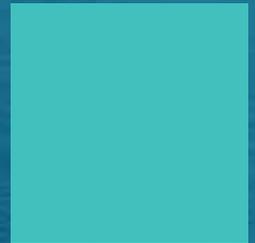




SURIAGROUP

Staying Resilient IN THE NEW NORMAL



ANNUAL REPORT
2020

SUSTAINABILITY STATEMENT

About This SUSTAINABILITY STATEMENT 2020

This Sustainability Statement 2020 covers the activities of SuriaGroup for the year under review. As a responsible corporate citizen, the activities reflect SuriaGroup's continuous commitment towards the economic growth and sustainability of the Group, while contributing to the environmental progress and the well-being of the community in Sabah.

Corporate Overview and Performance
Our Leadership

■ **Sustainability and Highlights of the Year**

How We Are Governed

Financial Statements & Others

The attention on sustainability has been an integral component of the Group's overall operations. Through this reporting, we seek to provide a comprehensive account of the Group's sustainability agenda and the activities undertaken in 2020. The unprecedented COVID-19 pandemic that impacted adversely the economy and the livelihood of the community has exposed the Group to new challenges.

In a snapshot, this Sustainability Statement:

- Provides a summary of the Group's sustainability programmes in 2020, consistent with the Group's strategic planning and performance for the financial year;
- Reviews the Group's previous sustainability programmes and its current performance;
- Updates on the Group's ongoing sustainability efforts;
- Introduces new initiatives undertaken by the Group to enhance its diverse operations and adopts more efficient and sustainable businesses;
- Includes other initiatives undertaken in addressing the COVID-19 pandemic since March 2020, which require mandatory Standard Operating Procedures (SOP) for business in the new normal; and
- Highlights accomplishments and challenges associated with the Group's operations in building a sustainable business.

SCOPE OF THIS STATEMENT

This Sustainability Statement 2020 complements Suria's Annual Report publication where detailed descriptions of the company's business operations and financial performance are given. Together, these two reports highlight the material issues that are significant to us, stakeholders, shareholders and the society as a whole.



Reporting Period

1 January 2020 to
31 December 2020.



Reporting Cycle

Annually.



Organisation Coverage

Suria Capital Holdings Berhad and its active subsidiaries; Sabah Ports and SCHB Engineering.

PRINCIPAL GUIDELINES

This Sustainability Statement has been prepared in accordance with Bursa Malaysia Securities Berhad's Main Market Listing Requirements, paragraph 9.45(2) and paragraph (29), Part A of Appendix 9C (supplemented by Practice Note 9).

The disclosures made in the Statement are based on Bursa Malaysia Sustainability Reporting Guide and the Global Reporting Initiative (GRI) Standards, which is an international framework for sustainability reporting. Being part of the port community, this Report also incorporates guidelines from the International Association of Ports and Harbors' World Ports Sustainability Program.

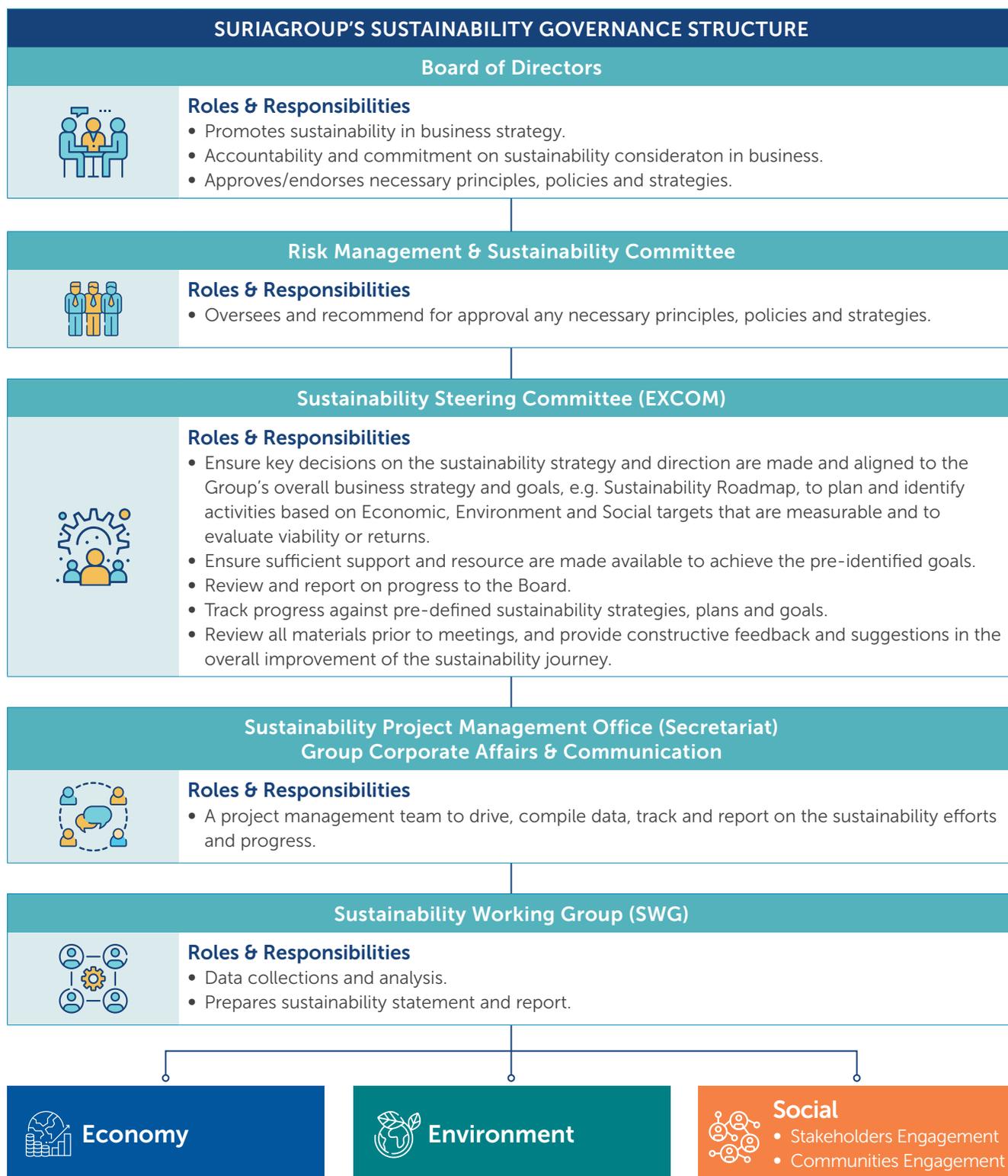
In preparing the report and defining the essential content, there are six (6) GRI Standards used that are relevant to the Group's position and operations. They are as follows:

- GRI 101: Refers to the reporting principles for defining report contents and report quality.
- GRI 102: Refers to the organisation and its sustainability reporting practices, the organisation's profile, strategy, ethics and integrity, governance, stakeholder's engagement practices and the reporting process.
- GRI 103: Refers to the management approach to report how the organisation manages the material topics covered by topic-specific standards GRI 200, 300 and 400.
- GRI 200; GRI 300 and GRI 400: Refer to the organisation's impact on economic, environmental and social issues.

These guidelines are in line with the United Nations' Sustainable Development Goals (SDGs).



SUSTAINABILITY GOVERNANCE



Our sustainability initiatives are driven by the Board of Directors (the Board), Risk Management & Sustainability Committee (RMSC), Sustainability Steering Committee and supported by Sustainability Working Group (SWG).

The Board is performing its responsibility towards sustainability practices by giving the mandate to the RMSC and Sustainability Steering Committee to oversee the execution of our sustainability commitment. The Board is also responsible to approve any necessary principles, policies and strategies.

The Sustainability Steering Committee, which is represented by Executive Management Committee (EXCOM) headed by the Group Managing Director, is responsible for setting the direction, governance and overseeing the implementation of sustainability strategies and performance.

The Group Corporate Affairs and Communication Department (GCAC) acts as the Secretariat, which is tasked to submit compiled progress reports to RMSC on a quarterly basis for update and deliberation.

The SWG comprises representatives from the holding company and operating subsidiaries. It was established to monitor the implementation of the strategies and action plans related to the sustainability aspects of SuriaGroup.

The SWG reports the progress of the action plans which is compiled by the Secretariat for the tabling at the RMSC. The SWG has four (4) teams which are responsible for each pillar; namely, Economic, Environment, Social-People and Social-Stakeholders and Community Engagement.

OUR SUSTAINABILITY APPROACH

Our reporting approach is to focus on material issues and activities, in line with stakeholders concerns and relevance in terms of context, completeness and balance.

We identified the material issues through stakeholders' engagements and materiality assessment.

Continuous Engagement with Our Stakeholders

We are proactively engaging with our diverse stakeholders by responding to their expectations in order to meet their changing needs. We continue to strengthen ties with them by utilising online platforms or through customers' portals including during the difficult times in view of the pandemic. This is to ease communications with stakeholders and at the same time adhering to the new Government's SOPs of physical distancing under the new norm of doing business.

