

SUSTAINABILITY STATEMENT 2020

PBA Holdings Bhd Group (“PBAHB” or the “Company”) or (“Group”) aims to sustain its viable performance within the Economic, Environmental and Social (“EES”) aspects of sustainability.

As we strive to be a more sustainable organisation, 2020’s statement includes PBAHB’s initiatives to achieve our sustainability goals. Our goals are in line with the Penang 2030 vision. We recognise the need for future enhancements and innovations in our practices and disclosures. The Group remains steadfast in prioritising material matters, as we learn and progress towards expanding our outreach on sustainability.

SCOPE AND MATERIALITY BOUNDARY

This Sustainability Statement (“Statement”) is prepared in accordance with Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements (“MMLR”) – Practice Note 9 and the Sustainability Reporting Guide issued by Bursa Malaysia Berhad. This Statement discloses the Group’s most pertinent projects, activities and initiatives, rather than every aspect of our operations. It covers PBAHB and its subsidiaries. The Statement excludes outsourced activities, joint ventures and third parties within the value chain, such as vendors and contractors.

The scope of this Statement is summarised in the table below:-

REPORTING PERIOD	1 January 2020 to 31 December 2020
REPORTING CYCLE	Annually
PRINCIPLE GUIDELINE(S)	Bursa Malaysia’s Sustainability Reporting Guide
ENTITIES COVERED	PBAHB and its subsidiaries

The Statement is to be read together with the Management Discussion and Analysis (“MDA”) of the Annual Report. The MDA captures both our financial and operational performance for the financial year.

GOVERNANCE STRUCTURE

PBAHB’s Board of Directors (“Board”) has set the tone at the top, in driving and overseeing the Group’s sustainability strategies and performance. A Sustainability Committee (“Committee”) was established in 2018, in line with the Board’s commitment in upholding our values of accountability, transparency and integrity.

The Chief Executive Officer (“CEO”) chairs the Committee. The Committee comprises senior management personnel across the Group’s core operations and administrative support divisions. The Committee is responsible for the formulation, implementation and oversight of initiatives carried out, and gathering performance data for relevant reporting requirements.

The Committee convenes meeting(s) at least once a year and reports directly to the Audit and Risk Management Committee (“ARMC”). The ARMC reviews and advises on the Company’s sustainable practices, goals and disclosures prior to reporting to the Board.



GOVERNANCE STRUCTURE (CONT'D)

The governance structure that provides direction, manages and reports on sustainability matters is illustrated in the following diagram:-



Please refer to the PBAPP Organisation Structure for the full organisation structure.

A cross-functional governance structure provides a holistic and diverse viewpoint. A broad and comprehensive perspective of sustainability can be obtained. Input from internal stakeholders is augmented by views from external stakeholders through various stakeholder engagement initiatives, carried out throughout the year.

With the structure still in its infancy stage, the Committee will be developing and implementing more practices to address sustainability matters that are pivotal to the Group as we move forward. We believe that a good governance structure may align our principles and standards with the key objective of delivering exceptional services.

STAKEHOLDER ENGAGEMENT

For the purpose of this report, a stakeholder is defined as an individual or a group that has an effect on or is affected by the Group and its activities.

Actively engaging our stakeholders is important to understanding their concerns and expectations, as we strive towards continuous improvement and long-term business sustainability in this dynamic business environment. We conducted a stakeholder mapping exercise and produced a list of prioritised stakeholders, through a structured process with senior management.

STAKEHOLDER ENGAGEMENT (CONT'D)

From the mapping exercise, we identified six (6) major internal and external stakeholder groups. We engaged these groups through multiple channels at varying frequencies. The key stakeholders and their respective engagement channels are listed in the following table.

