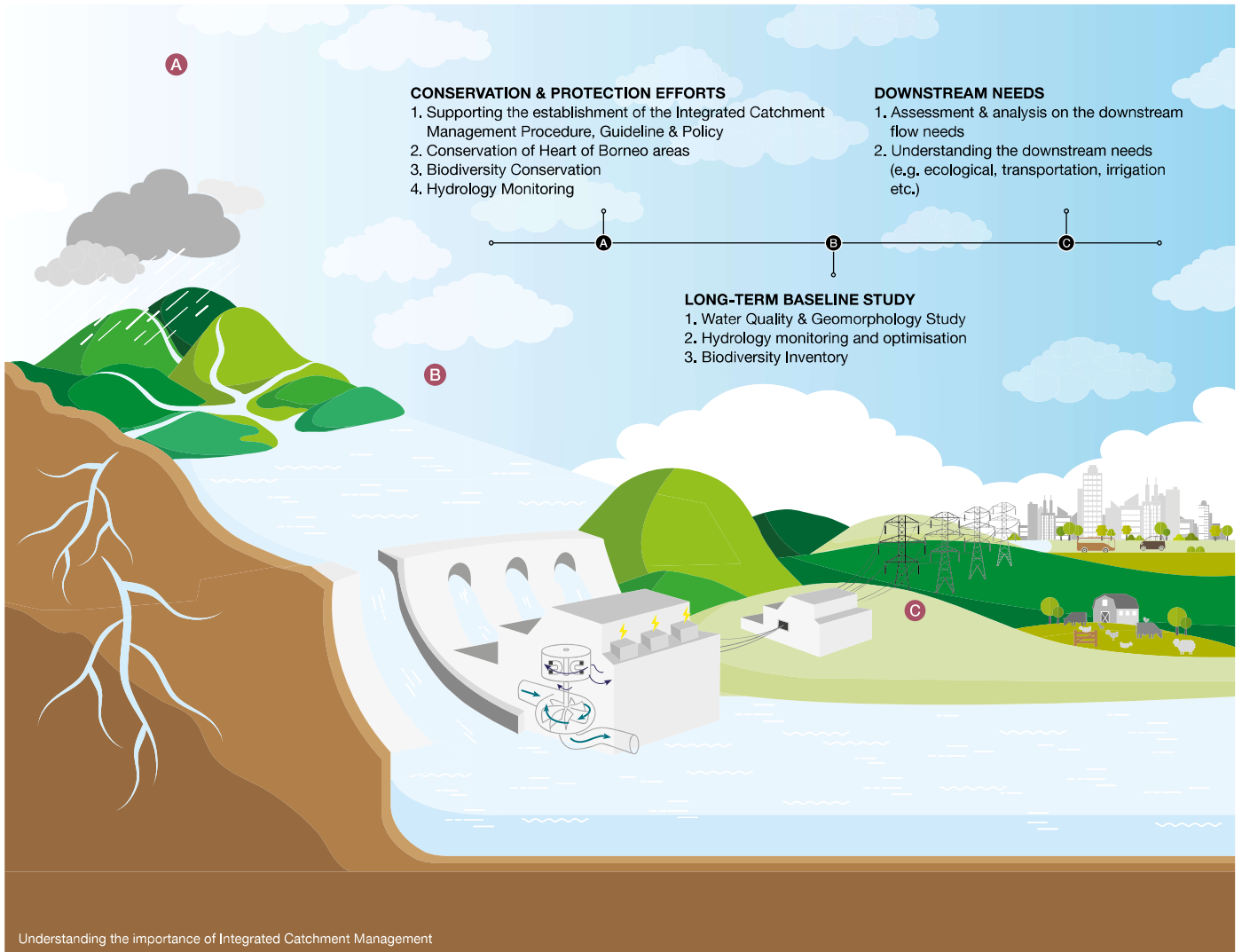


CATALYSING ECONOMIC SUSTAINABILITY

INTEGRATED CATCHMENT MANAGEMENT - SARAWAK ENERGY'S EFFORTS IN ENSURING LONG-TERM VIABILITY AND RELIABILITY OF WATER INFLOW FOR POWER GENERATION AND MEETING THE DOWNSTREAM NEEDS



Harnessing Integrated Catchment Management as a platform, Sarawak Energy has been able to raise its concerns on issues related to the importance of conserving the catchment areas located upstream of all existing and proposed HEPs as well as to advocate good practices in managing catchment areas for hydropower generation and downstream needs.

Conservation of catchment areas is one of the vital components in hydropower operation and development. In view of this fact, water resource is a fuel for hydropower electricity generation. All water inflows to our existing and proposed hydropower reservoirs originate from catchment areas. Once the catchment areas are properly protected and managed, they will continue to supply the expected quantity of quality water into our reservoirs to ensure the long-term sustainability of hydropower plants in generating clean and renewable energy, as well as fulfilling the other downstream needs such as irrigation, ecology and transportation.

Sarawak Energy's broad objectives in Integrated Catchment Management are:

1. The conservation and protection of catchment areas located upstream of our existing and future hydropower plants;
2. Development and establishment of catchment management plan, procedure, guidelines & policy; and
3. Collaboration with other agencies in conservation and protection efforts.

CATALYSING ECONOMIC SUSTAINABILITY

MANAGING OUR RESERVOIR

Our hydro environment strategy also includes water resources and energy, flood management and a Catchment Management Plan.

Furthermore, in 2015 we continued with our hydrometric network development and have put in place 22 hydrometric stations as at the end of the year.

Since 2014, we have installed two rainfall stations at the Murum catchment area, one hydrometric station at Sg. Danum and one hydrometric station downstream of the Batang Ai Hydropower Station in 2015.

During the year, we also undertook efforts to study the environmental impact on catchment areas such as river flow measurement, reservoir inspection for landslides, illegal activities and earthquakes as well as water/sediment sampling. River flow measurements were conducted 112 times during the year, while sedimentation sampling and analysis were conducted 79 times. As for reservoir inspections for landslides and illegal activities, these were undertaken from time to time.



Power turbines at Murum HEP

PROCUREMENT PRACTICES

Sarawak Energy is committed to contributing to the economic development of our surrounding communities by providing business and employment opportunities to local contractors and skilled workers. Our procurement practices are based on the following guiding principles developed in line with recognised industry best practices and policies:

- Best Value for Money – all decisions must consider the central objective of achieving best value for money for the Company and the people of Sarawak;
- Open and Effective Competition – through clearly documented systems, processes and procedures, all contract and procurement activities will be conducted on a consistent and fair basis so as to encourage open and effective competition;
- Impartiality and Transparency of Process – all contract and procurement activities are conducted on an impartial, transparent and ethical basis, without internal or external influence;
- Enhance Opportunity for Local Content – in all contract and procurement activities, the Company will seek to enhance opportunities for Local Content.

We have also adopted a policy of prioritising local businesses where possible, providing opportunities to those within Sarawak first followed by the rest of Malaysia.

In 2015, we spent RM2.23 billion of our Operational Expenses on materials and services from Malaysian companies, of which RM1.51 billion, or close to 70%, was paid to Sarawakian companies. In contrast, RM128.86 million was spent on international suppliers for hydropower equipment which was not available from local manufacturers.

We also strive to provide equal opportunities to all local contractors, while also contributing to the Government's Bumiputera development agenda. During the year, we awarded 300 contracts to Bumiputera from Sarawak, 518 to non-Bumiputera Sarawakians and 128 to Malaysian non-Sarawakians.