Our approaches of engagements with the stakeholders are as follows:

STAKEHOLDERS GROUP	HOW WE IMPACT EACH OTHER	THEIR EXPECTATIONS	HOW WE ENGAGE AND RESPOND	FREQUENCY
Investment-Related <ul style="list-style-type: none"> shareholders. investors. fund managers. analysts. 	<p>The sustainability of our earnings will impact on the dividend pay-out for our shareholders.</p> <p>Value creation to ensure strong shareholders' satisfaction through trust and sustainable value propositions, creating sustainable returns to our shareholders.</p>	<ul style="list-style-type: none"> Strong Company's financial performance. A trusted and reputable Company that could provide strong returns to shareholders in terms of dividend pay-out and share price appreciation. Strong governance and experienced management team. Sustainable growth of the Company. 	<ul style="list-style-type: none"> Annual General Meeting. Extraordinary General Meeting. Engagement with Fund Managers and Analysts. Annual Report. Sustainability Report/Statement. Website updates. E-mail alerts. 	<ul style="list-style-type: none"> Annually. As and when required. Quarterly and annually. Annually. Annually. Regularly. Regularly.

STAKEHOLDERS GROUP	HOW WE IMPACT EACH OTHER	THEIR EXPECTATIONS	HOW WE ENGAGE AND RESPOND	FREQUENCY
Government and Authorities	Conforming to laws and regulations to gain full support from the Government and authorities.	<ul style="list-style-type: none"> • Compliance with relevant laws and regulations. • To perform efficiently in line with industry best practices. • Support Government's socio-economic development. 	<ul style="list-style-type: none"> • Active engagement with relevant ministries, regulators and authorities through meetings, corporate events and collaborations. 	<ul style="list-style-type: none"> • Regular; as and when required.
Port Users	Cargo mobility relies greatly on the efficiency of the port services. By striving to achieve operational excellence and reliability, we set the springboards for a developed, dependable and sustainable eco-system for the movement of goods.	<ul style="list-style-type: none"> • Provision of reliable port services to support logistics and business needs. • Continuous operational efficiency by investing in port equipment and infrastructure. • Improving operational processes. 	<ul style="list-style-type: none"> • Customer engagement sessions, customer complaint system. • Satisfaction survey among port users to rate the performance of each port. • Operational meetings with users to seek solutions and improve processes. 	<ul style="list-style-type: none"> • Annually. • Annually. • Regularly.
Business Partners	Collaboration and partnership will allow us to penetrate new market potentials. This allows both sides to leverage on each other's strengths, expertise and portfolio to create synergies and market confidence as well as to bring values for our business undertakings.	<ul style="list-style-type: none"> • Cooperation and commitment to fulfil obligation stipulated under the collaboration. • Value-add to the businesses that are jointly undertaken. • High return on investments. • Timely implementation and completion of projects. • Honesty and integrity, reliability and accountability. 	<ul style="list-style-type: none"> • Business delegation to identify prospects business partners. • Meetings to ensure deliverables are on track. • Communications to update on new development. • Awareness on SuriaGroup's Anti-Corruption and Bribery Policy & Procedure. 	<ul style="list-style-type: none"> • Regular meetings; as and when required. • Regularly. • As and when required. • On going.

STAKEHOLDERS GROUP	HOW WE IMPACT EACH OTHER	THEIR EXPECTATIONS	HOW WE ENGAGE AND RESPOND	FREQUENCY
Suppliers and Contractors	<p>Effective management of procurement processes through company's Procurement Policy to ensure transparent business conduct.</p> <p>Upholding integrity and ethical procurement process.</p>	<ul style="list-style-type: none"> Establish long term business relationship. Availability of transparent and reliable e-procurement system that provides paperless platform for vendor registrations, procurement activities and performance evaluation. 	<ul style="list-style-type: none"> Conduct survey. Meetings, phone calls and emails. Site briefings including HSE and safety requirements. 	<ul style="list-style-type: none"> As and when required. As and when required. As and when required.
Employees	<p>Conducive working environment with satisfactory rewards results in high performance culture.</p> <p>In return, the employees are committed to assist in achieving the Group's objectives, vision and mission.</p>	<ul style="list-style-type: none"> Sense of appreciation and ownership in the Group. Having job satisfactions. Empowerment. Work-life balance. 	<ul style="list-style-type: none"> Employee engagement activities. Dialogue with Senior Management. Engagements with relevant government agencies and service providers (e.g. Industrial Relations – Labour Department, Human Resource Ministry). Internal Bulletin. 	<ul style="list-style-type: none"> Regularly. Regularly. As and when required. Quarterly.
Community	<p>Building rapport, trust and caring with our local communities in line with our corporate mission, i.e. caring for the environment and community within which we operate.</p>	<ul style="list-style-type: none"> Caring company. Environmental conservation. Job opportunities. Community care for better living standard. 	<ul style="list-style-type: none"> CSR activities. 	<ul style="list-style-type: none"> Regularly.
Media	<p>The media is important to highlight the Group's image and achievements. We will continue to provide the media with access to timely, reliable and accurate information about the Group.</p>	<ul style="list-style-type: none"> Reliable and timely information. Good rapport. 	<ul style="list-style-type: none"> Press release, press conference and interviews. 	<ul style="list-style-type: none"> Regularly.

Materiality Assessment

Materiality is the principle of identifying and assessing a wide range of sustainability matters and refining them to those most important to our Company and stakeholders.

The SWG has reviewed and updated the materiality matters in this report in accordance to their respective areas to reflect the material issues at SuriaGroup using materiality matrix. This allows us to prioritise and identify material issues caused by the changing economic environment due to the impact of the COVID-19 pandemic.

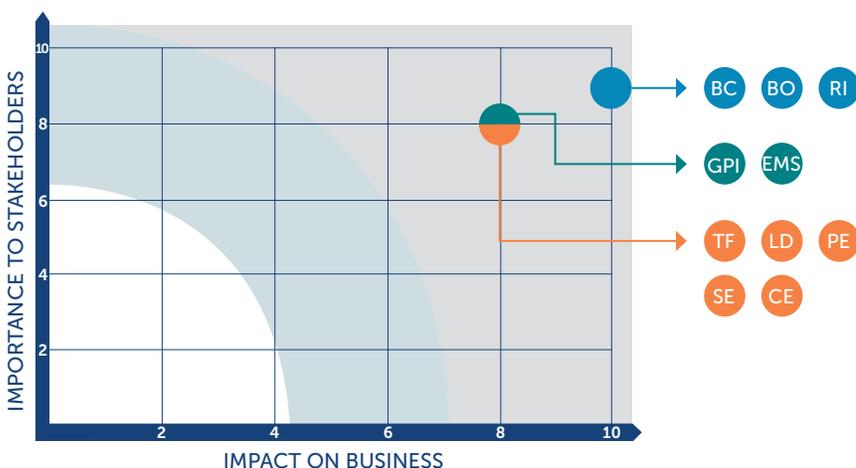
By using a weighted-ranking process of ranking the materiality, we redefined the priorities as well as the focus areas that are relevant to SuriaGroup and are considered integral to the stakeholders' values. The revised materiality assessment emphasised on 10 materiality issues that may influence the sustainability of our business operations. Based on the 10 identified materiality issues, we are able to re-strategise our actions in order to sustain and improve stakeholders' value and interests.

Prioritisation of Material Issues

Initially, there were several issues being identified which are related to sustainable priorities. However, we highlighted only 10 issues with the highest priority as shown in the matrix table.

SUSTAINABILITY AREAS ASSESSED IN THE MATERIALITY ASSESSMENT

MATERIALITY MATRIX		
	Impact on Business	Importance to Stakeholders
 ECONOMIC		
BC Business Continuity	10.0	9.0
BO Improvements in Business Operations	10.0	9.0
RI Optimisation of Return on Investments	10.0	9.0
 ENVIRONMENTAL		
GPI Green Port Initiatives	8.0	8.0
EMS Effective Environment Management System	8.0	8.0
 SOCIAL		
TF Talent Force	8.0	8.0
LD Learning and Development	8.0	8.0
PE People Engagement	8.0	8.0
SE Stakeholders' Engagement	8.0	8.0
CE Communities' Engagement	8.0	8.0





ECONOMIC SUSTAINABILITY

The year 2020 was a challenging year for the Group amidst the sudden outbreak of COVID-19 pandemic that became widespread and adversely affecting both the global economy and community. The Government's imposition of lockdown as an immediate response to curb the pandemic has restricted the economic and business activities. While other segments of the economy especially tourism and its related segments, such as hospitality, transportation and travel services have been badly affected, the port segment continued to provide its services to ensure no disruption in the supply of essential goods and in supporting the domestic economy. Under the economic element of sustainability, we had identified and addressed three (3) key material issues namely, Business Continuity, Improvement in Business Operation, and Optimisation of Return on Investments.

BUSINESS CONTINUITY

Business Continuity Management

The Malaysian Government implemented the Movement Control Orders (MCOs) across the country starting March 2020 till the end of the year to control the spread of the COVID-19. Businesses and administrative operations from various sectors were disrupted and affected the economy. Fortunately for the Group, port services are deemed essential services and continued to operate during the MCO period. Whilst keeping the employees' safety at the highest priority, SuriaGroup strived to support the State's economy by facilitating trade at the ports and ensuring minimal disruption to the supply chain.