Stakeholder	Means of Engagement	Frequency
Government / Statutory Bodies	<ul style="list-style-type: none"> • Discussions and meetings with authorities • Inspections and visits • Reports and press releases 	<ul style="list-style-type: none"> • Regular • Ad-Hoc • Ad-Hoc
Employees	<ul style="list-style-type: none"> • Employee satisfaction survey • Performance appraisal system • Engagement activities • Meetings and discussions 	<ul style="list-style-type: none"> • Regular • Annually • Regular • Regular
Consumers	<ul style="list-style-type: none"> • Customer satisfaction survey • Public opinion polls • Talks & public awareness programmes • Face to face interaction through service counters • Social media • Press releases • Advertisements 	<ul style="list-style-type: none"> • Regular • Every two years • Regular • Regular • On-Going • Ad-Hoc • Ad-Hoc
Local Community	<ul style="list-style-type: none"> • Environmental & water conservation exhibitions (World Water Day, Penang Green Council etc.) 	<ul style="list-style-type: none"> • Regular
Suppliers / Vendors	<ul style="list-style-type: none"> • Vendor registration process • Performance evaluations • Meetings and discussions 	<ul style="list-style-type: none"> • Ad-Hoc • Annually • Regular
Shareholders	<ul style="list-style-type: none"> • Annual general meetings • Company announcements • Annual reports • Financial reporting • Corporate website • Press releases 	<ul style="list-style-type: none"> • Annually • Ad-Hoc • Annually • Quarterly • On-Going • Ad-Hoc

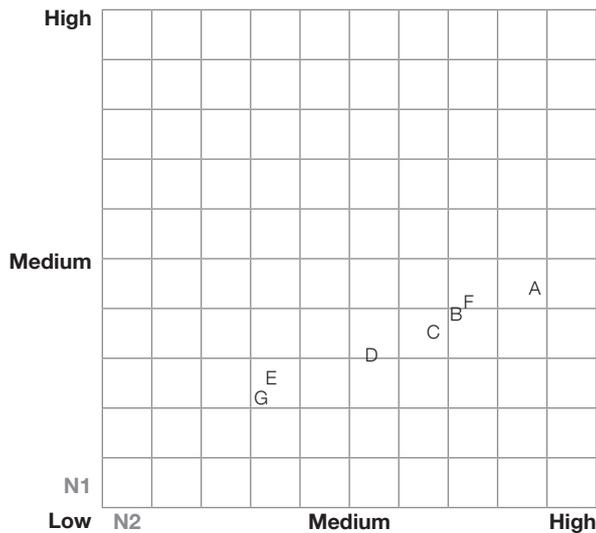
MATERIALITY

Determining materiality is crucial for the Group to prioritise the sustainability matters identified. Material issues are defined as issues relevant to our stakeholders that are likely to positively or negatively impact the Group.

The Group conducted a materiality assessment exercise in 2020. The assessment was conducted for senior management personnel; the CEO, Chief Operating Officer, Chief Financial Officer, Division Heads and Heads of Departments.

Based on the list of sustainability matters collated from this exercise, 6 high priority sustainability matters were identified. The Group's resources are allocated in managing and addressing these matters. The sustainability matters were plotted based on significance to our stakeholders and impact to the Group in the chart below. The sustainability matters are also grouped under Economic, Environmental and Social ("EES") categories.

Materiality Matrix



N1 - Importance to Stakeholder
N2 - Importance to PBAHB

Sustainability Matters	
A	Compliance with Requirements and Regulations
B	Product Stewardship
C	Customer Management
D	Water Conservation Initiatives
E	Environmental Targeted Initiatives
F	Safe Working Environment
G	Contributing Back to Society
	Economic
	Environmental
	Social

We view every one of the sustainability matters listed with equal importance. There is an interrelation between each matter. Hence, efforts are carried out in the view of managing and addressing each matter equally and comprehensively.



PURSUANCE TOWARDS ECONOMIC SUSTAINABILITY

Compliance with Requirements and Regulations

We understand that meeting regulatory requirements lays the foundation for a healthy company with transparent operations. Hence, strictly adhering to regulatory requirements is important to us. Management allocates sufficient resources to ensure effective and timely responses to regulatory developments. At the same time, the Group constantly monitors its compliance performance.

We carried out internal reviews and audit programmes to benchmark our performance against regulatory targets and the industry's best practice. These initiatives help us identify areas for improvement and to familiarise our employees with the regulatory requirements.

The following is a list of primary rules and regulations that are related to the Group's business and operations:-

- Penang Water Supply Enactment 1998
- Water Services Industry Act 2006
- National Water Services Commission Act 2006
- Water Services Industry (Licensing) Regulations 2007
- Personal Data Protection Act 2010
- Water Services Industry (Water Reticulation & Plumbing) Rules 2014
- Water Services Industry (Water Services Deposits, Fees & Charges) Regulations 2014
- Water Services Industry (Water Supply Services Agreement Between Consumer and Water Distribution Licensee) Rules 2014
- Water Services Industry (Rates for Water Supply Services) (State of Penang) (Amendment) Regulations 2015
- Water Services Industry (Bulk Water Supply Agreement) Rules 2015
- Uniform Technical Guidelines 2017

During the year, Suruhanjaya Perkhidmatan Air Negara ("SPAN") conducted a regulatory audit at various facilities. They assessed PBAPP's quality performance monitoring for water quality service. We provided full assistance and support to the auditors throughout the audit. No major issues were reported and the Group managed to achieve and maintain positive KPI results throughout the year in assessment.

