days

Service Line/Cable
< 7 days

How We Strategised

How We Intend to Deliver on Our Strategy

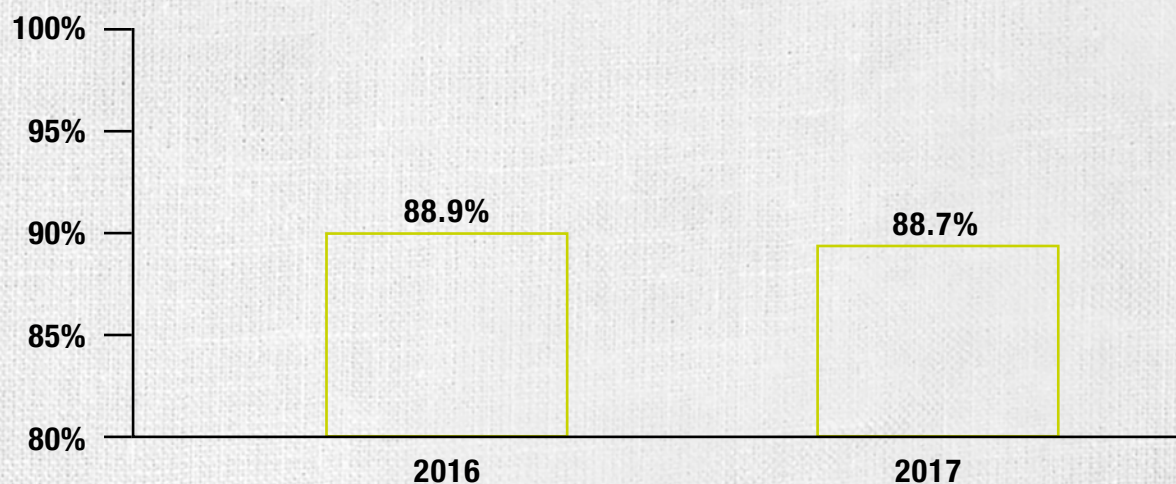


Our Report Card 2017

Health, Safety and Environment

Zero Fatality and 8 Lost Time Injuries in 2017

Generation Operational Excellence



Plant		2016	2017	2020
Coal	EAF	78.96%	84%	90%
	FOR	2.69%	1.94%	<2%
Gas	EAF	85.51%	83.6%	92%
	FOR	2.12%	1.52%	<2%
Hydro	EAF	95.94%	95.14%	95%
	FOR	0.21%	0.14%	<1%

WAK
ACE TO
LOWING

gets for all

erience as
Employee

How We Intend to Deliver on Our Strategy

Sarawak Energy Excellence 2020 and 5 Key Focus Areas



Network and Customer Service Excellence

	Actual 2017	Target 2017	Target 2020
SAIDI	141.02 mins	185 mins	60 mins
SAIFI	1.96 times	2.46 times	1 time
Age of Debtors	27.80%	< 28%	< 20%
Non Technical Losses	3.80% (based on technical loss of 6.33%)	< 1.15%	< 1%
Street Lighting Repair	85% within 24 hrs	85% within 24 hrs	90% < 24 hrs
Release of Connection Charges	92% within 21 days	80% within 21 days	90% < 14 days
Service Call Attendance	79% within 45 mins	85% within 45 mins	90% < 45 mins
Service Line/Cable Installation	85% within 7 days	90% within 7 days	90% < 7 days
Customer Satisfaction Index	80.57%	> 78%	82%

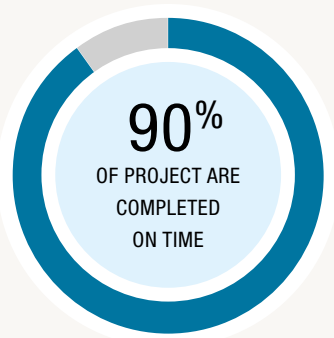
High Performance Culture

Sarawak Energy Employee Survey (SEES) employee engagement of 80% and average score of 80% by 2020

How We Intend to Deliver on Our Strategy



TIMELY COMPLETION



COST DISCIPLINE

Within 1st Quartile Benchmark

QUALITY

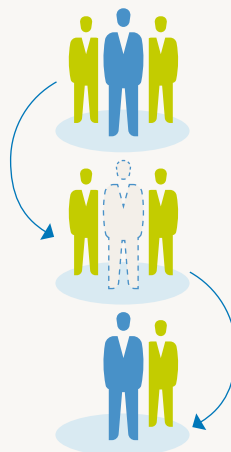
90% of contractors are
rated A and B

No malfunction/major
equipment failure during defect
liability period



SUSTAINABLE TALENT BENCH STRENGTH

“Ready Now” successor for
critical positions



INDIVIDUAL DEVELOPMENT PLAN (IDP)

For every employee

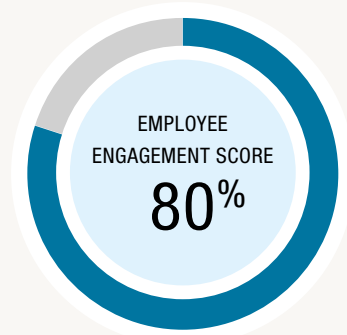


WE KNOW THAT SARAWAK ENERGY IS A GREAT PLACE TO WORK THROUGH THE FOLLOWING MEASURES:

People demonstrate
winning behaviours

Enabling the delivery of the targets for all
Key Focus Areas

Employee sharing positive experience as
indicated by Sarawak Energy Employee
Survey (SEES) score





How We Performed

- 21 Chairman's Statement
- 27 Group CEO's Statement
- 32 Management Discussion & Analysis
- 34 Developing Our People, Sharpening Our Leadership, Reward and Recognition
- 37 Health, Safety and the Environment
- 41 Exploring Potential Opportunities

2017 was another period of significant growth for Sarawak Energy in which net profit exceeded RM1 billion. The Company continues to achieve this strong performance as a result of its ability to respond quickly and relevantly to the fast-paced changes in the market landscape and its commitment towards improving its excellence at all levels of its operations with a range of innovative solutions. Sarawak Energy's audited financial statements give detailed assessment of the Company's financial performance and its prospects for the year ahead.

How We Performed

Chairman's Statement

**DEAR SHAREHOLDERS,**

The year 2017 has been one of remarkable achievements for Sarawak Energy. We have consistently met our targets, in many cases exceeded expectations and we enter a new year confident that we will be able to continue to build on our achievements.



It therefore gives me great pleasure, on behalf of the Board of Directors, to present our Annual Report and Audited Financial Statements for the financial year ended 31 December 2017. ”

**Datuk Amar Abdul Hamed Sepawi***Chairman*

Sarawak Energy further strengthened our position in the energy arena, successfully forging and nurturing strategic partnerships both at home and abroad. We also have a renewed focus for achieving excellence through clear targets in key areas and at the same time, we continue to serve the state of Sarawak with the dedication and professionalism which have become hallmarks of our brand.



For more information, please refer to page 60, Board of Directors

Chairman's Statement

OUR YEAR IN REVIEW

Our priority remains ensuring reliable, renewable and affordable energy for Sarawak and in fulfilling this mission, we recorded major successes.

In August, we completed the acquisition of Sarawak Hidro Sdn. Bhd. as the owner and operator of the 2,400MW Bakun HEP, the largest hydropower plant in Southeast Asia.

In giving Sarawak a more modern power system, we commissioned and energised two critical packages of the 500kV transmission lines to further strengthen our network.

We continue to contribute to the economic development of the state by progressing the Sarawak Corridor of Renewable Energy, or SCORE agenda, signing power purchase agreements with new customers including PMB Silicon for a combined total of over 350MW.

The Baleh HEP took another major step forward in August when our generation subsidiary SEB Power Sdn Bhd signed a contract with China Gezhouba Group Company Ltd. and Untang Jaya Sdn. Bhd. Joint Venture for the main civil works for the plant. The construction of the Baleh HEP is expected to begin in October 2018 with first power to commence in 2026 when it will generate 1,285MW of renewable energy.



SHARE SALE AGREEMENT

RM2.5 billion

acquisition of **Sarawak Hidro Sdn. Bhd. (SHSB)**
from Malaysia's Ministry of Finance

KEY FOCUS AREAS

Roadmap 2020

the strategy which will support and strengthen our organisation
and our regional expansion

SARAWAK ENERGY AND HYDROPOWER



Photo Credit: International Hydropower Association

Sarawak Energy is committed to delivering and developing hydropower in accordance with the internationally accredited sustainability principles covering the economic, technical, social and environmental aspects of the projects.

In recognition of the contribution that Sarawak Energy is making in furthering the development of sustainable hydropower at a global level, we are delighted that our Group Chief Executive Officer, Datu Sharbini Suhaili, was elected to the Board of the International Hydropower Association. This is a very significant appointment and continues to allow Sarawak Energy to interact and share knowledge with major hydropower players across the world.



SARAWAK ENERGY AND FUTURE ROLE

As Sarawak Energy seeks to progress our business and contribute to the overall socio-economic development of the state, we recognise the importance of building strategic partnerships to help us achieve our aspirations.

This year, we were entrusted by the Sarawak State Government to lead a feasibility study on the potential application of hydrogen and fuel cell research in the state. Sarawak Energy's research will form an integral part of the government's strengthened emphasis on technological innovation as a way to achieve sustainable development for the state and high income status by 2030. Our recommendations will be shared with the state's Research Council as it analyses ways to introduce hydrogen and fuel cell technology into the commercial and public domain. We hope that our research will, in the first instance, find an application in the public transportation system hence, moving forward even more in the global initiative to mitigate climate change.



Chairman's Statement

Progress Throughout 2017

July 2017

invited by the Governor of KALTARA to jointly undertake the first stage of a feasibility study at the 'Mentarang Induk' site on the Mentarang River with PT Kayan Patria Pratama

October 2017

invited by the Malinau Government to jointly present on progress of the pre-feasibility study with Kayan Patria Pratama

Throughout 2017, Sarawak Energy also continued to advance our aspiration of becoming a leading player for the ASEAN region as a whole, as we furthered our partnership with Indonesia's Northern Province of Kalimantan (KALTARA). Our partnership with KALTARA stretches back to the signing of a letter of intent in April 2016 to explore opportunities in power generation projects and strategy formulation to improve the power supply infrastructure in KALTARA.

In July, our partnership took a major step forward when we were invited by the Governor of KALTARA to attend a meeting in Tarakan where Sarawak Energy agreed to jointly undertake the first stage of a feasibility study at the 'Mentarang Induk' site on the Mentarang River with PT Kayan Patria Pratama, a business conglomerate in KALTARA. Then in October, we were invited by the Malinau Government to jointly present on the progress of the pre-feasibility study with Kayan Patria Pratama at the Malinau Regency House of Representatives. We also presented this project to the Coordinating Ministry for Maritime in Jakarta.

SUSTAINABILITY ADVANCES

Sarawak Energy aspires to be a leader in sustainability. Adopting sustainable mechanisms in our business and operations is a gradual process but an integral one to enable the Company to benchmark ourselves against the best in the industry.

In 2017, Sarawak Energy became a member of the UN Global Compact Network Malaysia, an organisation that promotes universal principles on sustainability, and is a Sustainability Partner and represented on the Board of Directors of the International Hydropower Association, which champions sustainability in hydropower development. The Company is also a member of the Global Reporting Initiative Gold Community, an international network made up of leading organisations that helps shape the

future of sustainability, and works closely with institutions of higher learning and hydropower sustainability specialists to ensure that we meet global sustainability standards and expectations.

In all of our project developments, we engage with the neighbouring or affected communities to ensure that their views and aspirations are taken into account. Community engagement is an integral part of our commitment towards sustainability in our hydropower project development and operations.

We also align our practices with the United Nations' Sustainable Development Goals (SDGs).



At the Gallery Walk on our five Key Focus Areas.

BOARD MATTERS

In 2017, there were no changes to the composition of our Board of Directors.

BUMIPUTERA PARTICIPATION

Throughout 2017, we remained aligned with the Sarawak State Government's direction to develop Bumiputera entrepreneurs, as we aimed to increase the amount of tender works to Bumiputera companies.

We held three workshops in Kuching, Miri and Sibu in 2017 to build awareness among Bumiputera contractors on our tender processes and requirements in regard to general, technical and commercial works to encourage their participation in our project works. The briefings also highlighted our safety and integrity standards and included updates on the Sarawak Alternative Rural Electrification Scheme (SARES).

AWARDS AND RECOGNITIONS

Sarawak Energy received a number of awards to honour our commitment to deliver the highest standards of excellence across all our operations. Our recognitions include the State Secretary Trophy for the Gold Category of the Chief Minister's Awards 2017 for our first class performance in overall leadership, finance, customer management, human resource and ICT; the Chief Minister's Environmental Award 2015/2016 for the Sejingkat Power Plant and the Mukah Power Plant – platinum and gold respectively; Best Community Programme Gold Award at the 9th Annual Global CSR Summit and Awards; and the Social Empowerment Award at the Asia Responsible Entrepreneurship Awards. Also for the first time, we received international recognition for our corporate reporting, winning an Australasian Reporting Award.

STATE SECRETARY TROPHY

Gold Category
of the Chief Minister's Awards 2017

CHIEF MINISTER'S ENVIRONMENTAL AWARD 2015/2016

Platinum & Gold
for the **Sejingkat Power Plant** and the
Mukah Power Plant



Aisah Eden, Executive Vice President for Corporate Services receiving the State Secretary Trophy for the Gold Category of the Chief Minister's Awards 2017.

How We Performed

Chairman's Statement

PROSPECTS FOR 2018

We are optimistic that in the coming year we will continue to build on our accomplishments and further advance the projects and partnerships we have set in motion this year to help us move closer to our goal of becoming a powerhouse not only for Malaysia but for the region as a whole.