At the ports, the Management had taken steps to strictly adhere to the SOPs issued by the Government. Certain categories of employees, particularly the front-liners who are essential to the port operations, are to continue working with stipulated SOPs to ensure that the day-to-day operations of the ports were not disrupted. For other non-operational employees, they were advised to work from home and on standby if required.

In the best interest of the State's economy, Sabah Ports found it necessary to assist players in the supply chain nodes. During the MCO, Sabah Ports took a series of initiatives to ensure undisrupted port operations and the receiving and delivery of essential items remained unaffected. In this respect, Sabah Ports worked closely

with the freight forwarding companies, shipping association and Sabah Timber Industries Association (STIA) to responsively address logistical constraints in ensuring business and the supply chain could continue as normal. There had been restrictions on non-essential cargo movements within certain radius and this affected the flow of supply chain. Sabah Ports had facilitated these players to get the necessary approvals from the State Government to clear their cargo at the ports. A total of three (3) port clearings were initiated by Sabah Ports during the months of April and May 2020.

Members of the Sabah Freight Forwarding and Logistics Association (SFFLA) that are providing consolidation and freight forwarding services have highlighted concerns that the impact of the MCO has caused their warehouses to reach full capacity. Sabah Ports had taken steps to ease the burden of the port community and local traders by waiving store rent for all cargoes during the months of 18 March until 12 May 2020, extended credit period from the normal 28 days to 56 days and lifted the 10% late payment surcharge during the early MCO period.

Crisis Command Centre

As part of the main action plan initiated by Sabah Ports to ensure business continuity, the Crisis Command Centre (CCC) was established particularly to respond to the pandemic by revising the SOPs of Sabah Ports operations so as to fit the new norm. It is part of the Group's Business Continuity Management plan to ensure business will continue to operate as usual during the unprecedented times.

CCC serves as a platform to receive reports and updates from all ports and to render immediate instructions to support and assist the operations in minimising interruptions.

Since the onset of MCO, Sabah Ports had worked closely with relevant government ministries and authorities to ensure the staff at the operations adhere to the strict guidelines and SOPs, utilising online method of payments and submission of documents to support contactless transactions as well as utilising the services of the web-based customer portal.



Crisis Command Centre led by General Manager (Operation) of Sabah Ports

IMPROVEMENTS IN BUSINESS OPERATION

The second materiality issue under Economic sustainability focus is improvements in business operations with the objective of boosting productivity and services. During 2020, various initiatives were undertaken to bring about improvements in business operations and services.

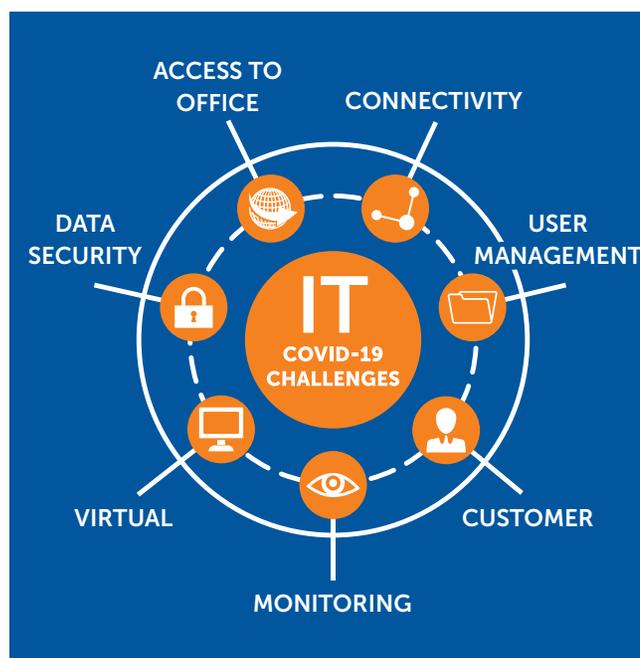
Digital Transformation

In line with SuriaGroup's IT strategic plan, the Group continues to enhance its digitalisation programmes over the years to improve services and productivity. One of the key actions is by developing and implementing online system platforms and transforming manual processes into digitalisation management to improve services and create more business opportunities.

The Group will prioritise customer platform development to ease the current manual processes as well as to minimise physical presence and contact. At the same time, a dashboard consisting of collective data from several systems will be developed for Management to strategise business as well as making fast and well-informed decisions.

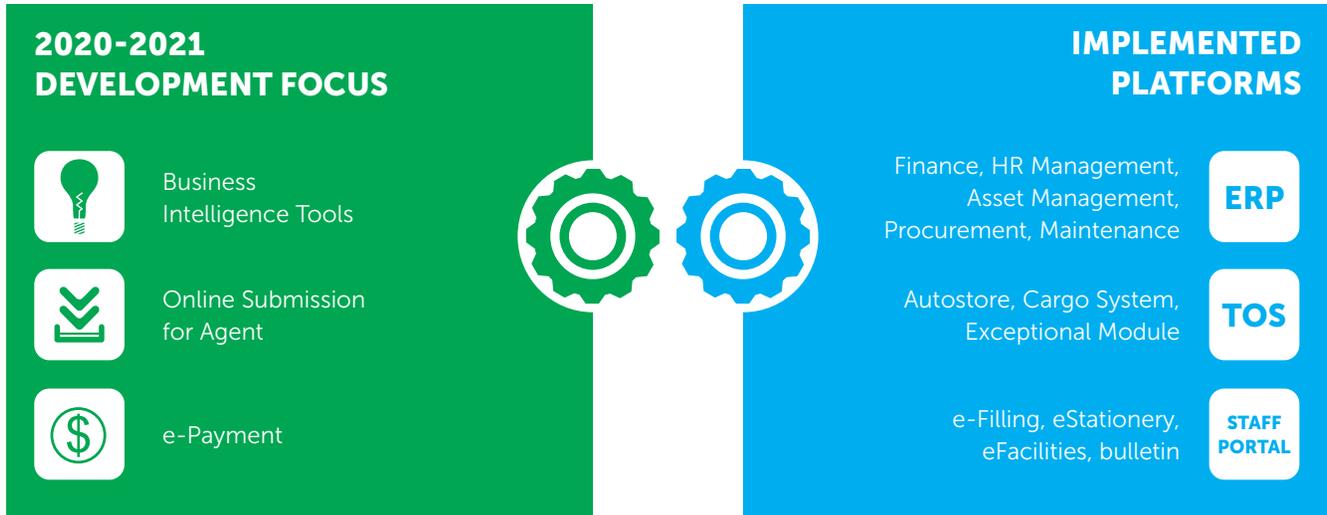
The unprecedented COVID-19 pandemic had changed the way of doing business and prompted the Group to adopt new norms by leveraging on information technology (IT).

The infographic below shows the management of challenges faced by the Group's IT in during the COVID-19 pandemic:



In adopting the new norms for port customers, a more systematic online submission platform was created to encourage port customers to coordinate their shipping documentation and submission via email.

At business operation level, the Group had arranged work schedule for employees to work from home in order to mitigate the risks of infection from the COVID-19 pandemic at the workplace. Business, operation and management meetings were all conducted through video conferencing while communications were done mostly via calls, emails and instant messaging applications. Meanwhile, office data was accessed mainly through Virtual Private Network (VPN). Internal systems for employees such as Staff Portal, Terminal Operating System (TOS) and Enterprise Resource Planning (ERP) were made accessible via secured line to aid them to work from home. The following infographic depicts the implemented and planned digitalisation initiatives during 2020.



Friday Gate Operations at Sapangar Bay Container Port

To ease congestion at the gates of Sapangar Bay Container Port (SBCP) during Friday rest hours (1130hrs – 1400hrs), Sabah Ports obtained approval from the Royal Malaysian Customs Department to work through these peak hours. Effective 17 July 2020, Sabah Ports revised the manpower allocation at SBCP to implement the new gate hours and to extend the container delivery time, thereby easing congestion and improving service efficiency.

Improved Productivity at Sapangar Bay Container Port

Through process improvement and implementation of incentive scheme, SBCP was able to improve the handling rate to an average of 21 boxes per hour for the year 2020 from 20 boxes per hour in 2019.

Dredging Works at Sandakan Port and Tawau Port

The capital dredging works at Sandakan Port and Tawau Port were completed in 2020. These works were undertaken to increase the drafts of the outer and inner berths to enable larger vessels to call at both ports. Dredging works at Sandakan Port were to increase the drafts of the outer and inner berths from 8 metres and

4 metres to 11 meters and 10 metres, respectively while the maintenance dredging at Tawau Port, where siltation is a recurrent issue that restricts entry of larger vessels, increased the drafts of the outer and inner berths from 7 metres and 0.3 metre to 11 metres and 5.5 metres.

Improving Machine Availability and Performance

Port productivity and efficiency is highly dependent on the availability and performance of port equipment and machinery. Sabah Ports has taken crucial measures to optimise machinery performance through preventive maintenance focus and service level agreement.