We are constantly adapting our business to new regulations. The Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("Act") took effect on 1 June 2020. Furthermore, SPAN introduced an Integrity and Anti-bribery Framework in 2019 for water operators. We have formed an Integrity Committee to ensure compliance with integrity regulations and laws.

Conducting business ethically and with integrity is important to improve our stakeholders' confidence in us. The Board set the tone from the top by approving PBAHB's Integrity Framework. It consists of the Integrity Policy and procedures pertaining to the prevention, detection and management of bribery and corruption. The Integrity Policy is disclosed on the PBAHB website. In November 2020, PBAHB with the MACC conducted an Integrity training session. It was attended by Top Management and Executives. We will conduct further sessions for the staff of the entire company, when the Covid-19 situation in Penang improves.



PURSUANCE TOWARDS ECONOMIC SUSTAINABILITY (CONT'D)

Product Stewardship

One of the Penang 2030 Vision's key themes is to increase liveability to enhance quality of life. Many of the key initiatives of the Penang 2030 Vision require treated water. PBAPP plays a critical role in helping the state realise its vision for Penangites. This is consistent with our own vision of meeting all water supply needs. We are determined to constantly deliver the highest possible quality of treated water. This motivates us to explore new approaches to maintain and improve Penang's treated water quality and supply.

We carried out various initiatives and invest in infrastructure and people to ensure excellent product stewardship. Our central laboratory is an example of PBAPP's investment. The laboratory audit for all water treatment plants covered 19 testing parameters and has improved the monitoring of treated water quality. The central laboratory, without the assistance of external consultants, successfully transitioned from MS ISO/IEC 17025:2005 to MS ISO IEC 17025:2017. It plans to accredit another 11 testing parameters in 2021. This is our commitment to continuous improvement.

Our efforts to improve and maintain our practices at the highest competency have resulted in our treated water consistently exceeded the Quality Assurance parameters. These parameters were set by the Ministry of Health and tested recently by the Health Department of Penang. In addition to that we have complied with the ISO 9001:2015 Quality Management System Certification (which was obtained in 2003) requirements. This encouraged us to deliver exceptional quality of product and services. We are pleased to report that PBAPP's treated water exceeded the Quality Assurance Program parameters in 2020.

Our treated water was delivered by 4,640km of pipelines measuring 100mm and above in diameter in 2020. This is an extension of 97km as compared to 4,579km in 2019. Henceforth, we were able to sustain 100% urban water supply coverage and 99.8% rural water supply coverage.

The Group proactively responds to current developments to ensure Penang has sufficient treated water. An example of this was when the Teluk Bahang and Air Itam Dams had very low effective capacities in 2020. This was due to abnormally low rainfall in 2019, attributed to climate change. PBAPP took several proactive actions to not only prevent a water crisis, but to refill the Teluk Bahang Dam. We optimised both the drawdown from the dam and the water production at Batu Feringghi Water Treatment Plant. The public received advisory water alerts through press statements, Facebook and the company's website. They were advised to use water wisely. We also recommended the Penang State Government to conduct 15 cloud seeding operations, costing RM450,000 from April to November 2020.

To expedite the refilling of Teluk Bahang Dam, we diverted excess raw water to the dam. In September 2020, excess raw water from the Sungai Pinang Water Catchment Area in Titi Kerawang was diverted to the dam. Raw water from Batu Feringghi Catchment Area was also diverted to the dam in October 2020. PBAPP managed to increase the dam's effective capacity from 16.3% in September to over 58% by the end of the year. Our proactive responses ensured Penang will have sufficient treated water in the fight against Covid-19 going into 2021.

Our initiatives will continue, to ensure more treated water is delivered across Penang for our consumers to benefit from our operations.