The timely progression of our projects in 2017 is an indication of our commitment to the highest standards of operational and project delivery excellence. Together with a renewed focus on excellence in health, safety and the environment and talent management enabled by a high-performance culture, I believe we are on course with a stronger organisation that will progress our ambition for regional expansion, enable us to continue to contribute to the state's growth and development and cement our reputation as a preferred employer and trusted brand.

Whilst our business may have expanded beyond our home shores, we are never far from the principles that have guided us this far and that will nurture and sustain us as we embark on greater ambitions in the years to come.

THANKS AND ACKNOWLEDGEMENTS

I would like to once again thank our Management and all our employees for their dedication and enthusiasm which have been critical to our continued success. I congratulate Datu Sharbini Suhaili for his excellent leadership of Sarawak Energy during his first year as Group Chief Executive Officer and for delivering an outstanding first year with the Company. Under Datu Sharbini's leadership, we have achieved a score of 80% for our key performance indicators, the highest performance recorded by Sarawak Energy in recent years, and I would like to thank all members of staff for your tremendous contribution to our achievements.



I would also like to congratulate Datu Sharbini Suhaili for being appointed to lead the digital infrastructure stream of Sarawak's Digital Economy initiative, as well as his appointment on the board of Petroleum Sarawak Berhad or PETROS, having served in key positions in the energy industry.

Congratulations to Yang Berbahagia Dato Sri Fong Joo Chung for being conferred Panglima Negara Bintang Sarawak (PNBS), which carries the title 'Dato Sri', for his invaluable contributions to the State.

**On behalf of the Board of Sarawak Energy**

I would like to express my gratitude to all our stakeholders, our shareholders, partners and customers for their support and for giving us the confidence to continue to serve you better.

I also extend my sincerest appreciation to the Chief Minister of Sarawak, Yang Amat Berhormat Datuk Patinggi Abang Haji Abdul Rahman Zohari bin Tun Abang Haji Openg, for steadfastly continuing to steer Sarawak on the course set by his predecessor, the late Pehin Sri Datuk Patinggi Haji Adenan Satem. His wisdom, leadership and clarity of vision will ensure Sarawak's future progression and success.



Datuk Amar Abdul Hamed Sepawi

Chairman

How We Performed

Group CEO's Statement



We are confident that these enhancements to our existing strengths will give all our stakeholders greater clarity on how we wish to conduct ourselves and provide increased momentum for our success in the coming year.



Datu Sharbini Suhaili

Group Chief Executive Officer



This year is my first full year as Group Chief Executive Officer of Sarawak Energy. It is a privilege and a great honour to be given the opportunity to lead and serve this progressive company. I look back on 2017 with a great sense of pride in our achievements and accomplishments as a Sarawak Energy team - growing as an organisation, expanding our asset base, focusing on achieving excellence in our new Key Focus Areas of Health, Safety and Environment; Operations; Project Delivery and Talent Management underpinned by a Progressive Corporate Culture.

SARAWAK ENERGY RECORDED REVENUE OF

RM4.905 billion

compared to **RM4.154 billion** in the previous year, representing **18%** year-on-year growth.

PROFIT BEFORE TAX INCREASED TO

RM1.833 billion

from **RM752 million** in the previous year

In advancing the sustainable energy agenda in Sarawak, we are working closely with the Ministry of Utilities to ensure that every household in Sarawak has access to 24-hour electricity, no matter how remote the location, through conventional means or our innovative Sarawak Alternative Rural Electrification Scheme or SARES.

How We Performed

Group CEO's Statement



 *At the Group
Executive
Committee (GEC)
Retreat*

STRATEGIC ROADMAP

In 2017, I introduced the Strategic Roadmap towards Sarawak Energy Excellence 2020. These were based on the following key principles:

- Keeping everybody safe
- Delivering our growth agenda
- Strengthening our organisation financially and operationally, and focusing on execution excellence
- Enhancing our people's capability and competency
- Making this company a great place to work

The 5 Key Focus Areas were put in place with the aim to put Sarawak Energy on par with top-quartile utilities and multinationals in terms of operational and business performance as well as to sustain value and continuous growth.

HSE is the top priority to ensure that everybody who works for and with Sarawak Energy will go home safely everyday. The Sarawak Energy Life-Saving Rules (LSRs) were rolled out to drive excellence in safety performance, with new lines of communication opened to share information with staff and for staff to report issues directly to higher Management.

For talent development and management, we have put in place the Sarawak Energy Talent Council and structured leadership and staff development programmes; we now have an employee survey to enable us to learn from our employees' feedback and we launched the Sarawak Energy Hall of Fame

to introduce a culture of reward and recognition for stellar performances. We are also committed to advancing women into managerial positions and to this end, we launched the Sarawak Energy Leading Women Network (SELWN) initiative.

The first phase of the Sarawak Energy People System went live at the end of the year and marks another step in our digitalisation journey as employee information went completely online.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2017, Sarawak Energy recorded a revenue of RM4.905 billion, compared to RM4.154 billion in the previous year, representing 18% year-on-year growth.

The strong revenue growth was underpinned by the increase in electricity demand from both organic and bulk power customers. While the remaining bulk customers ramped up their operations during the year, others continued to take up power as committed with further improvement in commodity prices during the financial year.

Sarawak Energy's acquisition of the entire equity interest in Sarawak Hidro Sdn. Bhd., which owns the Bakun Hydroelectric Plant (HEP), had a positive impact on our operational costs.

Notwithstanding the one-off extraordinary gain from the Sarawak Hidro acquisition, profit before tax (PBT) increased to above RM1 billion for the first time in the history of our Company, rising from

the RM752 million recorded in the previous year to RM1.833 billion, a reflection of our adherence to a path of sustainable and continuous growth. Our profit net of tax soared to RM1.495 billion, versus RM546 million in 2016. This stellar performance was the result of the growth in revenue, retained profits within the Group subsequent to the Sarawak Hidro acquisition as well as the increased efficiency and control in capital and operating expenditures through sustainable cost optimisation initiatives such as fleet utilisation and travel expenditure management. Pursuant to the Sarawak Hidro acquisition, our total assets rose to more than RM34 billion.

The Company did not distribute dividends during the year as our cash has been earmarked for identified future capital expenditure.

Looking ahead, we will preserve the value created and continue our growth agenda through continuous improvements and cost optimisation activities in line with Sarawak Energy's Excellence 2020 Key Focus Areas and increased investments in information technology to lift productivity and operating efficiencies.

The ownership of the Bakun HEP enables us to fully consolidate the entire power generating capacity in Sarawak, allowing access to more opportunities and future developments to meet the state's SCORE agenda as well as our aspirations for regional expansion.

SARAWAK HIDRO ACQUISITION

The year will be remembered for our acquisition of Sarawak Hidro from the Ministry of Finance through a RM2.5 billion share sale agreement, which enables us to assume control of Sarawak Hidro, the owner and operator of the 2,400MW Bakun HEP.

Funded through a mix of internally generated funds and external financing, the acquisition was awarded the Best Domestic Merger and Acquisition Deal in Southeast Asia for 2017 at the 11th Annual Alpha Southeast Asia Deal & Solution Awards 2017 ("11th ASA Awards").



BORROWINGS OF SARAWAK HIDRO

RM6.54 billion

comprising RM5.54 billion **Sukuk Murabahah Programme** and **RM1 billion Government-Guaranteed Sukuk Ijarah Programme**

SARAWAK ENERGY SUCCESSFULLY RAISED

RM1 billion in 2017

through private placement to meet our capital expenditure requirements

TOTAL OUTSTANDING BORROWINGS OF
SARAWAK ENERGY GROUP

RM19.9 billion

as at 31 December 2017

How We Performed

Group CEO's Statement

FINANCING ACTIVITIES

We assumed the borrowings of Sarawak Hidro, namely its RM5.54 billion Sukuk Murabahah Programme and its RM1 billion Government-Guaranteed Sukuk Ijarah Programme. RAM reaffirmed the AAA rating with a stable outlook for the Sarawak Hidro Sukuk Murabahah Programme, premised on the Malaysian Government's continued commitment to top up any shortfall in cash flow throughout the programme to help maintain the rating.

RAM Ratings also reaffirmed the AA1 rating with a stable outlook for Sarawak Energy's Sukuk Musyarakah Programme.

We have also successfully raised RM1 billion through private placement to meet our capital expenditure requirements via the sixth issuance from our Sarawak Energy Sukuk Musyarakah Programme for which we were presented with the Borrower/Issuer Award Plaques at the 11th ASA Awards. The issuance consisted of one tranche carrying a tenure of 15 years.

As at 31 December 2017, the total outstanding borrowings of the Sarawak Energy Group were approximately RM19.9 billion.

PROJECT DELIVERY

With the acquisition of Bakun HEP, we now have greater flexibility to optimise the electricity supply system in Sarawak and power sustainable growth and prosperity in the state.

In August, Sarawak Energy achieved a major project milestone with the award of the main civil works contract for the Baleh Hydroelectric Plant (HEP) to China Gezhouba Group Company Ltd and Untang Jaya Sdn. Bhd. Joint Venture. The contract includes the design, construction, intake structure, spillway and penstocks for the dam.



Commissioning of 500kV Samalaju-Mapai Transmission Line in June.

The Baleh HEP is expected to be fully commissioned in 2026 and will add an additional 1,285MW of renewable energy required to power Sarawak's vision of becoming a developed state by 2030.

The construction of the dam will also provide local employment opportunities with some 3,500 workers expected to be at the project site at peak activity levels. We are implementing a range of social investment programmes focusing on education, capacity building and skills development to ensure that the resident population can take full advantage of employment opportunities opened up by the hydropower development in the area.

Our key state infrastructure project – the RM2.7 billion 500kV transmission line – will act as a second transmission backbone to the current 275kV transmission grid for better reliability of our power system. The line will relay power from the major generation plants in the north of Sarawak to customers in the state's more

densely populated southern region. This saw major progress with commissioning and energising of two critical packages – the Similajau to Mapai line in June and the Mapai to Entinggan line in August.

As we continue to drive the Sarawak Corridor of Renewable Energy (SCORE) agenda, central to the state's economic progress, we also signed power purchase agreements of over 350MW with new clients.

In planning and executing our projects, we remain firmly committed to maximising the positive impact and mitigating the negative impact on the natural environment and the lives of the communities affected by our projects. Our corporate social responsibility programmes are designed to uplift the lives of the people living in the vicinity of our projects and ensure that we leave a positive and lasting legacy by our presence and with our projects.

Group CEO's Statement

OPERATIONAL PERFORMANCE

In our effort to improve the reliability of supply in our distribution network, we brought down our distribution System Average Interruption Duration Index or SAIDI to 110 minutes, representing an improvement of 12% over SAIDI of 125 minutes recorded in 2016. We have set ourselves a target distribution SAIDI of 60 minutes by 2020.

We continued to address the issue of power theft and made significant progress in reducing non-technical losses.

We aspire to be a digital utility before 2025, and as part of this have introduced technologies to enhance customer service level. We have put in place mobile field force automation (MFFA) system to monitor and track the response time of technical field crews in attending to customer complaints regarding outage and faulty street light. We achieved an average customer satisfaction rating of 90% from customer feedback on actual reported cases and we are pleased to report that our customer satisfaction index rose to 80.57% in 2017 compared to 77.42% in 2016.

SECURING UPSTREAM RESOURCES

Sarawak Energy continues to secure our upstream resource supply by developing coal resources in Balingian for our modern, low-emission coal-fired power plant scheduled for commissioning in phases over 2018 and 2019.

The coal mines in the Balingian area will be able to supply the Balingian Coal-Fired Power Plant for 25 years. Coal resource development at Balingian is also set to spur infrastructure growth like access roads and other basic amenities within the area.

OUR CUSTOMER
SATISFACTION INDEX

80.57%

compared to 77.42% in 2016

Efficient work management

Real-time status and
data update

Reduced paperwork

NEW ORGANISATION STRUCTURE AND
SENIOR LEADERSHIP APPOINTMENTS

We further strengthened and sharpened our organisational structure to enhance effectiveness by providing greater clarity of roles and accountabilities and more focused delivery. Ultimately, the organisational changes are expected to enhance and facilitate the delivery of our five Key Focus Areas.



IN CLOSING

Throughout the year, I had the opportunity to go out and meet Sarawak Energy staff at all levels across Sarawak, through various events and organised engagements session to talk about our strategic roadmap and key focus areas. These also present opportunities to have conversations around winning behaviours that embody our core values of Courage, Unity, Respect, Integrity and Accountability for a high performance culture. As we move forward, I look forward to leading an organisation that is truly proactive on HSE; value and bottom-line driven with strong cost discipline; keeping our delivery promises; demonstrates urgency with speed and precision and conducts business with the highest level of integrity.

Sarawak Energy has a very bright future, based on our inherent strengths and the opportunities in front of us. We are moving in the right direction with a clear vision supported by solid strategies and plan that everyone in the organisation can work towards. On top of that, we have a team of loyal and talented individuals with a keen desire to work and bring Sarawak Energy to the next level. I am excited to be a part of this journey and what we can do together to bring sustainable growth and prosperity to the State and the people of Sarawak.



Datu Sharbini Suhaili

Group CEO

How We Performed

Management Discussion & Analysis

As part of our roadmap to prepare Sarawak Energy towards becoming a digital utility, we look forward to introducing a suite of enterprise modernisation and process improvement initiatives, as well as a new ICT organisation next year.

People are our greatest asset. As we continue to focus on people development as part of our Talent Management Excellence Key Focus Area, we now have a structured framework in place. We aim to have all our executive staff complete their Individual Development Plans (IDP) by 2018 to further facilitate their career progression and personal development.

Sarawak Energy's brand and visual identity have grown in recognisability, driven by a strong association with the state's development and progress, and a positive corporate reputation.

On Project Delivery Excellence, this year, we have identified strengths and areas for improvement and are charting a path towards top quartile delivery. Wayleave issues, such as for our Balingian-Selangau Transmission Line Project, remain a challenge which is being addressed through a more robust stakeholder identification and engagement process. We will require strong commitment and cooperation from within the organisation, together with key partner agencies, to move this forward.