The port focuses on preventive maintenance as opposed to corrective maintenance as its strategy to reduce equipment down time. This entails securing critical machinery parts and putting in place scheduled maintenance plan in order to keep equipment running, thereby preventing time loss due to faulty machinery and saving costs from unanticipated equipment failure.

The port operations have also worked closely with the workshop team to ensure an agreed provision of equipment is available at any one time. The service level agreement has enhanced productivity by ensuring an agreed-upon number of equipment is available at any one time thus providing the ports with greater reliability of services to the customers.

New Additional Reefer Racks at SBCP To Boost Service Efficiency



As part of Sabah Ports continuous efforts to provide better port facilities to its port users, SBCP has recently completed the construction of two (2) additional units of reefer rack costing RM2.55 million. The new additional units now bring the total reefer racks available at SBCP to a total of seven (7) units providing some 200 slots for port customers.

Each rack can accommodate 40 reefer containers. On top of this, SBCP had also added 12 reefer points for power supply without rack and this has made the total available reefer points to 292 units.

The project started in 2019 and was completed in August 2020 in the midst of the MCO period following the COVID-19 pandemic.

Enhancing Fire-Fighting and Safety Aspect at Sabah Ports' Oil Terminals

In 2020, Sabah Ports invested in the upgrading of fire-fighting equipment at its oil terminals to adhere to global safety standards. A Marine Terminal Criteria & Assessment Audit is scheduled quarterly to assess the standards of safety at the oil terminals.

OPTIMISATION OF RETURN ON INVESTMENTS

Business Collaboration

- **BIMP-EAGA Business Council (BEBC)**

SuriaGroup through Sabah Ports will work closely with BIMP-EAGA Business Council (BEBC) to leverage on

the Council's wider network in the region to establish greater sea connectivity between our ports and BIMP-EAGA countries as well as to global markets. BIMP-EAGA, as a single market, holds vast opportunities that SuriaGroup can capture and bring economic impacts to all its stakeholders. To realise this opportunity, the Group will leverage on this private sector-led platform to promote SBCP as the new transshipment hub and the gateway port for the BIMP-EAGA region.

SBCP being in the heart of BIMP-EAGA has great potential to be the consolidated container hub for BIMP-EAGA and the focal point of the region's shipping cluster. With the SBCP expansion plans underway, SBCP's future capacity and productivity will increase thus strengthening SBCP's position as the hub port for BIMP-EAGA.



- **Sabah Logistics Forum**

Being one of the State's main players in logistics, Sabah Ports took the lead to establish Sabah Logistics Forum on 17 June 2020 as a platform for logistics and industry players in the private sector in Sabah to voice out their concerns and to propose recommendations to the State and the Federal Government in enhancing the logistics industry in Sabah.

The Forum had contributed to the New Industrial Master Plan 2020-2030 by providing inputs on industry challenges and recommendations for the State's logistics to advance. In recent development, Sabah Logistics Forum was invited by the Federal Ministry of Transport Malaysia to be part of the National Logistics Taskforce which monitors the implementation of the Logistics and Trade Facilitation Masterplan.

Sabah Logistics Forum, chaired by the Managing Director of Sabah Ports, comprises members representing Sabah Logistics and Freight Forwarders Association, Sabah West Coast Lorry Transportation, Chartered Institute of Logistics and Transport Malaysia, Sabah Shipping Agents Association, Malaysian International Chambers of Commerce and Industry, Federation of Sabah Industries, Federation of Malaysian Manufacturers, BIMP – EAGA Business Council Sabah, Malaysian Airlines Berhad and other business chambers.



Business Expansion and Diversifications

Since the port privatisation exercise in 2004, Sabah Ports had spent more than RM1.0 billion on capital expenditure to upgrade port facilities and to meet market needs as well as to better serve the port community. The capital expenditure is part of its total commitment of RM1.336 billion specified under the Privatisation Agreement.

- **Sapangar Bay Container Port Expansion**

Sabah Ports seeks to position its flagship port, SBCP, as the transshipment hub for the BIMP-EAGA and the larger ASEAN regions, and to become the second load centre for Malaysia. The proximity of the cities and towns within the BIMP-EAGA as compared to the distance to their respective capital city makes SBCP the ideal port for consolidation of cargoes in the region due to the lower shipping costs.

The positioning of SBCP as the regional hub would attract investments into the State and encourage the much-needed industrialisation and cargo-generating activities to help improve the trade imbalance. With the increase in the volume of cargoes for shipment,

economies of scale can be created which will in turn encourage main line operators to make direct calls to Sabah, thereby reducing freight cost and cost of doing business.

To further exploit the existing cross-border trade within BIMP-EAGA, business-friendly policies need to be in place and concurrently infrastructure needs to be developed to enhance connectivity. With respect to the latter, the Federal Government has pledged to channel RM1.027 billion for the expansion of SBCP to become a transshipment hub. As the port operator, Sabah Ports contributed its input on the project design in terms of the requirements of the transshipment hub. Upon completion, Sabah Ports is committed to invest in superstructure complementing the SBCP expansion plan that would increase the handling capacity from the current 500,000 TEUs to 1.25 million TEUs.

Following the channelling of RM50 million fund from the Federal Government in 2019 for the appointment of various consultants to carry out studies and design works, construction works were scheduled to commence in 2020. Sabah Economic Development and Investment Authority (SEDIA), being the implementing agency for the SBCP expansion project, had called for tender for the construction works in year 2020. However, due to the MCO, progress of the project has been delayed. The first phase of the expansion project is now expected in 2021 with completion period of three (3) years in 2024.

The announcement on 2021 Federal budget allocation for SBCP expansion project demonstrates the Federal Government's continuous support to the transshipment hub initiative for the benefit of Sabah. Sabah Ports will continue to work closely with SEDIA to facilitate implementation of the SBCP expansion project.

- **Sapangar Bay Conventional Cargo Terminal**

The construction of Sapangar Bay Conventional Cargo Terminal (SBCCT), a new general cargo terminal, is currently at the planning stage. Upon completion, the general cargo operation handled at Kota Kinabalu Port, which is within the Central Business District (CBD), will be relocated to Sapangar Bay. The project is expected to take three (3) years to complete.

• **Sapangar Bay Oil Terminal**

The expansion plan for Sapangar Bay Oil Terminal (SBOT) which entails constructing another jetty with two (2) additional berths had been one of the priority projects for Sabah Ports. Construction works had commenced in October 2020 and the completion is expected in 18 months' time. Upon completion, the outer berth and inner berth of the new jetty will be able to handle vessels with capacity up to 60,000 Deadweight tonnes (DWT) and 10,000 DWT respectively. This will enhance the current capacity of existing jetty which can handle tankers up to 30,000 DWT. The additional berths will ease congestion and increase service efficiency as ship's waiting time to berth at SBOT will be reduced. The new jetty will also allow maintenance works of the pipelines to be carried out without compromising the operations and safety aspects.

On average, SBOT handles 1.2 million metric tonnes of bulk oil annually and serves as the only oil terminal for the West Coast of Sabah. Due to the increasing demand of bulk oil for domestic consumption, the existing handling capacity of SBOT has reached its maximum.

The extension of the SBOT jetty will support the growing industries and economic activities in the West Coast of Sabah.



• **Railway Project**

The railway upgrading project which connects Halogilat Station to Tenom Station in Sabah was awarded to SCHB Engineering on 18 September 2017. Initially scheduled for completion in 2020, progress of the project had been delayed due to the MCO and the strict SOPs to be complied with for works to resume.

Incidents such as wet weather and land slide had also caused works to cease for site clearance and rectification on completed track works to be carried out. The due process to obtain approval for variation orders had also attributed partly to the delay in completion of the project.

As at 31 December 2020, the project is at 85% complete. Barring any unexpected circumstances and further imposition of the MCO, the project is expected to be completed and handed over to the Sabah State Railway Department for operation in the first quarter of 2021.

The railway line, being the only mode of transportation from Halogilat-Rayoh-Pangi to the nearest towns of Tenom and Beaufort, would be upgraded to enhance the travelling speed from 30km/h to 40km/h for the entire 26.9km stretch.

Suria's decision to undertake the project was driven by its commitment to help improve the livelihood of the local community in the interior that depends on the railway transportation to commute.



Part of the railway rehabilitation project at Halogilat-Rayoh-Pangi

- **Tourism-Related Business**

The ferry terminal at Jesselton Point serves as the gateway and main transportation hub to the popular islands nearby such as Pulau Manukan, Pulau Mamutik and Pulau Sapi. Following the imposition of travel restriction to curb the spread of COVID-19, tourist arrivals into the State had dropped drastically that impacted the demand for island hopping from the ferry terminal at Jesselton Point. This caused drastic drop in revenue of SCHB Engineering, as the terminal operator.

Despite the losses incurred, SCHB Engineering offered discounts on rental on goodwill basis to the tenants and tour operators at Jesselton Point.

Maintenance and repair works, in the meantime, had been carried out to repair pontoons at the jetty which included strengthening of beam structures and pontoon piles, cleaning of barnacles, repairing and replacement of worn-out floats and rotten timber deck. This was done to better serve its users and visitors when there is some recovery in the tourism and the travel sectors.