PURSUANCE TOWARDS ECONOMIC SUSTAINABILITY (CONT'D)

Customer Management

In building and maintaining close relationships with our customers, we have various means to provide consumers with transparent and accessible platforms to engage with us on their needs, concerns or requests. The following is a summary of our communication platforms:-

- A 24-Hour Call Centre which provides consumers with an avenue to highlight issues and obtain assistance at any time.
- 9 Customer Care Centres that comprises teams of well-trained personnel who are strategically located throughout Penang for ease of access.
- A dedicated Customer Engagement Team, who engages, communicates and facilitates customer engagement programs that will strengthen relationships and build loyalty with key stakeholders of PBAPP's existing Top 100 customers.
- The myPBA mobile application for consumers to make payments and obtain information related to water supply.

Our call centre is an ISO 18295:2017 certified call centre. We are the first utility company in Malaysia to obtain this certification.

We also took advantage of the developments in mobile technology to improve customer engagement. The myPBA application was launched in 2017 and was downloaded 216,099 times as at December 2020. This is an increase of 146,227 downloads from 2019. The increase can be attributed to consumers encouraged to pay their bills online during the Covid-19 pandemic. The Customer Service Department carried out campaigns to promote the application's usage.

In its efforts to ensure that effective communication to its customers remain as its top priority. PBAPP enhanced the myPBA application to support multiple bills per log in account. We were working towards push notifications, water consumption trends and many more. Consumers can also obtain timely and useful information on our social media account and corporate website.

PBAPP will continue to explore new opportunities in humanising Customer Experiences in the digital age via various social media and other platforms. Furthermore, consumers can pay their water bills online, through "JomPAY", without any surcharge. This provides consumers a convenient way to pay their bills. In 2020, PBAPP conducted a campaign, to encourage more consumers to pay their bills on the JomPAY platform. We saw a very positive and encouraging response from our consumers.

The Customer Services Department regularly measures and reports its customer care performance, based on SPAN's KPIs. This serves as a means to assess and improve our customer care practices. Since regulated assessments began in 2012, the Group's measured performance has positively exceeded each of the stipulated targets every year.

BALANCING A SUSTAINABLE ENVIRONMENT

Water Conservation Initiatives

Being Penang's only water supply company, we are responsible to ensure our consumers use water wisely. Water is essential for sustaining and developing Penang's socioeconomic environment. The sustainability of our water resources is directly impacted by surrounding socioeconomic activities.

The Group strives to promote a culture of using water wisely and various measures are being undertaken. We have incorporated the mandatory installation of water saving devices ("WSDs") in our water demand management programme. WSDs are installed in 19 of our buildings. This can help achieve our target of saving up to 30% in water consumption. We also encouraged the installation of WSDs at our executives' homes. We then monitor their consumption to identify the savings in consumption.

In 2020, PBAPP, in collaboration with Jabatan Hal Ehwal Agama Islam Pulau Pinang ("JHEAIPP") conducted programmes that introduced water saving fittings and promoted water saving awareness at mosques. We are committed to installing WSDs at ablution taps at every mosque in Penang. This will result in water savings at mosques. WSDs at ablution taps were installed at 23 mosques.

The Group continuously promotes and educates the public on water conservation. The conservation of water and water resources is the responsibility of every stakeholder. Hence, we emphasise on the public's role in ensuring clean and safe water resources, for future generations. In 2020, we conducted three water saving awareness programmes with JHEAIPP at three mosques. Committee members from participating mosques in Penang attended these programmes.

PBAPP's Aqua Save certification programme promotes water conservation, by recognising organisations that practice wise water usage.

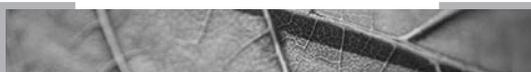
Due to the Covid-19 pandemic and the enforcement of the Movement Control Order and Conditional Movement Control Order, many organisations instructed their employees to work from home. Hence, only five applications for the Aqua Save Certification were approved. Three (3) were renewals and two (2) were new applications.

Environmental Targeted Initiatives

We are deeply involved in environmental conservation and protection. One of our key initiatives is to fully comply with the ISO 14001:2015 Environment Management System's requirements. The Group obtained the ISO14001:2015 certification in 2005. We are constantly maintaining and improving our practice to ensure this management system is effectively implemented.

An internal audit on the management system was conducted in 2020. There were no "Corrective Action Requests" reported. This indicates the progress being made to meet the standards and benchmarks set by the regulators and external auditors.