On Operational Excellence, we are leveraging on technology and digitalisation. To provide convenience to our customers, our payment kiosks were introduced this year, and we are also looking into e-application. This year, we had our first ever Technology Day, bringing together people who use technology with people who provide technology. Through this day, we raised awareness on how Sarawak Energy uses technology in our day-to-day operations, and what we can achieve on the digital front in charting our future. We also emphasised the importance of technology and how it can be an enabler to achieve our vision – important enough to merit its own day.

As part of our roadmap to prepare Sarawak Energy towards becoming a digital utility, we look forward to introducing a suite of enterprise modernisation and process improvement initiatives, as well as a new ICT organisation next year, recognising three key factors:

- The increasing importance of the role of ICT as an enabler to our business;
- The need to strengthen our organisational set-up to enhance our capability to harness and leverage ICT; and
- The need to further equip ourselves to enable us to contribute meaningfully (in our leading role) in building our ICT infrastructure in support of the Sarawak Government's digital economy initiatives.

We are also exploring new opportunities on electric vehicles and alternative renewable green energy for the future.

Leveraging our position as a provider of electricity from mainly renewable resources, we are the first in Sarawak to include electric vehicles as part of our official corporate fleet. Since electricity in Sarawak is largely renewable and affordable, it is logical to electrify the transportation sector in order to reduce further the carbon footprint in the state.



Our Technology Day showcased various new technology applications to support our operations and projects



Electric scooters incorporated in our corporate fleet in 2017 to support patrolling and metering functions

Management Discussion & Analysis

Sarawak Energy is entrusted by the State to spearhead hydrogen and fuel cell application research. We look forward to working on a project that is ahead of the development curve, with the belief that we must always look ahead and explore new ways of doing things or risk being left behind. This also provides an additional opportunity to capitalise on our position as sustainable energy developers.

In accelerating rural electrification together with the Ministry of Utilities, we remain dedicated to our role to provide greater electricity access for the people in Sarawak, through solar and mini hydro. Sarawak Energy is implementing the Sarawak Alternative Rural Electrification Scheme (SARES) project, a five-year initiative. As of this year, we completed the SARES project for 51 villages benefitting 1,238 households. This is a significant improvement from 2016 when we completed the project for 6 villages of 98 households. We aim to light up more villages and household in remote rural Sarawak and achieve full electrification by 2025.

Safety is our top priority and shared responsibility. This year, we have 8 Lost Time Injury (LTI) incidents, and we will continue to raise the bar on safety through the further embedding of our Life-Saving Rules. Together, we can make sure that 'Everybody Goes Home Safely'.

Underpinned by a High Performance Culture, we are committed to making Sarawak Energy a Great Place to Work.



Payment kiosk first launched in 2017 to reduce queue time and provide convenience to customers



Yang Amat Berhormat Chief Minister of Sarawak launching the SARES project at one of the longhouses

How We Performed

Developing Our People, Sharpening Our Leadership, Reward and Recognition

DEVELOPING OUR PEOPLE

People are Sarawak Energy's most important asset and key to the future. Powered by 5,000 multi-disciplinary Sarawakian talents, the Company puts great emphasis on people development through the Sarawak Energy Excellence 2020 Roadmap and Key Focus Areas including Talent Management Excellence and High Performance Culture. These two focus areas aim to develop competencies, sharpen leadership and grow employees' future in a structured way to enable the fruition of the Company's aspirations.

TALENT MANAGEMENT EXCELLENCE

To deliver sustainable business growth for the organisation, Sarawak Energy is focused on achieving excellence in talent management. The overall aim of Sarawak Energy's Talent Management Excellence initiative is to identify and attract the right talent, develop them effectively, deploy them into roles that maximise their potential and retain them to meet current and future business needs. In this respect, Human Resources has developed and implemented a structured talent management end-to-end process covering acquisition or recruitment, development and deployment (ADD).

ACQUISITION

Sarawak Energy is implementing a new way of recruitment including internal resourcing with planned departure windows.

SCHOLARSHIPS AND RECRUITMENT

Ninety-nine scholarships were awarded in 2017 as part of Sarawak Energy's ongoing social investment in education and efforts to expand Sarawak's pool of competent young talents who will become potential recruits to fulfil future manpower needs. Of these, 85 are bright young Sarawakians who have been accepted to further their studies in various

TALENT MANAGEMENT EXCELLENCE FRAMEWORK (ADD)



higher learning institutions while the rest are employees who are continuing their education. Since its introduction in 2014, some 314 students have benefited from the scholarship programme. Intern placement and Campus Ambassador activities are some of Sarawak Energy's other initiatives to spot, attract and recruit the best young talents.

COLLABORATION WITH EDUCATIONAL INSTITUTIONS

To further staff development and improve the skills of the local communities, Sarawak Energy collaborates with educational institutions in a range of training initiatives. In December, Sarawak Energy signed a Memorandum of Understanding (MoU) with Universiti Malaysia Sarawak to partner in the areas of feasibility studies and consultancy works, research and development activities as well as industry knowledge transfers. The MoU also includes staff exchange, internship placement and student ambassador activities.

LEADERSHIP DEVELOPMENT

This year, Sarawak Energy is putting in place a leadership development framework to focus on the development gaps and needs for each category of leaders and staff.

Sarawak Energy has a suite of leadership and technical development programmes to share knowledge and expertise.

SARAWAK ENERGY TALENT COUNCIL

The Sarawak Energy Talent Council was introduced to ensure that the Company has a robust succession planning framework in place. Its role is to identify talents within Sarawak Energy as either current or future candidates who can contribute to the Company's success. Those candidates will be given training to equip them with the skills required to take on leadership and technical roles in critical positions within the Company. The Council also identifies talent gaps within the Company and takes the necessary measures to close those gaps. The Talent Council was commissioned in November 2017.

Developing Our People, Sharpening Our Leadership, Reward and Recognition



This badge demonstrates the Company's commitment to drive High Performance Culture initiatives in making Sarawak Energy a Great Place to Work



The SELWN logo design concept is of nine ladies holding hands for unity and empowerment, with a central magenta figure. This symbolises the ideal that for every nine women, there will be a leader amongst them.



Your opinion matters



Have you completed yours?



A score of more than 80% for the inaugural SEES

INDIVIDUAL DEVELOPMENT PLAN

Each employee is guided by an official individual development plan (IDP) that must be agreed with their supervisor. The IDP is a platform to assess performance, career plan and learning and development needs to match what the employee wants to do within the Company. The IDP is intended to generate open and honest discussions between staff and their supervisors and enable employees to reach their full potential.

HIGH PERFORMANCE CULTURE

For Sarawak Energy, a high performance culture means continuously embedding and improving on the Company's core values and developing highly competent people, processes and systems to take Sarawak Energy to the next level of operational excellence and assure the Company of its sustainability.

WORK CULTURE

Sarawak Energy recognises that the diversity and inclusiveness of its workforce is necessary. A working environment that values people irrespective of gender, background and experience reflects the customer base, improves decision making, strengthens teamwork and encourages honest discussion, constructive feedback and innovation. Sarawak Energy maintains a strong mix of seasoned professionals and a large population of young, educated people who can challenge the traditional way of doing things. Sarawak Energy also encourages collaboration between the various parts of the organisation to provide a working climate where people work as one team and move in the same direction. Staff are expected to support each other and move Sarawak Energy forward to be a top quartile energy company.

SARAWAK ENERGY LEADING WOMEN NETWORK (SELWN)

In November, Sarawak Energy launched the Sarawak Energy Leading Women Network (SELWN) initiative, a platform focused on women empowerment and leadership development through networking, sharing sessions and forums. The objectives of forming SELWN is in line with the UN Sustainability Development Goal No.5 on Gender Equality and Women Empowerment. This initiative is also in line with the National 30 per cent targets on women ratio in employment, various leadership positions and board appointments. Women make up around 21% of Sarawak Energy's total workforce and of that figure around 8% are in leadership positions.

SARAWAK ENERGY EMPLOYEE SURVEY

The Sarawak Energy Employee Survey promotes strong employee engagement to enable the Company to understand the expectations, aspirations and opinions of its staff regarding work and career development and the expected level of compensation and to obtain feedback on the Company's organisational practices, processes and support systems and management. It is intended to become Sarawak Energy's primary measure of employee engagement and positive experiences. For 2017, employees gave Sarawak Energy a score of more than 80% for the inaugural Sarawak Energy Employee Survey. The results of the survey allow the Company to identify gaps and make improvements where possible.

How We Performed

Developing Our People, Sharpening Our Leadership, Reward and Recognition

SARAWAK ENERGY PEOPLE SYSTEM

The Sarawak Energy People System (SEPS) initiative is designed to empower all members of the Company to operate more efficiently and effectively by bringing employee information completely online. The one-stop centre is a repository for employee information and helps individuals and managers appraise performance and address development gaps in a structured way. The first phase of the initiative was launched in December.

LEADERSHIP DEVELOPMENT FRAMEWORK

This year, Sarawak Energy is putting in place a leadership development framework to focus on the development gaps and needs for each category of leaders. The organisation's talent have been identified and their leadership development have been accelerated. For 2018 and beyond, Sarawak Energy looks forward to a strong talent and leadership pipeline at all levels. The organisation is progressing the

development of strategies for leadership development for implementation in 2018 including:

- Tailor-designed programmes;
- Programmes readily available in the market; as well as
- Hybrid programmes – readily available but customised to suit the company's needs.

SARAWAK ENERGY LEADERSHIP LECTURE SERIES

The Sarawak Energy Leadership Lecture Series is a programme designed for Sarawak Energy employees to develop their knowledge on leadership. Sponsored by the Group CEO, the lecture series covers three broad areas of leadership, namely managing self, managing others and managing business, delivered by external speakers who are recognised as experts in their own areas, as well as internal speakers comprising senior leaders, subject matter experts and young talents.



LAUNCH OF SARAWAK ENERGY HALL OF FAME

To recognise super performers who are enabling Sarawak Energy's Key Focus Areas by demonstrating high performance behaviour and a winning mindset, the Company launched the Sarawak Energy Hall of Fame in 2017. The GCEO Award allows individuals, teams or whole departments to be nominated if they have facilitated excellence in delivery of the Key Focus Areas. The best of the GCEO award winners will win the Chairman's Award.

LOYALTY SERVICE AWARDS

In November, the Sarawak Energy Loyalty Awards took place in Kuching, Sibu and Miri. Three hundred and eighty two long-serving staff who had reached milestone years of 10, 20, 25, 30, 35 and 40 years of service with the Company were honoured. Collectively, the recipients represented a combined total of 10,000 years of service.



Launch of Zero Tolerance to Fraud Campaign during the Townhall.



Dr Mak Met, SVP Human Resources, at the launch of Sarawak Energy People System

How We Performed

Health, Safety and the Environment

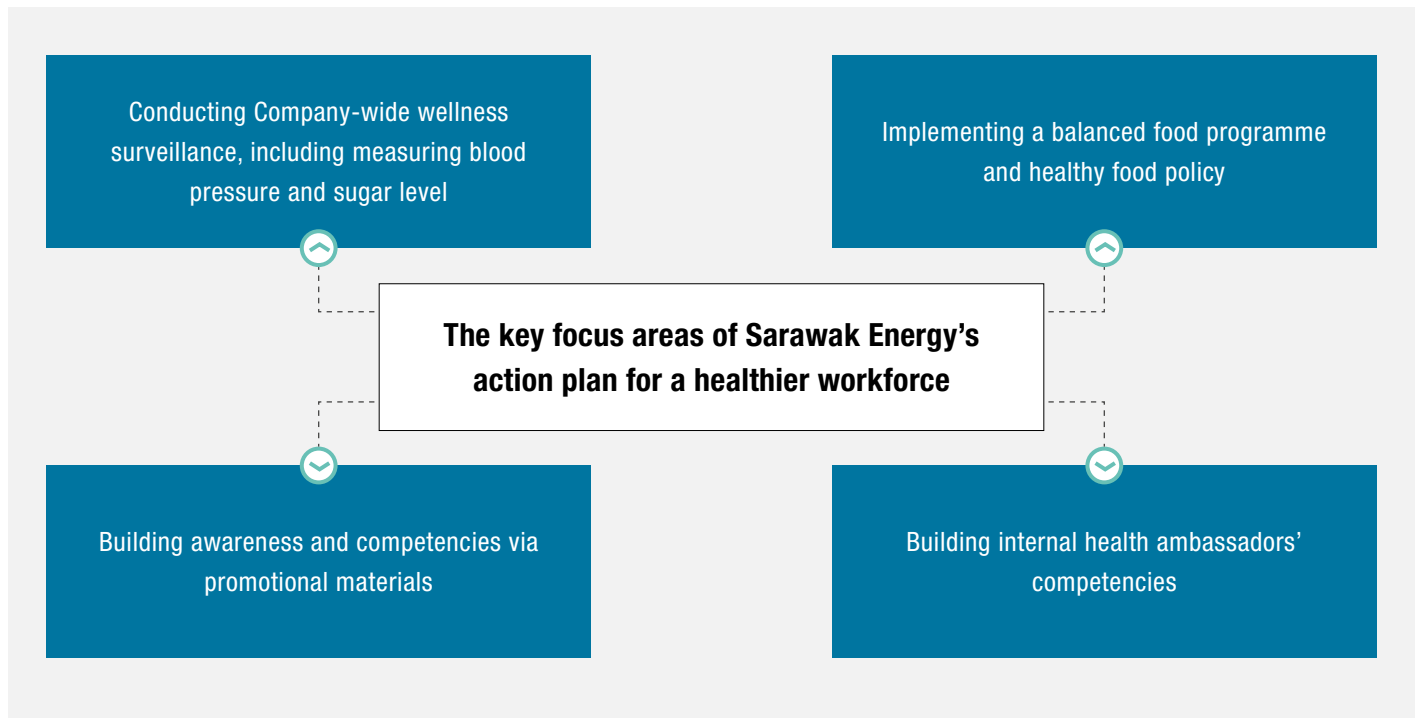
Raising Standards, Nurturing Culture, Saving Lives



Excellence in the field of Health, Safety and the Environment (HSE) remains crucial to Sarawak Energy's sustainability. For a healthier workforce, by 2020, Sarawak Energy aims to report that 95% of its employees have a Body Mass Index of less than 30; that the Company has Zero Lost Time Injury and Zero Fatality and complies 100% with regulatory environment laws.

