



MSM MALAYSIA HOLDINGS BERHAD



# GAINING TURNAROUND MOMENTUM

ANNUAL INTEGRATED REPORT 2021

## COVER RATIONALE

# GAINING TURNAROUND MOMENTUM

This year's theme highlights the steadfast execution and positive results reaped by MSM Malaysia Holdings Berhad's (MSM) Turnaround plan during the year under review. MSM Group is focused on the execution of its turnaround plan through asset optimisation, staying resilient with strengthened income streams and building integration for sustainable performance, supported by the strength of the "**Gula Prai**" brand as the third most chosen fast-moving consumer goods (FMCG) brand in Malaysia for FY2020.

This cover reflects MSM's leadership in Malaysia as the pioneering flagbearer of the sugar industry. The use of the Wau evokes a national feel and the upward trajectory, as indicated by the bird element, indicates clear focus and direction as MSM spreads its wings in the sugar business.

Illustrations of diverse stakeholders are rendered across the cover to depict MSM Group's core commitment to serve and deliver sustainable value that will elevate lives.

## 11<sup>th</sup> ANNUAL GENERAL MEETING

### Online Meeting Platform

<https://meeting.boardroomlimited.my>  
(Domain Registration No. with MYNIC – D6A357657)

### Date

8 June 2022 (Wednesday)

### Time

11.00 a.m.

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# ABOUT THIS



## INTRODUCTION TO THE 11<sup>TH</sup> ANNUAL INTEGRATED REPORT (AIR)

MSM's AIR for the year ended 31 December 2021 has been improved to meet all the principles of the International Integrated Reporting Framework (IIRF) developed by the International Integrated Reporting Council (IIRC). We also strive to continuously enhance the quality of information available to our stakeholders and reporting practices through adoption of the IIRF, in consonance with the recommendations in the Malaysian Code on Corporate Governance 2021 (MCCG 2021) on integrated reporting.

The report aims to provide our stakeholders with transparent, relevant and integrated information of our business strategy, performance, and future prospects in the context of Environment, Social and Governance (ESG), leading to the creation of stakeholder value over the short, medium and long-term. We are guided by our vision **"To be a World Class, Cost-Efficient and High-Performance Organisation with a Sustainable Business Model and Diverse Portfolio in the Food-Related Business"** and are resolute in our sustainable promise of **"Sweet Sustenance in a Responsible, Sustainable and Mindful Way"**. We intend to deliver this promise through enhancing our shareholder value, optimising growth and achieving a sustainable, balanced and integrated ESG performance by transforming our business model and reaping opportunities throughout the global food value chain.

Improvements of disclosure for FY2021 are evident in greater Investor Relations disclosure as described on page 108; update of our Business Model on page 94; and advancements in our Sustainability Journey "as a step towards meeting" the FTSE4Good Bursa Malaysia Index standards, expand our alignment to the core disclosures under the Global Reporting Initiative (GRI) standards as well as focus on promoting relevant United Nations Sustainable Development Goals (UN SDGs) into our strategies. The sustainability of our business shall continue to be strengthened as we review our ESG elements holistically across our business and operations.



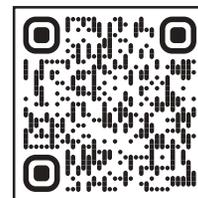
## REPORTING FRAMEWORKS APPLIED

-  Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad
-  Malaysian Financial Reporting Standards (MFRS)
-  International Financial Reporting Standards
-  Companies Act 2016
-  Malaysian Code on Corporate Governance 2021 (MCCG 2021)
-  Global Reporting Initiative (GRI) Standards for Sustainability Reporting

The full report is also available online on our corporate website at:

 [www.msmsugar.com](http://www.msmsugar.com)

Access our 2021 Annual Integrated Reporting Suite online, by simply scanning the QR code below:



# REPORT



## REPORTING SCOPE AND BOUNDARY

This report covers our financial and non-financial performance during the period from 1 January 2021 to 31 December 2021. Our reporting encompasses all material developments concerning MSM up until the approval of the annual financial statements. It focuses on MSM as a Group and encompasses our operating subsidiaries, i.e. MSM Prai Berhad, MSM Logistics Sdn Bhd and MSM Sugar Refinery (Johor) Sdn Bhd.

This report has been compiled in accordance with the concepts, guiding principles and content elements contained in the IIRC framework. This framework employs a reporting approach to create short, medium and long-term value as well as the connectivity and interdependencies of the six capitals, namely human, natural, manufactured, financial, intellectual, and social & relationship capital. Information presented relates to the principal activities of MSM Group and all its subsidiaries, unless stated otherwise.



## THE SIX CAPITALS OF VALUE CREATION

Through this report, MSM hopes to give a comprehensive and holistic overview of the matters that influence our ability to create value, including market challenges, risk management, strategies, governance, initiatives and key developments.

MSM Group's focus on value creation is driven by the economic value we deliver and the sustainability of the communities that we serve. We relentlessly strategise on the mobilisation of our Six Capitals to coordinate, educate, support and collaborate with our stakeholders and monitor value creation outcomes to enhance resiliency. These capitals, as identified by the IIRC, have served as essential guides to help us achieve our strategic objectives. The capitals represent stores of value and each of them – Financial Capital, Natural Capital, Manufactured Capital, Intellectual Capital, Human Capital and Social & Relationship Capital – is important on how it impacts our business. MSM's business strategies revolve around maximising positive outcomes within these capitals, being mindful of the trade-offs between capitals, and mitigating negative impacts.

By reporting according to the Six Capitals, our stakeholders will be better informed and have a broader view of how the business strives to create net positive value. This approach also allows for more concise understanding of our value creation over time.

Our value creation Business Model that shows the inter-relatedness and dependencies between our Capitals and other factors that drive our value creation journey is disclosed on pages 94 to 95.



## MATERIALITY

MSM applies the principle of materiality to determine the content of our integrated report and defines materiality as matters that substantially affect MSM Group's ability to create and sustain value over the short, medium and long-term. These matters were identified, prioritised and validated via a materiality assessment described in page 96. Subsequently, our key stakeholders were engaged throughout this process, and this has enabled MSM to incorporate their inputs into our business perspective. Our strategic responses to these material matters are presented in pages 96 to 101.



## FORWARD LOOKING STATEMENT

MSM's forward looking statements are inclusive of MSM Group's future direction, strategies, and potential opportunities for growth. These statements can be identified by key words such as "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "plans", "outlook" and other words of similar meaning in connection with a discussion of future operating or financial performance. These are based on various assumptions and are subject to a number of risks, uncertainties and contingencies, many of which are beyond the control of MSM. Unanticipated events and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the Group and other factors.



## REPORTING INTEGRITY AND ASSURANCE

To uphold report quality and ensure that the information presented in this report is reliable, consistent and complete, this report has been reviewed by the Executive Committee. The report has further been reviewed by the Audit Committee and together with the Audited Financial Statements 2021, submitted to the Board for its final approval.

MSM's Board of Directors and Senior Management, has approved the contents of this Annual Integrated Report, guided by the requirements of the MCCG 2021, Companies Act 2016, the Listing Requirements of Bursa Malaysia and Sustainability Guidelines.

The financial report and statements have been audited by MSM's appointed external auditors, PricewaterhouseCoopers PLT (PwC) and is approved free of qualifications. The Board acknowledges responsibility for ensuring the integrity recommendations of the Annual Integrated Report, following recommendation by the Audit, Governance and Risk Committee, responsible for oversight of the annual integrated report. The external auditors have also provided a limited assurance review on our Statement on Risk Management and Internal Control (SORMIC).

# ABOUT THIS REPORT

## NAVIGATION ICONS

Throughout this report, the following navigation icons are used to link our six capitals, key stakeholders, strategic themes and enablers to material matters, risks, and performance.

### OUR SIX CAPITALS



#### Financial Capital

Our financial capital enables us to provide salaries for our employees, dividends for our shareholders and investment in communities while driving sustainable growth through reinvestments to maintain and grow our business. Our investors' funds are wisely invested to increase our operational efficiency as well as to initialise operations in our plants.



#### Manufactured Capital

We produce the highest quality sugar with assured certifications. We also ensure availability of refined sugar through effective stock management. With our recent opening of the MSM Sugar Refinery (Johor) Sdn Bhd plant, we have increased production capacity to 2.05 million tonnes per annum, making MSM one of the largest sugar refiners in the world.



#### Intellectual Capital

Our strong brand, expertise, capabilities and established technologies steer our business success. We have over 50 years of industry experience. This has ensured our market share dominance in the domestic market. Our production is anchored on quality certified management processes and systems.



#### Natural Capital

Raw sugar and fuel are the natural capitals of our industry. We depend on reliable access to these to maintain smooth operations. Price of raw sugar has a great impact on our profit margin and is determined by open market commodity forces. As such, we have strong risk management in place through price hedging mechanism in meeting budgets. We build trusted relationships with raw sugar suppliers and exercise hedging strategies to optimise on better deals.



#### Human Capital

Our skilled employees, contract workers and experienced management team are our greatest assets. We have 1,033 employees which are considered skilled industry experts who provide us a competitive edge in helping us maintain market leadership. Via training and skill enhancement initiatives such as Staff Mobility Programme, we seek to maintain a good quality talent pool within the Group.



#### Social & Relationship Capital

We were established to ensure national self-sufficiency in sugar, and have since become the flagbearers of Malaysia's sugar industry. As such, MSM's social and relationship capital are the relationships of trust we build with our stakeholders - our employees, customers, suppliers, investors, communities, regulators, the government, industry partners and the media. We contribute to national and community development through the payment of taxes and zakat, as well as create employment opportunities by maintaining profitable operations.

### STAKEHOLDERS



#### Consumers & Customers



#### Employees



#### Shareholders & Investment Community



#### Regulatory Agencies & Statutory Bodies



#### Vendors, Suppliers & Industry Partners



#### Media, NGOs & Communities

## MATERIAL MATTERS

- M1** Service & Product Quality
- M2** Operational Performance
- M3** Occupational Safety & Health Performance
- M4** Governance
- M5** Macroeconomic Conditions
- M6** Financial Management
- M7** Resource Management
- M8** Talent management
- M9** Economic Impact
- M10** Community Empowerment

## STRATEGIC DRIVERS

- S1** Improve MSM Johor's Production Capability, Yield and Refining Cost
- S2** Improve Sales & Distribution through Territory Consolidation and Area Demarcation
- S3** Increase Growth in Domestic Volume
- S4** Growth in Value Added Segment Sales
- S5** Strategic Capital Management
- S6** Export via Strategic Partnership
- S7** Monetise Non-core Assets

# WHO WE ARE





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# CORPORATE PROFILE

Incorporated on 10 March 2011, MSM is listed on the Main Market of Bursa Malaysia and has grown year-on-year market capitalisation to RM900 million as at 31 December 2021. A 57-year-old iconic home-grown business, which carries an approximate brand value of RM621.1 million, MSM's continued success is testament that its repute and brand values are being passed on from one generation of Malaysians to the next.

The current production capacity for MSM Group is 2.05 million tonnes, a drop from 2.14 million tonnes capacity in FY2020 due to the disposal of MSM Perlis Sdn Bhd following the Group's consolidation. As improvements in MSM Johor's utilisation are ongoing, capacity is expected to grow in the near future.

MSM Group produces, markets and sells refined sugar products under our flagship Gula Prai brand that lives up to its slogan, **"Sweetening Lives Since 1964."** Apart from household consumers, MSM sells to a wide range of customers in Malaysia and in other countries, directly to major industries as well as small and medium industries (SMIs), and indirectly through traders, wholesalers and distributors.



Produces 

**>1** million mt of refined sugar products

**Largest standalone sugar refinery in Malaysia** 

One of the largest sugar refiners in the global sugar industry

Production Capacity: **2.05** million tonnes

**Premium Quality Sugar** 

Polarisation of **99.6%**

ICUMSA **45**



Ranked **3<sup>rd</sup>** most chosen FMCG brand in FY2020

Serving 

**>260** customers

Total manpower 

**1,033** employees

**>50%** GLC's equity ownership 



# OUR MISSION, VISION & CORE VALUES



## MISSION

We seek to enhance our values for our shareholders, optimise growth and achieve a sustainable, balanced and integrated economic, social and environmental performance by transforming our business model and reaping opportunities throughout the food value chain.



## VISION

To be a world class, cost efficient and high performance organisation with a sustainable business model and diverse portfolio in the food related business.



## CORE VALUES



## OUR SUBSIDIARIES

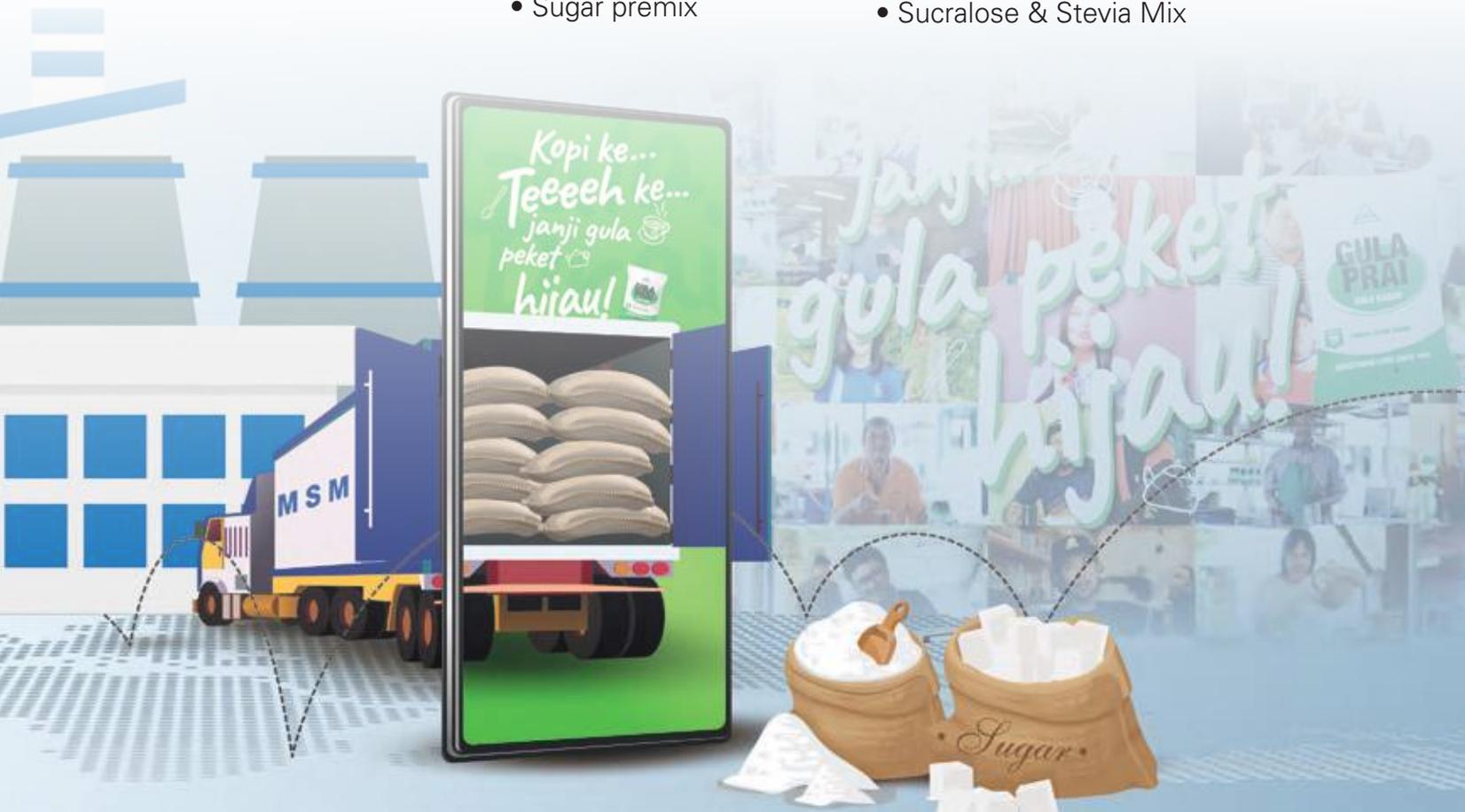
- MSM Prai Berhad
- MSM Sugar Refinery (Johor) Sdn Bhd
- MSM Logistics Sdn Bhd
- MSM Trading & Distribution Sdn Bhd
- MSM Trading International DMCC (Under Liquidation)

## OUR CUSTOMERS

- Malaysian households
- Beverage and confectionery companies
- Hotels
- Restaurants and food outlets
- Distilleries and producers of ethanol, animal feed and yeast

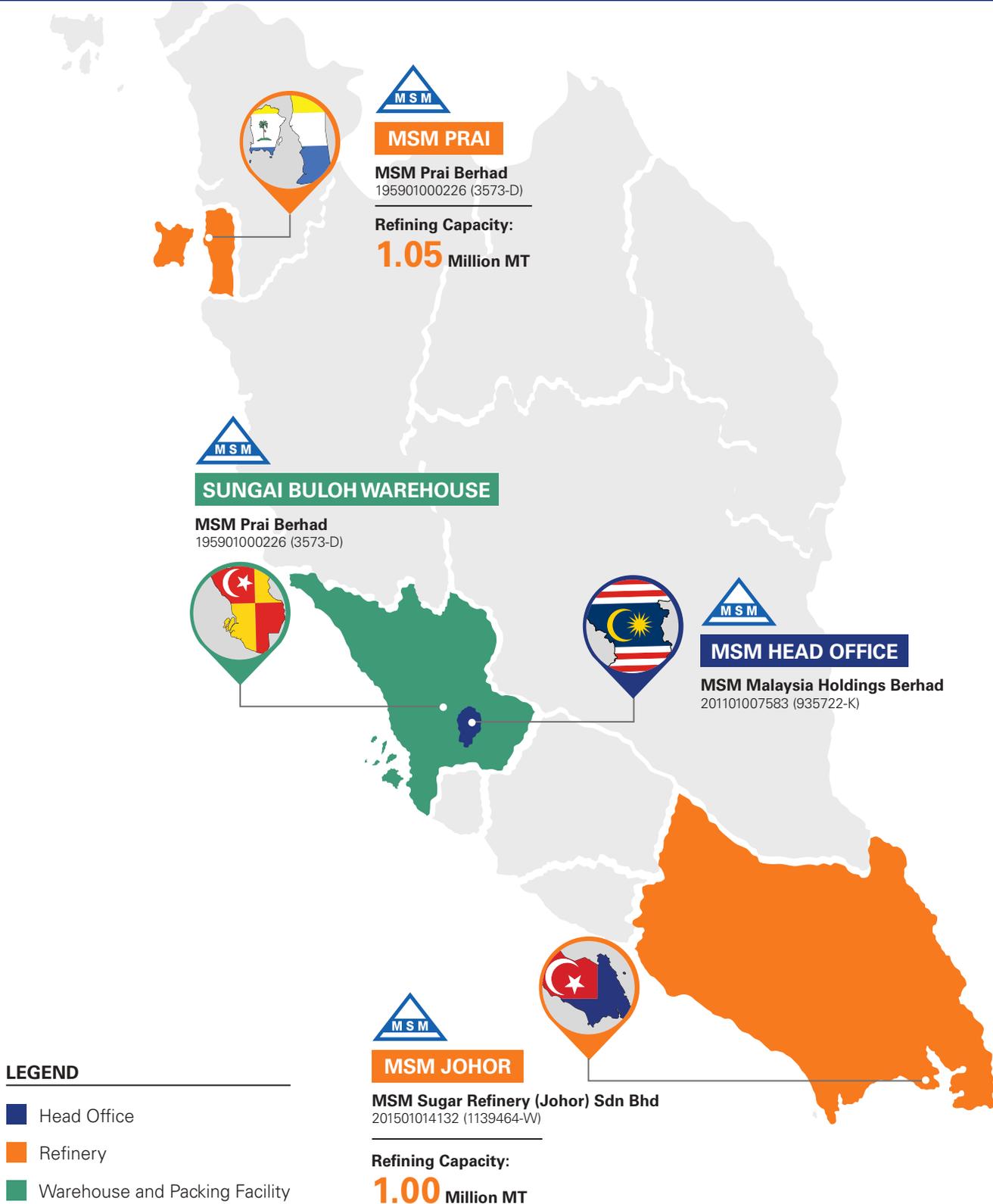
## OUR PRODUCTS

- White refined sugar of various grain sizes
- Soft brown sugar
- Sugar premix
- Liquid sugar
- Molasses
- Fine Syrup
- Sucralose & Stevia Mix



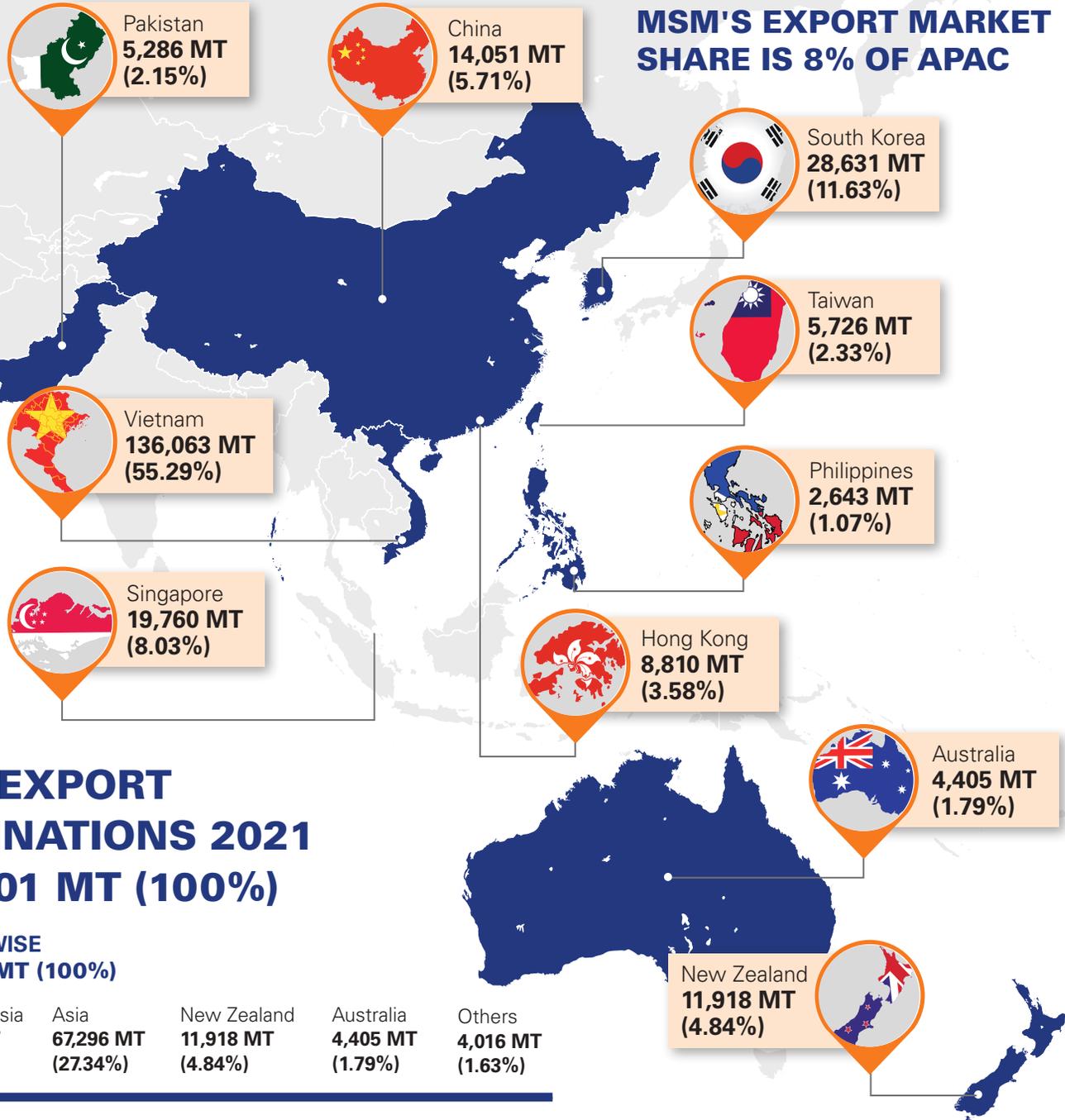
# OUR PRESENCE

## LOCAL PRESENCE



## GLOBAL REACH

### MSM'S EXPORT MARKET SHARE IS 8% OF APAC



## MSM EXPORT DESTINATIONS 2021

**246,101 MT (100%)**

### REGION-WISE

**246,101 MT (100%)**

| Region         | Export Volume (MT) | Market Share (%) |
|----------------|--------------------|------------------|
| Southeast Asia | 158,466            | 64.40%           |
| Asia           | 67,296             | 27.34%           |
| New Zealand    | 11,918             | 4.84%            |
| Australia      | 4,405              | 1.79%            |
| Others         | 4,016              | 1.63%            |

### TOP 5 EXPORT DESTINATIONS

**210,423 MT (100%)**

|  |             |            |          |
|--|-------------|------------|----------|
|  | Vietnam     | 136,063 MT | (64.66%) |
|  | South Korea | 28,631 MT  | (13.61%) |
|  | Singapore   | 19,760 MT  | (9.39%)  |
|  | China       | 14,051 MT  | (6.68%)  |
|  | New Zealand | 11,918 MT  | (5.66%)  |

# OUR VALUE CHAIN

The MSM Group focuses on the mid-stream activities of the sugar value chain - namely sourcing, processing, marketing and distribution of refined sugar products, value added sugar products and sugar manufacturing by-products.