Kota Kinabalu Ferry Terminal at Jesselton Point

It is Suria's long-term plan to develop a dedicated international cruise terminal supplemented with related realty at Kota Kinabalu Port. A parcel of land measuring 28.9 acres, which sits in the vicinity of both Jesselton Quay and One Jesselton Waterfront, has been earmarked for this purpose.

The proposed development of the international cruise terminal is in line with the initiatives of the Federal and State Governments to promote cruise tourism

in Malaysia under the National Key Economic Area (Tourism) and Economic Transformation Programme.

- **Jesselton Quay Central**

Jesselton Quay Central (JQC), being the first phase of the 16.25-acre Jesselton Quay development, commenced construction in the first quarter of 2017 and was initially slated for completion in 2020. However, due to the imposition of the MCO, the project has been delayed with completion now expected in the third quarter of 2021.

Meanwhile, the construction of the 256-room hotel tower within JQC has been put on hold and will be resumed when the market condition normalises. Likewise, the second phase of Jesselton Quay is currently under re-planning stage and barring any unforeseen circumstances, development is expected to commence in year 2022.



Jesselton Quay Central in progress as at 31 January 2021

- **One Jesselton Waterfront**

Sitting on the land adjacent to Jesselton Quay and measuring approximately 7 acres, One Jesselton Waterfront is originally slated for the development of Suria's corporate office, a retail mall, serviced suits, serviced apartments, residential units, retail lots, an office tower and car parks.

Due to the COVID-19 pandemic that has affected the sentiment of the property and tourism market, there is a need to revise the existing plan for One Jesselton Waterfront to adapt to the prevailing economic climate or to defer the project until such time the market condition becomes favourable.

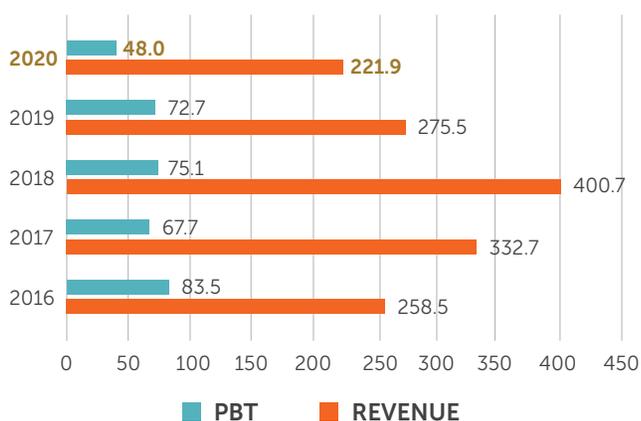


The overall development of Jesselton Waterfront City

GROUP'S BUSINESS ACTIVITIES AND IMPACTS TO THE ECONOMY

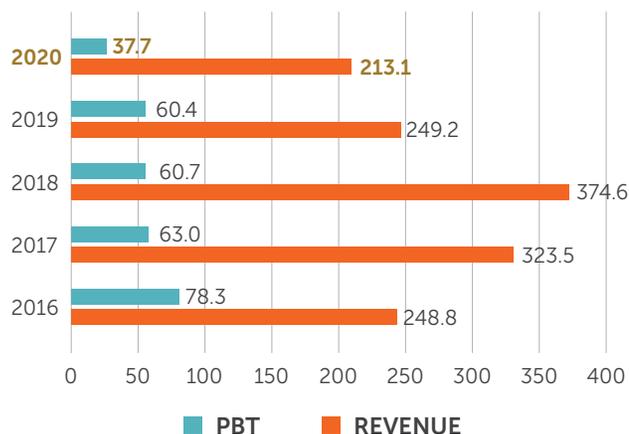
SuriaGroup's financial performance in 2020 was affected by the COVID-19 pandemic, registering lower revenue of RM221.9 million (-19.5%) and profit before tax of RM48.0 million (-34.0%) as compared to 2019. The pandemic had caused an adverse impact on the Group's business. As port services are essential to the economy and allowed to operate during the MCO, revenue generated from port operations as the core business had helped to cushion the impact to the Group's earnings.

Group's Revenue and Profit Before Tax (RM Million)



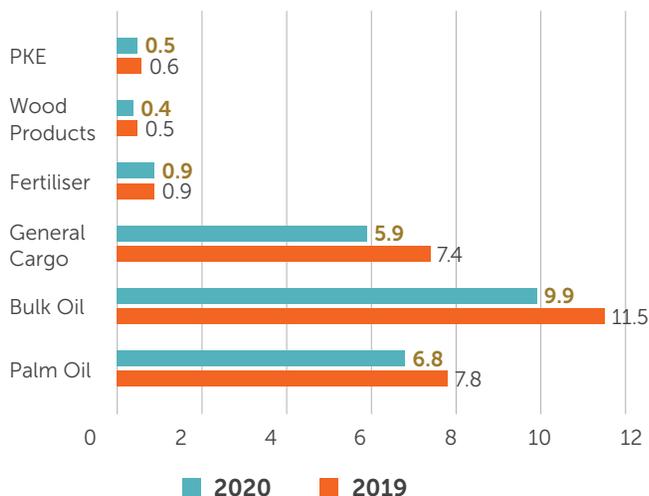
The financial performance of our major subsidiary, Sabah Ports, had decreased significantly as the world trade activities were hardly hit by the pandemic. The port revenue dropped significantly during 2020 due to lesser vessel calls and lower volumes handled. In 2020, Sabah Ports registered total revenue of RM213.1 million (inclusive of construction services revenue from concession infrastructure) and profit before tax of RM37.7 million. The revenue and profit before tax decreased by 14.5% and 37.6% respectively compared to 2019.

Sabah Ports' Financial Performance (RM Million)

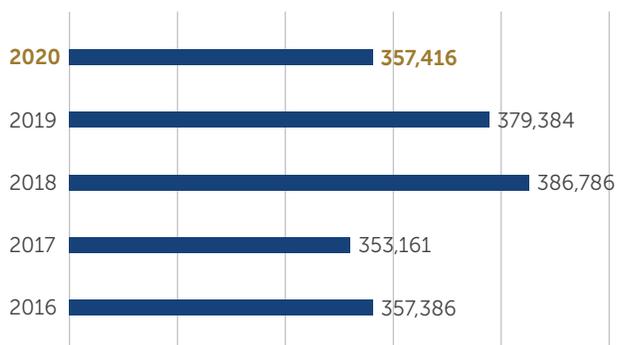


The impact of disruptions in the global supply chain and weak demand as a result of lockdowns in many countries had led to lower imports and exports of commodities such as palm oil, petroleum and other consumer products. Exports of palm oil, however, made recovery in the second half of 2020. As for the container operations, Sabah Ports recorded a 6% drop in container volume during the year to 357,416 TEUs from 379,384 TEUs in 2019.

Major Cargo Throughput (MT Million)



Volume of Containers Handled (TEUs)



In order to mitigate the impact of the pandemic, the Group had embarked on strategies to stay resilient by ensuring business continuity and adequate liquidity. In particular, the Group had focused on cash management as one of the immediate measures. Priority was set on revisiting capital investment plans, managing receivables and payables as well as operating costs to optimise the Company's cashflow.

Economic Contributions

The drop in the Group's revenue and profit for 2020 will result in lower contribution to the State Government through dividend payments. Similarly, the lower cargo throughput for the year would translate to lower contribution to Sabah Ports Authority. Since the privatisation of Sabah ports in 2004, the Group had contributed a cumulative dividend payment to the State's investment arm totaling RM124.9 million and periodic payment to Sabah Ports Authority totaling RM216.2 million.

The impacts of our businesses to the economy are reflected in the following income distribution table:

DISTRIBUTION	2016	2017	2018	2019	2020	
	(RM MILLION)					(%)
To Employees:						
- Personnel costs	58.0	60.4	65.6	65.9	62.8	34.8
To Government:						
- Payment to SPA	16.8	17.4	17.9	17.8	16.3	9.0
- Taxation	16.9	18.8	22.2	20.5	15.0	8.3
	33.7	36.2	40.1	38.3	31.3	17.2
To Providers of Capital						
- Dividends	20.2	11.5	27.4	17.3	12.1	6.7
- Finance costs	5.9	4.1	3.0	3.7	0.9	0.5
	26.1	15.6	30.4	21.0	13.0	7.3
To Reinvest in the Business						
- Depreciation, amortisation & impairment	39.9	51.0	49.1	51.3	50.8	28.1
- Retained Profit Net of Dividend and Expiry of Employee Share Options	46.5	37.4	25.8	35.0	22.7	12.6
	86.4	88.4	74.9	86.3	73.5	40.7
TOTAL DISTRIBUTED	204.2	200.6	211.0	211.5	180.6	100.0
% from Total Revenue	79.0	60.3	52.7	76.8	81.4	

As contribution to Sabah's economy, SuriaGroup currently has 1,099 employees, mostly Sabahans with multi-racial background, and providing them with regular income and spending power. SuriaGroup was able to sustain its business and retain its employees despite the challenging economic environment. On top of this, the Group continues to invest in capacity building by empowering the employees with skills and knowledge relevant to their job through virtual or web-based training.