HEALTH

Sarawak Energy has a range of initiatives in place to help staff achieve a healthy work-life balance. Good health brings a wealth of benefits to both the individuals and the Company, including a happier workforce; improved productivity; reduced absenteeism, medical and prescription costs; increased life and job satisfaction; greater independence; lower accident rates due to fatigue; lower overtime and replacement costs; reduced customer inconvenience and lower employee turnover.



The Health, Safety, Security and Environment department partnering with Sarawak Energy Sports and Recreation Club organise various sports and recreational events such as corporate wellness programmes and outdoor activities to promote active lifestyle among staff. Various sports carnivals, tournaments and runs were organised for employees of Sarawak Energy.



Sports and health events organised to promote a healthy lifestyle among staff

How We Performed

Health, Safety and the Environment

Raising Standards, Nurturing Culture, Saving Lives

SAFETY

Sarawak Energy's safety culture is built on the four pillars of strong leadership commitment; a comprehensive system and structure on occupational safety; competent personnel in critical positions in the organisation and a proactive attitude and culture towards safety. All staff and contractors are expected to adhere to Sarawak Energy's safety requirements as the Company works to achieve zero work-related injuries and fatalities. To ensure the highest level of safety standards in the workplace, Sarawak Energy collaborates with a range of external partners including the National Institute of Occupational Safety and Health (NIOSH), the Department of Environment, Natural Resources and Environment Board (NREB), Sarawak Forestry Corporation (SFC), Department of Occupational Safety and Health (DOSH) and National Anti-Drug Agency (NADA).

Health and Safety Slogan

Excellence in health and safety remains firmly at the top of Sarawak Energy's agenda with the mantra **'Everybody Goes Home Safely'**. The slogan is embedded in Sarawak Energy's email signature as a constant reminder to all stakeholders.

Life-Saving Rules

In May, Sarawak Energy launched a set of mandatory rules in pursuit of zero work-related fatalities and serious injuries. The rules govern work practices across all businesses and locations and cover all staff and contractors. It is estimated that there could be a peak of around 3,500 workers of many different nationalities working at just the Baleh project site. The Life-Saving Rules act as an easy-to-follow visual set of rules to ensure that everyone understands Sarawak Energy's safety requirements and that 'Everybody Goes Home Safely' at the end of the day.

SARAWAK ENERGY LIFE-SAVING RULES

GENERAL SAFETY



Do not smoke outside designated area



No alcohol or drugs while working or driving



Wear your seat belt, do not use your handphone and do not exceed speed limits while driving

SITE & FIELD SAFETY



Work with approved valid permit to work



Verify and re-verify Energy Isolation (LOTO Process) before any work involving hazardous energy



Obtain authorisation before disabling or overriding safety critical equipment including switching and modification



Obtain authorisation before entering a confined space



Wear and care for appropriate Personal Protective Equipment



Protect yourself against a fall when working at height



Do not walk or work under a suspended load



Do not work near or under electric overhead lines if safe clearance is doubtful



Safety Mascot

BOLT

Sarawak Energy HSE Week launch revealing the Safety Mascot BOLT

Be aware

Open your mind

Look at your surroundings

Take care of yourself and your co-workers



How We Performed

Health, Safety and the Environment

Raising Standards, Nurturing Culture, Saving Lives



Safety Passport Programme

Sarawak Energy has a memorandum of understanding with the NIOSH to implement a Safety Passport Programme to promote work safety amongst Sarawak Energy's contractors. It is part of a suite of programmes to build up the safety culture of Sarawak Energy's contractors and complements existing corporate policies, procedures and processes.

Drug Free Work Environment

Sarawak Energy takes a leadership role in eliminating the illegal use of drugs. This year, the Company introduced random tests for drug use. Any employee found to be using illegal drugs faces dismissal. This also applies to contractors and third party associates.

Diploma in Occupational Safety & Health

Sarawak Energy is supporting about 20 young people to pursue a 28-month Diploma in Occupational Safety & Health at a training institute in Miri. The programme enables participants to earn a locally and internationally recognised qualification and become registered safety health officers with the DOSH. The programme is designed to prepare the local community for employment and economic opportunities created by the Baleh HEP.

Contractor Transformation Programme

Sarawak Energy's Contractor Transformation Programme was introduced in February as part of ongoing efforts to promote contractors' self-regulation as well as to recognise their contribution on HSE. This initiative is in line with the National OSH Master Plan 2015-2020, as well as the Guided Self-Regulation (GSR) which encourages government-linked companies (GLC) to lead their contractors towards HSE self-regulation.



NIOSH Chairman and safety icon Yang Berbahagia Tan Sri Lee Lam Thye addressing the Baleh safety contractors at the safety talk

Safety Talk for Kapit-Baleh Contractors

In April, Sarawak Energy and the NIOSH organised a safety talk at the Dewan Suarrah in Kapit for contractors involved in the construction of the Kapit-Baleh road and the early phases of the Baleh HEP. At peak, Baleh HEP may employ 3,500 skilled workers. To prepare for the project, Sarawak Energy, in collaboration with the State Government, is organising a safety training programme for about 500 youths from Kapit. So far, 60 participants have completed the training.

How We Performed

Health, Safety and the Environment

Raising Standards, Nurturing Culture, Saving Lives

ENVIRONMENT

By 2020, Sarawak Energy aims to report 100% compliance with regulatory environment laws. The success of this endeavour will enable Sarawak Energy to improve its environmental performance; enhance its corporate image to the public, government and investors; and avoid penalties such as those for scheduled waste management offences, no competent person and oil spillage.



**To achieve this goal,
Sarawak Energy's action
plan consists of:**

- Implementation of guided self-regulation
- Involving top Management in HSE walkabouts, meetings and internal environment groups
- Taking full control of the overall environmental process, including environmental requirements during the planning, design, tender and execution of projects
- Organising awareness and refresher programmes on environmental aspects
- Initiatives to reduce the competency gap by sending staff for proper environmental competency training
- Implementing and extending ISO 14000 throughout the organisation

ENVIRONMENTAL AWARENESS EVENTS**Tree (Rhu Laut) Planting**

In conjunction with World Wetlands Day, Sarawak Energy organised tree planting activities with the school children, youth and villagers at Kampung Masjid at Kuala Baram, Miri.

**Greening the Isthmus**

Sarawak Energy supported the Sarawak Badan Amal Tenaga Isteri-Isteri (SABATI) in the urban greenery programme to beautify the Isthmus. Dewan Bandaraya Kuching Utara (DBKU) partnered the association in the initiative. A team of 30 from Sarawak Energy joined SABATI and DBKU to plant seedlings along the 3.7km Jalan Keruing stretch heading towards the Borneo Convention Centre Kuching from Menara Sarawak Energy.

Household Waste E-Waste Take Back Programme

The 2017 campaign featured talks on the environment by representatives from the Department of Environment and the NREB Sarawak, a Household Waste E-Waste Take Back Programme, an Environmental and Public Awareness Programme for school students and a Green Photography competition.

Enviro Ride

In October, Sarawak Energy and the State Department of Environment jointly held the Enviro Ride cycling event in conjunction with the State-level National Environment Day 2017. Themed 'Alam Sekitar Tanggungjawab Bersama', the event attracted around 300 cyclists who covered a distance of 30km around the city area. The event promotes cycling as an alternative, environment-friendly mode of transportation and enhances cooperation between the government and the corporate sector in the area of environmental conservation.

How We Performed

Exploring Potential Opportunities



Sarawak Energy is entrusted by the State to spearhead hydrogen and fuel cell research as announced at a press conference



Electric vehicles as part of Sarawak Energy's corporate fleet



With Wiebe Wakker of the Plug Me-In Project in efforts to raise awareness on electric vehicles

HYDROGEN FUEL CELL RESEARCH

As Sarawak pursues sustainable development to achieve a high income status by 2030, technological innovation will play a major role in realising this vision. The Sarawak Government formed a Research Council to oversee various sectors, including technology. A primary area of focus will be in energy-related areas such as alternative energy potential, electric vehicles and hydrogen fuel-cell research. Sarawak Energy has been chosen to spearhead the feasibility study on hydrogen and fuel-cell applications in the state. Sarawak hopes that hydrogen could become the primary fuel of choice for areas such as the transportation sector, enabling the state to reduce its reliance on fossil fuel and lower its carbon footprint. This will contribute to Malaysia's commitment towards reducing its carbon emission intensity by 45% by 2030.

E-MOBILITY – ELECTRIC VEHICLES

In an initiative aimed at reducing its carbon footprint, Sarawak Energy introduced electric vehicles (EV) to its fleet in 2014 consisting of four Nissan Leaf EVs and 10 Eclimo electric scooters. The Company's EV Volunteer Pilot Programme assigned EVs to employees for daily use to give them the opportunity to operate and understand the advancement in EV technologies. The initiative also promoted awareness of the importance of environmental conservation and encouraged employees to look into environment-friendly modes of transportation.

Since their introduction in March 2017, the electric scooters have been assigned to several outstations, including the Sejingkat and Mukah power stations and the Bintulu regional office for use in security and technical patrolling activities.

PLUG ME-IN PROJECT

To increase awareness and usage of green vehicles, in December Sarawak Energy partnered with Wiebe Wakker from the Plug Me-In project to showcase sustainable mobility through EVs. Wakker drove his EV from the Netherlands to Australia, stopping in Sarawak before making his onward journey. Wakker described his experience at a sharing session with Sarawak Energy's EV Team.

The pilot projects illustrate the advantages that EVs have over conventional vehicles in terms of their operational and fuel costs and environmental impact. A research study predicts that from 2018 Sarawak's transport sector will emit more carbon than the power generation sector and the widespread use of EVs would therefore make a huge contribution to improving the state's overall level of air cleanliness.



Corporate Sustainability and Reputation

- 43 Sustainability
- 44 Corporate Social Responsibility Initiatives
- 49 Lighting Up Communities
- 51 In Recognition of Our Efforts
- 53 Growing Our Presence
- 54 Initiatives, Events and Highlights

Sustainability in Sarawak Energy

Managing our business to minimise any negative impact of our operations and maximise the positive impact of what we do for our community.

Sustainability

Sustainability is about meeting the needs of the present and future generations as well as balancing the need for development with environmental protection. It has a key role in Sarawak Energy's business operations, encompassing environmental, economic, and social dimensions under the overall framework of sustainable development.

Sarawak Energy's vision is to sustain and grow its business while reducing its environmental footprint and increasing its positive social impact via innovation. The Company strives to integrate a robust sustainability agenda into the heart of its corporate strategy, in line with the belief that appropriate management of sustainability issues is critical in realising its vision.

Our approach to sustainability is founded on a firm conviction that we should preserve and enhance the environment in which we operate, as well as the lifestyle and living standard of the communities we serve. In June 2016, we became a member of the Global Reporting Initiative (GRI) Gold Community, a group of leading international organisations that help shape the future of sustainability. Our inclusion will help us benchmark our sustainability practices and benefit from knowledge sharing and collaboration.



SOCIAL AND ENVIRONMENTAL IMPACT ASSESSMENTS

All of Sarawak Energy's major projects are subject to a Social and Environmental Impact Assessment (SEIA). A SEIA is a formal, comprehensive study designed to properly understand and mitigate the impact of our projects.

SUSTAINABLE HYDROPOWER DEVELOPMENT AND OPERATION

The Hydropower Sustainability Assessment Protocol (HSAP) is a globally recognised framework for assessing hydropower projects against a comprehensive range of social, environmental, technical and economic considerations. The protocol was developed by representatives from governments, commercial and development banks, social and environmental NGOs, and the hydropower sector.

We have adopted the HSAP, and in 2014 established an internal HSAP governing structure to intensify our efforts to incorporate sustainability into our hydropower development and operation processes. This is essential to ensuring our hydropower development and operations support our sustainability agenda.



ECONOMIC

Catalysing Economic Sustainability



ENVIRONMENT

Improving Our Environment Footprint



SOCIAL

Transitioning Social Outcomes

Corporate Social Responsibility Initiatives



SUPPORT FOR THE PENAN COMMUNITY

Sarawak Energy focuses on uplifting the lives of the communities affected by the construction of our projects. Sarawak Energy supports education, housing, healthcare and the supply of basic amenities to the communities and has also helped members of the Penan community obtain MyKads and birth certificates. Sarawak Energy is committed to sustainability and social investment efforts that protect the interests of communities directly affected by its projects. Developing long-term comprehensive plans to address the needs of affected communities is central to Sarawak Energy's corporate social responsibility.

This year, 21 Penan youth were trained on various skills such as welding, information technology and hair and make up at the Centre of Technical Excellence in Kuching.



Group Chief Executive Officer Datu Sharbini Suhaili presents Sarawak Energy's contribution to the Bakun Charitable Trust received by its chairman Tan Sri Datuk Amar Dr James Jemut Masing who is also Sarawak Deputy Chief Minister

Penan Education Fund

In recognition of the importance of education and literacy in advancing the economic and social development of the Penan community, Sarawak Energy contributed RM200,000 to the Bakun Charitable Trust Fund, a revolving fund introduced in 2015 which aims to help students from the Murum resettlement and the Penan students in Belaga achieve academic excellence. The Belaga Penan Education Fund is managed by a special committee under this Trust and in 2017, a total of 314 students received incentives for their outstanding academic performance.

In 2017, Sarawak widened its investment to a new fund dedicated to support the education needs of youth in Batang Ai. The fund aims to enhance the quality of primary and secondary learning in the area and motivate students to obtain tertiary education qualifications for better employability. The beneficiary communities come from 48 longhouses from the resettled, host and upstream communities of Batang Ai.