Through two established refineries situated in Prai, Penang and Tanjung Langsat, Johor, MSM is known for its premium quality sugar with a high sucrose content which has a dominant presence among the food and beverage industry consumers, both domestically and regionally.

Recently, MSM has ventured into producing value added sugar products such as liquid sugar, fine syrup and premix by leveraging on expanded production capacities.

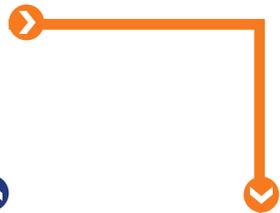
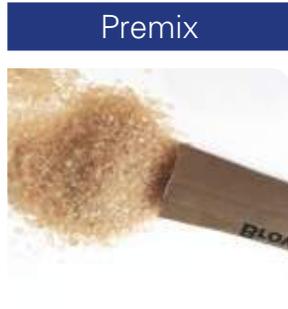
MSM is currently exploring the recycling of sugar refining industry's by-products by converting waste, namely mudcake into fertilisers, and molasses into high value products.



## Raw Sugar



## Refinery



Refined Sugar

Fine Syrup

Molasses

Fertiliser

—▶ Current

—▶ Indirect

# MARKET LANDSCAPE

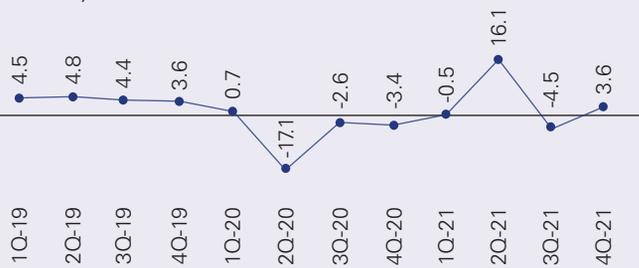
## MARKET OVERVIEW

The unprecedented COVID-19 impact has made the business environment on both the domestic and international fronts in FY2020/FY2021 challenging. At macro level, global markets have been pressured with supply chain disruptions mainly caused by stricter border controls, rising freight costs, and scarcity of shipping containers, which resulted in the increase of transport rates and costs.

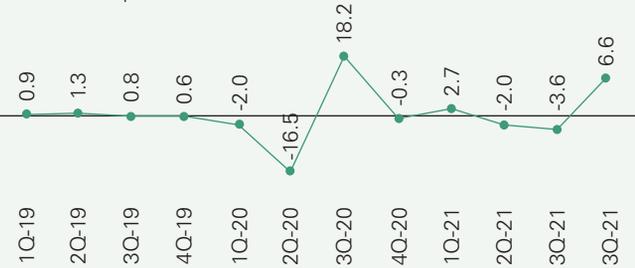


### Malaysia's Quarterly GDP Growth

Year-on-year



Quarter-on-quarter



**Annual Growth** FY2021: 3.1% | FY2020: -5.6% | FY2019: 4.3%

Source: Department of Statistics Malaysia

Moving into FY2022, uncertainties regarding developments surrounding the new COVID-19 variant of concern (Omicron) of the pandemic remains. The progress and efficacy of vaccinations, compliance with standard operating procedures as well as the ability to effectively contain outbreaks from any new COVID-19 variants of concern will be key to the expected recovery. Relaxation of restrictions for fully vaccinated individuals, including for interstate travel would also spur tourism-related activities. At macro level, the strength in global demand will continue to support export growth.



**MSM is currently embarking on sustainable sourcing of raw sugar under No Deforestation, No Peat, No Exploitation (NDPE) and will continue to do so moving forward.**

**FY2021/FY2022 SUGAR OVERVIEW**

Raw Sugar NY11 prices in FY2021 was trending higher, ranging between 14.0 to 20.0 US cents per pound. The higher prices were primarily a result of permafrost weather conditions in Brazil, and also contributed by sugar millers switching to ethanol production, supply chain disruptions, and supply shortage from Thailand due to extreme drought. MSM is expected to close the year at an average price of 15.5 US cents per pound. Moving on to FY2022, the price outlook is bullish mainly due to projected recovery of Brazilian crops for the next 12 months, stronger demand from post-pandemic recovery and bullishness of crude oil price. MSM is currently embarking on sustainable sourcing of raw sugar under No Deforestation, No Peat, No Exploitation (NDPE) and will continue to do so moving forward.



**Brazil**

Brazil is predicted to produce about 36 million tonnes for the FY2021/FY2022 season. It is a fall of 6.1 million tonnes as a result of dry conditions and frosts. Due to Brazil's importance as a producer and exporter, this reduction is expected to have a major influence on world sugar supply and prices, hence exports are also being expected to drop sharply on lower available supplies.



**India**

India's production is estimated to be around 34.7 million tonnes for the FY2021/FY2022 season, a 3 percent increase from last season. Exports are expected high at a near record level of 7 million tonnes due to higher than average world prices and high supplies even without its government export subsidies.



**Thailand**

Thailand's production is estimated to rebound nearly one-third to 10 million tonnes for the FY2021/FY2022 season due to greater area harvested, higher sugarcane yields and favorable weather. Exports from Thailand are forecast to more than double to slightly less than 10 million tonnes due to the recovery in production in this season.



**United States**

United States is estimated to produce a record 8.4 million tonnes as beet sugar is projected to be a record high. Imports are down 5 percent to 2.8 million tonnes based on projected quota programmes and the calculation of U.S. needs as defined in the U.S. - Mexico Suspension Agreements.

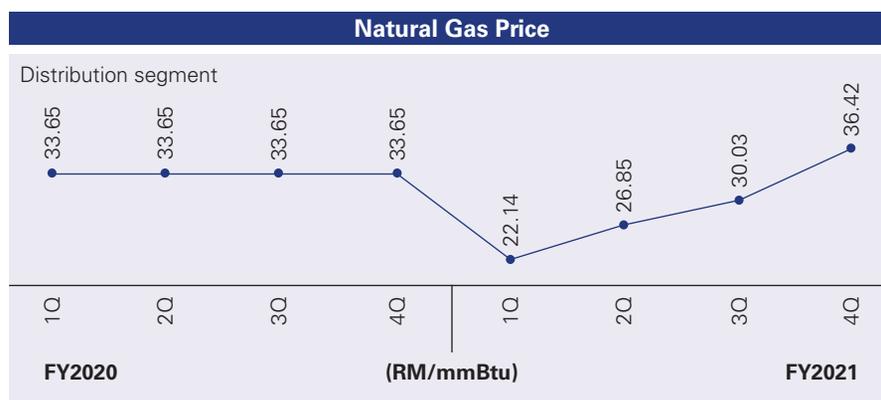
*Source: United States Department of Agriculture, Sugar: World Markets and Trade (November 2021)*

# MARKET LANDSCAPE



**MSM has started hedging the risk of higher Natural Gas prices in late FY2021 via Brent link derivatives contract as part of the mitigation plans.**

## FY2021/FY2022 NATURAL GAS OVERVIEW



Gas Malaysia Bhd announced that the average natural gas selling price for the fourth quarter of 2021 beginning from 1 October 2021 to 31 December 2021 is at RM36.42 per million British Thermal Units (MMBtu), compared to RM30.03 per MMBtu for the third quarter of 2021, which translates to a 21% increase. Natural gas makes up 30% of the cost of refining and will post an upside risk in FY2022. In early 2022, the Russian invasion in Ukraine has caused a shock to the global energy supply. Brent Crude Oil prices have surged to new historical highs and the shortage could prevail in the mid term. As a mitigation strategy, the business has embarked on hedging of Brent-linked derivatives.



**The domestic Wholesale refined sugar ceiling price was capped at RM2.69/kg for sugar manufacturers. As NY11 and natural gas price increase, sugar manufacturers will experience a margin squeeze. Currently, the Management is engaging the ministry in charge, KPDNHEP, to review the current gazetted ceiling price for 1kg and 2kg retail packs.**

# MSM PRODUCTS

## Gula Prai ranked as 3<sup>rd</sup> most chosen FMCG brand in Malaysia in FY2020

(Based on UK-based Kantar Group's data insights released in the Kantar Asia Brand Footprint 2021)



### COARSE GRAIN SUGAR



Here's a sugar product that you won't miss! Available almost everywhere and at every retail outlet in Malaysia. This sugar delivers an excellent taste, making it the ideal sugar to be used for general sweetening.



#### Sugar Grades

- Gula Prai Pasir Kasar (Coarse Grain Sugar)
- P1
- EP1



#### Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



#### Packaging Size

- 1kg, 2kg, 25kg, 50kg, 500kg & 1,000kg

### FINE GRANULATED SUGAR



Another hot selling sugar product! Great to be enjoyed with your favourite beverage and home food preparation.



#### Sugar Grades

- Gula Prai Pasir Halus (Fine Granulated Sugar)
- PXX
- P1S
- EPXX
- EP1S



#### Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



#### Packaging Size

- 1kg, 25kg, 30kg, 50kg, 500kg, 1,000kg & Bulk

### SOFT BROWN SUGAR



Moist with small, fine crystals and has a subtle golden colour. Ideal for baking delicious cookies and cakes, when a fuller flavour is needed. It goes perfectly well with coffee too.



#### Sugar Grades

- Gula Prai Merah Lembut (Soft Brown Sugar)
- PB
- P4



#### Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



#### Packaging Size

- 500g, 25kg & 50kg

# MSM PRODUCTS

## CASTER SUGAR



Popular with bakers because the fine crystals cream very easily into butter and dissolve more readily into meringues and batters. Caster sugar adds more volume to baked products, giving them a lighter texture, a result preferred by bakers. It's also perfect to be lightly sprinkled over baked goods.



### Sugar Grades

- Gula Prai Kastor (Caster Sugar)



### Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



### Packaging Size

- 500g, 25kg, 50kg & 1,000kg

## ICING SUGAR



No cake would be complete without it! A versatile ingredient in sweet bakery, sugar and chocolate confectionary, it provides a smooth, soft finish texture. It's also great for cream fillings, shortbread, fondants, marshmallow and adding decorative touches.



### Sugar Grades

- Gula Prai Aising (Icing Sugar)



### Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



### Packaging Size

- 500g, 25kg & 40kg

## GO 1/2



Go 1/2 is mixed with sucralose to add the sweetness you love while reducing overall sugar consumption by half. So you enjoy more sweetness with less sugar. Packaged in convenient sachets for you to control the sugar in your drinks and desserts, even when you are on the go!



### Sugar Grades

- Fine grain sugar



### Storage Condition

- Keep in clean and dry place at ambient temperature and away from direct sunlight



### Packaging Size

- 2.5gm x 50 sachets
- 125gm x 40 boxes

## GO NATURA



Go Natura complements smaller sugar portions with the natural sweetness of stevia in handy sachets that you can take with you wherever you go. One sachet is all you need to satisfy your sweet tooth!



### Sugar Grades

- Fine grain sugar



### Storage Condition

- Keep in clean and dry place at ambient temperature and away from direct sunlight



### Packaging Size

- 2.5gm x 50 sachets
- 125gm x 40 boxes

## LIQUID SUGAR



Higher grade of sugar syrup.



### Sugar Grades

- Concentrated clear liquid



### Storage Condition

- Sugar should be kept in clean and dry place at ambient temperature, away from direct sunlight



### Packaging Size

- Flexi bag/Tanker

## FINE SYRUP



Similar to liquid sugar but with profound brown colour appearance.



### Sugar Grades

- Concentrated clear liquid



### Storage Condition

- Storage at least at room temperature as lower temperature may cause crystallisation. Storage above 50°C may cause colour formation



### Packaging Size

- Flexi bag/Tanker

## PREMIX



Customisable sweetened products for industrial use.



### Sugar Grades

- Sweetened cocoa, glucose or milk preparation



### Storage Condition

- Sweetened cocoa preparation should be kept in clean and dry place at ambient temperature, away from direct sunlight



### Packaging Size

- 25kg PP Woven Bag + Inner Liner

## MOLASSES



The thick and dark brown liquid molasses is a by-product derived from refining sugar process. MSM sells molasses to distilleries and producers of ethanol, animal feed and yeast.



### Sugar Grades

- Molasses (liquid)



### Storage Condition

- Keep in a cool and dry place



### Packaging Size

- Ex-factory in customer's tanker

# OUR CORPORATE DETAILS

## BOARD OF DIRECTORS

### DATUK SYED HISHAM SYED WAZIR

Chairman/Independent  
Non-Executive Director

### CHOY KHAI CHOON

Independent  
Non-Executive Director

### DATO' MUTHANNA ABDULLAH

Independent  
Non-Executive Director

### DATUK DR ABD HAPIZ ABDULLAH

Independent  
Non-Executive Director

### DATO' ROSINI ABD SAMAD

Independent  
Non-Executive Director

### DATUK LIM THEAN SHIANG

Independent  
Non-Executive Director

### DATO' AMIR HAMDAN HJ YUSOF

Non-Independent  
Non-Executive Director

### NIK FAZILA NIK MOHAMED SHIHABUDDIN

Non-Independent  
Non-Executive Director  
(appointed with effect from 18 October 2021)

### AZMAN AHMAD

Non-Independent  
Non-Executive Director  
(appointed with effect from 18 October 2021)

### DATO' HARIS FADZILAH HASSAN

Non-Independent  
Non-Executive Director  
(resigned on 7 April 2021)

## GROUP CHIEF EXECUTIVE OFFICER

### SYED FEIZAL SYED MOHAMMAD

(appointed with effect from 1 February 2021)

## CHIEF FINANCIAL OFFICER

### AB AZIZ ISMAIL

## COMPANY SECRETARY

### KOO SHUANG YEN

(MIA 7556)

## REGISTERED OFFICE

Level 21, Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur  
Wilayah Persekutuan, Malaysia



+603 2789 0000



+603 2789 0001

## SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd, 11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13  
46200 Petaling Jaya, Selangor, Malaysia



+603 7890 4700



+603 7890 4670

## AUDITORS

Messrs. PricewaterhouseCoopers PLT, Chartered Accountants  
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral  
50706 Kuala Lumpur, Malaysia



+603 2173 1188



+603 2173 1288



[www.pwc.com/my](http://www.pwc.com/my)

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
Listed since 28 June 2011  
Stock Code : 5202  
Stock Name : MSM

## INVESTOR RELATIONS AND ENQUIRIES

Investor Relations Officer: Fariza Haizumi Ahmad  
Level 44, Menara Felda, Platinum Park, No. 11 Persiaran KLCC  
50088 Kuala Lumpur, Malaysia



+603 2181 5018



+603 2181 5015



[www.msmsugar.com](http://www.msmsugar.com)



[investor.relations@msmsugar.com](mailto:investor.relations@msmsugar.com)

## MSM SOCIAL MEDIA ACCOUNTS



MSM Malaysia Holdings Berhad



MSM Gula Prai

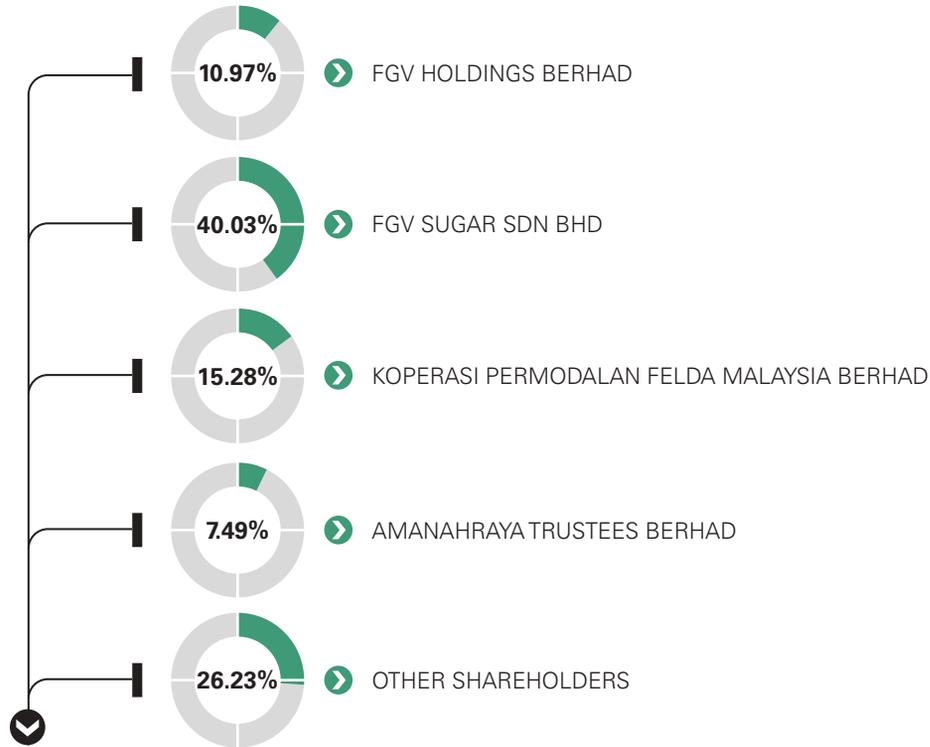


MSMGULAPRAI TV

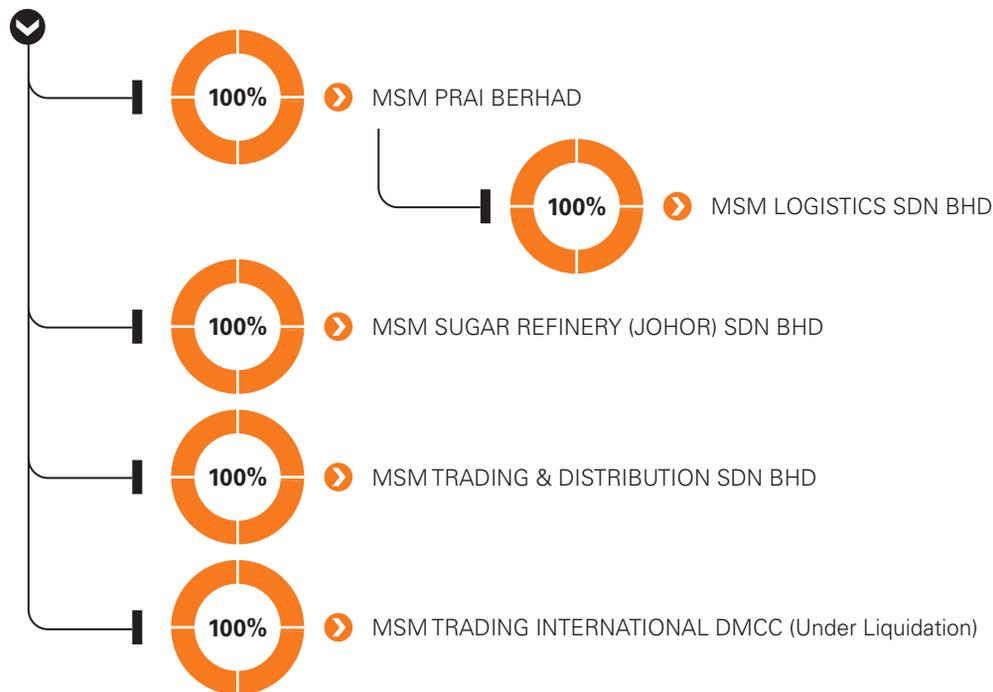


@msmgulaprai

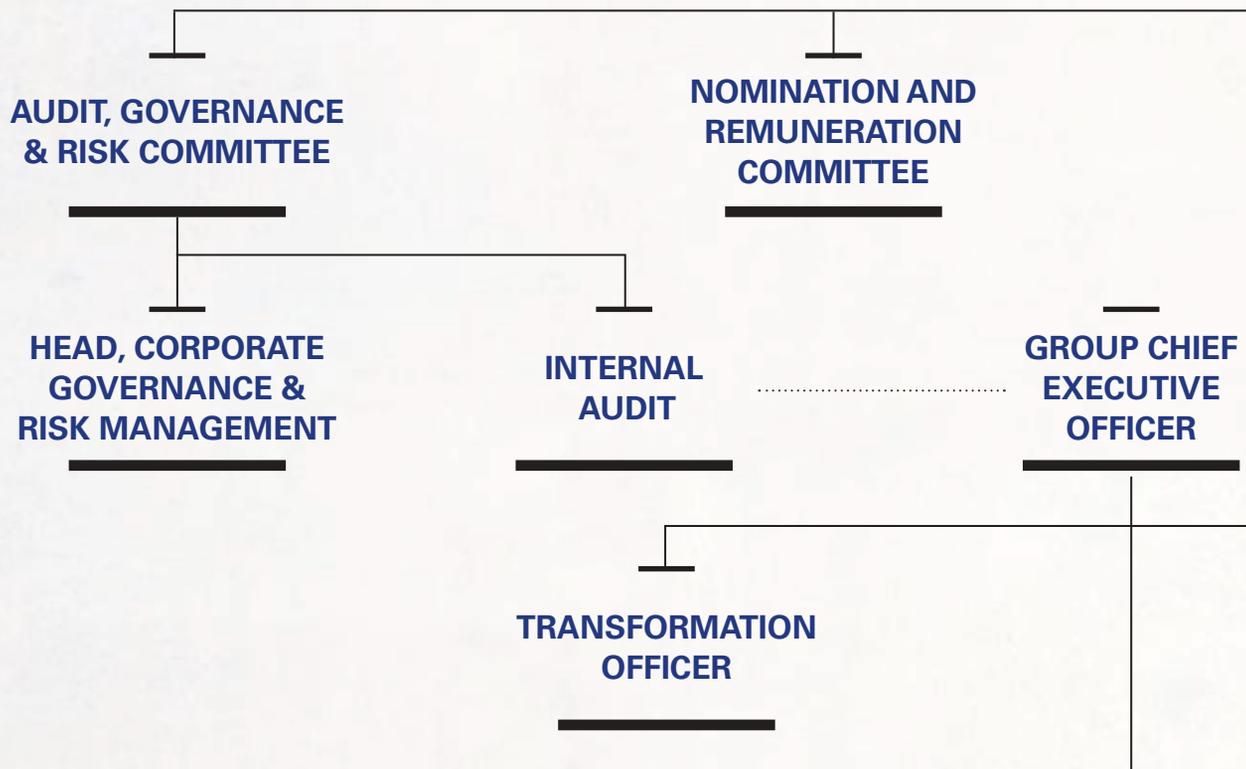
# OUR GROUP STRUCTURE



## MSM MALAYSIA HOLDINGS BERHAD



# OUR ORGANISATIONAL STRUCTURE



## GROUP CHIEF OPERATING OFFICER

### GROUP OPERATIONS

- » HEAD, OPERATION SERVICES
- » HEAD, PROJECT MANAGEMENT OFFICE

### REFINERY OPERATIONS

- » HEAD, OPERATIONS - MSM PRAI BERHAD
- » HEAD, OPERATIONS - MSM SUGAR REFINERY (JOHOR) SDN BHD
- » HEAD, OPERATIONS - SUNGAI BULOH WAREHOUSE

## CHIEF FINANCIAL OFFICER

### GROUP FINANCE

- » FINANCIAL CONTROLLER
- » HEAD, COMMERCIAL & BUDGETING
- » HEAD, TREASURY
- » HEAD, SHARED SERVICES
- » HEAD, GROUP ACCOUNTS, STATUTORY & MANAGEMENT REPORTING
- » HEAD, FINANCE COMPLIANCE & INSURANCES
- » INVENTORY CONTROL MANAGER

# BOARD OF DIRECTORS

**INVESTMENT  
TENDER  
COMMITTEE**

**HEAD, GROUP  
HSES &  
QUALITY**

**SPECIAL  
OFFICER**

## HEAD, GROUP COMMERCIAL

### COMMERCIAL

- » HEAD, DOMESTIC SALES
- » HEAD, EXPORT SALES
- » HEAD, GROUP SUPPLY CHAIN
- » HEAD, RAW SUGAR PROCUREMENT

### CORPORATE SERVICES

- » HEAD, CORPORATE STRATEGY & INVESTOR RELATIONS
- » HEAD, GROUP HUMAN RESOURCES/ADMIN
- » HEAD, LEGAL AFFAIRS
- » HEAD, GROUP PROCUREMENT
- » HEAD, CORPORATE COMMUNICATIONS
- » HEAD, GROUP IT

# OUR ACHIEVEMENTS

## ISO 45001 (Occupational Health and Safety Management system)

- MSM Prai Berhad and Sungai Buloh Warehouse (SBW) certified for the ISO 45001 certification related to Occupational Health & Safety (OH&S)

## NACRA 2021 Excellence Awards

- Companies with less than RM2 billion in Market Capitalisation (Silver)



## OUR OTHER ACHIEVEMENTS



Halal Jabatan Kemajuan Islam Malaysia (JAKIM)

- To be recognised as Halal brand and to meet customer requirements
- To identify non-halal hazards and provide a measure to control them MSM Johor/MSM Prai/Sungai Buloh Warehouse (SBW)



Kosher Kushrut London Beth Din (KLBD)

- To be recognised as Kosher brand
- To meet the requirement of Kosher recognised customers MSM Johor/MSM Prai



ISO 9001 (Quality Management System)

- To ensure the quality of the management system within the Company and to meet customer requirements
- To cultivate continuous improvement within the organisation MSM Johor/MSM Prai/SBW



HACCP (Hazard Analysis and Critical Control Point)

- To demonstrate Company's commitment to ensure the safety and quality of the product MSM Johor/MSM Prai

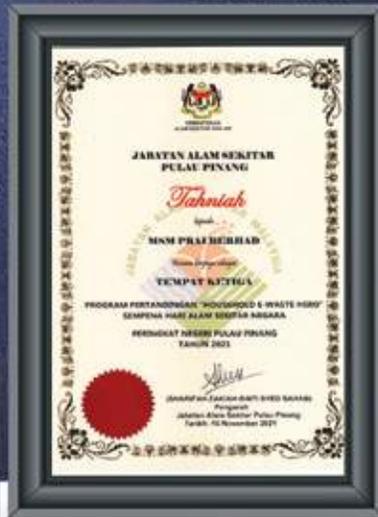
**NACRA 2021  
Special Awards**

- Best Annual Report in Bahasa Malaysia (Silver)



**Household E-waste  
Hero Competition**

- MSM Prai Berhad - Third Place



**MSM Prai Berhad  
Collaborates with  
Department of  
Environment, Penang**

- Signed a Certificate of Collaboration with the Department of Environment, Penang



ISO 22000 (Food Safety Management System)  
 • To enhance food safety management system and product quality  
 • To meet customer requirements MSM Johor/MSM Prai



FSSC 22000 (Food Safety System Certification)  
 • To meet growing customer requirements from GFSI recognised supplier and to ensure that the food safety hazards are able to be identified MSM Johor/MSM Prai



Product Certification Scheme SIRIM  
 • To demonstrate that the products are produced in compliance with national and international standards, eliminating the need of further testing by purchaser or consumer  
 • To provide an independent assurance that products are manufactured under an effective system of testing, supervision and control which should result in improved production efficiency and reduced wastage and rejects MSM Prai



GMP (Good Manufacturing Practice)  
 • To establish a system for ensuring that the products are consistently produced according to a quality standard MSM Johor

# 2021 KEY EVENT HIGHLIGHTS

22  
MARCH  
2021

## GROUP CEO INTERVIEW WITH STOCKPICK2U

MSM's Group Chief Executive Officer (GCEO), Tuan Syed Feizal Syed Mohammad as well as MSM's Chief Financial Officer (CFO), Encik Ab Aziz Ismail, welcomed the StockPick2U team for an interview to speak on the company's business as a whole as well as any future expansion plans. The interview helped to give a better understanding to the investing community on the future prospects of MSM.