ENVIRONMENTAL SUSTAINABILITY

Our commitment towards Environmental Sustainability

Our commitment is based on the following principles:

- Commitment on the protection of the environment, including management of pollution;
- Commitment to comply with environmental obligation such as Environmental Quality Act 1974 and Environment Protection Enactment 2002; and
- Commitment to continually improve environmental management system to enhance the environmental performance.



SuriaGroup is committed in upholding the importance of environmental obligations in carrying out its business activities particularly for its involvement in the port operations which has impacts on the environment.

We continue our efforts in minimising environmental impact from our business operation through innovation and frequent improvements in environmental management. It is our mission to achieve zero environmental major incident or non-compliance to environmental legal requirements guided by our Health, Safety and Environment (HSE) Policy and Green Port Policy.

• GREEN PORT POLICY •



PROTECT

Protect the environment and community’s health from harmful effect of port operations.



BALANCE

Strike a balance between environmental, social and economic concerns during planning, development and operational decisions.



STEWARDSHIP

Ensure environmental stewardship through environmental conservation and compliance.



DEVELOPMENT & TECHNOLOGY

Ensure sustainability in port development and port technology usage.



PUBLIC

Enhance public awareness on sustainable development and environmental conservation.



PARTNERSHIP

Foster smart partnerships with environmental organisations in promoting green efforts.

Journey towards ISO 14001:2015 Certification

Our subsidiary company, Sabah Ports has started its journey in 2020 towards certification, ISO 14001:2015, an international standard that specifies requirements for an effective environmental management system. The certification will improve our environmental performance management through a more efficient use of resources and reduction of waste in gaining a competitive advantage and trust of stakeholders.

• BENEFITS OF ISO 14001:2015 •



EFFICIENCY

Drives us towards more efficient operation, less wastage and more savings.



COST SAVING

Reduces cost through effective energy consumption and waste management.



COMPLIANCE

Manages compliance with current and future statutory as well as regulation requirements.



RESILIENCE

Prepares us for the future impact of climate change and resource scarcity.



REPUTATION

ISO 14001:2015 certification enhances clients' confidence to do business with us.



On-going process for ISO Certification with NIOSH team

REDUCTION IN CARBON FOOTPRINTS

Sabah Ports has set up a Support Service Team to closely monitor carbon emission and implement measures to reduce the emission in port operations. The use of electrified rubber-tired gantry (e-RTG), quay crane and buggy at SBCP has greatly reduced the dependence on fossil fuel.

As part of the measures, SuriaGroup has invested in solar energy pilot project at Tawau Port. It plans to extend the use of renewable energy to our entire port operations and reduce the dependency on power supply by public utility provider which uses diesel-powered generator.

The applications of energy efficient lighting system such as LEDs had greatly reduced the energy consumption at the ports. The Group had replaced the conventional high mast 1000W HPS bulb with a lower voltage 300W LED bulb at all the ports since 2014.

Monitoring of fuel consumption for port vehicles and equipment such as reach stackers, container handlers, prime movers, forklifts, terminal tractors and generator sets. The following chart shows a declining trend in fuel consumption for the past five (5) years.



EFFICIENT ELECTRICITY AND WATER CONSUMPTION

In managing the consumption of utility, SuriaGroup has implemented electricity and water usage monitoring throughout the Group's business activities. This is to ensure the efficient consumption of electricity and water by regularly tracking the consumption trend. Consumption data is collected throughout the Group and is analysed regularly.

The data in the following graphs show the effectiveness of the measures taken where the usage of electricity and water in 2020 has reduced by 19% and 44% respectively compared to those in 2019. The drop in electricity and water consumption was partly contributed by the working arrangement during the MCO where 50% of our workforce especially office staff were working from home.



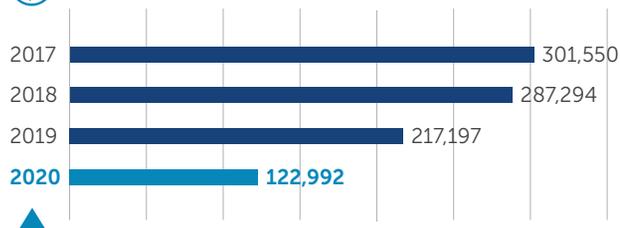
Electricity Consumption (kWh)



2020	kWh	RM
Suria	80,820	33,661
SCHB Engineering	433,025	154,182
Sabah Ports	6,593,554	2,568,387



Water Consumption (m³)



2020	m ³	RM
SCHB Engineering	15,079	29,912
SP Marine Services	2,335	4,670
Sabah Ports	105,578	269,894

MANAGEMENT OF LAND AND WATER POLLUTIONS

SuriaGroup has implemented proper management and control measures in handling its waste products. This is to ensure the waste produced from our port activities do not end up polluting the environment, both on land and at sea through Scheduled Waste Management and Marine Vessel Waste Management programmes.

Due to the COVID-19 pandemic and the restricted movement world-wide, there were limited vessels calling at our ports and thus collections of scheduled wastes and garbage from vessels were very much minimal.

• Scheduled Waste Management

SuriaGroup's Scheduled Waste Management programme has been established in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005. All scheduled wastes are collected and disposed off by the appointed licensed contractor as mandated by the Environmental Quality Act 1974.

The following chart shows the volume of scheduled waste collected from port operations managed by the Group for the past five (5) years.



Volume of Scheduled Waste Collection in Kilogram (KG)



22,901 KG



44,453 KG



58,016 KG



76,458 KG

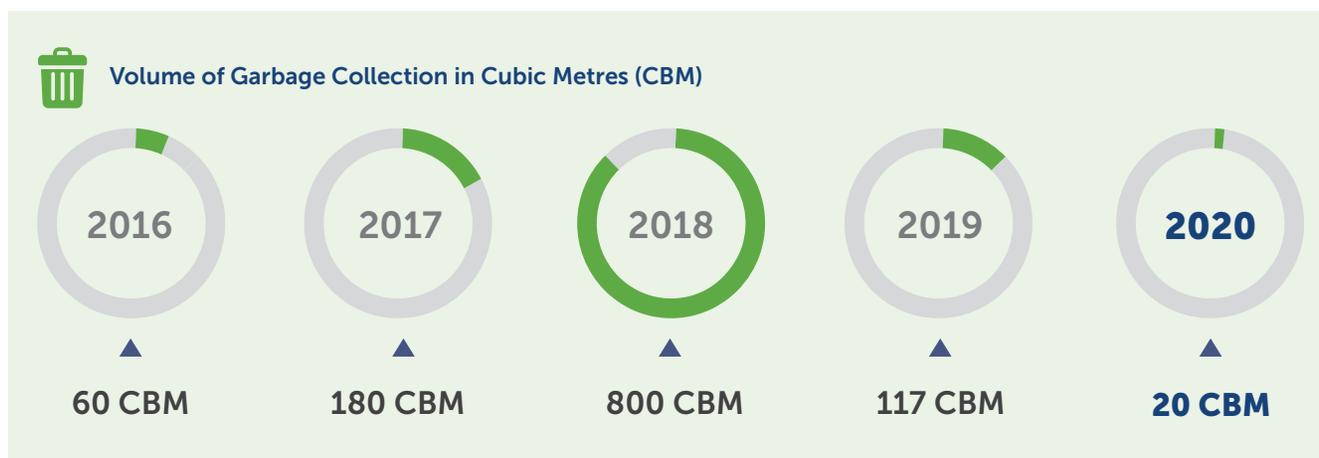
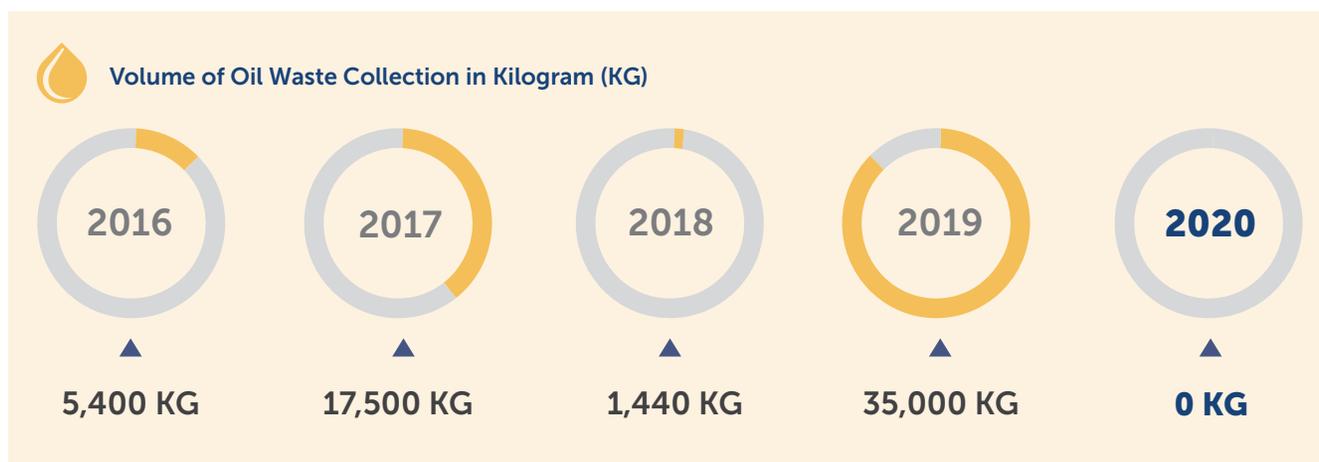


54,517 KG

• **Marine Vessel Waste Management**

SuriaGroup provides disposal services for vessels calling at Sabah Ports. Vessel wastes contaminated with oil (oily wastes) are taken out of the port via direct delivery and disposed according to the requirements by the Malaysian Department of Environment, while garbage wastes are disposed according to the local municipal council guidelines.