The Group implements effective and systematic procedures in overseeing and managing waste generated from our operations. This includes scheduled waste, electronic waste and any other special waste. The procedures for waste segregation, storage, labelling and disposal are carried out in strict compliance with the relevant requirements. Furthermore, we have established emergency response procedures in the event of any waste spillage, contamination or leakage. There were no reports of major accidents regarding waste in 2020.



BALANCING A SUSTAINABLE ENVIRONMENT (CONT'D)

Environmental Targeted Initiatives (Cont'd)

The Group is encouraging recycling habits at all premises. Recyclable materials are sorted from general waste and sent to various recycling vendors.

Prior to the Covid-19 pandemic, the Group was exploring the usage of e-billing. Through the JomPAY platform, consumers who paid their bills provided their email accounts to receive their bills online. It is a step forward to print fewer bills and use less paper for printing. We have been encouraging our consumers to pay their bills using online platforms. This has seen an increase on consumers paying their bills online, reducing the amount of paper needed to print receipts for our consumers.

We acknowledge that climate change severely affects our capacity to meet Penang's water supply needs. Reducing our carbon footprint is important to mitigate the effects of climate change. In August 2020, PBAPP commissioned a pilot solar system at Bukit Dumbar Reservoir. Two solar installations were installed on top of two reservoirs. The energy generated is used to complement the power used for the Bukit Dumbar Pump Houses. Our energy consumption from the grid thus has been reduced and substituted with renewable energy. The Group is looking for new renewable energy ventures, to increase its reliance on renewable energy and further reduce greenhouse emissions.

We took another step forward to reduce our carbon footprint, by using electric motorcycles in 2020. The unit was bought for the Waterfall Water Treatment Plant. This reduced the noise and air pollution in this serene environment.

The Group has also installed Light Emitting Diodes (LEDS) at the Bukit Dumbar recreational park, the Teluk Bahang pumping station and Mengkuang Dam. These lights consume less power, lowering our energy consumption.

The measures taken during the Covid-19 pandemic has helped reduce our carbon footprint. Employees who worked from home or were on a rotation basis travelled less, lowering the amount of greenhouse gases emitted from vehicles. Our utility consumption was also lowered (e.g., air condition usage was lower in 2020). To further reduce our exposure to the virus, our employees were encouraged to attend virtual trainings, meetings and limit travelling between facilities. Greenhouse gases from flying and travelling were greatly reduced as we made markedly fewer business trips.

The Group continues with its efforts to preserve and rehabilitate the Ulu Muda Forest Reserve. It is the primary water catchment area for Sungai Muda. The area is important for the well-being and growth of the Northern Corridor Economic Region (NCER). The previous Kedah State Government banned logging activities there in 2018. However, a new state government was formed in 2020. They have reopened logging concessions which will cause further deforestation. To make matters worse, permits were also approved for Rare Earth Elements (REE) mining in Ulu Muda, Sik and Baling. Land clearing, hill flattening and mining operations will destroy the Ulu Muda environment, create hazardous radioactive waste, and affect Ulu Muda's ability as a water catchment. The dangerous radioactive waste is harmful to people's health and if it seeps into the Sungai Muda river basin, it will affect the raw water quality. The damage will be permanent. We have been highlighting this matter to the Federal Government, for them to immediately stop this dangerous venture.



BUILDING OUR SOCIAL REPOSIBILITY

Safe Working Environment

We recognise the risks related to our operations may affect various stakeholders. Hence the Group regards health and safety with great importance. Its importance was amplified due to the Covid-19 pandemic.

The pandemic has affected every country around the world. At the time of writing this statement, millions around the world have been infected and over a million people have died. An infected employee will jeopardise our ability to produce treated water for Penang. The virus may also spread to other employees and their family members in the wider community. We acknowledge our role as an “essential service” company and the risk of operating throughout the pandemic must be carefully managed.

Our employees’ safety is our utmost priority. They need to feel safe working without risking their lives and the lives of their families. The Group has implemented various measures to minimise the risk of infection and to break the chain of transmission.