30  
APRIL  
2021

## FGVIF ACQUIRES MSM PERLIS FOR FGV CHUPING AGRO VALLEY

MSM Malaysia Holdings Berhad (MSM) and FGV Integrated Farming Holdings Sdn Bhd (FGVIF) entered into a binding term sheet on the respective disposal and acquisition of a 100% stake of MSM's wholly-owned subsidiary, MSM Perlis Sdn Bhd (MSM Perlis).



12 - 14  
JULY  
2021

## MSM JOHOR ASSISTS FRONTLINERS AT VACCINATION CENTRE

MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor) conducted a corporate social responsibility programme to provide meals and hand sanitisers to 70 hardworking frontliners on duty at Vaccination Centre Dewan Bandar Seri Alam, Masai. Five volunteers from MSM Johor helped purchase, pack and deliver the items to the vaccination centres.





19  
JULY  
2021

**MSM PRAI ASSISTS FRONTLINERS AT VACCINATION CENTRES & ROAD BLOCK AREAS**

MSM Prai Berhad (MSM Prai) conducted their rounds of delivering items such as biscuits, instant premix drinks, mineral water and tetra pack drinks to approximately 380 recipients involving frontliners on duty at road block areas as well as at 3 PPVs in Penang, namely at Dewan Seberang Perai Arena, Dewan Millenium Kepala Batas and Tapak Ekspo Seberang Jaya.

Volunteers among MSM Prai employees joined hands to assist the one-day corporate social responsibility programme. The programme reflects MSM's commitment in giving back to the society and taking part in the collective endeavour to fight against the pandemic.



22 & 29  
JULY  
2021

**MSM JOHOR PROVIDES ASSISTANCE TO TWO VACCINATION CENTRES**

Another helping hand initiative was mobilised by MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor) involving contribution to two vaccination centres (PPV) that was held on 22 July 2021 at Persada Johor International Convention Centre (Persada), Johor Bahru and on 29 July 2021 at Dewan Muafakat Johor, Taman Adda.

MSM Johor contributed food items such as biscuits, mineral water and instant premix drinks to 321 volunteers and frontliners on duty at Persada as well as 80 other recipients from Dewan Muafakat Johor, Taman Adda.



27  
JULY  
2021

**MORE THAN 1,000 MSM EMPLOYEES VACCINATED THROUGH PIKAS**

MSM Malaysia Holdings Berhad is committed to ensure all of its employees, including contractors, are fully vaccinated, echoing the Government's call to expedite vaccination towards reaching herd immunity in curbing the spread of COVID-19. All employees received their vaccination dose at the Malaysia International Trade and Exhibition Centre (MITEC) through the Public-Private Partnership COVID-19 Industry Immunisation Programme (PIKAS).

# 2021 KEY EVENT HIGHLIGHTS

4  
AUGUST  
2021

## MSM FOOD BASKET PROGRAMME

Surau Al-Munawwarah Committee from MSM Prai Berhad organised a Food Basket Programme involving contribution to families within the community.



15  
SEPTEMBER  
2021

## MSM'S EGM APPROVES STRATEGIC MONETISATION OF NON-CORE ASSETS

MSM Malaysia Holdings Berhad announced that its shareholders have approved the disposal of the entire equity interest in MSM Perlis Sdn Bhd, a wholly-owned subsidiary of MSM to FGV Integrated Farming Holdings Sdn Bhd (FGVIF). The disposal of the entire equity interest in MSM Perlis resulted in a gain of RM91.81 million.

### MSM MALAYSIA HOLDINGS BERHAD Extraordinary General Meeting Wednesday, 15 September 2021



13  
OCTOBER  
2021

## MSM PLANTS 700 MANGROVE TREES, COMMITTED TO ESG IN OPERATIONS & ENVIRONMENTAL SUSTAINABILITY

In conjunction with the National Environment Day 2021, MSM Malaysia Holdings Berhad (MSM Group) through its wholly-owned subsidiary, MSM Prai Berhad (MSM Prai) signed a Certificate of Collaboration (COC) with Penang Department of Environment (DOE) enabling green initiative in preserving and conserving the environment. The COC was signed by MSM Group Chief Executive Officer, Syed Feizal Syed Mohammad while Penang DOE was represented by their Director, Sharifah Zakiah Syed Sahab.





27  
OCTOBER  
2021

**COURTESY VISIT BY FEDERAL LAND DEVELOPMENT AUTHORITY (FELDA)**

Representatives from FELDA, led by the Board of Directors' Chairman, YB Dato' Seri Haji Idris Jusoh, accompanied by FELDA's management team were welcomed by MSM Group's GCEO, Tuan Syed Feizal Syed Mohammad to MSM's head offices for a session to provide updates on MSM's current performance as well as its moving forward plans.



7  
NOVEMBER  
2021

**ESTABLISHMENT OF THE MSM FOLDIES CYCLING CLUB**

MSM Group established the MSM Foldies Cycling Club for employees who are folding bicycle enthusiasts to foster stronger friendship, network and healthy lifestyle. The Inaugural Putrajaya Ride saw promising numbers of participation.



12  
NOVEMBER  
2021

**LAUNCH OF WAQAF FELDA**

MSM's Group CEO received a FELDA WAQAF Gold Membership certificate from YAB The Prime Minister of Malaysia, YAB Dato' Sri Ismail Sabri at the FELDA WAQAF Launching Ceremony at Menara Felda.

# 2021 KEY EVENT HIGHLIGHTS

19  
NOVEMBER  
2021

## STEPPING UP GREEN AWARENESS

MSM Prai successfully bagged third place in the Industry category of the Household E-Waste Collection Hero Competition with approximately 500kg of electric and electronic waste (e-waste) collected within five days by more than 400 MSM Prai employees. The event was held in conjunction with the National Environment Day 2021, and was organised by Penang Department of Environment in collaboration with Majlis Bandaraya Seberang Perai and Majlis Bandaraya Pulau Pinang.



24  
NOVEMBER  
2021

## CONTRIBUTION TO MASJID NURUL IMAN KAMPUNG SRI INDAH B, SUNGAI BULOH

MSM Prai (Sungai Buloh Warehouse) and MSM Logistics Sdn Bhd contributed RM10,000 to Masjid Nurul Iman Kampung Sri Indah B, Sungai Buloh, to be used for the construction of the pulpit and the mihrab of the mosque. The zakat wakalah contribution was presented by Mr Hasnawi Dawi, Head of Operations MSM Prai (SBW), to the Chairman of the Mosque, Tuan Haji Salleh bin Haji Yaakob and Secretary of the Mosque, Mr Zulkifli Ahmad.



2  
DECEMBER  
2021

## AGREEMENT SIGNING CEREMONY WITH MSM PRAI AND MALAYAN SUGAR FACTORY EMPLOYEES' UNION

The 17<sup>th</sup> Agreement Signing Ceremony between MSM Prai Berhad and the Malayan Sugar Factory Employees' Union was held in Kuala Lumpur to express the commitment between MSM Group's management as well as the union to ensure that the interests of both parties are safeguarded and continue to work closely in carrying out responsibilities and roles for the sake of MSM Group. The agreement was signed by MSM's management including GCEO, Syed Feizal Syed Mohammad as well as the union's President, Syed Rosdi Syed Asmi, among others.





**11  
DECEMBER  
2021**

**FOOD DONATION AT PUSAT TRANSIT  
GELANDANGAN KUALA LUMPUR**

MSM Malaysia Holdings Berhad’s Finance department had a corporate social responsibility event as part of their inter-department activity by distributing food to the homeless at Pusat Transit Gelandangan Kuala Lumpur to ensure that they get sufficient sustenance to be able to lead a healthy lifestyle.



**15  
DECEMBER  
2021**

**MALAYSIAN INVESTMENT  
DEVELOPMENT AUTHORITY VISIT  
TO MSM SUGAR REFINERY  
(JOHOR) SDN BHD**

MSM Sugar Refinery (Johor) Sdn Bhd welcomed the Malaysian Investment Development Authority (MIDA) team lead by Puan Nor Aswana, the Deputy Director of Investment Compliance Division to the Johor refinery plant for a visit to get a better grasp and understanding on the products offered by MSM as well as the inner workings of the plant’s facilities and its production line.



**16  
DECEMBER  
2021**

**MSM STRATEGIC MANAGEMENT  
RETREAT 2022**

MSM Group held a management event involving representatives from each department as well as representatives from each subsidiary to have an open discussion on MSM’s performance during the year coupled with a strategic brainstorming session for MSM’s future plans, initiatives and goals for 2022 at Mandarin Oriental Hotel, Kuala Lumpur.



**22  
DECEMBER  
2021**

**COURTESY VISIT BY SIRIM BERHAD**

Representatives from SIRIM Berhad, led by Encik Mohd Azanuddin bin Salleh, the Senior VP of SIRIM Industrial Research, were greeted by MSM Malaysia Holdings Berhad’s Board of Directors’ Chairman, Datuk Syed Hisham Syed Wazir, at MSM head offices as a courtesy visit in which they had the opportunity to learn more about MSM and its business as well as to have an effective discussion to identify any collaborative opportunities in the future that could potentially be beneficial for both parties.



# Brighter prospects for MSM in 2021

## MSM MALAYSIA HOLDINGS BERHAD (935722-K)



Member of Felda Global Group

The firm said in 2020, MSM's export sales had surged 170 per cent year-on-year (Y-o-Y) to RM468 million, backed by higher volume tonnage of 272,000 tonnes (up 226 per cent Y-o-Y).

### Upsurge in green and sustainability programme



**KUALA LUMPUR:** Robust export volume for MSM Malaysia Holdings Berhad (MSM) is expected to be a key contributor on top of the other existing export products.

The firm said in 2020, MSM's export sales had surged 170 per cent year-on-year (Y-o-Y) to RM468 million, backed by higher volume tonnage of 272,000 tonnes (up 226 per cent Y-o-Y).

Afin Hwang said MSM had aimed to achieve 350,000 tonnes in export sales in 2021, with its targeted volume already secured to date.

The group also has locked in favourable price premiums of US\$140-US\$150 per tonne for refined sugar prices which have appreciated significantly over the past few months.

"The tightness in supply in major production countries such as Thailand and demand from major consumption countries such as China, is expected to drive prices higher in 2021," said Hwang.

Afin Hwang said in a report today.

With around 80 per cent of production cost coming from raw sugar, the firm expects demand to sustain favourable margins going forward.

Afin Hwang said for 2021, MSM had hedged 85 per cent of its raw sugar requirements, tracking the rise in global refined sugar prices which have appreciated significantly over the past few months.

Correspondingly, it foresees MSM's gross earnings to average at 10 per cent per pound (2020: US\$0.13).

Afin Hwang has maintained its "buy" call on MSM, with a higher target price of RM10.50 per share.

### Analysts optimistic about MSM's disposal of MSM Perlis to EGS

**SINGAPORE:** Analysts are optimistic about the disposal of MSM Perlis to EGS, with the transaction expected to be completed by the end of the year.

The disposal of MSM Perlis is expected to be a key contributor to the firm's financial performance in 2021.

The firm's management has indicated that the disposal of MSM Perlis will be a significant milestone for the company.

The disposal of MSM Perlis is expected to be a key contributor to the firm's financial performance in 2021.



### Sweet Company

**COMMODITIES**

The price of refined sugar has risen sharply in recent months, driven by tight supply and strong demand.

Analysts expect prices to continue to rise in 2021, providing a tailwind for sugar producers.

The price of refined sugar has risen sharply in recent months, driven by tight supply and strong demand.

### Minimal earnings risk on plant shutdown

MSM Holdings said the fixed costs of the Johor refinery would continue to be expensed out during the shutdown period in the second quarter of 2021.

Despite the company's assurance, CGS-CIMB Research said it remained concerned about the potential earnings risk from MSM's Johor plant shutdown.

The brokerage maintained "reduce" on MSM, with an unchanged target price of RM1.22, based on 0.9 times book value.

It noted that while MSM did not specify the details of the boiler issues, which led to the temporary shutdown of the Johor plant, the company said the rectification work would improve the plant's utilisation rate.

The reason behind the boiler breakdown was the fixed costs of the Johor refinery would continue to be expensed out during the shutdown period in the second quarter of 2021.

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### MSM returns to black in Q1 with RM31.19mil net loss

By Bernama - May 28, 2021 @ 3:39pm



# MSM IN THE NEWS

## MSM HITS SWEET SPOT WITH RM13.5M PROFIT

Revenue from refined sugar export rises with reopening of borders

AZANIS SHAHILA AMAN  
KUALA LUMPUR  
bia@mst.com.my

**S**UGAR producer and refiner MSM Malaysia Holdings Bhd registered a net profit of RM13.47 million in the second quarter ended June 30 from a net loss of RM21.55 mil-



## MSM jamin bekalan gula mencukupi

Pengeluaran di Johor mampu penuhi permintaan domestik, pasaran eksport

Oleh Nurwan Faizal  
Malamand

faizal@malaypost.com.my

MSM Malaysia Holdings Bhd (MSM) memberi jaminan bekalan gula untuk pasaran tempatan mencukupi di seluruh negara.

ketua pengurusan dan merangkap kelua pengurusan gula kekal stabil, biarpun masih di bawah tahap sebelum COVID-19. "Malangnya ke PKP 3.0, kami terpaksa keluarkan pengeluaran gula juga kekal stabil dan meng-cukupi," katanya pada taklimat media semasa AGM yang diadakan semalam. "Meskipun Ageng Tahunan (AGM) ke-10 syarikat itu, semalam. "Terdarinya, Pengarah MSM, Syed Feizal Mohamad berkata, bekalan kapulaga di MSM Sugar Refinery (Johor) Sdn Bhd akan digunakan sepenuhnya secara optimum bagi mematuhi peraturan eksport dan domestik. "Tetapi, dengan penambah-bekalan eksport, kami dapat memulakan



lain itu, penutupan sementara operasi di MSM Johor pada April hingga Mei lalu berikutan penambah-bekalan yang diarahkan oleh pihak berkuasa tempatan. "MSM Johor kini berada pada peringkat pemulihan lebih daripada 80 peratus penutupan kapasiti (UF) pada skala larian ke atas tahun ini," katanya. "Meskipun, kesan penutupan sementara operasi di MSM Prai Bhd diumumkan beberapa minggu sebelum ini, Syed Feizal berkata, berdasarkan per-

## RM13.47 million profit

Revenue from refined sugar export rises with reopening of borders

Revenue from refined sugar export rises with reopening of borders



Revenue from refined sugar export rises with reopening of borders

## Untung bersih MSM RM13.47j

Kuala Lumpur: MSM Malaysia Holdings Bhd (MSM) mencatatkan keuntungan bersih RM13.47 juta bagi suku kedua berakhir 30 Jun 2021 berbanding kerugian bersih RM21.55 juta bagi suku sama tahun lalu, walaupun berdepan insiden yang memberi kesan kepada pengeluaran.



Ketua Pegawai Eksekutif kumpulan MSM, Syed Feizal Syed Mohammad berkata, ia berdepan penutupan sementara MSM Sugar Refinery (Johor) Sdn Bhd antara 30 Mac sehingga 26 Mei bagi kerja-kerja penambahbaikan terancang dan kedua, penutupan sementara operasi MSM Prai Berhad (MSM Prai) seperti yang diarah oleh Kementerian Kesihatan Malaysia (MoH) antara 8 hingga 15 Jun, bagi membolehkan proses sanitasi secara besar-besaran dijalankan di dalam premis berikutan penularan Covid-19 dalam kalangan pekerja. "Penutupan sementara

berbanding tahun sebelumnya, ekoran kos bahan pembungkusan yang lebih rendah dan pengurangan kos bahan bakar susulan semakan semula tarif gas. "Meskipun operasi pengeluaran tertangguh, MSM optimis dengan keupayaan pengeluaran MSM Johor, dengan menyasarkan 50 peratus kadar penggunaan (UF) pada separuh kedua 2021, didorong oleh peningkatan permintaan eksport. Sebagai tambahan, kemudahan fasiliti pengeluaran juga duk nilai-tambah juga tambah baik untuk memenuhi permintaan yang

Pendapatan bagi eksport gula bertapis meningkat

## Lebih 1,000 petugas MSM terima vaksin melalui PIKAS



# Sticking to the core operations

MSM's turnaround plan gains momentum

By ZUNAIRA SAEED  
zuna@malaypost.com.my

COMMODITIES

KUALA LUMPUR: Malaysia's largest sugar refiner MSM Malaysia Holdings Bhd has stuck to its core operations since September 2019 due to high operating cost for maintenance that resulted in unprofitable financial commitment. "However, he explained that the current value of the parcels closed as they are current in the current market."

# Mintaan gula halus stabil - MSM

an terhadap gula halus hanya  
tingkat seiring dengan program  
nasional. Kita telah melalui dua  
pergerakan penuh dan kami  
ti penggunaan gula kekal stabil."



Siapa? Feizi berkata drag  
sasaran operasinya pemam-  
sahan kapasiti di MSM Sugar  
Refinery (Johor) Sdn Bhd  
(MSM Joroh) akan stabil  
manakala syarikatnya akan  
menyempurnakan perniagaan  
gula halus. Beliau berkata  
operasi MSM Joroh akan  
mempunyai kapasiti 50 peratus  
dan 50 peratus pengilangan  
apabila operasi gula halus  
Johor di Kota Bharu Fezi.

"Kami menjangka melihat  
tolakan permintaan bagi gula  
halus 50 peratus, namun  
ia bergantung kepada kadar  
penggunaan dalam negara  
karena itu," kata Fezi.



# MSM, FGVIF meterai perjanjian

**PETALING JAYA** - MSM Holdings  
Bhd. melalui anak syarikatnya,  
MSM Malaysia Holdings Bhd.  
(MSM) telah menandatangani  
perjanjian jual beli dengan FGVIF  
Integrated Farming Holdings  
Bhd. (FGVIF) berhubung an-  
ggaran dan pengilangan 100 per-  
sen kapasiti MSM Perlis Sdn.  
Bhd. (MSM Perlis) dengan nilai  
RM270 juta.



Perjanjian tersebut adalah  
lanjutan kepada perjanjian terdahulu  
yang ditandatangani antara MSM  
dan FGVIF pada 10 April lalu.

# MSM's turnaround gathers pace in 2Q on higher prices, volume

refined sugar products  
remain consistently optimistic  
and its turnaround plan  
is its ability to achieve  
sustainable growth



MSM Malaysia Holdings Bhd said  
operational margins and capacity  
utilization and lower cost enabled it  
to post a net profit of RM13.67 mil-  
lion for its second quarter ended  
June 30, 2021 (2Q21), against a net  
loss of RM21.39 million a head-  
quarter in 2Q20.

The refined sugar producer's  
turnaround in the quarter rose 20.7% to  
RM14.1 million on higher average  
selling prices, its exchange filing  
yesterday said.

MSM's half-year (H121) profit  
totalled at RM14.5 million com-  
pared to a net loss of RM18.2 mil-  
lion, while revenue for the H1  
rose 11.8% from RM209.76 million  
to RM237.6 million on higher sales  
volume.

On the domestic front, the group  
reports the National Recovery Plan  
and vaccination to provide some  
impetus to greater economic  
activity and socioeconomic well-  
being leading to higher consumption  
of sugar.

Perjanjian MSM Perlis akan  
melibatkan MSM Perlis mem-  
perolehkan 100 peratus pemilikan  
dan pengendalian penuh terhadap  
MSM Perlis dan memulakan pe-  
ngilangan di kawasan MSM Perlis  
pada 15 Jun 2021.

The group remains cautiously  
optimistic about its turnaround  
plan and its ability to achieve  
sustainable growth and the re-



Syed Feizal Syed Mohd.

# MSM'S PRAI PLANT RESUMES OPERATIONS

# Kilang gula MSM Prai kembali beroperasi

MSM Prai Bhd (MSM Prai),  
anak syarikat milik penuh  
MSM Malaysia Holdings Bhd  
membuka semula operasi ki-  
langan pemprosesan gula selepas  
ditamatkan pada 8 Jun 2021 se-  
hingga 17 Jun 2021 bagi melak-  
sanakan proses nyahjangkitan  
untuk membendung penularan  
COVID-19.

MSM Prai Bhd was ordered to  
temporarily suspend operations  
between June 8/21, for sanitation

"MSM turut membuat pemohonan  
bagi mendapatkan keutamaan  
dalam program vaksinasi untuk semua pekerja  
karena kami dikategorikan sebagai  
satu daripada pengeluaran makanan  
keperluan asas," katanya.

mengekalkan kekurangan be-  
kalan serta meminimumkan  
gangguan rantaian bekalan  
melalui penstrukturan semula  
strategi kesinambungan perni-  
agaan di samping mengguna-  
kan kebenaran permit bagi  
mengimport gula bertapis.

"Kapasiti pengeluaran MSM  
adalah 1.05 juta metrik ton  
setahun dan ia bertujuan untuk  
peningkatkan bagi mencapai  
gunaan kapasiti disasarkan pada 2022

# MSM IN THE NEWS

## MSM M'sia eyes assets optimisation for FY21

The sugar provider says the Covid-19 pandemic continues to leave trails of challenges for the consumer product industry

by SHAHEERA AZNAM SHAH

MSM Malaysia Holdings Bhd is planning for capacity and assets optimisation in its financial year 2021 (FY21) as it expects the business environment to remain challenging.

The sugar provider said the Covid-19 pandemic continues to leave trails of challenges for the consumer product industry due to disruptions in the country from the travel and movement restriction orders.

However, it added that the implementation of Covid-19 vaccination programme, which is expected to gradually improve the national sugar consumption, will help to balance the demand for the consumer product.

MSM Malaysia said through its "Gula Prai" brand, the group will continue to focus on the execution of its strategic Roadmap which centres on the turnaround journey through assets optimisation, strengthening income stream and



Through its 'Gula Prai' brand, the group will continue to focus on the execution of its strategic roadmap, says the company

business integration.

For its fourth quarter of 2020 (4Q20) ended last December, the group's net profit returned to black on an annual comparison at RM54.24 million compared to a net loss of RM40.28 million due to the increased export sales volume.

Its revenue for the quarter rose 22.15% to RM630.33 million from RM516.04 million a year ago. Its

earnings per share stood at eight sen compared to a loss per share of 5.73 sen.

The improved performance also reflected in MSM Malaysia's FY20 financials as its net loss narrowed for the year to RM71.23 million from RM290.77 million in FY19, contributed by a higher gross profit margin of 7% as a result of lower raw sugar and refining costs.

It added that the refining cost was reduced by 7% against the previous year due to better utilisation rate (UE) and yield, mainly attributable to the substantial gross of MSM Sugar Refinery (Johor) Sdn Bhd which recorded an increase in yield from 88% to 90% and better UE.

The revenue for the year also increased by 8.05% in RM2.18 bil-

lion from RM2 billion. "FY20 marked a positive milestone for MSM Malaysia in its turnaround journey after eight consecutive quarterly losses on the back of improved production cost, higher volume and premium," the group said in a statement.

Its newly appointed group CEO Syed Fazel Syed Mohamad said the group's capacity rationalisation effort through operation cost-cutting and consolidation of MSM Perlis and consolidation of operations in MSM Johor managed to reduce the group's refining cost and improved UE rate.