Corporate Sustainability and Reputation
Corporate Social Responsibility Initiatives



CULTURE & HERITAGE



Rainforest World Music Festival

To further promote Sarawak's cultural heritage, the Murum Penan and the Kenyahs of Telang Usan showcased their skills at the iconic Rainforest World Music Festival 2017. Sarawak Energy is a Gold sponsor of the event. A group of Murum Penan artisans presented their weaving and beading skills and sape masters and apprentices of the 'Warisan Sape Telang Usan' (Telang Usan Sape Heritage) programme, which was launched in 2016, serenaded festival goers.

Bungan Sacred Ritual

The annual blessing ceremony of the Batu Tungun rock formation took place in November at a permanent site specially built for the ceremony by Sarawak Energy in partnership with the local community.



Photo highlights of Sarawak Energy's participation at the Rainforest World Music Festival

Corporate Social Responsibility Initiatives



EDUCATION & YOUNG PEOPLE

Educational Support for Schools in Baleh

As part of Sarawak Energy's continued commitment to lift the standard of education amongst Sarawak's rural communities, Sarawak Energy organised a three-day camp programme to help students from Baleh improve their studying and examination techniques. The "Jalinan Mesra Peribumi" programme was organised in partnership with Institute Pendidikan Guru (IPG) Sarawak Campus and Pejabat Pendidikan Daerah (PPD) Kapit and kick-starts a new three-year programme which runs from 2017 to 2020 and builds on the Education Enhancement Programme which was carried out in 2015 and 2016 in the area. Around 200 students, teachers and parents of SMK Baleh and four primary schools – SK Temenggong Koh, SK Sempili, SK Entuloh and SK Lepong Gaat – took part in the programme.

MyKasih Foundation Charity Fund

Sarawak Energy contributed RM100,000 to a charity fund to support the holistic development of children living in rural Sarawak. The fund was channelled to the MyKasih Foundation and raised through the Charity Golf for Rural Kids Education event at the Samarahan Country Club.

Cataract Operation for Community in Baleh and Kapit

A total of 86 eye patients from Baleh and Kapit had undergone cataract operation under an initiative in collaboration with Klinik Katarak 1Malaysia, supported by Sarawak General Hospital and Kapit Hospital. Three patients had both their eyes operated while 17 other patients had pterygium operation



In support of the healthy development and education of children living in rural Sarawak, Sarawak Energy contributes to the MyKasih Foundation

to restore their eyesight. Sarawak Energy contributed lenses, medical consumables and logistical support for the programme.

Literacy for Social Inclusion Programme

Sarawak Energy also supports the Literacy for Social Inclusion Programme in Murum, in partnership with the Dyslexia Association of Sarawak.

Baleh Youth Training

Sarawak Energy is providing the Baleh youth with skills training to prepare them for employment opportunities generated by construction of the dam. Collaborating with local institutions, Sarawak Energy hopes to train 500 youth to obtain certification in various technical skills including welding, scaffolding, handling heavy vehicles and machinery, rigging and slinging, metal blasting and safety, as well as courses on electrical, mechanical, administration, human resources and entrepreneurship. So far, 146 youth have been trained. At its peak, some

3,500 workers are expected to be employed at the project site.

The Baleh Women Entrepreneurship Programme was organised as part of Sarawak Energy's overall strategy to ensure maximum local content and benefit by building capacity, developing skills and enhancing business knowhow for the resident population. Thirty women with an entrepreneurial mindset were part of the workshop where participants were given insight into how they could take part in business activities and of the available support to start their businesses.

Sporting Programmes

To advance sports, Sarawak Energy supported a range of events throughout the year, including the Kejohanan Bola Sepak Luar Bandar Bahagian Bintulu in collaboration with Bintulu Football Association and LEA Sports Centre, and the Sarawak Cup for football.

Corporate Sustainability and Reputation
Corporate Social Responsibility Initiatives



COMMUNITY DEVELOPMENT AND ENTREPRENEURSHIP



A new range of designs of the Murum Penan handicrafts featuring contemporary patterns showcased to an audience of invited guests and media

Murum Penan Handicrafts

Sarawak Energy is committed to preserving and promoting the cultural heritage of the communities it serves and helping them find commercial avenues for their skills. In 2016, Sarawak Energy teamed up with Universiti Malaysia Sarawak in a handicraft development project to improve the quality of the craft products. This partnership kick-started a series of training workshops for the artisans in Murum's Tegulang Resettlement Area and also included collaborations with the Sarawak branch of the Malaysian Handicraft Development Corporation and the Sarawak Craft Council. In December, Sarawak Energy showcased new handicraft designs and accessories from the Murum Penan at Menara Sarawak Energy.

Corporate Social Responsibility Initiatives



ENVIRONMENTAL MANAGEMENT AND CONSERVATION

**Sarawak Energy Batang Ai Mountain Bike Jamboree**

This year is the second edition of the Sarawak Energy Batang Ai Mountain Bike Jamboree. The event gave cyclists a first-hand experience and view of the natural regeneration of flora and fauna around the lakeside of Batang Ai dam. The event is part of Sarawak Energy's initiatives to regenerate the Batang Ai area by promoting ecotourism opportunities to benefit the communities at lakeside areas of hydropower plants.



Sarawak Energy Batang Ai Mountain Bike Jamboree drew more than 200 mountain bike enthusiasts to the rugged and lush natural beauty surrounding the Batang Ai Hydroelectric Plant.



MoU Signing with Sarawak Forestry on lighting up Sarawak's turtle sanctuaries

Lighting up Tanjung Datu National Park and Talang Satang National Park

Sarawak Energy has entered into an agreement with Sarawak Forestry Corporation to work in partnership to enhance the turtle conservation programme and promote ecotourism at the turtle landing sites, Tanjung Datu National Park, Pulau Talang-Talang Besar and Pulau Talang-Talang Kechil. Sarawak Energy will provide the sanctuaries with green renewable energy via a solar centralised system.

Lighting Up Communities



By 2025, Sarawak aims to reach 100% electrification. Given that around 45% of 2.6 million Sarawakians live in rural areas dispersed sparsely across the state's mountainous interior, this is a challenging endeavour.

LIGHTING UP RURAL SARAWAK

In 2009, the share of the rural population with access to electricity stood at 56%. Today, the coverage has reached 90%. To achieve full electrification, a further 30,000 rural households require access to 24-hour electricity.

STRATEGISING FOR FULL RURAL ELECTRIFICATION COVERAGE

The strategy to electrify the remaining rural households was formulated in 2015 under the Rural Electrification Master Plan. The plan aims to accelerate rural electrification through a variety of programmes with Government funding. These include the Rural Electrification Scheme, or RES, which extends distribution lines from the existing grid and aims to connect around 5,000 rural households, and the Rural Power Supply Scheme, or RPSS, which builds new high voltage transmission lines and substations for rural grid extensions under RES. For the most remote villages, renewable alternative stand-alone systems such as solar or mini hydro under the Alternative Hybrid Rural Electrification Project (Hybrid) and Sarawak Alternative Rural Electrification Scheme (SARES) initiatives are being implemented.



SARAWAK ALTERNATIVE RURAL ELECTRIFICATION SCHEME

SARES is an innovative Government-community partnership model and aims to provide 24-hour electricity supply to remote communities where it is not feasible for connection to the State Grid. The scheme mobilises Government machinery and agencies to help villagers build, own and operate more sustainable and affordable electricity generating systems. Around 300 isolated villages comprising 8,700 households, have been identified for this community-based scheme using micro-hydro and solar systems. About 1,400 households have been electrified so far.

Lighting Up Communities



Long Urun Solar Hybrid Power Station

Since December 2016, a total of 57 villages in Ulu Skrang, Sebauh, Katibas, Bukit Mabong, Nanga Medamit and Ulu Pelagus have been electrified. Another 32 villages in Tatau, Sg Pila, Katibas, Sg Gaat, Marudi and Limbang, were lighted up in 2017 with another 27 villages in Marudi, Telang Usan, Sg Oyan and Julau to be lighted up by July 2018.

SARES caters for basic rural household electricity needs with lighting, fans, a television, freezer and cooker and alleviates the burden on villagers by eliminating dependency on costly diesel generators with only limited hours of supply.

STANDALONE SOLAR HYBRID POWER STATIONS

There are currently 24 solar hybrid power stations in operation throughout the interior of Sarawak, including four recently commissioned in 2017, benefiting 870 households in Marudi, Tatau and Belaga. Another 15 stations in various stages of implementation are expected to be commissioned within the next two to three years.

Sarawak Energy, through the Rural Off-Grid Operation Division has been appointed by the Government to undertake the operation and maintenance of these solar hybrid stations.

LONG URUN SOLAR HYBRID POWER STATION

Under this programme, a remote community in Belaga now enjoys 24-hour supply of affordable and renewable electricity through the completion and commissioning

of the 689-kilowatt Long Urun Solar Hybrid Power System. Built at a cost of RM53 million, the federally-funded project began in 2015 under Sarawak Energy's supervision and was commissioned in October 2017. The system currently powers over 245 households in 12 villages: Long Sivau, Long Liten, Long Apok, Uma Pawa, Uma Badeng, Long Dulit, Long Ketuet, Long Balau, Rumah Pera, Long Data Sengelang, Long Tengah 1 and Long Tengah 2.

THE WAY FORWARD #LIGHTINGUPCOMMUNITIES

Sarawak Energy's Research and Development team is focused on accelerating the rate of electrification in the state by looking into various innovations, ideas and technologies.

To prevent unnecessary interruption from vegetation and animal contact, Sarawak Energy is replacing normal bare overhead line conductors with PVC covered overhead line conductors. This also reduces the right of way required for the erection of line towers. Feasibility studies are being conducted on utilising Station Service Voltage Transformers to electrify villages near existing Extra High Voltage (EHV) infrastructure.



In Recognition of Our Efforts

In recognition of Sarawak Energy's commitment and focus on maintaining the highest standards of health, safety and environmental excellence, the Company was the recipient of the following prestigious awards in 2017:



7th Sarawak CMEA Award Winner (Platinum) Sejingkat Power Plant 2015/2016

Chief Minister's Environmental Award

In March, two of Sarawak Energy's coal-fired power plants won the Sarawak Chief Minister's Environmental Award 2015/2016 in recognition of Sarawak Energy's commitment to ensuring minimal environmental impact of their operations.

Sejingkat Power Sdn. Bhd. won the Platinum Award for the second time while Mukah Power Generation Sdn. Bhd. received its second Gold Award in the Large Industries category under electricity supply services. The award ceremony was organised by the Natural Resources and Environment Board Sarawak and the Sarawak Chamber of Commerce and Industry.



Annual CSR Summit

At the 9th Annual Global CSR Summit and Awards held in Langkawi, Sarawak Energy received Gold in the 'Best Community Programme' category for its community initiatives in Batang Ai. Sarawak Energy's programmes include supporting the Batang Ai communities' education needs, culture and heritage preservation, development projects and the regeneration of social and economic opportunities. Special mention was given to Sarawak Energy's CSR Solar Project at Batang Ai; river clearing initiatives; and the Batang Ai Mountain Bike Jamboree recreational event.



Sarawak Chief Minister's Award 2017

Sarawak Energy was awarded the State Secretary Trophy for the Gold Category of the Chief Minister's Awards 2017, emerging as the overall winner in recognition of its first-rate performance in overall leadership; finance; customer management; human resources and ICT.

Limbang Power Station Safety and Health Award

In August, Sarawak Energy's Limbang Power Station was awarded the Gold Class II under the Utilities Sector category of the 35th Occupational Safety and Health Awards by the Malaysian Society for Occupational Safety and Health in recognition of its commendable management and practices.

Corporate Sustainability and Reputation In Recognition of Our Efforts

Asia Responsible Entrepreneurship Awards

In recognition of Sarawak Energy's social investment initiatives to improve the opportunities for the people affected by the Company's projects, Sarawak Energy won the Social Empowerment Award at the Asia Responsible Entrepreneurship Awards (AREA) held in conjunction with the International CSR Summit Bangkok. The award was given for Sarawak Energy's flagship corporate social responsibility programme 'Sarawak Energy's CSR Journey for the Penan Community in Murum'. The programme is a combined effort between Sarawak Energy and the resettled communities to form a long-term sustainable partnership to uplift the standard of living of the communities affected by the construction of the Murum Hydroelectric Plant.



International Hydropower Association

In August, Sarawak Energy Group Chief Executive Officer, Datu Sharbini Suhaili, was elected to the Board of the International Hydropower Association (IHA) in recognition of Sarawak Energy's contribution to sustainable hydropower development at global level. The participation of Sarawak Energy on the Board of IHA enables the Company to continue to develop strong relationships and direct contact with major hydropower players across the globe.

Australasian Reporting Awards

At the Australasian Reporting Awards (ARA) in Melbourne, Sarawak Energy's Annual Report 2015 received Bronze. The prestigious ARA provide organisations that produce annual reports the opportunity to benchmark their reports against world best practices. The awards have been organised for more than 60 years and are administered by Australasian Reporting Awards Limited, an independent non-profit organisation run by volunteer professionals from the business, government and non-profit sectors. The awards are supported by various professional bodies concerned with the quality of financial and business reporting and the event is sponsored by the Certified Practising Accountant (CPA) Australia. The award is Sarawak Energy's first international recognition for its annual report.

Green Building Index Silver Rating

Sarawak Energy's headquarters, Menara Sarawak Energy, retained its Green Building Index (GBI) silver rating. Menara Sarawak Energy was the first building in East Malaysia to be accredited the GBI under the Non-Residential New Construction category in 2013. The GBI certification is valid for three years. The rating tool used in the assessment evaluates sustainable aspects of the building encompassing six criteria, namely energy efficiency, indoor environment quality, sustainable site planning and management, materials and resources, water efficiency and innovation.