During the Movement Control Order (“MCO”) in 2020, work from home and rotation schedule measures was implemented. Social distancing mechanisms, temperature checks, registration counters and other various measures were set up at all facilities. Procedures were established for third parties visiting PBAPP, to prevent the spread of the virus. Online meetings were held in lieu of physical meetings to minimise exposure. We have been closely adhering to the national regulations and operating procedures. We set up a Covid-19 Emergency Response Plan Committee to ensure compliance with the standard operating procedures and orders issued by the Penang State Government, National Security Council and Ministry of Health. This has successfully kept PBAPP running 24/7 since the MCO began in 18 March 2020 until 31 December 2020. The Group is constantly adapting to regulatory changes and the volatile nature of the pandemic.

Our health and safety practices are based on the ISO 45001:2018 standard and guided by PBAPP’s Occupational Safety and Health (“OSH”) Policy. This is in line with the relevant requirements of the OSH Act 1994 (Act 554) and the Factory & Machinery Act (Act 139, 1967). The Group established programmes and developed measures to carry out safety and health improvements for our stakeholders’ benefit. PBAPP’s employees are training to perform their duties in a manner that creates a safe and healthy workplace.

The Group is subject to annual compliance reviews. These are measures to evaluate our safety and health performance to identify areas for improving workplace safety. Identifying areas for improvement will help PBAPP maintain the effective implementation of the OSH management system.

Apart from our regulatory practices, we carried out the following programmes in 2020:-

1. Workplace Inspection

- An inspection was carried out by our Quality, Safety and Health Department together with the Safety and Health Committee. The safety levels and existing health measures at each area of operation were assessed.

2. Emergency Drills

- Drills on our predetermined measures for disasters and emergencies were conducted. The objective was to train our employees on how to respond during emergencies.

BUILDING OUR SOCIAL REPOSIBILITY (CONT'D)**Safe Working Environment (Cont'd)**

Providing health and safety training to its employees is crucial in creating a safe working environment. Despite the Covid-19 pandemic, we remained committed to our employees' development. In 2020, we devoted 167 hours to trainings, seminars and conferences pertaining to health and safety. This is so that our employees are well equipped to create a safe working environment.

Creating a safe working environment also extends to ensuring a safe product. Our central laboratory ensures that treated water is suitable for public consumption, in accordance to the Ministry of Health's parameters. We were awarded the "Laboratory Excellence Award" by the Malaysian Institute of Chemistry for the fourth consecutive year. The award recognises laboratories which comply with the MS ISO/IEC 17025:2015 laboratory accreditation and have achieved competency in analytical work. Receiving this award validates our performance in 2020.

Contributing Back to Society

We have continued and expanded our corporate social responsibility commitments in 2020, by providing support to the general public. We believe assisting the local communities will help Penang accomplish its Penang 2030 Vision. Our contribution to the public in 2020 can be summarised as follows:-

"Kampung Loans" Programme (since 1976)

This is an interest-free loan programme for water supply connection. Households with an income under RM1,000 per month can apply for a loan of up to RM1,500 which is payable by instalments via water bills, alongside a waiver for trunk main contributions.

Year	2018	2019	2020
Number of Successful Applications (for the year)	90	71	12
Amount (RM)	134,725	105,809	17,970

"Projek Perumahan Rakyat Termiskin" Scheme (since 2008)

A scheme which provides households with a monthly income under RM790 with either:

- A free water supply connection from the main pipeline to the premise, for those who are without a water supply connection; or
- Free water supply of up to 60,000 litres every two (2) months for those with an existing water supply connection.

Year	2018	2019	2020
Approved Cases	189	295	329
Amount (RM)	18,094	18,571	27,393

BUILDING OUR SOCIAL REPOSIBILITY (CONT'D)

Contributing Back to Society (Cont'd)

Special Tariffs for Places of Worship (since 2009)

- Special water tariffs for places of worship such as mosques, suraus, churches, and temples.

Year	2018	2019	2020
Places of Worship	1,699	1,827	1807
Amount (RM)	76,003	67,835	69,495

Water Conservation Surcharge Rebate (since 2014)

- A 60% rebate on water bills for households with eight (8) or more persons.

Year	2018	2019	2020
Approved Cases	888	877	891
Amount (RM)	117,069	113,117	122,905

The Group contributed RM428,404 for various programmes and community initiatives in 2020. This included RM20,000 to the Persatuan Ambulans Komuniti Sungai Ara to help purchase an ambulance.

Giving back to the community strengthens the relationships with our stakeholders. We will continue with our efforts, in line with one of the Penang 2030 themes; empowering the people to strengthen civic participation.