"Further initiatives were implemented to stabilise MSM Johor with the installation of new production facilities. "The expansion of our business segments for the export market has also broadened our market presence and diversified our revenue stream."

"The execution of key strategies has managed to maintain our business perseverance throughout the year and resulted in the financial recovery for every quarter," he said. MSM Malaysia's share price rose 30 sen or 34.02% to 86 sen yesterday with a market capitalisation of RM286.99 million.

## Subsidiary sale MSM Malaysia

**KUALA LUMPUR:** MSM Malaysia Holdings Bhd registered a net profit of RM96.86 million in its third quarter ended Sept 30 this year against a net loss of RM71.21 million in the same quarter a year ago.

In a statement yesterday, the company said the gain from the disposal of subsidiary MSM Perlis Sdn Bhd for RM91.81 million contributed to the significant turnaround.

Its revenue for the quarter eased 7.7 per cent to RM548.65 million from RM594.55 million.

For the nine months, MSM Malaysia recorded a net profit of RM141.51 million versus a net loss of RM127.47 million previously, while revenue improved 4.1 per cent to RM1.62 billion from RM1.54 billion.

INFO BOX

7.7p

Drop in revenue of RM548.65 million from RM594.55 million in the third quarter ended Sept 30.

## MSM Prai wins third place for e-waste collection



## FGV Integrated Farming beli MSM Perlis

Deli Hartawan Bhd - April 30, 2021 @ 9:31am  
https://www.fgv.com.my



Dengan pertimbangan pelupuan awal oleh telan ini.

Pelupuan yang dicatangkan adalah beribu sebagai sebahagian daripada strategi rasmi mengambangkan kemampuan operasi.

MSM Perlis memegang 11 bidang tanah pembangunan FGV Chuping Agri Valley (FV) yang terdiri daripada aktiviti perkebunan tanaman kelapa sawit yang kian mengembang. Kuala Peguon Ekowisata Kumpulan FGV. Ia berpotensi mengambangkan sektor ekonomi di penduduk tempatan.

"Projek FGV akan memantapkan semula land pembangunan Revolusi Pertanian 4.0, dengan perantaraan teknologi dan inovasi nilai tambah. Projek ini juga akan berlanjutan sebagai loka pertanian ciliak pelbagai produk pertanian jati-katanya dalam satu kompleks."

Sementara itu, Kuala Peguon Ekowisata FGV penduduk dibentangkan berjaya mewujudkan a memantapkan kemampuan yang lebih b-

mentukan, kebutuhan MSM Perlis mengamb-

## Maxis sokong infrastruktur di seluruh negara

© 2021-04-29 Tonggong.com +0810



(吉隆坡 25 日讯)受惠于更佳赚幅、外汇收益和较低融资成本，马来亚糖厂 (MSM, 5202, 主要板消费) 截至今年3月底首季录得3119万令吉净利，较上财年首季净亏3470万令吉，激增了1.9倍。这也是该公司在连续8个季度亏损之后，自2020年第4季以来，连续两个季

# boosts Q3 profit

due to improved margins, expenses and lower finance due to lower borrowings. Overall, MSM Malaysia's pre-profit, inclusive of the dis-profit, of MSM Perlis, year-to-date of RM17.93 million.

We remain cautiously optimistic on the company's turnaround plan and the ability to achieve sustainable growth amid the rising trend of global raw sugar price.

"The company is working towards improving its efficiency and remains positive of its full-year target performance," said MSM Malaysia group chief executive officer Syed Petral Syed Mohammad.

He said MSM Malaysia is focused on improving its yield and capacity utilisation, resulting in lower refining and production cost



For the nine months, MSM Malaysia Holdings Bhd recorded a net loss of RM127.47 million previously.



## MSM agih zakat RM1 juta Penjualan MSM Perlis kepada FGVIF dii

September 30, 2021 @ 8:45am

# 馬來亞糖廠連賺兩季 首季淨利增至3119萬

录得盈利。由于工业和出口业务录得更佳表现，马来亚糖厂首季营业额报5亿1493万令吉，比上财年同期的5亿1084万令吉提升0.8%。

出，增幅从2020年首季的3%，上升至本财年首季的13%，归功于柔州业务的收益和厂房使用率提高。

“业务营运方面，柔州糖厂继续录得进度表现，收益率按年从89%提高到92%，使用率也从16%提高到22%。由于天然气价格下滑，马来亚糖厂首季提炼成本也比去年同期下跌了13%。该公司指出，将专注提高产量及

加强产能利用率，进一步降低生产成本。该公司首季出口精制糖的营业额增长了近5倍，但国内市场的销量下跌了21%，主要因1月中落实的管制制令打击了需求。马来亚糖厂总执行长赛费扎尔指出，新冠肺炎疫情第3波疫情仍持续，继续扰乱市场与商业格局，今年料是充满挑战的一年。尽管如此，马来亚糖厂仍始终如一的满足国内需求，并致力于通过出口精制糖、增值产品和多元化下游产品，扩大公司作为综合精炼中心的区



## ur rangkaian MSM



Dengan Misi Programatik Sistem (MPS), MSM akan memulakan pelbagai bentuk inisiatif dan keusahawanan seluas ke semua kilang gula dan pejabat MSM di Lembah Klang, Pulau Pinang dan Johor. Dengan MPS, rangkaian perkhidmatan generasi baharu, MSM dapat mematuhi kepatuhan MSM untuk semua data tetap tersedia. Dengan perantaraan dan bimbingan rangkaian Misi MPS yang, MSM dapat memulakan perkhidmatan tempa dan data tetap tersedia video, perkhidmatan kelengkapan kegunaan dan rangkaian produktiviti di fase kilang dan pejabat mereka. "Kami bangga dengan pencapaian MSM dengan perkhidmatan rangkaian teknologi terintegrasi kami. Dengan kerjasama ini, kami akan dapat meningkatkan produktiviti dan kepatuhan rangkaian dalam perkhidmatan generasi baharu. "Kami berharap kerjasama dengan MSM ini akan memulakan era yang lebih baik kepada rangkaian mereka untuk semua inisiatif, "kata Ketua Pegawai Perniagaan Perkhidmatan Misi Petal Syed Mohammad. Senarai 10, Ketua Pegawai Eksekutif Kesatuan MSM Malaysia Holdings Berhad Syed Petal Syed Mohammad berkata: "sebagai pengeluar gula kelas terkemuka di Malaysia, kami terus berinovasi dan memperkembangkan kami untuk rangkaian industri daya hidup. "Kami menantikan kepatuhan digitalisasi kami untuk mewujudkan rangkaian yang berprestasi tinggi dan tetap relevan. "Rangkaian Misi akan menjadi tulang belakang operasi kami untuk lebih banyak dan berkesan. Dengan perkhidmatan yang disediakan Misi, MSM juga akan memulakan perkhidmatan rangkaian perkhidmatan untuk semua rangkaian video, yang akan memulakan era yang lebih baik kepada rangkaian mereka untuk semua inisiatif. Dengan perkhidmatan yang disediakan Misi, MSM juga akan memulakan perkhidmatan rangkaian perkhidmatan untuk semua inisiatif, "kata Ketua Pegawai Perniagaan Perkhidmatan Misi Petal Syed Mohammad. Dengan perkhidmatan yang disediakan Misi, MSM juga akan memulakan perkhidmatan rangkaian perkhidmatan untuk semua inisiatif, "kata Ketua Pegawai Perniagaan Perkhidmatan Misi Petal Syed Mohammad.



## MSM commits to ESG in environmental sustainability



# 5-YEAR FINANCIAL HIGHLIGHTS

|  | 2021<br>RM'000     | 2020<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
|--|--------------------|----------------|----------------|----------------|----------------|
| Revenue  | <b>2,259,698</b>   | 2,184,463      | 2,006,911      | 2,214,376      | 2,641,529      |
| Cost of Sales  | <b>(2,098,744)</b> | (2,016,920)    | (1,992,260)    | (2,016,022)    | (2,563,490)    |
| Gross Profit   | <b>160,954</b>     | 167,543        | 14,651         | 198,354        | 78,039         |
| Other Operating Income   | <b>9,897</b>       | 1,566          | 1,843          | 1,401          | 8,685          |
| Selling and Distribution Expenses                                  | <b>(28,293)</b>    | (26,101)       | (25,272)       | (19,762)       | (19,741)       |
| Administrative Expenses  | <b>(66,106)</b>    | (62,374)       | (73,561)       | (71,817)       | (61,122)       |
| Impairment of Financial Assets, Net                                | <b>(1,635)</b>     | (6,565)        | (4,583)        | (3,018)        | -              |
| Reversal of Impairment/(Impairment) of<br>Non-Financial Assets     | <b>16,427</b>      | 11,775         | (138,784)      | (1,390)        | -              |
| Other Operating Expenses   | <b>(7,682)</b>     | (14,232)       | (747)          | (44)           | (7,005)        |
| Other Gains/(Losses), Net  | <b>41,998</b>      | (2,816)        | 4,999          | (2,887)        | (1,223)        |
| Profit/(Loss) from Operations                                      | <b>125,560</b>     | 68,796         | (221,454)      | 100,837        | (2,367)        |
| Finance Income   | <b>2,587</b>       | 3,835          | 4,032          | 4,057          | 5,293          |
| Finance Costs  | <b>(47,045)</b>    | (36,784)       | (82,128)       | (38,508)       | (22,500)       |
| Profit/(Loss) Before Zakat and Taxation                            | <b>81,102</b>      | 35,847         | (299,550)      | 66,386         | (19,574)       |
| Zakat  | <b>(1,000)</b>     | (1,486)        | (14)           | (1,500)        | -              |
| Taxation   | <b>(43,487)</b>    | (30,498)       | 11,074         | (27,509)       | (16,767)       |
| Profit/(Loss) for the Financial Year from<br>Continuing Operations | <b>36,615</b>      | 3,863          | (288,490)      | 37,377         | (36,341)       |
| <b>Discontinued Operations</b>                                     |                    |                |                |                |                |
| Profit/(Loss) from Discontinued Operations,<br>Net of Tax          | <b>88,738</b>      | (75,091)       | (11,279)       | (1,717)        | -              |
| Profit/(Loss) for the Financial Year                               | <b>125,353</b>     | (71,228)       | (299,769)      | 35,660         | (36,341)       |

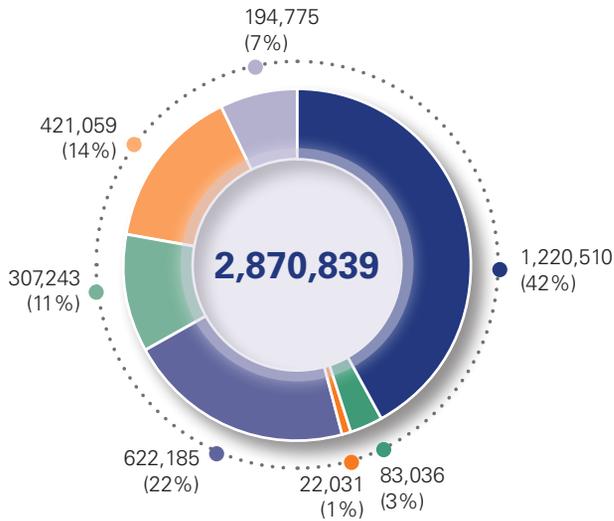
## FINANCIAL RATIOS

|                                 | 2021<br>RM'000   | 2020<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
|---------------------------------|------------------|----------------|----------------|----------------|----------------|
| Return on Shareholder's Equity  | <b>7.32%</b>     | (4.50%)        | (18.10%)       | 1.82%          | (1.90%)        |
| Return on Total Assets          | <b>4.4%</b>      | (2.6%)         | (10.1%)        | 1.0%           | (1.1%)         |
| Debt Equity Ratio               | <b>0.7</b>       | 0.8            | 0.8            | 0.9            | 0.8            |
| Dividend Cover                  | <b>5.9</b>       | -              | -              | -              | (1.3)          |
| Total Assets                    | <b>2,870,839</b> | 2,770,280      | 2,980,766      | 3,655,342      | 3,404,782      |
| Net Assets Per Share            | <b>2.44</b>      | 2.25           | 2.36           | 2.79           | 2.74           |
| Earnings/(Loss) Per Share (Sen) | <b>17.83</b>     | (10.13)        | (42.64)        | 5.08           | (5.17)         |

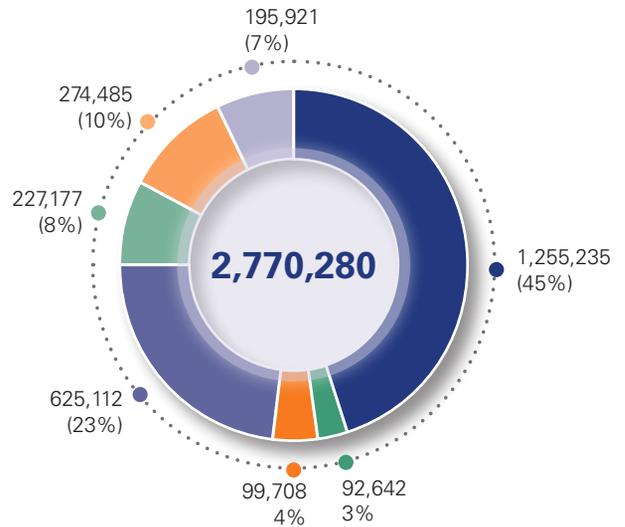
# STATEMENT OF FINANCIAL POSITION

## TOTAL ASSETS (RM '000)

2021



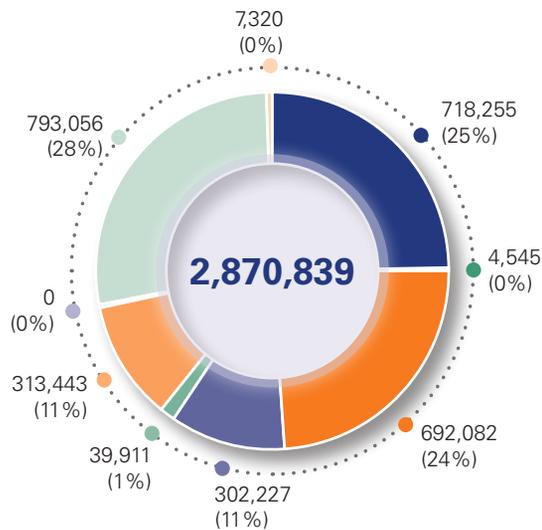
2020



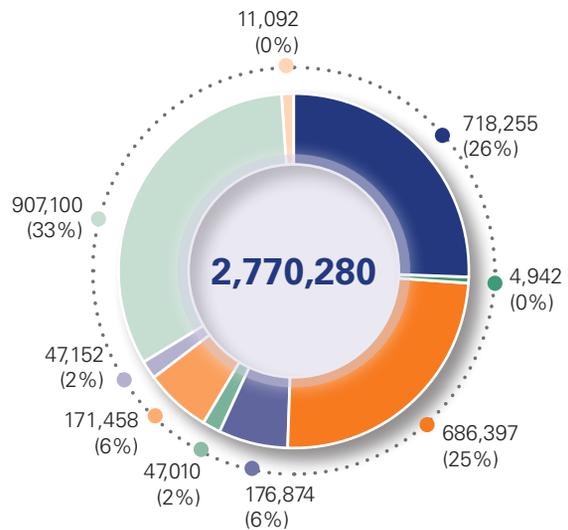
- Property, Plant & Equipment
- Other Assets
- Receivables
- Cash and Cash Equivalents
- Right-of-use Assets
- Intangible Assets
- Inventories

## TOTAL EQUITY AND LIABILITIES (RM '000)

2021



2020



- Share Capital
- Lease Liabilities
- Other Reserves
- Retained Earnings
- Deffered Tax Liabilities
- Payables and Other Liabilities
- Loan Due to Related Company
- Borrowings
- Derivative Financial Liabilities

# QUARTERLY FINANCIAL PERFORMANCE

| 2021  | First Quarter<br>RM'000 | Second Quarter<br>RM'000 | Third Quarter<br>RM'000 | Fourth Quarter<br>RM'000 |
|---|-------------------------|--------------------------|-------------------------|--------------------------|
| <b>Continuing Operations</b>                                |                         |                          |                         |                          |
| Revenue   | 514,935                 | 554,100                  | 548,646                 | 642,017                  |
| Profit from Operations                                      | 52,179                  | 30,491                   | 41,987                  | 903                      |
| Profit/(Loss) Before Zakat and Taxation                     | 43,074                  | 21,481                   | 22,376                  | (5,829)                  |
| Profit/(Loss) from Continuing Operations                    | 30,107                  | 13,277                   | 9,392                   | (16,161)                 |
| <b>Discontinued Operations</b>                              |                         |                          |                         |                          |
| Profit from Discontinued Operations                         | 1,079                   | 190                      | 87,469                  | -                        |
| Profit/(Loss) Attributable to Equity Holders of the Company | 31,186                  | 13,467                   | 96,861                  | (16,161)                 |
| Basic Earnings/(Loss) Per Share (Sen)                       | 4.43                    | 1.92                     | 13.78                   | (2.30)                   |

| 2020  | First Quarter<br>RM'000 | Second Quarter<br>RM'000 | Third Quarter<br>RM'000 | Fourth Quarter<br>RM'000 |
|---|-------------------------|--------------------------|-------------------------|--------------------------|
| <b>Continuing Operations</b>                                |                         |                          |                         |                          |
| Revenue   | 510,844                 | 448,735                  | 594,553                 | 630,331                  |
| (Loss)/Profit from Operations                               | (14,509)                | (13,192)                 | 26,789                  | 69,708                   |
| (Loss)/Profit Before Zakat and Taxation                     | (27,253)                | (25,271)                 | 14,768                  | 73,603                   |
| (Loss)/Profit from Continuing Operations                    | (34,291)                | (19,417)                 | 920                     | 56,651                   |
| <b>Discontinued Operations</b>                              |                         |                          |                         |                          |
| Loss from Discontinued Operations                           | (414)                   | (2,137)                  | (72,131)                | (409)                    |
| (Loss)/Profit Attributable to Equity Holders of the Company | (34,705)                | (21,554)                 | (71,212)                | 56,243                   |
| Basic (Loss)/Earnings Per Share (Sen)                       | (4.94)                  | (3.07)                   | (10.13)                 | 8.00                     |

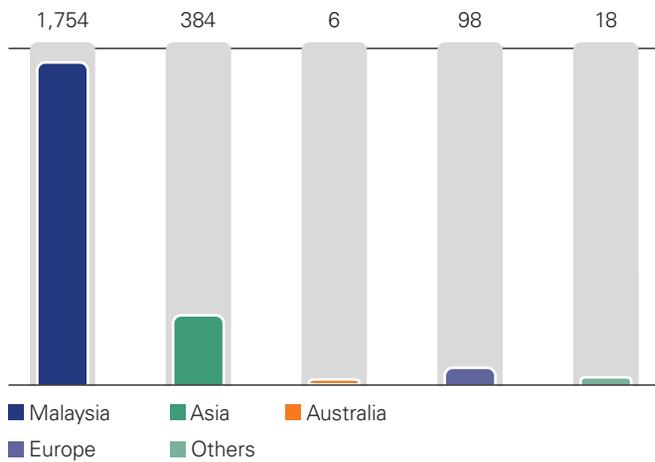
# STATEMENT OF VALUE ADDED

|  | 2021<br>RM'000 | 2020<br>RM'000 |
|--|----------------|----------------|
| <b>Value Added</b>                             |                |                |
| Revenue  | 2,259,698      | 2,184,463      |
| Purchase of Goods and Services                 | (2,031,797)    | (2,028,902)    |
| Value Added by the Group                       | 227,901        | 155,561        |
| Other Operating Income                         | 99,391         | 2,185          |
| Other Gains/(Losses), Net                      | 41,998         | (2,816)        |
| Reversal of Impairment of Non-Financial Assets | 16,427         | 13,537         |
| Impairment of Financial Assets, Net            | (1,619)        | (6,565)        |
| Finance Income                                 | 2,587          | 3,835          |
| Finance Cost                                   | (47,045)       | (36,784)       |
| <b>Value Added Available for Distribution</b>  | <b>339,640</b> | <b>128,953</b> |
| <b>Distribution</b>                            |                |                |
| To Employees                                   |                |                |
| Employment Cost                                | 86,959         | 79,769         |
| To Government/Approved Agencies                |                |                |
| Taxation and Zakat                             | 44,487         | 31,984         |
| To Shareholders                                |                |                |
| Dividends                                      | -              | -              |
| Retained for Reinvestment and Future Growth    |                |                |
| Depreciation and Amortisation                  | 82,841         | 88,428         |
| Retained Profits/(Losses)                      | 125,353        | (71,228)       |
| <b>Total Distributed</b>                       | <b>339,640</b> | <b>128,953</b> |

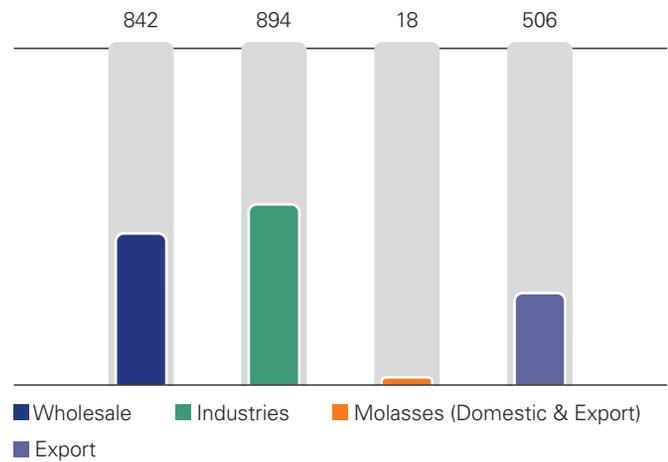
# SEGMENTAL HIGHLIGHTS

## REVENUE 2021 (RM MILLION)

### Revenue by Region

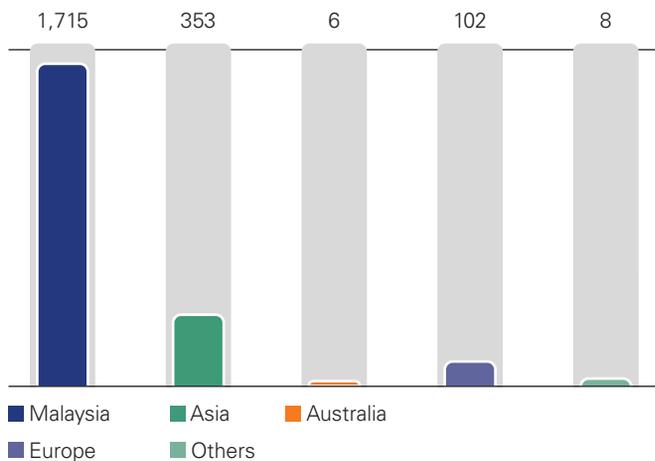


### Revenue by Segment

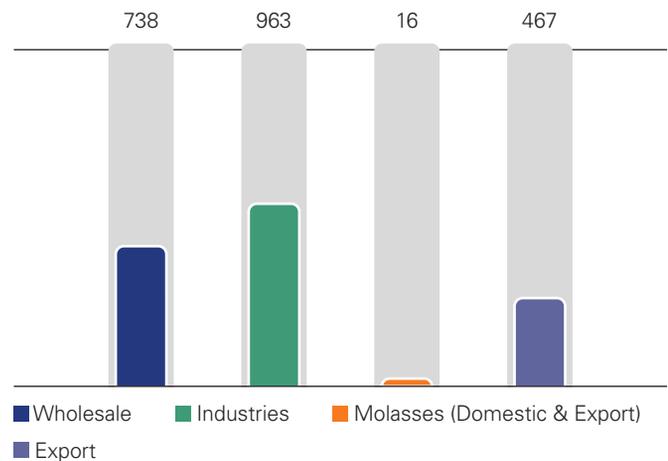


## REVENUE 2020 (RM MILLION)

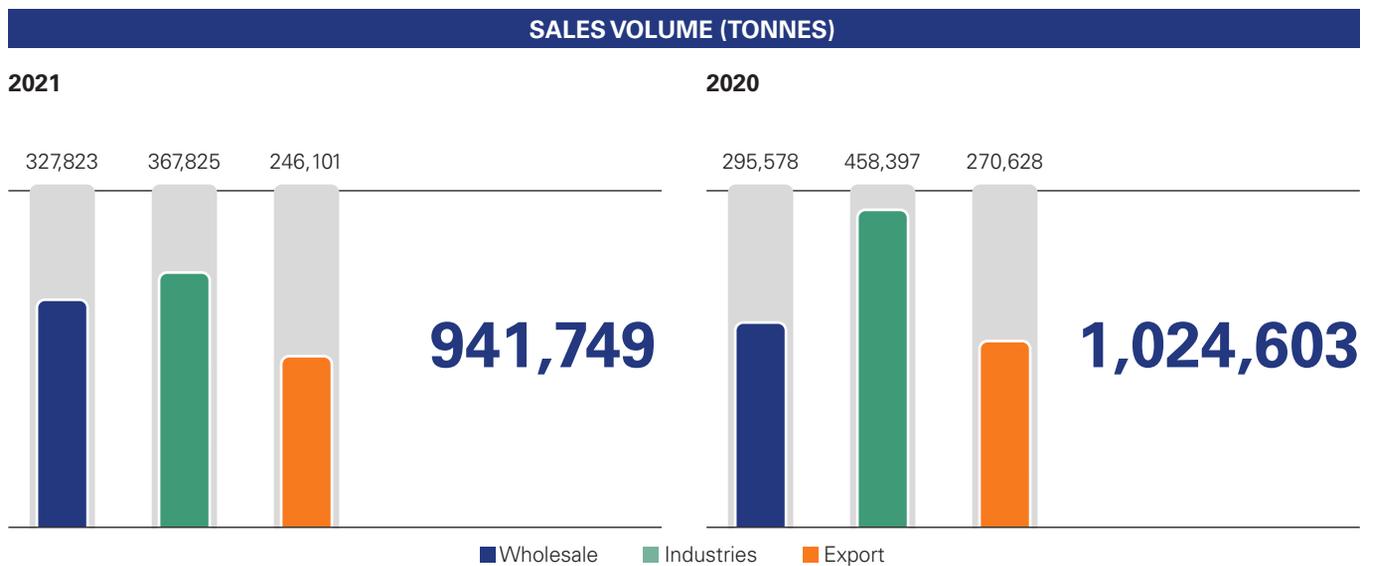
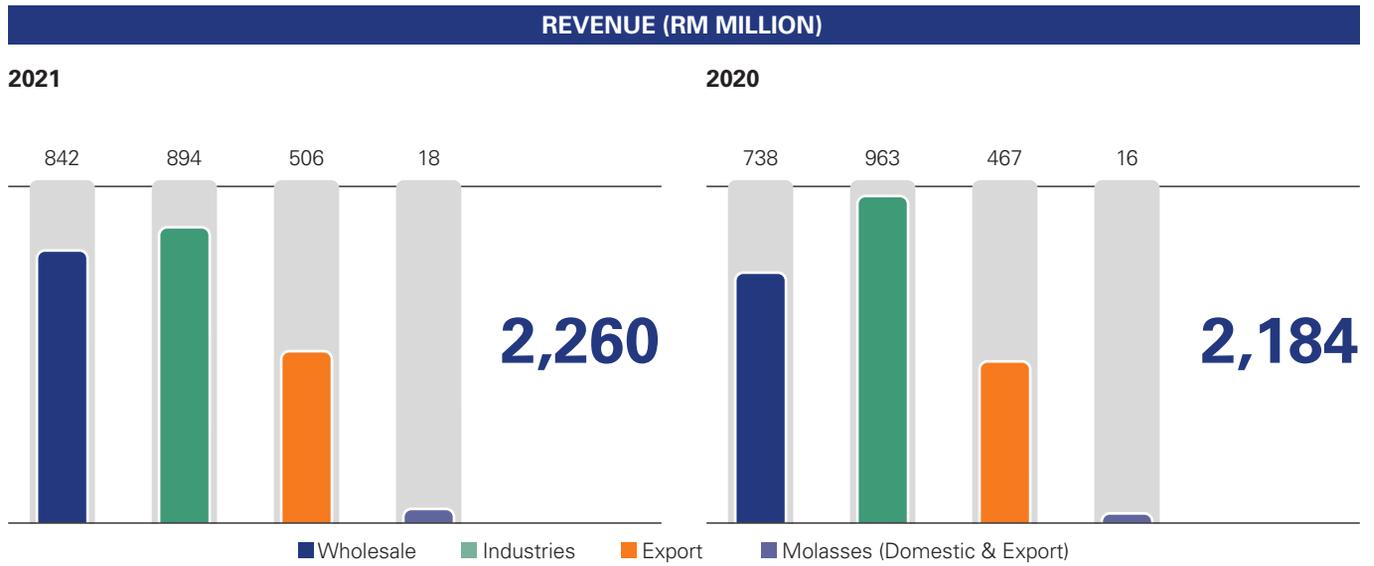
### Revenue by Region



### Revenue by Segment



# SALES HIGHLIGHTS



*Note:*  
 1. Sales volume excludes sales of molasses.