Growing Our Presence



Sarawak delegation at the World Hydropower Congress 2017 in Addis Ababa

World Hydropower Congress

A 21-member delegation from Sarawak Energy attended the biennial World Hydropower Congress in Addis Ababa, Ethiopia. Themed 'Better Hydro in an Interconnected World', the three-day event assembled more than 600 participants from 60 countries. During the congress, Jenny Choo, a biologist from Sarawak Energy, shared her research findings of the greenhouse gas (GHG) footprint of Sarawak Energy's HEP reservoirs in Batang Ai and Murum via G-res tool, an online tool that enables users to estimate the GHG footprint of reservoirs including hydropower reservoirs.

Asia Power Week

Sarawak Energy participated at the Asia Power Week in Bangkok, Thailand sharing our renewable energy story with international and regional delegates at the forum that brought together industry professionals.



United Nations General Assembly Week

Sarawak Energy participated in the 72nd United Nations (UN) General Assembly Week and the UN Private Sector Forum in New York in October, an event that focuses on accelerating business action and partnerships to achieve the UN Sustainable Development Goals (SDGs). The participation demonstrated Sarawak Energy's commitment to pursuing the SDGs and embedding sustainability principles at all levels of its operations.

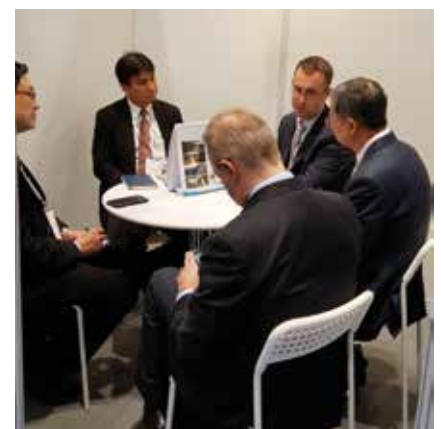


13th World Islamic Economic Forum

Sarawak Energy was one of the local partners at the 13th World Islamic Economic Forum held in Kuching. The event was organised by the World Islamic Economic Forum Foundation and hosted by the State and Federal Government. Sarawak Energy showcased the transformation of Sarawak focusing on renewable and affordable hydropower.

Mines and Money

Sarawak Energy participated at the Mines and Money 2017 in Hong Kong as part of initiatives to explore investment opportunities and to promote Sarawak as the natural home for energy intensive industries.



Initiatives, Events and Highlights

STAKEHOLDER ENGAGEMENT



Sarawak Energy APP-reciation Day held to increase awareness of 'SEB cares' mobile application and e-services for customers



Courtesy Call on Yang Amat Berhormat Chief Minister of Sarawak in February

EMPLOYEE ENGAGEMENT



Sarawak Energy Leadership Conference

Corporate Sustainability and Reputation
Initiatives, Events and Highlights

EMPLOYEE ENGAGEMENT

*High Performance Culture 'Teh Tarik' sessions with Group Executive Committee (GEC) members**Group CEO Datu Sharbini Suhaili's first 'Turun Padang' session at Batang Ai HEP since joining Sarawak Energy**Generation Summit in May attended by 200 delegates from SEB Power*

Corporate Sustainability and Reputation
Initiatives, Events and Highlights

DIVERSITY AND INCLUSIVENESS



Lion dance performance in the spirit of Chinese New Year



Celebrating a good harvest with Yang Berhormat Minister of Utilities and wife at the annual Gawai dinner



Majlis Ramah Tamah Aidilfitri with Yang Amat Berhormat Chief Minister of Sarawak and wife, as well as State dignitaries



Christmas carolling at Menara Sarawak Energy

SPORTS AND RECREATION



Football – one of the games during Sarawak Energy's Corporate Games



Sarawak Energy's annual HSE Wellness Bowling Tournament in May



The opening ceremony of Sarawak Energy's Corporate Games in July





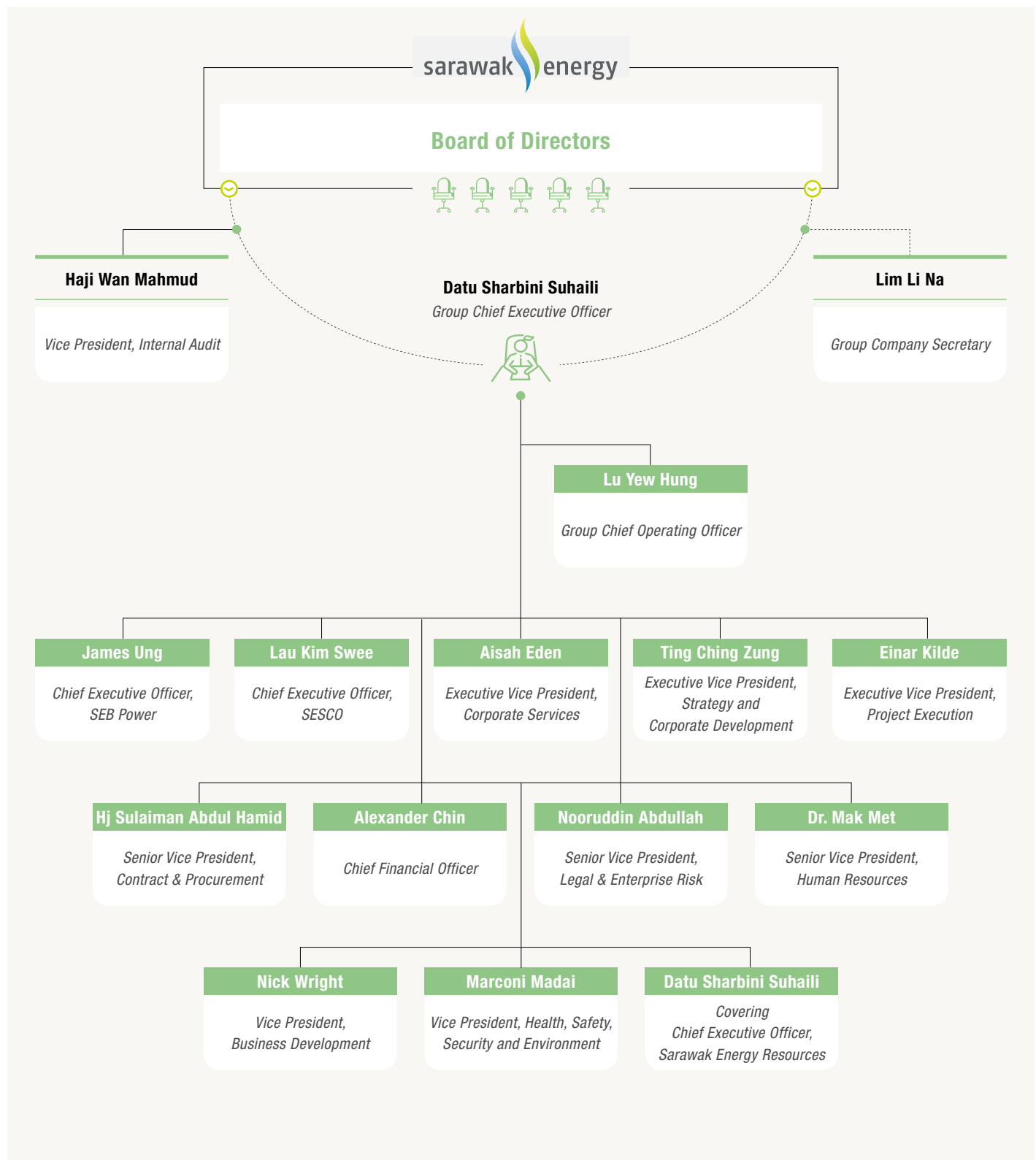
How We are Governed

- 59 Group Organisation Structure
- 60 Board of Directors Profiles
- 62 Our Management Team
- 66 Statement on Corporate Governance
- 70 Statement of Risk Management and Internal Control
- 72 Board Audit Committee Report

Sarawak Energy upholds a corporate culture which incorporates accountability, responsibility and integrity at all levels. This ensures that Sarawak Energy's reputation as a company that key stakeholders can trust to do business with, and wish to be associated with, continues to grow. A system of stringent internal control applies to Sarawak Energy and all its subsidiaries. Its Board consists of highly-respected individuals with a wealth of experience across many industries and a deep understanding of the value of excellent governance and management.

How We are Governed

Group Organisation Structure

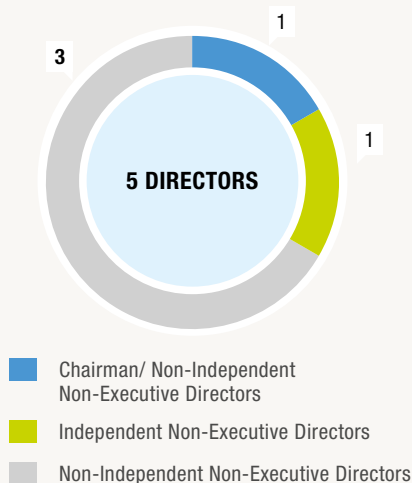


How We are Governed

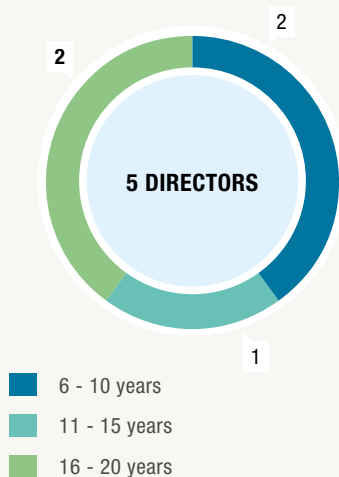
Board of Directors Profiles

MEET THE FACES BEHIND SARAWAK ENERGY

BOARD COMPOSITION



TENURE



KEY FEATURES OF THE BOARD

- The Board comprises a majority of Non-Independent Directors
- The Chairman is a Non-Independent Non-Executive Director
- The role of the Chairman and the Group Chief Executive Officer are distinct



Tenure

YBhg Datuk Amar
Abdul Hamed Sepawi

MALAYSIAN

68

Chairman of Sarawak Energy /
Non-Independent Non-Executive Director

YBhg Datuk Amar Abdul Hamed Sepawi joined the Board of Sarawak Energy and was appointed Chairman of the Company on 27 June 2005. He is a Non-Independent Non-Executive Director and has attended five out of six Board meetings held in 2017.

Datuk Amar Abdul Hamed graduated with a Bachelor of Science degree from University of Malaya in 1971 and pursued his undergraduate studies in Forestry at the Australian National University from 1974 to 1975. He also holds a Masters degree in Forest Products Utilisation from Oregon State University, USA. He was conferred the Panglima Gemilang Bintang Kenyalang in 1999. He received the Sarawak Entrepreneur of the Year 2004.

Datuk Amar Abdul Hamed also serves as Chairman of Syarikat SESCO Berhad and Naim Holdings Berhad, Executive Chairman of Ta Ann Holdings Berhad, Director of Sarawak Plantation Berhad and Smartag Solutions Berhad, and sits on the boards of several other private limited companies.

Tenure

YB Tan Sri Datuk Amar
Haji Mohamad Morshidi
bin Haji Abdul Ghani

MALAYSIAN

61

Non-Independent
Non-Executive Director

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani joined the Board of Sarawak Energy on 26 May 2010. He is a Non-Independent Non-Executive Director and attended all Board meetings held in 2017.

Tan Sri Datuk Amar Haji Mohamad Morshidi graduated with a Bachelor of Economics from Universiti Kebangsaan Malaysia and has a Master of Science in Human Resource Administration from the University of Scranton, Pennsylvania, USA. He was a Management Executive with PETRONAS from 1980 to 1988, and Director of Kuching North City Hall from 1989 to 1998. He held a number of senior positions in the Chief Minister's Department before being appointed Permanent Secretary in the Ministry of Social Development and Urbanisation in 2001. He was Director of the State Planning Unit in the Chief Minister's Department prior to his appointment as the Deputy State Secretary of Sarawak in 2006 and later, the State Secretary of Sarawak in August 2009, a position he still holds.

Tan Sri Datuk Amar Haji Mohamad Morshidi sits on the board of Syarikat SESCO Berhad and several other private limited companies.

Board of Directors Profiles



Tenure

YBhg Tan Sri Dato Sri
Mohd Hassan Bin Marican

MALAYSIAN

65

*Independent
Non-Executive Director*

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican joined the Board of Sarawak Energy on 9 June 2010. He is an Independent Non-Executive Director and has attended four out of the six Board meetings held in 2017.

Tan Sri Dato Sri Mohd Hassan is a Fellow of The Institute of Chartered Accountants in England and Wales (ICAEW), and a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). He began his professional career in 1972 at Touche Ross & Co., London, and subsequently became a Partner at Hanafiah Raslan & Mohamad/Touche Ross & Co. in 1981. He was appointed PETRONAS Senior Vice President of Finance in February 1989, its President and Chief Executive Officer from February 1995 to February 2010, and the Acting Chairman from July 2004 to February 2010.

Tan Sri Dato Sri Mohd Hassan also serves as a board member on several other private limited companies.



Tenure

YBhg Dato Sri
Fong Joo Chung

MALAYSIAN

68

*Non-Independent
Non-Executive Director*

YBhg Dato Sri Fong Joo Chung joined the Board of Sarawak Energy on 31 January 1996. He is a Non-Independent Non-Executive Director and has attended all Board meetings held in 2017.

Dato Sri Fong received his LLB (Hons) from the University of Bristol, U.K., in June 1971. He was subsequently called to the Bar at Lincoln's Inn, London, in November of the same year. In 1972, he began his professional career at Reddi & Co. Advocates in Kuching. He was appointed the State Attorney-General, Sarawak in August 1992. He officially retired on 31 December 2007, but was retained by the Sarawak Government as the State Legal Counsel. He also served as Councillor with the Kuching Municipal Council and Council of Kuching City South. He is a founding member and past President of the Advocates' Association of Sarawak. Dato Fong was conferred the award of Panglima Jasa Negara (PJN) by the Yang di-Pertuan Agong, Malaysia in 1999 and Panglima Gemilang Bintang Kenyalang (PGBK) by the Yang di-Pertua Negeri, Sarawak in 1994.