The data on volume of vessel wastes collected at Sabah Ports are as follows:



ENVIRONMENTAL PROGRAMME

Green Awareness

In order to promote green awareness culture, SuriaGroup had initiated several in-house environmental sustainability programmes throughout the year. These included the following activities:

- 5S Mini Garden
- Bring Your Own Container Campaign
- Green Corner through 5S Awareness Program
- Save Energy Campaign
- Paper Recycling
- Proper disposal of e-waste, ink cartridges and used light bulbs
- Proper disposal of COVID-19 personal protective equipment (PPE)
- Recycling of hand sanitiser bottles



5S Mini Garden



Green Corner through 5S Awareness Programme



Save Energy Campaign



Paper Recycling



Proper Disposal of E-Wastes, Used Ink Cartridges and Light Bulbs



SOCIAL – PEOPLE

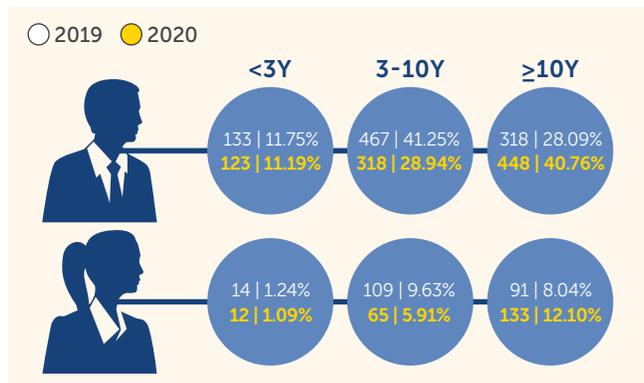
The Group identified three (3) material issues under Social-People namely Talent Force, Learning and Development as well as People’s Engagement.

TALENT FORCE

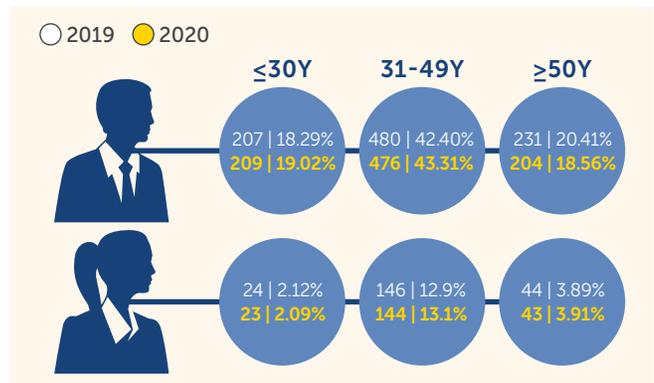
SuriaGroup provided employment to its workforce of 1,099 people as of 2020 all over Sabah, majority of them are local Sabahan. The employment has provided them with a decent standard of living. In turn, these employees supported SuriaGroup to achieve business objectives and ensure its sustainability.



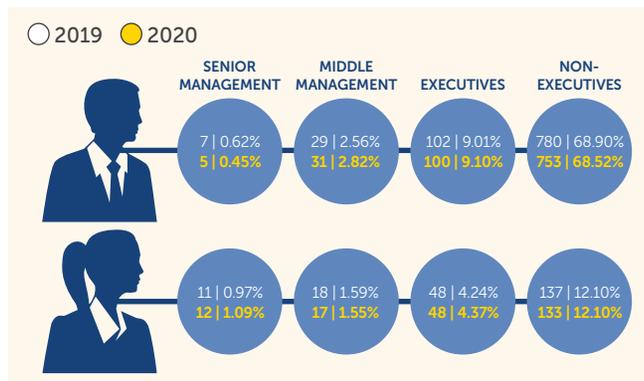
LENGTH OF SERVICE



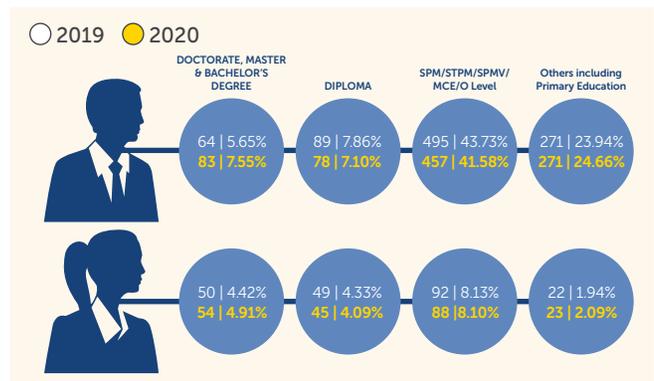
AGE GROUP



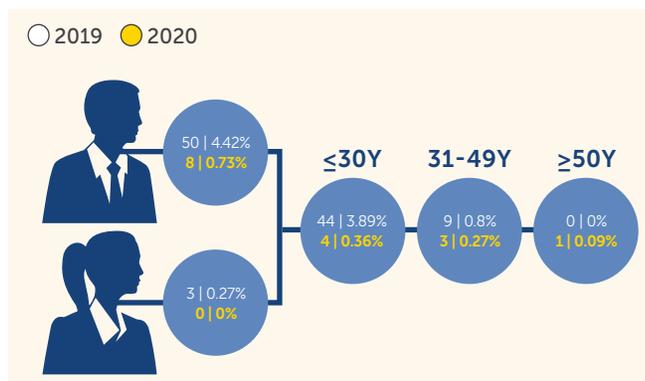
EMPLOYEES CATEGORIES



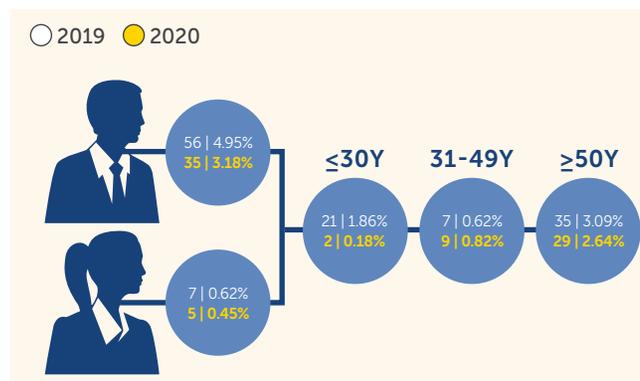
QUALIFICATIONS



NEW HIRES



EMPLOYEES TURNOVER



LEARNING & DEVELOPMENT

Employees are important assets in an organisation. In SuriaGroup, various initiatives and programmes continued to be implemented to cultivate high performance culture. In addition, the Group also sees the importance of career development for employees. As a responsible corporate entity, a series of programmes were lined up to enhance capabilities, such as in-house training programme, developing in-house trainers and education assistance under continuous education programmes. In the year 2020, the Group had recorded 4,980 training hours. During the MCO, most of the Group's training programmes had been conducted via online learning platforms.

	Senior Management	Middle Management	Executives	Non-Executives	
 Hours spent on training	Hours spent	620	1,135	1,800	1,425
	Average training hour per employee	12	8	9	8
 Amount spent	Amount spent (RM)	70,085	93,519	110,897	82,252
	Average amount spent per employee (RM)	1,402	663	525	440

In-house Training Programme

24 Total Trained

Halal Logistics Awareness Training in collaboration with MITRANS, UiTM

23 Total Trained

Port Pricing and Tariff Charging for Oil and Gas Terminal in collaboration with PetroEdge

10 Total Trained

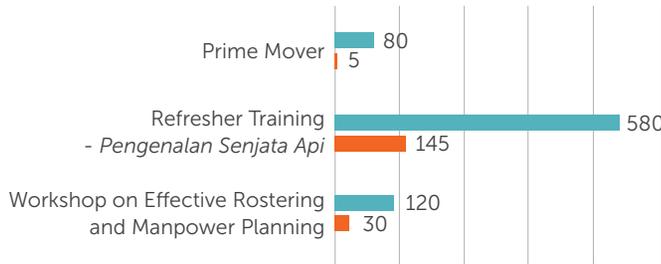
Refresher Training II - Kalmar Empty Container Handler in collaboration with Kalmar, Singapore

• **Training by In-House Trainers**

In 2020, there was a total of 780 hours of training activities led by in-house trainers.