STATEMENT & DISCUSSION BY  
**OUR LEADERS**





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# CHAIRMAN'S ADDRESS

**This is a year of steadfast turnaround profitability and growth for MSM Malaysia Holdings Berhad (MSM or the Group), as portrayed by the Wau flying high on the front cover of this year's Annual Integrated Report.**

**Anchored on the BP21 strategy, we are unlocking greater value through rationalising and monetising resources, leveraging new opportunities and developing a high performance culture. Stronger engagement with stakeholders have bolstered partnerships, while our Environmental, Social and Governance step-up initiatives are catalysts in enabling better ability to scale a reputable position as one of the top global sugar refiners.**



**DATUK SYED HISHAM SYED WAZIR**

Chairman  
Independent Non-Executive Director

# CHAIRMAN'S ADDRESS



**MSM HAS MANAGED TO HEDGE A SIGNIFICANT PORTION OF ITS WHOLESALE REQUIREMENT IN FY2022 BELOW MARKET PRICE. THE GROUP WILL CONTINUE HEDGING THE RISING COST CAUTIOUSLY TO SUSTAIN AGAINST THIS CHALLENGING INFLATIONARY PERIOD.**

## Navigating Through Volatility

MSM maintained a steady footing through a year of increasing costs and operational disruptions by committing to business and sustainability plans, firming up stakeholder relationships and taking quick action to overcome hurdles. Staying responsive instead of reactive, MSM made the following prudent and decisive actions to address the year's challenges:



### Mitigating Rising Raw Sugar NY11 and Freight Costs

With NY11 prices trending higher and freight costs on the rise, MSM continues to hedge NY11 towards budget. By securing lower hedged pricing and offsetting increased costs on these vital resources, MSM is able to secure good refining margin.

MSM naturally hedges all Industry and Export volumes with a back-to-back pricing mechanism on top of raw sugar cost. While raw sugar supply shortages will result in raw sugar price increase, MSM has managed to hedge a significant portion of its Wholesale requirement in FY2022 below market price. The Group will continue hedging the rising cost cautiously to sustain against this challenging inflationary period.





### Increasing Average Selling Price and Domestic Market Demand

Margins were also sustained through higher Average Selling Price (ASP) in the domestic market to compensate for higher input cost of production. This was made possible through equitable negotiation outcomes with customers which are also considered based on volume offtakes which contributed positively to the Group's performance. FY2021's higher operational profit for the year is generally from the improved ASP.



### Warehouse Space Constraints

There was limited internal storage for higher levels of refined sugar reserves. The full warehouses led to a slowdown in production and increased operating cost per unit.

MSM Johor is currently building an additional warehouse with a 10,000 MT capacity and MSM is also exploring to establish a Northern Distribution Centre.



### Improving Yield and UF in MSM Johor Operations

MSM Group intensified focus towards improving yield and utilisation factor (UF) of MSM Johor to lower refining and production costs. Operations in MSM Johor is back on track with the completion of its second boiler rectification work. MSM Johor has set strategic targets to improve its financial performance in FY2022 with plans to ramp up MSM Johor production after debottlenecking of processes.



### COVID-19 Causing Operational Disruptions

There was a requirement for a temporary plant shutdown at MSM Prai caused by rising number of COVID-19 cases that led to a potential disruption of Domestic sugar supply. To ensure sustainability of sugar supply and food security, MSM decided to undertake a strategic stockpile level of reserves that included importation of refined sugar.



### Rising Natural Gas Cost

Natural gas cost is a key component of MSM's refining cost. The domestic natural gas price is linked to the volatility of Brent Crude Oil futures. MSM is hedging this risk with Brent linked derivatives like options and futures contracts.



### Ensuring Environmental License to Operate

MSM enforces that being caring for the environment gives countless benefits to the society and living habitats surrounding our operations. MSM has taken proactive engagement efforts with the communities with the following initiatives:



In FY2021, the DOE agreed and approved that mudcakes generated as by-products by the refineries are no longer termed as Scheduled Waste.



A trial programme between MSM Johor and FGV Fertiliser to turn mudcake into fertilisers was initiated in October 2021, and potential collaborations with third parties and the research community to supply and study mudcakes are being explored.



MSM Prai signed a Certificate of Collaboration with Penang's DOE enabling green initiatives in preserving and conserving the environment on 13 October 2021. This was kicked off with a successful Mangrove replanting programme alongside the riverbank of Sungai Perai.

# CHAIRMAN'S ADDRESS

Profit After Tax

**RM125.35**

million



Overall Gearing Ratio

**26%**



Major Market Share  
Dominance



## Scaling New Heights

We hit new highs in FY2021 as MSM recorded more than 100% increase in net profit. This was on the back of revenue growth of 3.7% at RM2.26 billion from RM2.18 billion in FY2020, and the gain from the disposal of MSM Perlis Sdn Bhd of RM91.81 million. The increase in revenue is attributable to the increase in ASP for Wholesale segment and improved premiums for Industry and Export segments. Overall, Profit After Tax (PAT) for the year was RM125.35 million, a significant improvement against the Loss After Tax (LAT) of RM71.23 million in FY2020.

Excluding the disposal gains of MSM Perlis, MSM recorded an operational profit of RM122.48 million. The Group recorded higher Profit Before Tax (PBT) from continuing operations with improved margins, lower expenses and lower finance cost as a result of lower borrowings. The continued focus on strengthening the Group's balance sheet has yielded positive results. As of 31 December 2021, total net assets stood at RM1.71 billion whilst cash and cash equivalents at end of financial period is RM194.78 million which remain relatively in line with previous year's level of RM195.92 million. The Group's term loans stood at RM414.12 million, lower compared to RM552.55 million at the end of FY2020. The term loan gearing ratio has seen improvement from 28% in FY2020 to 20% in FY2021, with overall gearing ratio of 26%.

The financial turnaround was balanced with improved operations in FY2021. MSM still holds major market share dominance domestically and accompanied by steady domestic and export sales throughout the year.

The Board has declared dividends of 3.0 sen per share for FY2021 amounting to RM21.09 million and equivalent to 17% of the FY2021 net profit of RM125.35 million.



The detailed Group Financial Review is available on page 66



**A HIGHLIGHT  
OF THE YEAR WAS  
THE 100%  
PARTICIPATION  
BY ALL MSM  
EMPLOYEES  
IN SIGNING  
THE INTEGRITY  
PLEDGE WHICH  
DEMONSTRATES  
OUR COMMITMENT  
AND SUPPORT  
IN UPHOLDING  
INTEGRITY, CORE  
VALUES AND  
BUSINESS ETHICS.**

## Taking Off on Governance & Integrity

The positive results of this strategic turnaround reflect the good governance, prudent risk management and heightened governance commitments. The Board continually reviews and restructures governing policies to ensure decent returns without any compromise on proper governance. We take a strong stance against mismanagement and corruption. During the year, we have made strides on this front by establishing the MSM Corruption Risk Management, MSM Conflict of Interest Policy, MSM Referral Policy, the revised MSM Whistleblowing Mechanism, as well as beefing up the MSM Anti-Bribery Policy Statement.

Focused on our progress as a global player, the Board championed ethical behaviour and integrity in FY2021. A highlight of the year was the 100% participation by all MSM employees in signing the Integrity Pledge which demonstrates our commitment and support in upholding integrity, core values and business ethics. We have also introduced the Vendor Integrity Attestation for third party vendors and suppliers as we progress to become a more sustainable business with better disclosures and practices.



Details on Corporate Governance Overview Statement can be viewed on page 208 of this Annual Integrated Report



# CHAIRMAN'S ADDRESS

## Uplifting Our ESG Commitments

MSM's Group Sustainability Policy facilitates our commitment to conduct business responsibly through the integration of Environmental, Social and Governance (ESG) considerations throughout our business process. Despite the COVID-19 pandemic, MSM maintained its production momentum and secured sufficient supply of sugar to the nation, and provided job security to all employees.

Employee safety and welfare was a top priority during the year. Through the unprecedented pandemic and flooding incidents in FY2021, we stood by our employees with added assistance and heightened medical care insurance benefits for them and their families. We have also ensured our workplaces are safe, conducive and healthy with the achievement of ISO 45001 certification for MSM Prai and Sungai Buloh Warehouse achieved during the year, while MSM Johor's in the near pipeline.

Upholding our corporate responsibility, the Group maintained zakat contribution of RM1 million during the year, and continued to fulfil our community obligations through financial and sugar contributions, as well as volunteerism activities for the good of the community. In addition, we are now invested in nurturing future leaders by providing talented and smart young graduates career opportunities under the Prodigy programme.

Our step-up commitment towards ESG received tremendous recognition when The Coca-Cola Company (Coca-Cola) awarded us the contract to supply refined sugar for Coca-Cola's domestic and international production. We now move forward into FY2022 with confidence and pride, having secured this contract with an estimated value of RM290 million. This accomplishment is an added boost to MSM Group and a testament to our capability in meeting Coca-Cola's standard of food safety, quality and sustainability requirements. It also excels our reputation to expand internationally to wider markets across the region.



MSM's full Sustainability Report is available on page 118



**THE GOAL IN FY2022 IS TO IMPLEMENT IR4.0 SMART SYSTEMS FOR OUR MANUFACTURING, SALES AND LOGISTICS FUNCTIONS.**

## A Broader Vision

Succeeding this year's Turnaround, FY2022 is staged to be a **Resilient** year under the guidance of Business Plan 2021-2023 (BP23) which has been prepared under three main principles namely **(1) Optimising our assets potential, (2) Strengthening domestic position with intensified regional presence and (3) Improving capital structures.**

Through ongoing utilisation improvements at MSM Johor, our priority moving forward is to ensure the maximisation of Group capacity that is well supported by the growth in the core business segments namely Domestic (Wholesale and Industry) and Export (refined sugar and value added products).

Digital transformation is a key enabler towards further operational efficiencies. We intend to harness digital systems to enhance productivity, improve data collection and accelerate business processes by improving data visualisation and analytics for better decision making. The goal in FY2022 is to implement IR4.0 smart systems for our manufacturing, sales and logistics functions.

MSM will also continue to target sustainable growth by widening our focus on the value added sugar segment and re-establishing research and development investments towards product innovation.



Details of BP23 are illustrated in the Corporate Strategy and Business Plan Review on page 70



## Acknowledgements & Appreciation

There have been several new appointments to the Board in 2021 and we bid farewell to Dato' Haris Fadzilah Hassan, an FGV representative who resigned on 7 April 2021. In his place we welcome Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad as FGV representatives and Dato' Amir Hamdan Hj Yusof from KPF. They bring with them fresh perspectives that have enhanced the diversity of skills and experience at the helm. I take this opportunity to welcome them on board and to thank all members of the Board for their valuable service through a challenging year.

On behalf of the Board, I would like to record my appreciation for the continued support extended by the Ministry of Domestic Commerce and Consumer Affairs (KPDNHEP), sugar industry authorities, customers, suppliers and business partners. These are vital relationships that has sustained our performance and growth in FY2021.

My sincere gratitude and appreciation also goes out to our shareholders from FGV, KPF, PNB, EPF and others for their continued confidence and loyalty in supporting our aspirations and business plans.

I take this opportunity to applaud the drivers of MSM's turnaround performance - the management and all MSM employees, led capably by Group CEO Tuan Syed Feizal. Their positive mindset and commitment to progress has been exemplary. I would also like to acknowledge the strong bond of **"Keluarga MSM"** that has been forged through the challenges that tested us not just as a business, but as individuals. We have faced the loss of colleagues and loved ones due to the pandemic, and some have suffered loss of property in the floods that beset our country in December 2021. Rest assured the MSM way is to look after one another and place the welfare of our people first in all we do. As they say, **"Kita Jaga Kita"** and together we will overcome.

Thank you.

**Datuk Syed Hisham Syed Wazir**

Chairman

Independent Non-Executive Director

# IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER

Dear Stakeholders,

MSM Group is gaining turnaround momentum as we fortify fundamentals and focus on strategic goals. Working as one team through this challenging year, we achieved over 60% of MSM's Key Strategic Initiative targets for FY2021, and registered a profit of RM125.35 million.

This has led to significant achievements such as:



Leading as the pride of the nation's sugar industry with a majority hold of the domestic market share



One of the largest sugar refiners in the global sugar industry



Gula Prai ranking

**3<sup>rd</sup>**

most chosen FMCG brand in Malaysia



**SYED FEIZAL SYED MOHAMMAD**  
Group Chief Executive Officer

# IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER

STEPPING IN AS GROUP CHIEF EXECUTIVE OFFICER ON 1 FEBRUARY 2021, SYED FEIZAL SYED MOHAMMAD HAS STEERED MSM SUCCESSFULLY THROUGH THE FIRST YEAR OF ITS TURNAROUND STRATEGY. HE HAS ALSO BEEN NOMINATED AS A MAIN MEMBER OF THE CEO ACTION NETWORK (CAN). THESE TOP 10 QUESTIONS ADDRESS HIS VIEWS AND REFLECTIONS ON FY2021 AND TOWARDS FAST FORWARDING A MORE SUSTAINABLE FUTURE FOR 'KELUARGA MSM'.



## What was your first priority as MSM Group's GCEO?

As strong roots are required for sustainable growth, my first priority, coming from an oil and gas background, was to instill a strong focus on Safety, Quality and Governance within MSM. In fact, my first act as GCEO was to meet with MSM's safety officer and then review the corporate charters on HSES, Quality, Diversity & Gender Equality, and Business Ethics & Compliance. These corporate charters are essential in calibrating the moral compass of the business and navigating the MSM team towards a world-class performance mindset - going from good to great, and then from great to excellent.

MSM'S  
HSES&Q GOAL:

**zero  
harm**

to people,  
property and the  
environment

This alignment helps build strong positive values that prioritises working towards operational optimisation with zero harm to people, property and the environment. In my engagements with management and employees, we emphasise the need to live up to being billed a Group that has gained one of the top positions in the world sugar market. This requires adoption of multinational corporation (MNC) practices and mindset, and we actively communicate this through employee engagements on the ground - from our talks with trade unions to our very young prodigies of fresh graduates.



**WE EMPHASISE  
THE NEED TO  
LIVE UP TO BEING  
BILLED A GROUP  
THAT HAS GAINED  
ONE OF THE TOP  
POSITIONS IN THE  
WORLD SUGAR  
MARKET.**



## MSM has seen turnaround results under your stewardship in 2021, what achievements are you most proud of?

I was fortunate to come into MSM when a concise blueprint had already been launched by the previous management and turnaround strategies were in place. So the journey towards the improved profitability had started even before I came in. Most of my work focused on enhancing the blueprint and business optimisation while ensuring greater subscription by the workforce towards governance, integrity and pride in being part of an organisation that is one of the top in the global sugar industry.

Staying on strategy, the team worked hard to sustain profits through the four quarters and protect shareholder interest, despite tremendous challenges affecting production volumes in FY2021.

What I found really motivating was the confidence of the investing community in MSM after the announcement of the fourth quarter 2020 results. There was a sharp recovery in MSM's share price which rose four folds growing the market capitalisation to a high of RM1.40 billion. To me, that is a vote of confidence from the investing community on MSM's new leadership team and MSM Group's moving forward plans.

Through this period, MSM has also attracted increased foreign investor holdings especially from EU countries. It clearly indicates that we are ticking their checklist on environment, social and governance (ESG) matters apart from business sustainability.



Visit by YB Dato' Seri Idris Jusoh, FELDA Chairman and Senior Management to MSM.

# IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER



**TOWARDS FUTURE GROWTH, WE INTEND TO EXPAND OUR EXPORT BUSINESS BEYOND THE ASIA PACIFIC REGION, AND EXPLORE NEW OPPORTUNITIES IN FOOD BUSINESS BY THINKING BEYOND SUGAR IN LINE WITH THE MSM VISION.**



## How do you intend to maintain market leadership in an era of greater competition?

With the right attitude ingrained within the leadership team, there is a solution for every problem. What is required is the determination to weed out gaps in our service delivery, ensure we have the best talent in place and taking action swiftly.

Towards sustaining and growing MSM's market share, we are widening our outreach through greater product choice and customer touchpoints. This requires us to build stronger relationships with all our customers and understand their needs better. During the year, we made it a point to engage and meet decision makers face to face. From personal meetings at the top-level with leaders of multinational corporations to on-the-ground visits to hypermarkets, these engagements allow us to better understand pinch points, so we can proactively mitigate problems and improve our value propositions to different customer segments - wholesalers, industry, export and retailers.

We also addressed price matrix issues and built on consistent practices with wholesalers. For industries, we now provide greater flexibility and reliability in taking on more volume. For exports, we are going the extra mile to ensure quality and a better value proposition. Thanks to these efforts, we have reinforced our market share in FY2021.

Branding too is vital to withstand growing competition. We have launched brand reinforcement campaigns on conventional, digital and social media fronts with various consumer rewards to garner greater engagement. Our latest "Janji...Gula Peket Hijau" campaign recognises consumer loyalty and celebrates our customer diversity and unity during special occasions such as Malaysia's Independence Day and Malaysia Day.



## What were the operational highs and lows for the year?

A significant operational high was on the export front as we successfully increased export markets and secured a RM290 million refined sugar supply contract with The Coca-Cola Company (Coca-Cola) for both domestic and international production. We are proud that our sustainable practices and good operational reliability elevated our value proposition among stiff competition. The opportunity to be part of Coca-Cola's supply chain, the world's most valuable soft drink brand, was part of our export blueprint to be one of the top global integrated sugar refiners.

This accomplishment is an added boost to MSM Group having achieved a turnaround in FY2021. It reflects recognition of our step-up commitment towards the ESG framework, reliability as a source of sustainable raw sugar supply and capability in maintaining the highest standard of food safety and quality. This fortifies MSM's commitment to deliver on ESG goals with greater initiative and urgency going forward.

Another upside for MSM was that we managed to increase our Average Selling Prices while stabilising volume, which is not an easy task. To this end, we initiated a collective strategy with customers to understand the rise in NY11 pricing that squeezes refining margins. This increase has helped ensure profits in a challenging year.

Low points for the year involved the breakdowns and volume disruptions at MSM plants due to technical matters, environmental impact and COVID-19 issues. Sadly, we lost four workers (three employees and a contract worker) as a result of COVID-19 and early last year a contract worker had a fatal fall. These incidents exemplify the need to continuously guard against COVID-19 and lapses in safety procedures to uphold our goal of zero harm to people, property and environment. Going forward we are now more mindful and armed with preventive measures and proactive responses.

# IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER



## What are your plans towards boosting productivity, especially at MSM Johor?

Towards boosting productivity, we are ready to do things differently - operationally and structurally. We have reassigned roles to optimise on talents and abilities. We are ensuring management support in understanding and helping mitigate barriers and problems while providing enablers with effective tools and resources.

Key Performance Indicators (KPIs) have been aligned towards productivity, so that exemplary actions and practices will be rewarded. We are implementing short cycle time including Lean Six Sigma (LSS) support. These are some of the impactful methods employed to ensure MSM Johor registers profitability by FY2022.



## What are MSM's strategic intents moving ahead?

We intend to enhance turnaround, stay resilient and unlock our higher potential by staying agile and proactive. We will be operating within an environment of transitory inflation with rising costs of NY11 raw sugar, gas energy, freight and Foreign Exchange (FOREX) to contend with.

For each we have responsive risk management solutions as detailed in our Corporate Strategy and Business Plan Review. These range from hedging, intense management monitoring, to growing an eco-system of US dollars as a natural hedge and other new instruments in ensuring mitigation.

On the business front, we are enhancing opportunities, not just by optimising volumes but also by focusing on higher margin segments such as value added products (VAP). Research and development on VAP and health segment products will be stepped up to leverage on new opportunities. Diversification into a new food-business segment, as per our stated vision, is also in the cards.

At the global front, the manufacturing sector is reimagining the future of manufacturing where conventional models are making way for greater technology adoption and the key determinants are efficiency, speed and flexibility towards sustaining competitiveness. The Industrial Revolution 4.0 (IR4.0) entails infusing higher value added process of manufacturing through the application of advanced digitisation, innovative manufacturing technologies and efficient resource utilisation.

As we extend our business ecosystem in widening the sugar universe in market regions, products and customers, we have to fully exploit the continental shift in global trade where these borderless transactions and ESG concerns are pivotal. MSM Group is in step with Industry4WRD, the National Policy on IR4.0, which would enable the manufacturing sector to move into IR4.0 and along the way contribute to fulfilling Malaysia's commitment to the United Nation's Sustainable Development Goals (UN SDGs).

### Key Strategic Initiatives of MSM BP23



**Sustainable Manufacturing Performance**



**Improving Sales Performance**



**Growing a Sustainable Operation with Better Energy Planning and Green Energy**



**Cost Savings on Sales & Distribution**



**Strategic Capital Management**



**Expand Export via Strategic Partnership**



**Digital Transformation towards Industry 4.0**



Details can be referred to in the Corporate Strategy and Business Plan Review on page 70



## What are the initiatives that have been planned through the short and medium term?

To date, MSM is already making headway in several ESG initiatives. We have structured policies and procedures to ensure we provide decent returns without any compromise on proper governance. We have a well-composed and experienced Board that takes a strong stance against mismanagement and corruption, and champions ESG goals. Accounting report timeliness, quality and disclosures of materiality have been improved. Board reporting and guidance implementation translate to greater risk management while pursuing opportunities on operational excellence.

Nevertheless, we require a more substantive framework with improved recording and disclosures. To this end, MSM is significantly escalating our ESG framework and working towards subscribing to the SBTi and Net Zero commitment under the United Nations Global Compact.