He was conferred the Panglima Negara Bintang Sarawak (PNBS) in 2017.

Dato Sri Fong sits on the boards of several other subsidiaries of the Sarawak Energy Group besides holding directorships in Bintulu Port Holdings Berhad and Sarawak Cable Berhad.



Tenure

YB Dato'
Haji Idris Bin Haji Buang

MALAYSIAN

63

*Non-Independent
Non-Executive Director*

YB Dato' Haji Idris Bin Haji Buang joined the Board of Sarawak Energy on 24 June 2000. He is a Non-Independent Non-Executive Director and has attended five out of the six Board meetings held in 2017.

YB Dato' Haji Idris graduated with LLB (Hons) from the University of Buckingham, and was subsequently called to the Bar and qualified as a Barrister at Lincoln's Inn, London, U.K.. He is the proprietor of Idris-Buang & Associates (since 1985), a legal firm located in Kuching, Sarawak. He was formerly the Chief Political Secretary to YAB Chief Minister of Sarawak, a position he held from August 2000 to August 2006. He was appointed Senator of the Dewan Negara on 28 November 2005, and was reappointed to another three-year term on 29 November 2008.

He was elected as State Legislative Assemblyman in 2016.

YB Dato' Haji Idris also sits on the boards of several other subsidiaries of the Sarawak Energy Group besides holding directorships in Amanah Saham Sarawak Berhad and Hock Seng Lee Berhad as well as other private limited companies.

How We are Governed

Our Management Team

Datu Sharbini Suhaili

Group Chief Executive Officer



On 1 November 2016, Datu Sharbini Suhaili assumed the role of Sarawak Energy Group Chief Executive Officer, following Datuk Torstein Dale Sjøtveit's return to his native Norway.

Datu Sharbini has more than 30 years of experience in the oil and gas industry working with Shell and PETRONAS where he was previously Group Vice President for Health, Safety, Security and Environment (HSSE). Datu Sharbini began his career with Royal Dutch Shell in 1986 as a pipeline engineer and held various positions within the company in Malaysia and overseas, including senior roles in commercial, planning, strategy and business development. He was general manager of Shell Malaysia's Sabah

upstream operations and headed their non-operated joint ventures before joining PETRONAS in 2010 as Vice President of International Production for their upstream arm. In his previous role as Vice President of Upstream International, he was responsible for the growth of the petroleum company's international business before taking over the HSSE role.

Datu Sharbini holds a degree in Engineering (Hons) from the University of Leeds in the U.K. and a Master of Business Administration (MBA) from Henley Management College in the U.K..

Born in Sarawak, Datu Sharbini is 54 and is married with one son.

MALAYSIAN

Lu Yew Hung

Group Chief Operating Officer



Lu Yew Hung is the Group Chief Operating Officer of Sarawak Energy, a position he was appointed to in 2013. In his current role, Lu is responsible for establishing the vision and strategy to lead the Group's operational units in the execution of critical and transformative operational strategic initiatives, including asset management, infrastructure upgrades, and technology improvements while maintaining engineering and operational excellence.

Starting as an electrical engineer, in 1980 he joined Sarawak Electricity Supply Corporation (SESCO), now a wholly-owned subsidiary of Sarawak Energy Group.

Lu holds a Bachelor's degree in Electrical and Electronics Engineering from the University of Dundee in the U.K.. He was a Class 1 Switching Engineer up to 275kV before relinquishing his switching duties to assume leadership positions. Since 1988, he has been a professional engineer and also a Corporate Member of the Institution of Engineers, Malaysia (IEM). Since 1996, he has also served as a principal interviewer with the IEM.

MALAYSIAN

Lau Kim Swee

Chief Executive Officer, SESCO



Lau Kim Swee, formerly Senior Vice President, Distribution, is Chief Executive Officer of SESCO and is responsible for the reliability and security of the power system as well as oversight of end-user customer care. He reports to the Group CEO.

Lau has served with Sarawak Energy for almost 30 years in various roles. Prior to his last appointment as Senior Vice President, Distribution, he held the retail portfolio and was responsible for significant success in the Company's efforts to combat power theft, cutting losses from RM40 million to RM20 million a year and winning Sarawak Energy the first

prize in the 2012 Key Focus Award from the State Government. Lau also brought visible change to the Company's customer service approach, spearheading Sarawak Energy's 24-7 Customer Care Centre in 2013 and other customer-oriented initiatives.

Born and raised in Kuching, Lau holds a Bachelor's degree in Electrical and Computer Systems Engineering from Monash University in Melbourne, Australia.

MALAYSIAN

Our Management Team

James Ung

Chief Executive Officer, SEB Power

James Ung, formerly Senior Vice President, Thermal, is Chief Executive Officer of SEB Power and oversees Sarawak Energy's power generation business.

He joined Sarawak Electricity Supply Corporation (SESCO) in 1990, now a wholly owned subsidiary of Sarawak Energy Group, and has more than 25 years of experience in the power generation business and project management in power plant construction. He served as General Manager of Sejingkat Power Plant and led the Mukah Coal Power Plant project to its successful commissioning in December 2008.

James holds a Bachelor's degree in Mechanical Engineering from the University of South Alabama in the USA.

Currently, Mr Ung is the Chief Executive Officer of SEB Power Sdn Bhd, a wholly owned subsidiary of Sarawak Energy, responsible for all of the power generation business (Hydro, Coal, Gas & Diesel), with a combined installed generation capacity of more than 4,700 MW. Hydro power remains the dominant generation mix with a total installed capacity of about 3,500MW.

MALAYSIAN

Aisah Eden

Executive Vice President, Corporate Services

Aisah Eden, Executive Vice President, Corporate Services of Sarawak Energy has been part of Sarawak Energy's tremendous growth over the last three decades.

After completing her tertiary education and professional examination in Law in the U.K., Aisah joined Sarawak Electricity Supply Corporation (SESCO) in 1984, now a wholly owned subsidiary company of Sarawak Energy Group. Throughout her career, she has held various positions including Group Company Secretary, Group General Manager for Human Resource and Senior Vice President for Retail.

In her current role as EVP, Corporate Services, Aisah drives the Company's agenda on sustainability, particularly the social and environmental aspects. Conservation, education of the young, and improving the lives of the project-affected communities are matters close to her heart.

MALAYSIAN

Einar Kilde

Executive Vice President, Project Execution

Einar Kilde is the Executive Vice President of Project Execution, a position he was appointed to in September 2010. In his current position, he leads a multi-disciplinary team to ensure the delivery of Sarawak Energy's project portfolio in line with the Group's strategic objectives.

Einar started as a mechanical engineer in 1984 and has more than 30 years of international experience in Norway, the USA, Singapore and Malaysia. He has extensive experience in serving multinational companies in top management positions as Executive or Senior Vice President responsible for overseeing large project portfolios.

Einar's career has spanned various disciplines including project development and execution for mega projects in oil and gas, aluminium, polysilicon, solar, hydropower, thermal power and power transmission. He is also experienced in lean manufacturing production systems, particularly for solar and wafer.

NORWEGIAN

Our Management Team

Ting Ching Zung

*Executive Vice President,
Strategy and Corporate Development*



Ting Ching Zung is the Executive Vice President of Strategy and Corporate Development, a position he was appointed to in May 2015. In his current position, he leads the development strategies for sustainable business growth and heads the implementation of strategic plans to achieve the Group's overall goals.

Ting has extensive experience in major corporate restructuring and rationalisation exercises, financial planning and analysis, and profit-and-loss leadership. Before joining Sarawak Energy, he was the Chief Executive Officer of Trienekens (Sarawak) Sdn. Bhd., a waste management company which handles scheduled waste throughout East Malaysia and municipal waste in Sarawak's major cities. Prior

to that, he held various leadership positions in the finance and accountancy sector in the East Asia region.

Ting is a Chartered Accountant of Chartered Accountants Australia and New Zealand and holds a Bachelor's degree in Accountancy from the University of Otago, New Zealand.

MALAYSIAN

Alexander Chin

Chief Financial Officer



Appointed Chief Financial Officer in January 2014, Alexander Chin oversees Sarawak Energy's financial risk management, a portfolio which supports the development of the Group's financial and strategic plan as well as the use of financial metrics to drive the Group's performance. Alexander also holds responsibility for developing and monitoring the financial control systems designed to preserve the Group's assets and for ensuring that financial results are reported accurately, timely and in compliance with the relevant regulations.

Before joining Sarawak Energy, Alexander held a range of responsibilities with one of Malaysia's Big 4 assurance companies - in 2007 as a Partner in its

East Malaysia office, responsible for audit clients from the manufacturing, construction, banking, mining, telecommunications and palm oil industries, and from 2010 to 2014 as Partner-in-Charge of its Advisory and Risk Services. In this role, he led teams which carried out strategic planning and business performance improvement services as well as corporate governance reviews, risk management implementation and internal audits for clients from both the public and private sectors.

Alexander is a Fellow of the Association of Chartered Certified Accountants (U.K.) and a Member of the Malaysian Institute of Accountants and the Chartered Tax Institute of Malaysia.

MALAYSIAN

Tuan Haji Sulaiman Bin Haji Abdul Hamid

Senior Vice President, Contract & Procurement



Haji Sulaiman Bin Haji Abdul Hamid has 30 years of experience with Sarawak Energy, joining SESCO in 1988.

Haji Sulaiman has held the positions of Consumer Accountant, SESCO Regional Accountant (Western Region), Senior Accountant (Management Accounting), Manager Internal Audit, Manager Corporate Finance and Head of Finance.

He is also actively involved in social initiatives both within Sarawak Energy and externally, notably with the Sarawak Orphanage Association and as Chairman of the Sports Club.

Haji Sulaiman holds a Diploma in Accounting from Universiti Teknologi MARA, a Bachelor's in Accounting from Universiti Kebangsaan Malaysia and an Executive MBA from Ohio University in the USA. He is also a Certified Accountant of the Malaysian Institute of Accountants.

MALAYSIAN

Our Management Team

Nooruddin Abdullah*Senior Vice President, Legal & Enterprise Risk*

Nooruddin Abdullah joined Sarawak Energy as Senior Vice President, Legal & Enterprise Risk in October 2017. In this role, Nooruddin leads the functions of Legal, Land and Wayleave, Enterprise Risk, and Company Secretary, and is a member of the GEC.

With close to 30 years of experience in PETRONAS, he brings to Sarawak Energy strong legal and corporate advisory expertise and experience from the petroleum

industry, covering exploration and production, gas and petrochemicals, LNG and unconventional shale oil and gas. He has covered both Malaysian and international operations, including his most recent role as the Head of Upstream Legal for PETRONAS.

Nooruddin graduated from the University of Malaya in 1989 and built his career with PETRONAS from October 1989 to September 2017.

MALAYSIAN**Dr Mak Met***Senior Vice President, Human Resources*

Dr Mak Met joins Sarawak Energy from Shell Malaysia Exploration and Production where he headed Human Resources for Shell's upstream businesses in Malaysia. Dr. Mak has a background in mechanical engineering, and served in SESCO for five years before moving to Shell in the 1990s.

With over 30 years of experience and a Doctorate in Human Resources, he brings to Sarawak Energy a strong understanding of people and leadership

development, in-depth knowledge of the HR function, framework and processes of a company that serves as a global benchmark for talent development and a passion for building Sarawakian talent.

Dr Mak works with the Group Executive Committee and HR team to build and develop the talent pipeline, ensure the Company attracts and retains the best talents, and resource and develop people so that the organisation is ready to face Sarawak Energy's current and future challenges.

MALAYSIAN**Nick Wright***Vice President, Business Development*

Nick Wright joined Sarawak Energy in June 2010. As Vice President of Business Development, he led the negotiation of the Power Exchange Agreement with Indonesian national utility Perusahaan Listrik Negara (PLN) governing the interconnection between Sarawak and West Kalimantan, which commenced operation in early 2016.

He is also leading the negotiation of similar agreements for Sarawak to export power to Brunei and Sabah, and recently secured a deal with Malaysia's national oil

company PETRONAS to supply 250 million standard cubic feet a day of natural gas to Sarawak.

For the four years prior to joining Sarawak Energy, Nick was the Senior Advisor for Energy, Water and Mining to the Minister for Energy and Resources, Tasmania.

Nick holds a Master of Business Administration (MBA) from the Graduate School of Business, University of New England. He also has a Bachelor of Arts (with First Class Honours) in Government and Economic Policy, as well as a Bachelor of Laws, from the University of Tasmania.

AUSTRALIAN**Marconi Madai***Vice President, HSSE*

Marconi Madai is the Vice President of Health, Safety, Security and Environment, a position he was appointed to in September 2011. He leads a multi-disciplinary team to drive excellence in health, safety and environment in Sarawak Energy as well as ensure business continuity management in line with the Group's business objectives.

Marconi has extensive industry experience, having served in management positions in the chemical industry in Malaysia, where he developed standard

operating procedures, oversaw compliance to standards, managed business risks and drove initiatives on human resources and CSR.

Marconi graduated with a Bachelor of Science degree in Chemical Engineering from the University of Utah, Salt Lake City in the US in 1997.

MALAYSIAN

How We are Governed

Statement on Corporate Governance

The Board of Directors of Sarawak Energy Berhad ('Sarawak Energy') 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 and safeguarding the interests of the Shareholders.

The Board of Directors 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 areas of business, accounting, economics, legal as well as public administration, which is vital for the strategic direction of the Group. The profiles of the Directors are set out on pages 60 and 61 of the Annual 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 given and judgment made on issues and decisions are in the best interest of the Group and also take into consideration the interests of the Stakeholders.