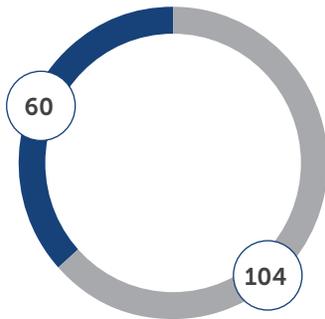
Total Training Hours & Trained Employees: Training By In-House Trainers

■ Hours spent ■ Total trained



• **Awareness Training on Bribery, Corruption and Sexual Harassment**

The Group invited MECA to conduct awareness trainings on Anti-Corruption and Bribery, as well as Prevention and Eradication of Sexual Harassment at the Workplace. SuriaGroup had also developed its internal policies and procedures on Anti-Corruption and Bribery as well as Whistleblowing.



	Total Training	Total Employees Trained
■ Anti-Corruption and Bribery/Prevention and Eradication of Sexual Harassment at the Workplace	2	60
■ SuriaGroup's Anti-Corruption and Bribery Policy and Procedures and Whistle Blowing Policy	5	104

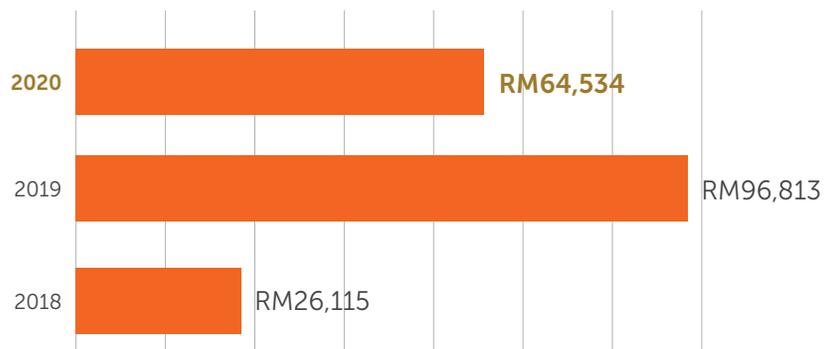
Financial Assistance under Continuous Education Programme

Under its Continuous Education Programme (CEP), the Group had invested RM467,699 from 2015 to 2020 in support of employees to further their education. In 2020, a total of 15 employees have benefited from this education assistance programme.

15
Total Employees
under CEP for 2020

Master: 3
Degree: 10
Diploma: 2

Investment Amount (RM)



Industrial Training

The Group also provides industrial trainings for students from higher learning institutions. In 2020, the Group had accommodated nine (9) students from local learning institutions for internships within the Group.

Field of Study	Total Student
Bachelor of Civil Engineering	2
Diploma in Engineering Technology (Mechanical & Design)	2
Diploma in Business Studies	1
Diploma in Accounting	1
Diploma in Information Technology	1
Diploma in Electrical Engineering	1
Diploma in Mechatronics Engineering	1

PEOPLE ENGAGEMENT

In 2020, SuriaGroup continued to engage with employees through various programmes with the objective of protecting the employees' interest and improving their welfare and well-being. By doing this, the Group is improving the employees self-belonging and encouraging them to work harder for the mutual benefit of both the company and employees.

On 10 January 2020, a launching ceremony on Engagement Activities for the year 2020 was officiated by the Group Managing Director (GMD) of SuriaGroup.





SOCIAL – STAKEHOLDERS AND COMMUNITIES

SuriaGroup pledges to continuously support the stakeholders' expectations in line with the Group's mission in caring for the environment and community within which we operate. SuriaGroup has focused on CSR activities with the objective of assisting the community, particularly in enhancing rural education and improving community well-being.

STAKEHOLDERS' ENGAGEMENTS

As a public-listed company involved in port operations and port-related activities, property development and construction, SuriaGroup is involved with diverse stakeholders such as the shareholders, government, authorities, business communities and the society at large. It is very important for the Group to engage effectively and establish good rapport with all these stakeholders through the following platforms:



COMMUNITY ENGAGEMENTS

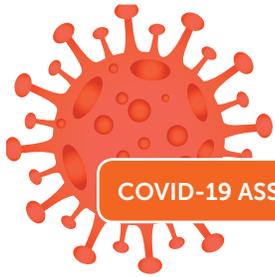
Community engagement has been an important avenue for the Group to contribute significantly towards the social well-being of the community in need. The Group's social engagements with the community for 2020 focused on the enhancements of rural education, supply of clean water and improvement in social welfare. However, the Group's activities during the year were scaled down due to the COVID-19 pandemic.

As a responsible corporate citizen, SuriaGroup was obligated to assist the State Government in curbing the widespread of COVID-19 in Sabah. In an effort to reach out to the local community badly affected by the pandemic, the Group had donated a total sum of RM1,000,000 to the State's Government Disaster Fund. Apart from the contribution, the Group also initiated CSR activities by distributing basic food supplies to the surrounding communities that were severely affected due to the pandemic.

The Group's CSR activities and engagements during 2020 were as follows:

COVID-19 ASSISTANCE				
INITIATIVE	CONTRIBUTION	OBJECTIVE	SOLUTION	BENEFICIARIES
Donation to Sapangar Parliamentary Constituency.	SuriaGroup sponsored food aid worth of RM10,000 to villagers in Sapangar constituency.	To ease the burden of affected villagers.	Provided groceries to the affected villagers during the COVID-19 pandemic.	The villagers in Sapangar constituency.

COVID-19 ASSISTANCE				
INITIATIVE	CONTRIBUTION	OBJECTIVE	SOLUTION	BENEFICIARIES
Donation to Lembaga Pelawat Hospital Queen Elizabeth.	SuriaGroup donated RM10,000.	To help reduce the risks of pandemic infection to front-liners.	Provided monetary aid to the Association for the purchase of Personal Protective Equipment (PPE) for front-liners.	The front-liners and hospital staff.
Contribution to the State Disaster Fund for COVID-19.	SuriaGroup donated RM1.0 million.	To support the State Government in managing the COVID-19 pandemic.	Provided monetary aid to the State Government.	People in Sabah.
Food aids.	Sabah Ports donated 800 food bags across Kota Kinabalu, Sandakan, Tawau, Lahad Datu and Kunak.	To ease burden of affected villagers during the COVID-19 pandemic.	Provided food aid to help ease the burden of the villages.	800 families.
Donation to Osimal Foundation.	SuriaGroup contributed RM30,000.	To help enhance hospital facilities for treatment of patients.	Provided monetary aid to the association to purchase hospital equipment e.g, air purifying respirator.	Hospital patients.
Donation of Hari Raya Cookies to Sabah Security Forces.	SuriaGroup donated RM7,200 worth of Hari Raya cookies.	To show appreciation to the Security Forces on duty.	Distributed Hari Raya cookies to Security Forces through State Government programme.	Security Forces in Sabah.
Donation to Palliative Care Association of Kota Kinabalu (PCAKK).	SuriaGroup donated RM15,000.	To give support to PCAKK in its charity works.	Provided financial aid.	The association and palliative patients.
Launching ceremony for SK Gentisan's Multipurpose Hall.	SuriaGroup sponsored RM8,948 for the installation of tiles.	To provide conducive learning environment.	Upgraded the flooring by furnishing with tiles.	The teachers and students.
Donation to SMK Pekan Telipok.	SuriaGroup donated 4 units of computer.	To assist in the learning process of special students.	Provided learning tools.	Special students with learning disabilities.
Sponsorship of water and sanitation project to SK Kawiyan, Ranau.	SuriaGroup contributed RM39,800 for the project.	To improve the quality of life of rural community.	Provided clean water and proper sanitation to the school/hostel.	The school and students.



COVID-19 ASSISTANCE



Donation to Sapangar
Parliamentary Constituency



Donation to Lembaga Pelawat
Hospital Queen Elizabeth



Donation to Osimal Foundation



Donation of food aid to
800 families



Contribution to the Sabah State
Disaster Fund



SOCIAL WELL-BEING



Donation of Hari Raya Cookies
to Sabah Security Forces



Donation to Palliative Care Association
of Kota Kinabalu



Sponsorship of water and sanitation
project to SK Kawiyan, Ranau



Donation to SMK Pekan Telipok



Launching ceremony of SK
Gentisan's Multipurpose Hall



CONCLUSION

The disclosures made in this Statement highlighted sustainable business practices throughout SuriaGroup during 2020 as its consolidated efforts to make sustainability a corporate culture. The Group will stay committed in carrying out responsible business activities that would contribute to the well-being of the stakeholders.

In 2020, the Group had contributed and supported 10 goals of the United Nations' Sustainable Development Goals via its efforts:

- upholding SuriaGroup's missions to enhance the long term value of the Group by creating sustainable returns to our shareholders;
- achieving excellence in all our business undertakings;
- embracing best practices in our business process;
- enriching lives of our employees; and
- caring for the environment and community within which it operates.

SURIAGROUP'S ALIGNMENT TOWARDS



SUSTAINABLE DEVELOPMENT GOALS



ECONOMIC



ENVIRONMENTAL



SOCIAL – PEOPLE



SOCIAL – STAKEHOLDERS AND COMMUNITIES