Details on our ESG initiatives and performance for FY2021 are disclosed in our Sustainability Report on page 118



## How has MSM positively contributed to employee and community welfare?

MSM has adopted a “People First” approach to both our internal and external communities. We refer to our employees as “Keluarga MSM” and their welfare takes precedence when it matters most. Charity begins at home so we want to provide care beyond the ordinary for all employees as and when needed and appropriately so. This has been demonstrated during the year’s turmoils involving COVID-19 and the recent floods.

A number of our colleagues were badly affected by the pandemic and floods, and in line with our People First approach we established task forces to monitor, communicate and aid those affected closely with established hotlines of contact persons at any time required. The task force comprises mainly members from People Partner and HSES&Q, and maintains close reporting and feedback to management who are equally contactable for help.

Other than a substantial Welfare and Zakat budget to aid employees financially in times of need, we render help beyond financial, and beyond the conventional. We offered jobs to the children of the deceased breadwinners in the three cases of COVID-19 fatalities among our employees in FY2021.



# IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER

We offered flood-assistance such as contract cleaners to help with the clean-up of the affected houses, and additional compassionate leave to affected employees. In addition, insurance policies for all employees have been updated during the year with extra benefits including coverage for spouse.

Apart from taking care of our affected employees, MSM extended sympathy to the affected public and provided tangible help to state and country-wide flood centres that were affected with prompt food aid. Over 5,000kg of Gula Prai refined sugar was handed over to be distributed to flood victims in Klang Valley, Pahang, Kelantan, and Terengganu through several temporary relief centres and mosques to help over 221 flood affected families of all races and religions.

Wherever we operate, we practice an inclusive business with the view that communities around our business environment should benefit from our existence through employment and efforts to enhance livelihoods. MSM Prai's involvement in mangrove planting during the year, in collaboration with Penang's Department of Environment, is a great example of MSM working hand-in-hand with the local inshore fishermen community to protect inland shores and sustain fish populations.

MSM Group also mindfully contributes to grow opportunities for future generations through educational support. We run an annual "Back-to-school" programme for school-going children of lower income households in the community and also help create a nurturing environment within schools by sponsoring water coolers and meals. We also sponsor children of employees from lower income brackets with tuition fees at primary, secondary and even full scholarships at professional degree qualification levels. Through the Prodigy programme that was launched in July 2021, we target to provide young graduates with avenues for continuous development via on-the-job training, soft skills training, expert coaching, and a chance to be part of Keluarga MSM. We are also playing an active role through MSM Foundation via the USM Penang Steering Committee.



**OVER 5,000KG OF GULA PRAI REFINED SUGAR WAS HANDED OVER TO BE DISTRIBUTED TO FLOOD VICTIMS IN KLANG VALLEY, PAHANG, KELANTAN, AND TERENGGANU THROUGH SEVERAL TEMPORARY RELIEF CENTRES AND MOSQUES TO HELP OVER 221 FLOOD AFFECTED FAMILIES OF ALL RACES AND RELIGIONS.**

**MSM value-added staff benefits**



**Medical insurance upgrades**



**Financial assistance through zakat wakalah for staff welfare**



**Food basket worth RM150 for staff under COVID-19 home quarantine**



**Funds for sports and healthy lifestyle activities such as establishment of MSM Foldies Cycling Club for folding bicycle enthusiasts**



**Back-to-school assistance for non-executive officers based on income baseline eligibility**



**Emergency financial assistance, cleaning services and courtesy leave to staff affected by floods**



**In your opinion, what are MSM’s strengths moving forward? What are MSM’s weaknesses to guard against?**

MSM is a strong player in the essential food business where growth can be built upon a defensive segment and by focusing on midstream processing, marketing and distribution. A core strength is the established market ecosystem we have built in the Asia Pacific region and the recognition we enjoy from inherent industry players such as global traders and customers. With healthier financials and stronger governance, we are in a position to activate mergers and acquisitions to grow a stronger footprint going forward. This is boosted by possessing more key talents in the people mix currently as we have, during the year, augmented the management team with new blood



**WITH OUR FUNDAMENTALS IN PLACE, AND THE RIGHT TEAM AT THE HELM, I BELIEVE WE ARE IN GOOD POSITION TO GROW IN THE SUGAR UNIVERSE.**

that possess the right skills and experience. With our fundamentals in place, and the right team at the helm, I believe we are in a good position to grow in the sugar universe.

The danger lies in taking a complacent attitude and remaining within the comfort of sustainable profitability. To grow, we need to think ahead beyond sugar and venture into new food businesses that synergise with our current offerings.

Inaction on risk matters is another weakness we have to guard against. There are many risk issues concerning manufacturing with regard to hazardous environments, health and safety of human labour, supply chain inefficiencies and resource wastages. We need to deliver on better solutions and accelerate sustainable actions with definite goals in place. Currently, in tune with future business concerns, MSM is actively pursuing green initiatives under the pillars of ESG. Towards this end we are on the lookout for collaborations with ventures into SMART Manufacturing, Innovation on Energy Management, Technological and Certification Programmes, Green Schemes, Green Packaging and Environmental Technology Research.

Staying prepared, agile and competitive is our way forward. As such, the leadership of MSM has worked on strategic blueprints as well as assessments, and charted the path ahead with the intention to reach our goals through a promise of **“Sweet Sustenance in a Responsible, Sustainable and Mindful Way”**.

Thank you.

**SYED FEZAL SYED MOHAMMAD**  
Group Chief Executive Officer

# GROUP FINANCIAL REVIEW



Revenue

## RM2.26

billion



Profit after tax

## RM125.35

million



EBITDA

## RM282.31

million



Gains from disposal of  
MSM Perlis

## RM91.81

million



MSM has made significant progress on the turnaround of the Company despite operating in a very challenging environment. The Group registered a healthy profit after tax of RM125.35 million, a significant improvement from a loss after tax of RM71.23 million in FY2020. This was achieved amidst significant COVID-19 related impacts including substantial increase in the price of raw sugar due to supply and demand as well as changing weather in raw sugar producing countries which affected the sugarcane crop. Additionally, freight costs increased significantly as a result of shortages of containers and vessels due to border restrictions and slow turnaround time at ports. Furthermore, local sugar consumption in Malaysia was also affected by reduced productivity in the hospitality and food and beverage sectors, as well as the slowdown in social and economic activities as a result of movement restriction orders to curb the spread of COVID-19.

As a result of these impacts, the Group's gross profit margin reduced by 4% from the prior year. However, the Group recorded a profit before interest, tax, depreciation and amortisation (EBITDA) of RM282.31 million, an increase of more than 100% from prior year of RM116.68 million. The Group's statutory net profit of RM125.35 million includes the impact of gain from disposal of a subsidiary of RM91.81 million as well as depreciation charges of RM82.84 million.



In September 2021, we completed the sale of our wholly-owned subsidiary MSM Perlis Sdn Bhd for total proceeds of RM181.11 million. The disposal is part of the Group's ongoing exercise to dispose of non-core assets, generating a gain of RM91.81 million, as mentioned above. The proceeds were partly use to reduce our gearing level by making additional repayments to term loan of RM100.00 million whilst the remaining proceeds was used to fund capital expenditure in our MSM Johor refinery and general working capital for the Group. The performance of MSM Perlis Sdn Bhd was classified as discontinued operations and a sum of RM85.52 million of the gain on disposal is recorded as part of this segment's performance.

**For FY2021, the Group declared a total dividend of 3.0 sen per share amounting to RM21.09 million and equivalent to 17% of the FY2021 net profit of RM125.35 million.**

# GROUP FINANCIAL REVIEW

## KEY FINANCIAL PERFORMANCE INDICATORS

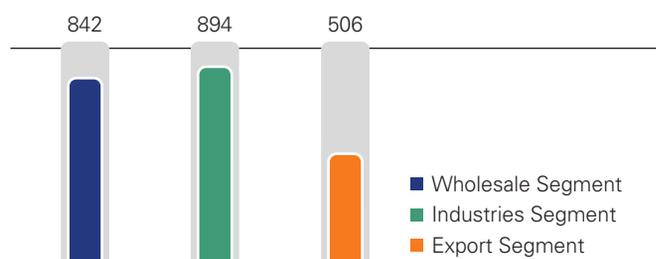
MSM uses several key financial indicators to measure its financial performance. These key financial indicators are: Revenue, Profit Before Tax (PBT), Return on Capital Employed (ROCE), Net Debt and Financing to EBITDA, and Cash Balance Position. The Board and Management regularly review these financial indicators to measure the Group's performance against set targets.



### Revenue

The Group's revenue increased by 3.4% to RM2.26 billion in FY2021 on the back of improved selling prices across all customer segments. The Wholesale Segment posted a 14% increase in revenue to RM842 million in FY2021 (RM738 million in FY2020) despite recording lower volume from the previous year. Meanwhile, the Industries Segment's revenue decreased by 7% at RM894 million in FY2021 (RM963 million in FY2020). Around 20% of the revenue is generated outside Malaysia. In FY2021, Export Segment's revenue increased by 8% at RM506 million (RM467 million in FY2020) as a result of increased Premiums.

Revenue Contribution (RM million)



### Profit Before Interest, Zakat and Tax (PBIZT) and ROCE

PBIZT increased 83% from RM68.80 million to RM125.56 million. Due to this increase, the Group's ROCE increased from 2.5% to 4.4%. Subject to unforeseen market conditions, we are working towards achieving a better performance in the future.



### Profit Before Zakat and Tax (PBZT)

The Group's PBZT from Continuing operations increased 126% to RM81.10 million in FY2021 due to better raw sugar management. Discontinued operations contributed RM88.74 million in PBZT, mainly from gain from disposal of subsidiary, as mentioned above. The Group's consolidated PBZT of RM169.84 million is a marked improvement from a loss position of RM39.24 million in FY2020.



### Finance Costs

Finance costs increase from RM36.78 million in FY2020 to RM47.05 million in FY2021 is mainly due to a loan modification cost of RM9.75 million recorded in September 2021 from additional repayments made to the Group's term loans of RM114.26 million. These advanced repayments represented a change in the present value of the term loan which resulted in a loan modification cost to be recorded in FY2021. In contrast, in FY2020, the Group made an additional repayment of RM40 million in December 2020 and recorded a loan modification credit of RM11.70 million.



### Taxation

The Group recorded a higher tax expense of RM43.49 million in FY2021. This is largely consistent with the higher profits recorded. Notably however, the effective tax was higher at 26% against the applicable tax rate of 24% mainly due to the tax effects of non-deductible expenses. This was partly offset by non-taxable gains on disposal of wholly-owned subsidiary MSM Perlis Sdn Bhd.



### Statement of Financial Position

Total debt decreased from RM907.10 million as at 31 December 2020 to RM793.06 million as at 31 December 2021 mainly due to repayment of term loan. Total debt consists of unsecured Bankers' Acceptance loans and Islamic term loans. Banker's Acceptance is used for the Group's raw sugar financing and short term in nature, whilst term loan was drawn mainly for the construction of MSM Johor refinery and is therefore longer term. Gearing ratio decreased from 33% as at 31 December 2020 to 26% as at 31 December 2021 due to lower net debt as at year end coupled with the higher total capital driven by higher



### Cash Flow

The Group generated a positive operating cash flow of RM95.15 million in FY2021 albeit a decrease from RM277 million in FY2020. The higher revenue and net profit did not translate into an overall increase in working capital due to the tighter working capital management. Despite operating in a challenging environment, the Group ended the year with a healthy cash balance of RM194.78 million which is relatively in line with prior year's balance of RM195.92 million. Additional information can be found in the Cash Flow Statement on pages 282 to 285.



### Dividend

For FY2021, the Group declared a total dividend of 3.0 sen per share amounting to RM21.09 million which is equivalent to 17% of the FY2021 net profit of RM125.35 million.

## OUTLOOK

**The Group performed well in the financial year ended 31 December 2021, buoyed by good raw sugar hedging. We expect the level of sugar consumption to improve in FY2022 as travel restrictions ease domestically. While raw sugar supply shortages will result in raw sugar price increase, the Group has managed to hedge a significant portion of its Wholesale requirement in FY2022 at below market price.**

**Overall, the Group expects the new financial year to continue to be challenging. There is still significant uncertainty on the full impact of the ongoing COVID-19 pandemic and trade tensions at this juncture. Nevertheless, the Group will remain focused towards higher yield and capacity utilisation which will result in lower refining and production costs and stronger financial position which will put the Group in a good position for growth, should prospects and business sentiment improve.**

# CORPORATE STRATEGY AND BUSINESS PLAN REVIEW



In FY2021 the focus of Turnaround was primarily on the business front as we worked to maximise our capabilities while seeking ways to expand our market demand and enhance our liquidity.

MSM is currently guided by a 3-year Strategic Plan through which “**Turnaround Through Asset Optimisation**” was initiated in FY2021. This was supported by the Business Plan 2021 (BP21) and continues to be supported by the Business Plan 2021-2023 (BP23) going forward.

We also worked on ramping up our ESG journey during the year, as a step towards meeting FTSE4Good Index standards and ensuring improved data gathering across the Group.

Sustainability initiatives and performance are detailed in the Sustainability Report on page 118.

## 3-YEAR STRATEGIC PLAN



### 2021 Turnaround through asset optimisation

- Capacity optimisation for lower production cost
- Assess MSM Prai **rejuvenation life extension programme**
- Improve Average Selling Price and hedging (NY11, freight, energy, forex)
- Consolidate wholesalers & territory
- Enhance market share
- Direct contracts with Modern Trade, Big Industries, major SMIs
- Grow export - Vietnam, China, Singapore, South Korea etc
- Grow value added products (VAP) such as Liquid Sugar, Fine Syrup and Premix for domestic and export markets
- Debt rationalisation - monetise non-core assets to pare down borrowings



### 2022 Resilient with sales volume growth

- Steady production in MSM Johor towards break-even
- MSM Prai **rejuvenation life extension programme Phase 1**
- Enhance existing and new export markets
- Expand VAP into new markets and products
- Income diversification from sugar-related products
- Step up ESG, reduce GHG emissions, renewable energy such as solar and explore biomass energy-saving project
- Digitalisation and IR4.0
- Expand healthy variant products segment i.e. Go ½, Go Natura
- Explore strategic partnership to strengthen export segment and further unlock synergistic value



### 2023 Pacing growth with integration and strength

- MSM Johor achieves UF and Yield maturity with downstream integration
- MSM Prai **rejuvenation life extension programme Phase 2**
- Value accretive vertical integration with downstream
- Maximising production capacity for export
- Establish distributorship in target ASEAN markets
- Expand logistic capabilities sea and land
- Explore capacity growth overseas via offtake with MSM premium sugar Quality Management
- Explore business diversification into food related business
- Explore growth via strategic M&A in new food business value chain



Status



Achieved



Delayed



Ongoing

**STATUS OF KEY STRATEGIC TARGETS UNDER MSM BP21**

**S1 Improve MSM Johor’s Production Capability, Yield and Refining Cost**

- In Progress **50%**
- MSM Johor Yield 91% in FY2021
- Boiler rectification works at the plant

**S5 Strategic Capital Management**

- In Progress **70%**
- Paring down of term loan from MSM Perlis disposal proceeds
- Increase USD borrowings for natural hedge in line with growing USD receivables from export

**S2 Improve Sales & Distribution through territory consolidation and area demarcation**

- In Progress **50%**
- Lower warehousing cost
- Lower overall sales volume causing higher unit cost

**S6 Export via Strategic Partnership**

- In Progress **50%**
- Explore strategic partnership to strengthen export segment and further unlock synergistic value

**S3 Increase Growth in Domestic Volume**

- In Progress **50%**
- Higher Weighted Average Selling Price FY2021 vs FY2020
- Lower sales volume (mainly affected by Movement Control Orders)

**S7 Monetise Non-core Asset**

- Completed **100%**
- Disposal of MSM Perlis

**S4 Growth in Value Added Segment Sales**

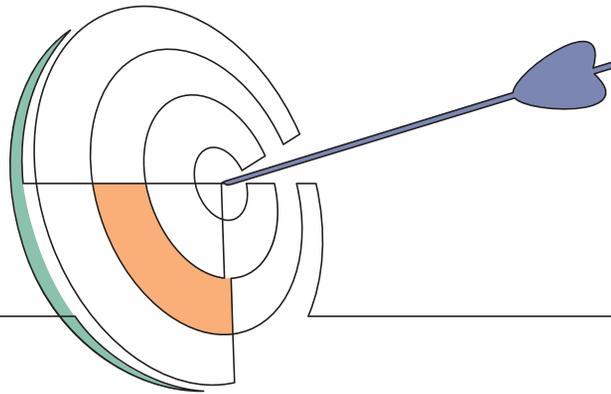
- In Progress **50%**
- Higher Average Selling Price
- Lower production volume (mainly affected by MSM Johor temporary shutdown, MCO and high container cost)

# CORPORATE STRATEGY AND BUSINESS PLAN REVIEW

## MOVING FORWARD WITH BP23

MSM's BP23 is aligned to a long-term end-in-mind approach to diversify into mid-stream processing of a new food business; in line with our vision to be a world class, cost efficient and high performing organisation with diversified portfolio in food related business.

As for the medium-term horizon, the BP23 captures all of the Group's key strategic actions that need to be undertaken to meet its financial and operational targets in the next three years and beyond. The ultimate aim is to be able to realise MSM's end-in-mind in the long run.



## Key Targets •

### 2022

-  Strengthen Domestic market share
-  Expand export footprint regionally
-  Grow export with a better price via strategic partnership
-  Explore new food processing business via thorough feasibility study & strategic engagements
-  Explore 3<sup>rd</sup> party trading

### 2023

-  Sustain Domestic market share
-  Expand to **50%** market share in Singapore
-  Grow total export
-  Explore M&A with mid-size/profitable food processing company
-  Increase 3<sup>rd</sup> party trading for new food business

## KEY STRATEGIC INITIATIVES 2022

Seven KSIs have been identified to strive for resilience by (1) optimising our assets potential, (2) strengthening domestic position with intensified regional presence and (3) improving capital structures.

### Sustainable Manufacturing Performance 1



- Target to optimise production reducing Refining Cost per MT
- Operational improvements supported by experienced advisors
- Improve Process Reliability and Production Availability

### Sales & Distribution Cost Savings 4



- Optimisation of internal assets of MSM Logistics within Klang Valley, 3<sup>rd</sup> Party Logistics for outside regions
- Warehouse expansion and optimise demand and supply planning
- Smart Fleet Management to optimise management, route planning, productivity

### Improving Sales Performance 2



- Focus on growing the VAP segment with higher selling price and premium
- Grow Merchandising Unit, smaller packing to expand retail presence

### Strategic Capital Management 5



- Optimum mix of short-term and long-term borrowings
- Increase USD borrowings for natural hedge in line with growing USD receivables from export

### Growing a Sustainable Operation with Better Energy Planning and Green Energy 3



- Implement green energy cost saving and reducing GHG emissions from electricity purchased by 10% via solar
- Energy auditing, planning and optimisation to reduce carbon footprint and energy cost
- Explore selling by-products i.e mudcake and calcium carbonate as fertilisers and molasses as a value added product

### Export via Strategic Partnership 6



- Explore strategic partnership to strengthen export segment and further unlock synergistic value

### Digital Transformation via Industry 4.0 7



- Digital system is to enhance productivity and accelerate business processes
- Improving data visualisation and analytics for better decision making
- Implementing IR4.0 smart systems manufacturing, sales, logistics etc



Financial Capital



Natural Capital



Manufactured Capital



Human Capital



Intellectual Capital



Social & Relationship Capital

# KEY CHALLENGES & MITIGATIONS

Various mitigation strategies are employed to address challenges as identified below:

| Description/Impact  | Mitigation Measures   | Link to Capital   | Stakeholders Impacted   |
|---|---|---|---|
|  <b>Increase in Production Costs</b>   |   |   |   |
| <ul style="list-style-type: none"> <li>NY11 prices trending higher with bullish outlook for FY2022</li> <li>Natural gas makes up 30% of refining cost and rising cost will pose upside risk</li> <li>Rising freight cost further squeezes margin gains</li> </ul> | <ul style="list-style-type: none"> <li>De-risking NY11 by higher Industry and Export volume. To date, MSM has secured most of Wholesale requirement for FY2022 at 16.5 - 17.0 US cents per pound</li> <li>Signed Third Party Access (TPA) agreement with Petronas for Pay-Per-Use (PPU)</li> <li>Updating the government on the need to review the gazetted ceiling price vs higher production cost parity</li> <li>To mitigate the impact, MSM started to hedge the rising energy risk via Brent link derivatives</li> </ul> |    |    |
|  <b>Warehouse Space Constraints</b>  |   |   |   |
| <ul style="list-style-type: none"> <li>Limited internal storage. Full warehouses led to slowdown in production and increased operating cost per unit</li> </ul>   | <ul style="list-style-type: none"> <li>MSM Johor is currently building an additional warehouse of 10,000 MT capacity</li> <li>MSM is also exploring to establish a Northern Distribution Centre</li> </ul>  |  |     |
|  <b>Imported Refined Sugar</b>   |   |   |   |
| <ul style="list-style-type: none"> <li>Delay in discharging sugar resulted in Detention &amp; Demurrage (D&amp;D) costs</li> </ul>  | <ul style="list-style-type: none"> <li>Increase re-packing rate to improve sales of imported sugar</li> <li>Negotiation with counterparties to reduce D&amp;D cost</li> </ul>   |  |     |
|  <b>Financial Covenants</b>  |   |   |   |
| <ul style="list-style-type: none"> <li>Compliance with the covenants imposed by lenders</li> </ul>  | <ul style="list-style-type: none"> <li>Close monitoring for compliance on a quarterly basis</li> <li>Continuous communication updating the lenders and negotiation of covenants</li> </ul>  |  |    |

## Impact to Capital



Financial Capital



Intellectual Capital



Human Capital



Manufactured Capital



Natural Capital



Social & Relationship Capital

| Description/Impact   | Mitigation Measures  | Link to Capital   | Stakeholders Impacted   |
|--|--|---|---|
|  <b>MSM Johor Performance</b>   |  |   |   |
| <ul style="list-style-type: none"> <li>Average UF rate for MSM Johor was lower due to temporary shutdown in FY2021. Running at lower UF resulted in higher cost of production</li> </ul>                 | <ul style="list-style-type: none"> <li>Ramping up of MSM Johor after debottlenecking of processes</li> <li>Improve domestic sales in line with export sales</li> <li>Leverage on value added products</li> <li>Install a new boiler to enhance production reliability and availability</li> </ul>  |    |      |
|  <b>Malaysian Domestic Regulations</b>  |  |   |   |
| <ul style="list-style-type: none"> <li>The domestic Wholesale refined sugar price has been capped at RM2.69/kg for sugar manufacturers</li> <li>Sugar Tax to further include premix beverages</li> </ul> | <ul style="list-style-type: none"> <li>As the raw material and cost are bullish, Management continues to engage KPDNHEP to review current ceiling price for 1kg and 2kg retail packs</li> <li>MSM has seen growth in industrial volume despite the new Sugar Tax introduction in FY2019</li> </ul> |     |     |
|  <b>The Pandemic</b>  |  |   |   |
| <ul style="list-style-type: none"> <li>Threats of new variant "Omicron"</li> <li>Potential new outbreaks which could lead to operational disruptions</li> </ul>  | <ul style="list-style-type: none"> <li>Progress and efficacy of vaccinations, SOP compliance and effective containment of new COVID-19 variant outbreaks will be key to recovery</li> </ul>  |     |       |

**Stakeholders Impacted**

 Consumers & Customers

 Shareholders & Investment Community

 Vendors, Suppliers & Industry Partners

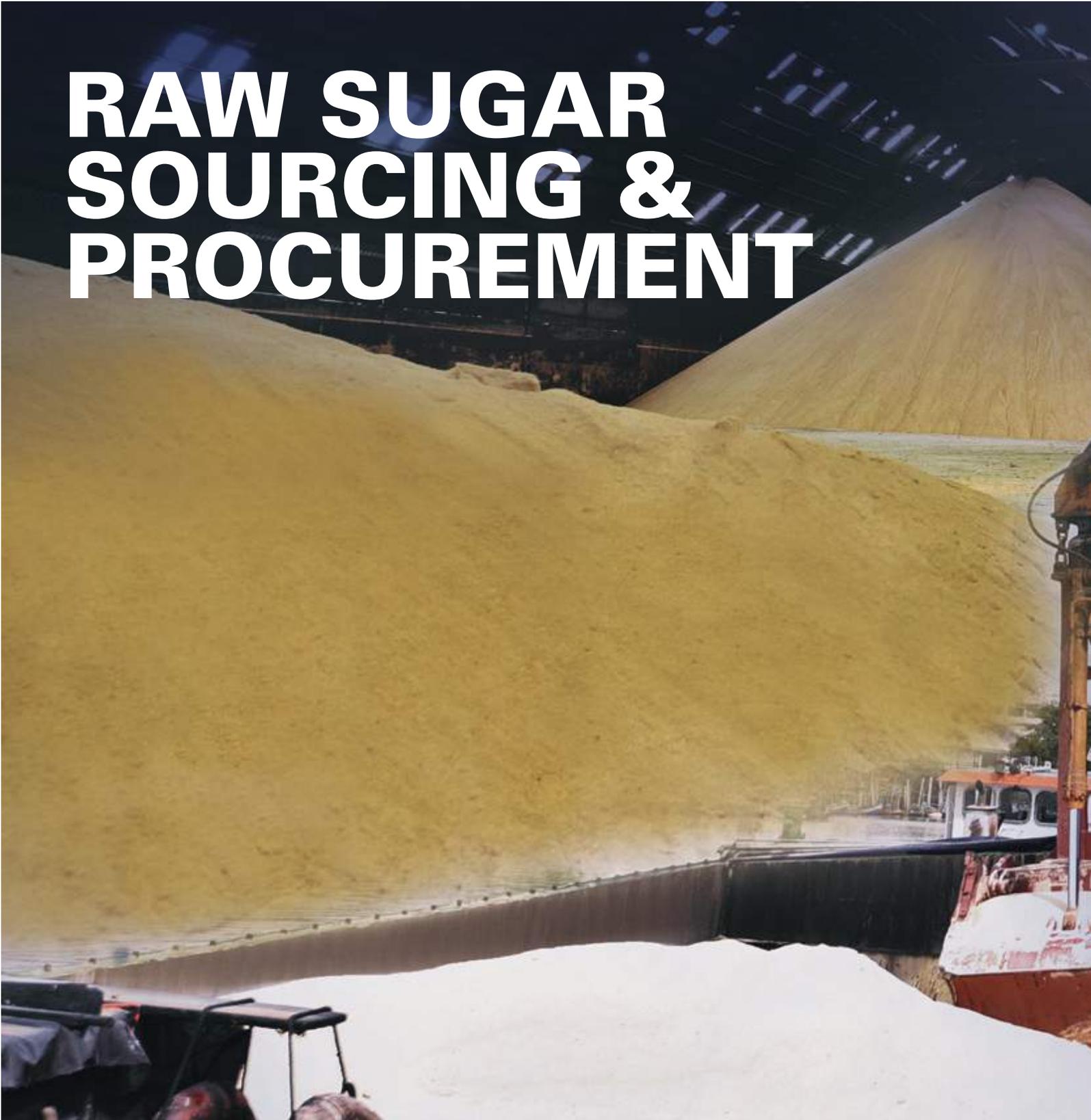
 Employees

 Regulatory Agencies & Statutory Bodies

 Media, NGOs & Communities

# GROUP BUSINESS REVIEW

# RAW SUGAR SOURCING & PROCUREMENT

A large industrial facility, likely a sugar refinery or processing plant, is shown. The scene is dominated by massive, conical mounds of bright yellow raw sugar. In the foreground, there is a large pile of white refined sugar. A red and white truck is visible on the right side, and a small boat is in the background. The sky is dark, suggesting an indoor or nighttime setting.