The Board meets at least four (4) times a year, with additional meetings held as and when required. There were four (4) Board meetings and two (2) Special Board meetings held during the financial year ended 31 December 2017. A summary of the attendance of each Director at Board meetings in 2017 is as follows:

Datuk Amar Abdul Hamed bin Sepawi
Non-Independent
Non-Executive Chairman

Total Meetings Attended
5/6

83%

Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani
Non-Independent
Non-Executive Director

Total Meetings Attended
6/6

100%

Dato' Haji Idris bin Haji Buang
Non-Independent
Non-Executive Director

Total Meetings Attended
5/6

83%

Dato Sri Fong Joo Chung
Non-Independent
Non-Executive Director

Total Meetings Attended
6/6

100%

Tan Sri Dato Sri Mohd Hassan bin Marican
Independent
Non-Executive Director

Total Meetings Attended
4/6

67%

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 of the Directors are notified of the Board meetings within the stipulated time prior to the date of the meetings. The Directors are also provided with an agenda and a set of Board papers in ample time prior to each Board meeting to enable them to gain information and insights in order 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 Board meetings, to provide further information and to provide clarification on 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.

Statement on Corporate Governance

DIRECTORS' TRAINING

The Board of Directors attends various accredited programmes organised by various course leaders in the country to enhance their knowledge and skills to enable them to effectively carry out their role as Directors. The Company continuously arranges for Directors to attend such training 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 set out their authority and duties.



BOARD AUDIT COMMITTEE (BAC)

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

The BAC 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 BAC, including their attendance at the Committee meetings, is set out on pages 72 and 73 of this Annual Report.



GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE (GNRC)

The responsibilities of the GNRC are to identify potential candidates for Directorships to the Board and make recommendations on 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 and to determine, on behalf of the Board, specific remuneration packages and the terms and conditions of employment for the Group's employees.

The GNRC's further 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 staff misconduct to the Board for approval.

The composition of the GNRC members for the financial year ended 31 December 2017 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 four (4) meetings during the financial year ended 31 December 2017.

Statement on Corporate Governance



MANAGEMENT COMMITTEE

To assist the Board in the execution of its responsibilities, a Management Committee named Group Executive Committee (GEC) has been established to ensure that corporate-level policies are well developed before they are adopted, and to award tenders within the approving limits as prescribed by the prevailing terms of reference provided in the Procurement, Policies and Procedures (PPP) of the Company.

This Committee has written terms of reference which have been approved by the Board and sets out its authority and duties as follows:-

- a) Interpret, define and/or implement Corporate/Group policies and decisions.
- b) Formulate and/or approve the general management operating policies, procedures and guidelines.
- c) Decide and/or approve operational or matters requiring management decisions or approval by the GEC. In the event of uncertainties, the GCEO shall have the mandate to decide on the subject matters or issues to be referred to the GEC.
- d) Review and/or decide on proposals, plans, projects, budgets and policies prior to submission to the Board.
- e) Implement change in management leadership and continuous improvement programmes and initiatives for the Group.
- f) Endorse and/or review decisions made by the disciplinary committees appointed to conduct disciplinary inquiry into disciplinary cases involving support groups.
- g) Discuss and/or review progress reports on projects and decide on any issues requiring management input or decisions.
- h) Appoint consultants subject to the limits of the GEC as defined in the PPP.
- i) Engage in such other matters not mentioned above provided that the approval of the GCEO has been obtained to refer the matter to the GEC and that such matters are within the scope or general authority of the GEC to decide/approve.

GROUP EXECUTIVE COMMITTEE (GEC)

As at 31 December 2017, the GEC comprises the following members:-

- i. **Datu Sharbini Bin Suhaili**
Group Chief Executive Officer - Chairman
- ii. **Lu Yew Hung**
Group Chief Operating Officer
- iii. **Aisah Eden**
Executive Vice President, Corporate Services
- iv. **Lau Kim Swee**
Chief Executive Officer, SESCO
- v. **James Ung Sing Kwong**
Chief Executive Officer, SEB Power Sdn. Bhd.
- vi. **Einar Kilde**
Executive Vice President, Project Execution
- vii. **Ting Ching Zung**
Executive Vice President, Strategy & Corporate Development
- viii. **Alexander Chin**
Chief Financial Officer
- ix. **Tuan Haji Sulaiman bin Haji Abdul Hamid**
Senior Vice President, Contract & Procurement
- x. **Dr Mak Met**
Senior Vice President, Human Resources
- xi. **Nooruddin Bin Abdullah @ Liew Sze Hoon**
*Senior Vice President, Legal & Enterprise Risk
appointed with effect from 1st October 2017*
- xii. **Nick Wright**
Vice President, Business Development
- xiii. **Marconi Madai**
Vice President, Health, Safety, Security & Environment

There were eighteen (18) GEC meetings, two (2) extraordinary GEC meetings, one (1) special GEC meeting and one (1) GEC workshop held during the financial year ended 31 December 2017.

Statement on Corporate Governance

CONFIDENTIALITY OF INFORMATION

In conducting briefings or presentations, the Company takes due care to ensure that any information regarded as undisclosed material information about the Company and its operations will not be given to any single Shareholder or group of Shareholders.

ACCOUNTABILITY AND AUDIT**Financial Reporting**

The Directors are responsible for ensuring that the annual financial statements of the Company and 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 Report. The Board is assisted by the Board Audit Committee in overseeing the Group's financial reporting processes and the quality of its financial reporting.

Relationship with Auditors

The Board has, through the BAC, established a formal, transparent and appropriate relationship with the Group's Auditors, both External and Internal. The BAC 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 BAC briefs the Board on significant matters discussed and deliberated at each BAC meeting and makes recommendations for the Board's approval and endorsement as the case may be.

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 70 and 71 of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is fully accountable 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 so as to present a true and fair, balanced and understandable assessment of the Group's financial position and results. In this Annual Report, an assessment is provided in the Directors' Report of the Audited Financial Statements.

The BAC reviews the statutory compliance and scrutinises the financial aspects of the Audited Financial Statements prior to deliberation at Board level.

ADDITIONAL COMPLIANCE INFORMATION

- **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 2017.

- **Sanctions/Penalties**

There were no 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 2017.

- **Revaluation Policy on Landed Properties**

The Group did not adopt any revaluation policy on landed properties during the financial year ended 31 December 2017.

Statement of Risk Management and Internal Control



INTRODUCTION

The Board is committed to its responsibility of maintaining a sound system of internal control, covering financial and operating activities, to safeguard shareholders' investment, the Group's assets and customers' interests. This Statement of Risk Management and Internal Control outlines the processes that have been implemented to ensure the efficacy and integrity of the Group's system of internal control during the financial year.

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



BOARD RESPONSIBILITY

The Board has an overall responsibility for the Group's system of internal control to provide reasonable assurance of efficient operations, effective internal checks and compliance with laws and regulations. The on-going 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 controls is designed to manage rather than eliminate the risk of failure to achieve the Group's 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 Committee (BAC) to review the efficacy and integrity of the system of internal controls in the Group as part of the internal and risk management processes.

INTERNAL AUDIT FUNCTION

The BAC, assisted by the Group Internal Audit Department (GIAD), provides the Board with the assurance it requires on the efficacy and integrity of the system of internal controls. The BAC has an oversight function of all activities carried out by the GIAD.

The GIAD adopts a risk-based approach in preparing its audit strategy and annual plan. The GIAD independently reviews the risk exposures and control processes implemented by the Management and conducts assignments which 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 BAC and the internal audit reports are tabled at the BAC meetings for review and deliberation.

Further, the GIAD 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.

Statement of Risk Management and Internal Control

**ENTERPRISE RISK MANAGEMENT (ERM)**

The Board also 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 principal/key risks of the Group.

Thus, in addition to discharging its duties and responsibilities in maintaining a robust and sound system of internal controls, the Board has also formalised and implemented an Enterprise Risk Management (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 strategic risks and their trending.

The ERM framework ensures that significant risks are continuously identified and that instituted controls are efficaciously applied by the Management to determine risk exposure which is tolerable and acceptable to the Group consistent with the Group's risk appetite and risk management practices.

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

The Group had implemented the Fraud Risk Management Framework and is rolling out the implementation roadmap embedded within the existing ERM Framework, which comprises of fraud control policy and plan as well as fraud awareness training, reporting procedures and related programmes.

BUSINESS CONTINUITY MANAGEMENT (BCM)

The Board acknowledges the significance of instituting a Business Continuity Management (BCM) Framework which can be used by the Group as a holistic management process to identify potential threats/risks and their impacts to the business and operations of the Group. This BCM will provide a framework for the Group to build and enhance its 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 Business Continuity Management (BCM) Framework and is rolling out the implementation roadmap, and related programmes.

SYSTEM OF INTERNAL CONTROLS

The Board is responsible for managing the key business risks of the Group and implementing an appropriate internal control system to manage those risks.

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

- The Group's Organisational & Management Structure formally defines lines of responsibility and delegation of authority for all aspects of the Group's affairs which is aligned to the Group's 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.
- The Group has in place written policies and operating procedures, which are reviewed and updated as and when necessary to improve on the control environment and operating efficiency. New policies, procedures and guidelines are also introduced from time to time to meet the operational requirements.
- Senior Management prepares and presents the business plans and budgets on an annual and bi-annual basis and the business plans include budget, new project proposals and capital expenditures. Measurement of performance is regularly monitored through the CEO Report to the Board incorporating key project progress, financial and operational key performance indicators and departmental initiatives.
- The Board approves the annual budget and reviews key business variables and monitors the performance at its scheduled meetings.
- The BAC is responsible for reviewing the statutory annual financial statements and the Quarterly Group Management Reports and recommends to the Board for approval.
- The Management of the Group has established, documented and implemented the information security management system according to the ISO 27001 Information Security Management System (ISMS) Standard and shall continually improve and upgrade its effectiveness and efficiency based on changes which may affect the information security risk exposure.
- The Group has implemented the Procurement Policies & Procedures (PPP) which includes the establishment of the tender committees and the limits of authority of all these committees.

How We are Governed

Board Audit Committee Report

MEMBERSHIP AND MEETINGS

The Board Audit Committee (BAC) members are appointed by the Board from amongst its non-executive members. The BAC comprises of one independent non-executive director and two non-independent non-executive directors of the Board as set out in the table below.

The BAC Chairman YBhg 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 BAC convened three meetings. The attendance record of the members is as follows:

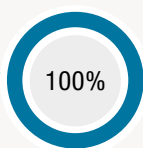


YBhg Tan Sri Dato Sri Mohd Hassan bin Marican

*Independent
Non-Executive Director*

Total Meetings Attended

3/3

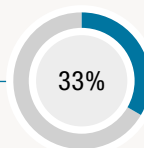


YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani

*Non-Independent
Non-Executive Director*

Total Meetings Attended

1/3

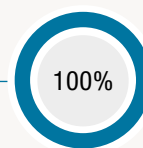


YB Dato' Haji Idris bin Haji Buang

*Non-Independent
Non-Executive Director*

Total Meetings Attended

3/3



The Vice President/Head of Internal Audit and the Group Company Secretary, being Secretary of the BAC, were present at all the meetings. Upon invitation, 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 whenever required.

SUMMARY OF ACTIVITIES OF THE BAC

During the financial year, the BAC carried out the following main activities as set out in its terms of reference:-

- Reviewed and recommended the Quarterly Group Management Reports and Audited Financial Statements of the Sarawak Energy Group to the Board for approval.
- Reviewed and endorsed the External Auditors Audit Plan, Scope of Work and Fees for Sarawak Energy Group and recommended the same for approval by the Board.

Board Audit Committee Report

- Reviewed and endorsed 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 the 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 regards to risk appetite and risk organisation.
- Reviewed and endorsed the BAC Reports, Statement on Risk Management & Internal Controls and Corporate Governance Statement for inclusion in Sarawak Energy Berhad Annual Reports.
- Reviewed and discussed Sarawak Energy Berhad Group Annual Revenue and Capital Budget & Year End Estimates and recommended the same for submission to the Board.
- Reviewed and endorsed the Report of Sarawak Energy Forex Hedging Committee on hedging activities transacted during the year.
- Reviewed and noted on the status updates on Sarawak Energy's insurance services 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 external auditors and Group Internal Audit on significant findings and remedial actions taken by the Management to address the issues raised.
- Reported to the Board on its activities and any significant issues and remedial actions taken by the Management arising from the audits undertaken by the external and internal auditors on specific areas and reports/papers presented by the Management at each BAC meeting.

INTERNAL AUDIT FUNCTION

The internal audit function of the Sarawak Energy Group is undertaken by the Group Internal Audit Department (GIAD), which reports functionally to the BAC and administratively to the Group Chief Executive Officer.

GIAD was established by the Board to provide independent assurance on the adequacy of Sarawak Energy Berhad's risk management, internal control and governance systems. The functions and activities of the department are guided by its internal audit charter and the charter sets out the framework within which the department will operate to achieve its objectives.

During the year, the GIAD team conducted its planned audit activities as per approved audit plan. The Vice President/Head of Internal Audit presented internal audit reports at every BAC meeting during the year which reports on the status and progress of internal audit assignments,

including summaries of the audit reports issued, audit recommendations and the Management's response to the issues/recommendations and their agreed action plans to resolve the issues highlighted.

The internal audit activities were carried out using risk-based methodology. The development of the audit plan took into consideration the corporate risk profiles and inputs from senior and line Management and the BAC members.

The results of the audits provided in the reports were reviewed and noted by the BAC. The relevant Managements of the specific audit subject were made responsible for ensuring that the corrective actions on reported weaknesses were completed within the agreed timeframe. Internal Audit also conducts follow up audits to ensure that the Management's corrective actions are implemented promptly.



Menara Sarawak Energy

No. 1, The Isthmus, 93050 Kuching, Sarawak, Malaysia.

General Line: +6 082-388 388

Fax: +6 082-341 063

Email: corpcomm@sarawakenergy.com.my

Follow us on



Sarawak Energy Berhad



@1SarawakEnergy

www.sarawakenergy.com

Sarawak Energy Berhad Annual Report 2017