## OVERVIEW



The rising trend of raw sugar price and natural gas has made for a challenging year for MSM. The NY11\* fluctuated between 14.0 to 20.5 US cents per pound amid concerns of supply shortages from major raw sugar producing countries such as Brazil and Thailand. The forecast is of a continued uptrend towards 21.0 US cents per pound at least until the second quarter of 2022. In the effort to mitigate the risks of increasing costs of MSM's major raw materials going forward, the Raw Sugar Procurement Department executed its strategic hedging programme on both the NY11 raw sugar as well as Brent Crude Oil.



## 2022 PRIORITIES



Secure our raw sugar for the year at the lowest possible price on average to help the Group in minimising production cost



Explore various pricing and hedging mechanisms to better manage the volatility and reduce price risk exposures

*Note:*

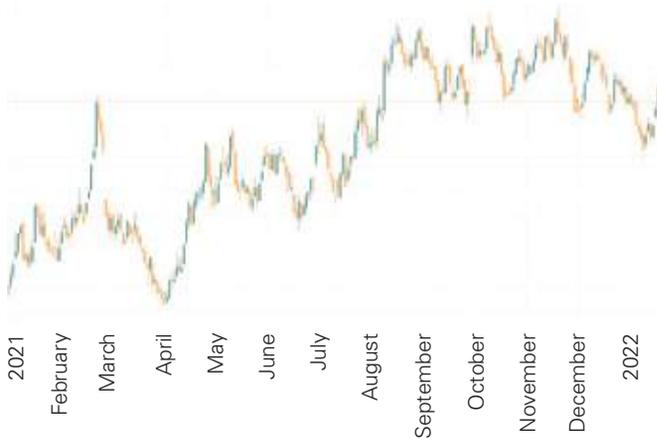
\* The NY11 contract is the world benchmark contract for raw sugar trading and is available on The Intercontinental Exchange (ICE). The size of each contract is 112,000 pounds. The biggest producer and exporter of sugar in the world is Brazil (23% of total production and 49% of total exports). A significant amount of sugar is also produced in India, Europe, China, Thailand and the United States.

# GROUP BUSINESS REVIEW

|   | 2021    | 2020      | 2019    |
|---|---------|-----------|---------|
|  Procurement of Raw Sugar (tonnes) | 968,646 | 1,092,869 | 923,895 |



**NY11 Raw Sugar Price**



**MAINTAINING MARKET LEADERSHIP**

Within an environment of escalating costs, MSM’s priority for FY2021 was to secure our raw sugar for the year at the lowest possible price to help maximise the Group’s profit margins.

Raw sugar pricing and hedging are guided by the Trading Committee which is tasked with monitoring the current global sugar situation and MSM’s hedging positions of our raw materials namely raw sugar. The Trading Committee meetings are convened weekly throughout the year towards better, faster and more informed decision making.

The absence of exports subsidy in India, logistical disruptions due to the pandemic and continued adverse weather conditions in other major sugar producing countries are expected to exacerbate the current global raw sugar deficit outlook and buoy the NY11 price further.

**STRIVE FOR CONTINUOUS GROWTH**

The process of raw sugar procurement is closely governed by our Group Trading Policy which is approved by the Board and aligned with relevant standard operating procedures.

The main challenge managing the volatile global raw sugar prices to procure the lowest possible price of raw sugar for the Group. To this end, MSM will continue with the current hedging methods in which all sales under the Industry and Exports are hedged back-to-back with the current price of raw sugar.

Various pricing mechanisms were explored during the year to better manage the volatility and reduce the price risk exposure moving forward. MSM has also entered into contracts of Brent Crude Oil options as a hedging mechanism against the increasing gas prices.

**ACHIEVING OPERATIONAL EXCELLENCE**

MSM’s established Just-In-Time mechanism continues in being a key contributor to improve the Group’s profit margins by maintaining minimal raw sugar stockholding, lowering raw sugar financing cost and reducing freight as well as reducing external warehouse rental expenses.

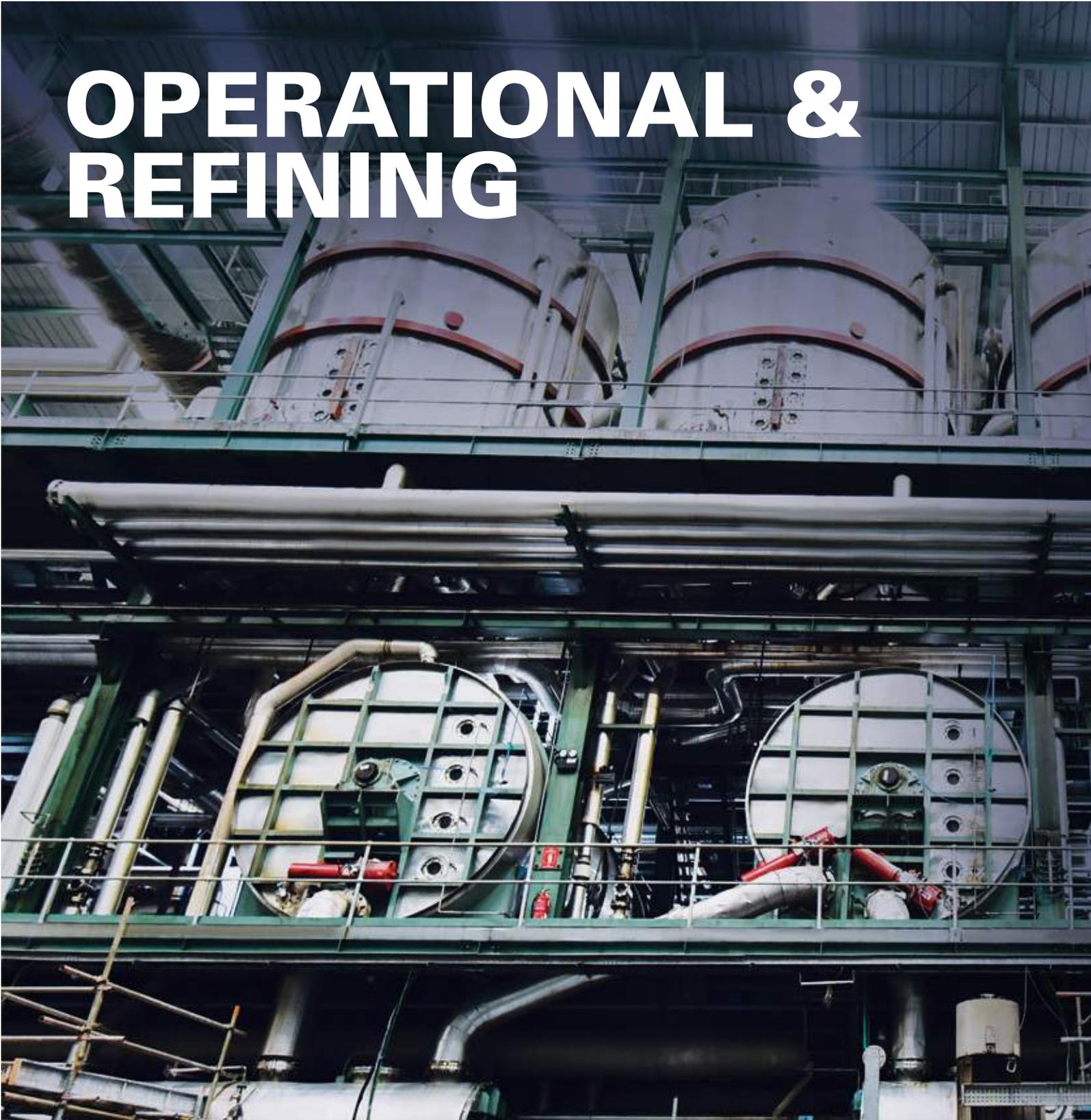


**Sustainability Step-Up**

**MSM and Wilmar Sugar International Pte Ltd (Wilmar) have come to an agreement on sustainable raw sugar supply through Wilmar’s updated No Deforestation, No Peat, No Exploitation (NDPE) policy. This ensures continuous commitment towards a supply chain free of deforestation and conflict. Wilmar will start the supply of sustainable raw sugar in FY2022.**

# GROUP BUSINESS REVIEW

# OPERATIONAL & REFINING

A photograph of an industrial refinery or chemical plant. The scene is dominated by large, cylindrical storage tanks or processing units, some with red horizontal bands. A complex network of pipes, walkways, and structural steel beams is visible throughout the facility. The lighting is somewhat dim, suggesting an indoor or shaded industrial environment. The overall impression is one of a large-scale, complex industrial operation.



## OVERVIEW



Amidst continued pandemic concerns, safety was prioritised at all operational locations and refinery concerns were addressed to ensure business continuity. Following the occurrence of incidents relating to COVID-19 during the year, MSM immediately implemented heightened SOPs and safety measures. There were also planned and unexpected plant closures that hampered the Group’s goal of driving MSM Johor’s yield and Utilisation Factor (UF). MSM took the opportunity to implement total plant scheduled maintenance, certifications and plant upgrades for higher plant reliability and efficiency moving forward.



## 2022 PRIORITIES



Improve MSM Johor’s UF, yield and refining cost



Improve product and service quality to reduce customer complaints



Initiate a plant rejuvenation plan for MSM Prai



Maintain good rapport between management and union members



Improve engagement with governing bodies (DOE and DOSH) and other stakeholders (local authorities, service providers) to ensure continued and safe operations in all aspects

# GROUP BUSINESS REVIEW

|   | 2021    | 2020      | 2019      |
|---|---------|-----------|-----------|
|  <b>Production Volume (tonnes)</b> | 895,222 | 1,010,215 | 1,073,888 |
|  <b>Raw Melted (tonnes)</b>        | 933,274 | 1,061,158 | 1,101,708 |
|  <b>Capacity Utilisation</b>       | 44%     | 47%       | 48%       |

## MAINTAINING MARKET LEADERSHIP

It was a challenging year for production at MSM Johor as the plant was closed for urgent rectification works for 65 days from 31 March 2021 to 4 June 2021. MSM Johor took the opportunity during this shutdown period to conduct its total plant shutdown maintenance and extensive production and reliability improvement programme. The Group also took the opportunity to revamp the plant's maintenance team and ensure critical parts and equipment were made available during this time. Asset transfers from MSM Perlis to MSM Johor were completed on schedule, allowing the plant to now consolidate all available resources as it targets to optimise production in the coming year.

Over in Penang, MSM Prai plant had a shut down from 8 to 15 June to prevent internal transmission of the COVID-19 virus due to detection of cases affecting MSM Prai employees. The shutdown period was actually shorter than the initial instruction given by the Malaysian Ministry of Health as MSM Prai's SOP records proved that the cases were from the community and management quickly responded by implementing stricter SOP and mitigation plans. These proactive steps were implemented at all operational locations to avoid business disruption and ensure supply of sugar to consumers was not interrupted.

Nevertheless, during these two periods, MSM managed to fulfil demand by increasing production in MSM Prai and importing refined sugar. Throughout the year, all prevailing quality certifications were maintained and efforts to migrate MSM Prai from OHSAS 18001 to ISO 45001 were successfully completed.

## STRIVE FOR CONTINUOUS GROWTH

In striving for continuous growth, MSM Johor's production capability in Liquid Sugar and Flavoured Syrups was completed as part of the momentum to step up creation of value added products and optimise on the plant's capacity and capability. MSM has been producing premix, liquid sugar and fine syrup products for exports to China, and is scouting opportunities in other export markets such as Vietnam, Singapore, Philippines and Indonesia. Liquid sugar production capacity has increased from 200 MT/day to 400 MT/day while the flavoured syrup capacity is targeted to grow to 2 MT/day. Several variations of flavoured syrups are being studied.

For overall improved performance, efforts were undertaken to identify key optimisation issues for MSM Johor and a few action plans have been established to help ramp up and improve the plant's UF. A Task Team has been formed for the areas of Ramp Up, Improve Yield and Robust Data recording; and a third party has been engaged for technical consultation on the refinery's overall process optimisation.

Moving forward, MSM is exploring to utilise an external distribution centre to overcome operation interruptions due to warehouse space limitation. Upgrading work on the receiving facility at Sungai Buloh Warehouse (SBW) is also currently in progress in order to improve train turnaround time from and to MSM Prai refinery.



## ACHIEVING OPERATIONAL EXCELLENCE

Given the pandemic, a key priority for business continuity was to ensure the workplace remained safe for all workers. During the year, MSM experienced four COVID-19-related deaths among MSM Prai staff, all of which were traced to community cases. To further fortify workplace hygiene, the Group has escalated SOPs to include appointment of medical doctors and healthcare nurses for daily screening, daily RTK Antigen Swab Test for all suspected cases with symptoms and to close contacts, engagement of an external party to conduct sanitisation and disinfection to all the common areas in the factory three times per week without failure, and daily sanitisation by all departments.

There was a 39% reduction of accident cases in FY2021, but this was marred by an unfortunate fatality of a contract worker in MSM Prai in March 2021. Management ensured immediate safeguards and heightened awareness was established site-wide following the incident. Detailed investigations were conducted and immediate corrective and prevention action plans have been implemented.

Taking a note from the boiler rectification works needed at MSM Johor in FY2021, moving forward, MSM will conduct periodic inspections of the boilers and implement a revised steam generation system with purchase of new equipment to improve reliability, operability and maintenance. Operational focus will also continue to be directed towards optimising refining cost as per budget, standardising quality practice across MSM production units, and reducing customer complaints.

Continuous efforts are made to reduce refining cost by increasing production volume and utilisation factor while increasing efficiency of inputs utilisation such as steam to melt ratio, electricity, water, labour and yield. For MSM Johor, a ramp up plan is in place to achieve better UF. These goals will be supported by the implementation of a Total Preventive Maintenance (TPM) Programme and technical consultations by Subject Matter Experts in the sugar refining industry.



More information on our COVID-19 measures are detailed on page 172 of our Sustainability Report

# GROUP BUSINESS REVIEW

# COMMERCIAL & DOWNSTREAM





## OVERVIEW



Facing continued challenges in the domestic market, MSM's Group Commercial Department is focused on achieving growth through engagement, penetration and collaboration. These included improving services to our clientele, seeking strategic partnerships with major wholesalers and industrial players, as well as to leverage on their strength and logistic assets. Simultaneously, the Department plans to further increase MSM Johor's liquid sugar, fine syrup and premix capacity to cater for growing demand in exports.



## 2022 PRIORITIES



Maintain market leadership by increasing strategic collaboration with market players



Increase our presence in Retail as well as Hotel, Restaurant and Catering (Horeca) sector



Improve stability of sugar supply in the country to cater for market growth via stockpiling initiative



Grow regionally as one of the largest sugar refineries in the region

# GROUP BUSINESS REVIEW

|  | 2021        | 2020        | 2019        |
|--|-------------|-------------|-------------|
|  <b>Sales Volume (tonnes)</b> | 941,749     | 1,024,603   | 947,290     |
|  <b>Revenue (RM)</b>          | 2.3 billion | 2.2 billion | 2.0 billion |
|  <b>Debt Collection</b>       | 43 days     | 38 days     | 50 days     |

## MAINTAINING MARKET LEADERSHIP

Though competition continued to abound in the market throughout FY2021, MSM made strides to regain domestic market share by reaching out to customers and strengthening engagements to serve them better. This has led to MSM still maintaining market leadership in the domestic sugar industry market.

According to the Asia Brand Footprint 2020 report by Kantar, a leading data insights company, Gula Prai ranked third in the Top 10 most chosen FMCG brands. The brand also recorded a 70.9% market penetration with the second highest consumer choice at 7.4.

Recognising the need to re-establish brand awareness among Malaysians, MSM launched the “Janji...Gula Peket Hijau” campaign as part of marketing strategy for FY2021. The campaign included advertisements through various media channels such as TV, radio and in-store coordination with retailers to place our marketing collaterals in their respective outlets. The campaign celebrates diversity in Malaysia and the strong ties shared through Gula Prai’s iconic packaging that spans generations. We plan to continue with this marketing strategy in FY2022, and more campaigns will be launched to further increase brand visibility.

A new service strategy for the Modern Trade segment was also developed in which Trade retailers were engaged with directly. This direct engagement allows MSM to quickly address any issues that arise on the retailing front and have direct access to all the hypermarkets for better oversight in ensuring product availability and visibility.

Moving forward as a market leader, MSM aims to aggressively increase our presence in the Hotel, Restaurant and Catering (HoReCa) sector of the food service industry which comprises establishments that prepare food and beverages. At the same time, efforts will be focused on aggressively penetrating the Modern Trade segment and increasing market share in East Malaysia.

Despite the challenges of the pandemic that presented many roadblocks in FY2021, the Group’s domestic wholesale segment and refined sugar export recorded growth over 11% and 5% respectively for FY2021. Furthermore, the export premium increased in FY2021.

## STRIVING FOR CONTINUOUS GROWTH

The Group is focusing on developing our product sales domestically instead of overly relying on exports to China. This reduces single-country export risk and allows for more domestic premium gains. MSM plans to increase supply to domestic buyers as demand increases for value added products (VAP).

While maintaining resilience in the domestic market, opportunities in Southeast Asian countries such as Vietnam, Singapore, Philippines and Indonesia are being scouted. This has proven challenging as it means facing changes in socio-political policies such as Vietnam’s recent restriction on the importation of sugar. However, the long-term benefits still spur our steadfast commitment to this strategy and MSM has been engaging with several customers from Indonesia and Philippines to get them onboard as potential VAP customers.



There are opportunities to leverage on this front. With signs of global food inflation emerging, MSM's prices remain comparably low in the global market when it comes to sugar, and thus prices of our products will be comparatively lower and more attractive than our competitors.

The necessary expansion works to increase MSM Johor's production capacity for previously identified VAP have been initiated. The physical expansion of the premix line has been completed and all that is pending is the last stage of acquiring the necessary certifications and qualifications before production can commence. The plant is also ready to produce fine syrup to meet customer demand. Expansion of liquid sugar production is ongoing, with an estimated completion of second boiler works by April 2022.

### **ACHIEVING OPERATIONAL EXCELLENCE**

MSM has secured major Industrial contracts as part of our strategy to maintain optimum operational efficiency within the Group's capacity.

Several emerging lifestyle trends such as decrease in demand for foods and beverages that contain high carbohydrates and sugar, and increased demand for lactose-free dairy and sugar substitute products are evident in the Department's analysis of upcoming trends and threats. This has spurred the Group's venture into VAP and exploration of opportunities in new Stock Keeping Units (SKUs).

# GROUP BUSINESS REVIEW

# SUPPLY CHAIN





## OVERVIEW



In the Group’s drive towards enhanced productivity, cost efficiencies and timely delivery, further efforts were made to streamline and improve MSM’s Supply Chain processes in FY2021. These included the establishment of on-site supply chain planning teams; reassigning supply for East Malaysia volume to MSM Johor; streamlining logistics from source points for efficient cost to serve; and product rationalisation to enhance supply efficiency.



## 2022 PRIORITIES



Establish a demand driven and customer focused supply chain



Optimise sales and distribution cost



Enable and sustain supply chain processes through IR4.0



Build up talent capability through human resource development and deployment of best practices

# GROUP BUSINESS REVIEW

|  | 2021       | 2020       | 2019       |
|--|------------|------------|------------|
|  <b>Sales &amp; Distribution (RM)</b> | 28 million | 26 million | 25 million |
|  <b>On Time in Full</b>               | 83%        | 94%        | 93%        |
|  <b>Inventory Record Accuracy</b>     | 99.32%     | 100%       | 100%       |
|  <b>Stock Cover</b>                   | 9 days     | 20 days    | 19 days    |



## MAINTAINING MARKET LEADERSHIP

Focused on fortifying service reliability, the core objective for the Group Supply Chain Department in FY2021 was to enhance the Demand and Supply process to flatten inventory peaks and dips within the Group. On-site supply chain planning teams were established at MSM refineries and these worked closely with the commercial team to regularly monitor and review inventory build-up towards optimising stock levels at all times.

In addition, weekly collaboration with sales, finance and operation led to the customer service function being restructured by customer segment and more streamlined Order to Deliver (OTD) processes in sales and operation.

By transferring East Malaysia's volume supply to MSM Johor in October 2021, the Group has increased MSM Johor's domestic volume contribution and eased complexity at MSM Prai, allowing MSM Prai to focus on domestic volume for Peninsular Malaysia while maximising export. Another benefit of the transfer is that the relocation of East Malaysia's supply point from Penang Port to Pasir Gudang Port leads to a significant freight cost reduction of an estimated RM1.2 million per annum.

Efforts to streamline logistics from source points for efficient cost to serve have paid off. Freight cost has also reduced due to direct delivery to a few main industrial customers from the refinery, which has removed the need for multiple handling at the central distribution centre. A more efficient cost to serve is targeted through a new tactical strategy for centralised delivery that the MSM Logistics operation fleet will introduce in the fourth quarter of 2021.

### STRIVING FOR CONTINUOUS GROWTH

Towards ensuring continuous growth, MSM is working on cost optimisation initiatives and this includes group volume consolidation negotiation, reduction of multiple handling, increasing direct to customer delivery (reducing touch points) and process control enhancement. In line with plans to develop new products to meet emerging lifestyle trends, MSM is committed to ensure supply chain readiness for value added products from sourcing to delivery execution.

The execution of demarcation strategy to increase MSM Johor's refining capacity by transferring East Malaysia distribution volume through Pasir Gudang Port is an important step towards growing the Group's capabilities. It frees up MSM Prai to focus on growing export and central business volume while ensuring MSM Johor starts sweating the refinery's underutilised assets.

On the service front, the kick-off of Service Level Agreement review with key suppliers for supply and service sustainability marks the Department's commitment towards meaningful engagements that can drive win-win benefits for our stakeholders.

Other than process control improvements in Supply Chain operation, achievements in cost efficiencies realised during the year include centralisation of tender processes to leverage on Group volume and bring cost benefits through better negotiation. Higher volumes have created opportunities for MSM in value added services from service providers which are similar to services received by other big industries in Malaysia.

### ACHIEVING OPERATIONAL EXCELLENCE

Moving forward into FY2022, MSM will focus on introducing a customised customer distribution network model for northern, central and southern regions; harnessing digitalisation and IR4.0 technologies for the Group's planning module, warehouse management system and fleet management system; and exploring commercialisation of the logistics function and the centralising of inland transport planning.

Towards improved operational excellence, a benchmarking exercise on best practices with industry leaders will be conducted, and MSM intends to strengthen partnerships with reputed logistics peers within the FGV group, such as FGV Transport Services.

Internally, talent upscaling will be conducted via Supply Chain Operational Excellence workshop and a drive by MSM Logistics to attain certification on ISO 9001. Further engagements with customers will also be sought, such as through the planned launch of a Good Warehousing Practices (GWP) programme with key wholesale customers.



### Sustainability Step-Up

**Supply chain sustainability initiatives and monitoring schedule in FY2022 for CO<sub>2</sub> gas emission and biofuel.**

# HOW WE OPERATE





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# OUR BUSINESS MODEL

## VISION

To be a world class, cost efficient and high performance organisation with a sustainable business model and diverse portfolio in the food related business.

## OUR CAPITAL INPUTS



### FINANCIAL CAPITAL

- Total assets: **RM2.9** Billion
- Deposits, cash and bank balances: **RM195** million



### MANUFACTURED CAPITAL

- Total refineries: **2**
- Total warehouse and packing facility: **1**
- Total capacity: **2.05** million tonnes



### INTELLECTUAL CAPITAL

- Product brand: **Gula Prai & Premium Prai**
- IT infrastructure
- Product certifications and compliance



### NATURAL CAPITAL

- Water consumption
- Diesel consumption
- Natural gas consumption
- Purchased electricity



### HUMAN CAPITAL

- Total employees: **1,033**
- Top & Senior Management: **22**
- Total Executive Committee (EXCO) members: **7**

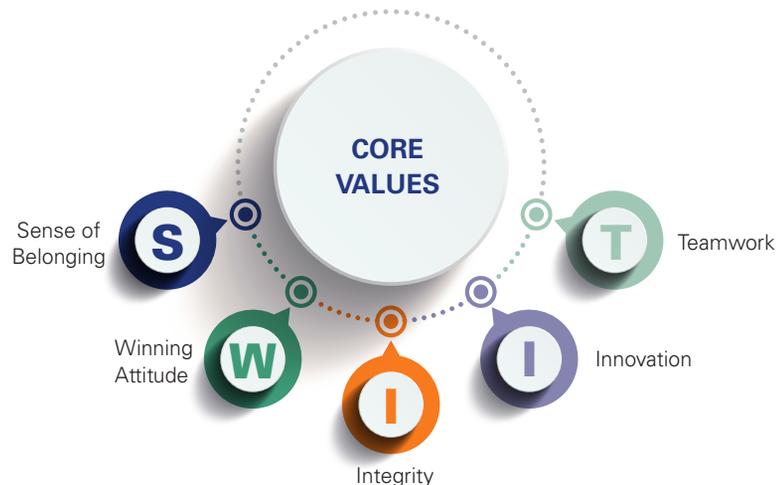


### SOCIAL & RELATIONSHIP CAPITAL

- Employee volunteer hours
- Spending on Corporate Social Responsibility (CSR) programmes
- Employee training
- Ensuring Occupational Safety & Health



## OUR PRODUCTS



Strongly anchored to principles of governance,

**MISSION**

We seek to enhance our values for the shareholders and optimise growth and achieve a sustainable, balanced and integrated economic, social and environmental performance by transforming our business model and reaping opportunities throughout the food value chain.

**OUR CAPITAL OUTPUTS**

**HIGHLIGHTS**

**RELATED UN SDGs**

- **RM2.3** billion revenue with **7.3%** return on equity
- **17.83** sen earnings per share and **2.44** assets per share
- Dividend of **3.0** sen per share amounting to RM21.09 million was declared for FY2021

- Improved financial results and dividends for our shareholders
- Better economies of scale for vendors

**1 No Poverty**

**8 Decent Work and Economic Growth**

- **895,222** million tonnes annual production output
- Wholesale sales volume of **327,823** tonnes
- Industry sales volume of **367,825** tonnes
- Export sales volume of **246,101** tonnes

- Our manufacturing processes are certified with ISO 9001:2015, FSSC 22000 - Manufacturing), ISO 22000 and HACCP Certification

**8 Decent Work and Economic Growth**

**12 Responsible Consumption and Production**

- Brand value of **RM621.1** million
- **RM1.77** million IT CAPEX expenses

- Aggressive brand reinforcement through the “Janji...Gula Peket Hijau” campaign
- Consistent delivery of the safest and highest quality standards, in compliance to all relevant laws and regulations
- Market leading position for Gula Prai brand as the number one best-selling sugar brand in Malaysia, and number **3** among the nation’s top FMCG products

**3 Good Health and Well-Being**

**8 Decent Work and Economic Growth**

- Water consumed: **1,778,819** m<sup>3</sup>
- Mudcake waste: **19,898.63** tonnes
- **49,763,468** kWh total purchased electricity
- Own generated electricity: **55,556,395** kWh
- CO<sub>2</sub> emission from electrical consumption: **251,049.2** tonnes
- CO<sub>2</sub> emission from business travel **1.51** tonnes

- Reduction of Scope 1 emissions by **14%**
- Reduction of Scope 3 emissions by **77%**
- Recycle mudcake as fertiliser or cement ingredients

**6 Clean Water and Sanitation**

**7 Affordable and Clean Energy**

**12 Responsible Consumption and Production**

**13 Climate Action**

- **2.8:1** male to female ratio at managerial level
- **9,164** training hours
- **14%** female representation in EXCO

- Our investment for employee’s training and development has increased by **430%**

**4 Quality Education**

**5 Gender Equality**

**8 Decent Work and Economic Growth**

- Incident rate: **13.65%**
- **>1,500** volunteer hours
- **>RM100,000** was spent on CSR programmes

- Cases due to accidents during work hours reduced **39%** from 36 cases in FY2019 to 22 cases in FY2021
- **1** fatality case was reported with steps taken to immediately investigate and implement a preventive action plan
- **14** prodigies accepted into the Prodigy programme

**1 No Poverty**

**8 Decent Work and Economic Growth**

# MATERIALITY ASSESSMENT PROCESS

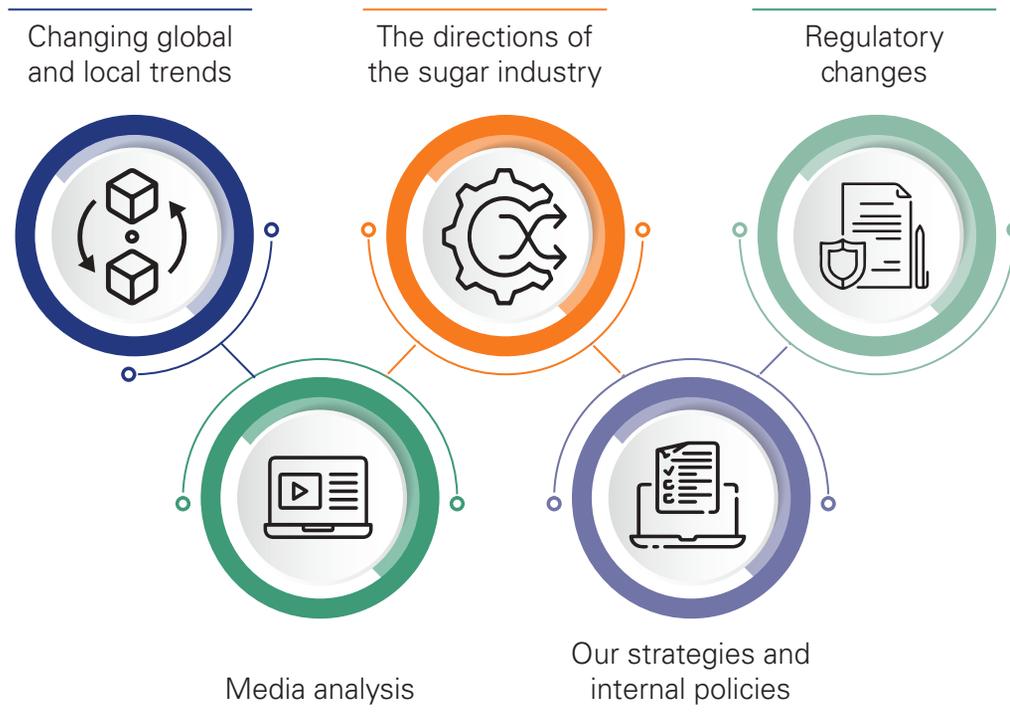
## MSM'S 2021 MATERIALITY MATRIX

MSM's materiality matrix addresses key topics that have been identified as important to our business and stakeholders. We considered and prioritised significant business, operational, environmental, social and governance topics. These topics were positioned on the materiality matrix based on two axis - importance to MSM Group and its stakeholders.



### Identify

We assessed if our concerns disclosed in last year's Annual Integrated Report are still relevant and if there are any new concerns to be raised based on:



In the course of the assessment, the Group has determined that the majority of material topics presented in FY2020 still remain relevant. Two of the material matters listed in the previous report were further consolidated and refined as Environmental Impact and Managing Regulators topics were already addressed in the other topics. This was to avoid repetition and to streamline disclosures.



### Verify

Most material impacts on MSM were identified on a Materiality Matrix which was reviewed by our Board of Directors (BOD) and Group Chief Executive Officer (GCEO). They have validated these issues as carrying notable impacts and of high concern to our stakeholders.

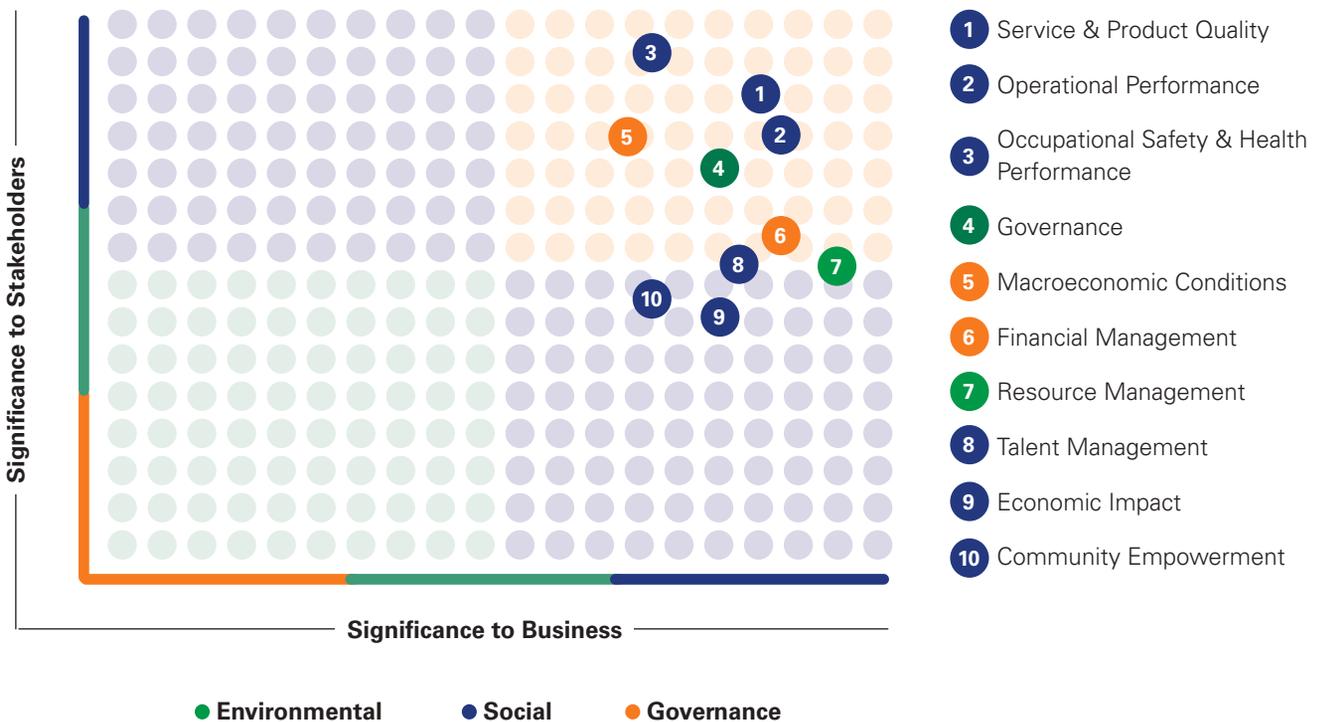


**Prioritise**

We engaged with internal and external stakeholders to prioritise our most material issues based on our business strategies as well as social, environmental and corporate commitments in FY2020. As part of the FY2020 exercise, surveys were sent to a cross-section of our customers, employees, suppliers, media analysts, investors and NGOs to provide us with a better understanding of their concerns and perspectives.

During FY2021, there were no significant changes to our business model or operating boundaries. Thus, the material concerns of FY2020 continue to be indicative of our journey to strengthen MSM’s performance.

Out of the 10 material issues, eight were prioritised as core sustainability issues. However all material concerns are important considerations to us and disclosure of our progress in addressing these concerns are made in our Strategic Review.



# MATERIALITY ASSESSMENT PROCESS

## MATERIAL ISSUES



### Service & Product Quality

#### Impacts

- Customer service standards
- Food safety and quality certifications
- Reliable supply of products
- Protection of customer privacy and data

#### Our Response

- Event and engagement sessions with customers
- Customer complaint response form
- Ensure sufficient sugar supply for domestic market
- Improve customer service levels

#### Link to Strategy



### Operational Performance

#### Impacts

- Optimised asset utilisation
- Unplanned factory shutdown time and production downtime
- Scalable and sustainable operations
- Consistent supply and product quality
- Improved manufacturing capability
- Efficient production and maintenance practices
- Business continuity to support stakeholders value delivery

#### Our Response

- Further efforts were taken to stabilise the MSM Johor refinery to achieve better results
- Completion of expansion plans for the value added facilities in Johor
- Strategic production planning between MSM Johor and MSM Prai to reduce refining costs
- Continue to improve the overall yield in all our refineries
- Balancing production capacity between MSM Prai and MSM Johor
- Discontinuing non-strategic operations
- Increase production yield and utilisation by producing value added sugar products

#### Link to Strategy



### Occupational Safety and Health Performance

#### Impacts

- Provision of fair and decent work environment and wage policies
- Adhering to safety and health industry standards to reduce fatalities, injuries, accidents and illnesses of our employees, their families, contractors and customers

#### Our Response

- Focused safety programmes towards Zero Harm to People, Property and Assets
- Establishment of HSE Committee and Safety and Health Committees
- Continuous monitoring, measurement and reporting cycle of Health, Safety and Environment (HSE) performance to create and ecosystem of health and safety awareness
- Continuous engagement with Department of Occupational Safety and Health (DOSH)
- Audits for ISO 45001 certification

#### Link to Strategy

- MSM's Sustainability Initiatives on Social: Occupational Health & Safety Performance

**S1** Improve MSM Johor's Production Capability, Yield and Refining Cost

**S2** Improve Sales & Distribution through Territory Consolidation and Area Demarcation

**S3** Increase Growth in Domestic Volume

**S4** Growth in Value Added Segment Sales

**S5** Strategic Capital Management

**S6** Export via Strategic Partnership

**S7** Monetise Non-core Asset



**Governance**

**Impacts**

- Compliance with laws and regulations
- Management of procurement policies and practices
- Management of Anti-Corruption policies and procedures
- Management of governance policies and issues
- Management of anti-competitive behaviour and monopoly practices
- Responsible sourcing practices

**Our Response**

- Active engagement, dialogue and briefings with MSM employees
- Enhance business framework to adapt to regulatory requirements
- Adopt and update relevant policies
- Improve governance, compliance and transparency framework
- Put in place adequate procedures such as Anti-Bribery Policy Statement and Whistleblowing Policy at MSM website in compliance with 15.29 (1), and (2) of Main Market Listing Requirements (Listing Requirements) guided by the Guidelines on Adequate Procedures, section 17A (5) of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment Act 2018)
- 100% Signing of Integrity Pledge

**Link to Strategy**

- MSM's Sustainability Initiatives on Social: Economic Impact and Governance



**Macroeconomic conditions**

**Impacts**

- Exposure towards fluctuations in commodity and raw sugar price
- Trading risks involved in futures market
- Adverse forex movements
- Raw sugar price influenced by global climate, economy and political factors
- Legal and regulatory changes
- Trade wars and protectionist policies
- Health pandemic & climate change

**Our Response**

- Constantly monitor the world sugar price at NY11, back-to-back hedging for industry and export sales and hedging lower than the budgeted for wholesale market
- Implementation of Just-In-Time mechanism to reduce working capital requirements, as well as having arrangements with suppliers to ensure sustainable supply of raw sugar is secured
- Improve margins by increasing Average Selling Price to industry
- Continuous engagement with the government and relevant ministries such as Ministry of Domestic Trade & Consumer Affairs (KPDNHEP), and Ministry of International Trade & Industry (MITI) to collaborate on APs, compliance, smuggling, safety and environmental matters
- Close monitoring of industry and regulatory developments worldwide
- In normal operation activities and in reaction to the COVID-19 pandemic, our Business Continuity Management plan sets strategies to actively increase corporate resilience. The objective is clear: to prevent suspension of operations or services

**Link to Strategy**



# MATERIALITY ASSESSMENT PROCESS

## MATERIAL ISSUES



### Financial Management

#### Impacts

- Sustained financial, dividend and share performance
- Responsible investment in new business strategy, mergers and acquisition
- Strengthening risk and governance policies
- Optimising our funding strategy and gearing ratio
- Prudent capital expenditure (CAPEX) allocation
- Maintain healthy cash balance
- Business profitability to support stakeholders value delivery

#### Our Response

- Improve financial performance
- Improve governance, compliance and transparency framework
- Pursue value enhancing opportunities
- Minimise losses and improve overall MSM Group performance
- New investments and expansions were further rationalised and regulated to prioritise profitability and focus on business continuity and sustainability
- Further explore downstream into sugar related business unlocking value added income stream
- Monetise all non-strategic and non-productive assets

#### Link to Strategy



- MSM's Sustainability Initiatives on Governance



### Resource Management

#### Impacts

- Responsible and efficient use of water and energy
- Recycling and reuse of materials, water and energy
- Reduction of direct and indirect GHG emissions
- Management of waste and effluents
- Impact on surroundings at all operational sites

#### Our Response

- Continuous monitoring of key environmental aspects such as energy optimisation, water usage, waste management and inventory of greenhouse gases
- Continuing to explore initiatives to lower refining cost at each refinery via installation of biomass boilers and solar photovoltaic systems
- Continuous engagement with Department of Environment (DOE)
- Waste stream management is outsourced to a supplier licensed by DOE to collect, transport, process and dispose waste in accordance with local regulations and standards
- Various environmental initiatives and collaborations such as Mangrove Tree Planting and participation in E-Recycling campaign

#### Link to Strategy

- MSM's Sustainability Initiatives on Environment, Social and Governance

**S1** Improve MSM Johor's Production Capability, Yield and Refining Cost

**S2** Improve Sales & Distribution through Territory Consolidation and Area Demarcation

**S3** Increase Growth in Domestic Volume

**S4** Growth in Value Added Segment Sales

**S5** Strategic Capital Management

**S6** Export via Strategic Partnership

**S7** Monetise Non-core Asset



### Talent Development

**Impacts**

- Sustainable talent pool for growth and expansion
- Becoming an attractive workplace of choice



### Economic Impact

**Impacts**

- Infrastructure investments and services supported
- Indirect economic impacts
- Adhering to environmental, safety and health industry standards for good business continuity



### Community Empowerment

**Impacts**

- Local community engagement and development programmes
- Impact to surrounding communities and mitigating actions

**Our Response**

- Continued investment in training and development
- Nurturing culture and shared values through internal engagements via townhall, intranet and newsletter
- Management dialogues with employees and union representatives
- Create a more conducive working environment through employee engagement and feedback
- Offer better packages based on performance and productivity of refinery
- Provision of unique employee value proposition and benefits
- Establishment of Prodigy Programme initiative

**Our Response**

- Employment opportunities
- Socioeconomic operational impact and initiatives
- Employ a diverse workforce from different backgrounds and professional expertise in operations and business support
- Transparent and open contract/ tender negotiations
- In ensuring readiness, we conduct BCM testing involving and/or taking into account the stakeholders and the surrounding community

**Our Response**

- Volunteerism to Social and Environmental causes
- Continued commitment to CSR programmes
- Tithe and alms giving through Zakat and Wakalah
- Responsive and viable contribution to community interest and needs
- Support for key community developments and activities
- Sponsorship and donations

**Link to Strategy**

- MSM's Sustainability Initiatives on Social: Talent Management

**Link to Strategy**

**S3** **S4**

- MSM's Sustainability Initiatives on Social: Economic Impact

**Link to Strategy**

- MSM's Sustainability Initiatives on Social: Community Empowerment

# STAKEHOLDERS ENGAGEMENT

Maintaining good relationships and rapport with our stakeholders has been the foundation for our turnaround success. Through the challenging year, alternative channels were harnessed to ensure continued engagement to gather feedback, as and when personal interactions were not viable. By listening to our stakeholders, we are able to gather invaluable inputs to shape our risk management and decision-making processes for business operations.

The following table highlights our various engagement platforms for diverse stakeholders and links issues raised to the relevant material matters of the year. Our Consumers & Customers head the listing as they are placed as our top priority.



## Consumers & Customers

We are reliant on customers to sustain our revenue-generation and growth



### Engagement Platform

- Online communications (e-mails, corporate website, social media)
- Sales representative
- Branding campaign
- Branding campaign
- Customer complaint response form
- Event and engagement sessions



### Stakeholders Expectations

- Convenient, continuous and safe access to products & services during the pandemic
- Excellent customer service
- Long-term security of supply
- Consistent supply and quality of products
- Competitive pricing
- Improve manufacturing capability



### Response to These Expectations

- Ensure sufficient sugar supply for the domestic market
- Development of new products
- Enhance touchpoints, physical or digital, to maximise customers' satisfaction
- Improve processes to deliver operational excellence
- Good SOPs during pandemic
- Key customer site visit by GCEO

### Relevant Material Matters

M1

Service &amp; Product Quality

M2

Operational Performance

M7

Resource Management

### Impact to Capitals



Financial Capital



Manufactured Capital



Social &amp; Relationship Capital



## Employees

Employees are our vital assets and the key to drive performance forward



### Engagement Platform

- MSM’s internal portal and emails
- Social and recreational activities
- Regular employee meetings, engagement events and programmes
- Onboarding programmes



### Stakeholders Expectations

- A safe, healthy and conducive workplace supported by flexible work practices
- Career development opportunities
- Competitive benefits, remuneration and welfare packages
- Balanced work-life environment
- An environment that embraces diversity and enables employees to deliver quality work output
- Employment security



### Response to These Expectations

- Enhance delegation of tasks and address the needs to improve employees’ performance
- Salary benchmarking exercise against market practice
- Continued investment through training and development
- Focused health and safety programmes
- Renewal and signing of the 17<sup>th</sup> Collective Bargaining Agreement with trade union in MSM Prai
- Internal engagements via townhall, intranet and newsletters
- Management dialogues with employees and union representatives
- Recreational and sports activities
- Support for youth employment via Prodigy Programme
- Financial aid and support for eligible employees in need

### Relevant Material Matters



Operational Performance



Occupational Safety & Health Performance



Financial Management



Talent Management



Community Empowerment

### Impact to Capitals



Intellectual Capital



Human Capital

# STAKEHOLDERS ENGAGEMENT



## Shareholders & Investment Community

Provide constant communications and provide a platform to receive a balanced view of MSM Group's performance and the challenges faced among investors and the public



## Engagement Platform

- Annual reports
- Sustainability statements
- Quarterly financial announcements
- Annual meetings
- Annual roadshows (non-deal road shows/investor conferences/corporate days)
- Quarterly analyst briefings
- Online communications (e-mail, corporate website, social media)



## Stakeholders Expectations

- Sustainable financial returns with prudent cost management
- Responsible investments
- Integration of ESG elements in business operations
- Ethical and responsible business conduct
- Strong and experienced management
- Strategic engagements with FGV to leverage on their expertise, knowledge, services
- Transparent reporting and disclosures
- Initiatives to mitigate effects of the pandemic
- Future growth for the business



## Response to These Expectations

- Implementation of MSM BP23 for sustainable growth and a further long-term plan (See page 70)
- Re-prioritisation of strategies to adapt to the vulnerable market landscape due to the pandemic
- Activation of business continuity plan to ensure uninterrupted services
- Transparency in corporate reporting and disclosures through multiple platforms
- Appointment of directors and senior management with vast experience and knowledge
- Enhanced commitment to ESG practices Group-wide
- Audit and certifications
- Improve financial performance
- Improve governance, compliance and transparency framework
- Quarterly briefings and annual report
- Pursue value enhancing opportunities
- Enhancing media presence through promotional, diversity and unity campaigns

## Relevant Material Matters



Governance



Macroeconomic Conditions



Financial Management



Resource Management



Economic Impact

## Impact to Capitals



Financial Capital



Intellectual Capital



### Regulatory Agencies & Statutory Bodies

The Government's regulatory framework allows us to operate within a supportive environment and infrastructure as well other means of support to sustain our growth



### Engagement Platform

- Regular updates, disclosures and reporting to regulators
- Actively participate in regulatory forums, briefings, meetings, conferences and consultation papers



### Stakeholders Expectations

- Compliance with all legal and regulatory requirements
- Compliance with pricing structure
- Good corporate governance
- Transparent reporting and disclosures
- Active participation and contribution to industry and regulatory working group
- Sufficient sugar supply for the domestic market
- Compliance matters
- Environmental emissions and discharges
- Labour practices
- Healthy competition among business
- Occupational safety & health



### Response to These Expectations

- Continuous updates on our systems, internal controls and processes to meet current compliance and risk requirements
- Effective compliance delivery, risk management and governance to meet regulatory requirements
- Timely and transparent disclosures and reporting to regulatory agencies and statutory bodies
- Engagement on industry issues such as Approved Permit (AP) issuance and sugar smuggling
- Active engagement, dialogue and briefing for continuous improvements in best practices
- Enhance business framework to adapt to regulatory requirements
- Promote UN SDGs through our initiatives
- Improve governance, compliance and transparency framework

### Relevant Material Matters



Governance



Macroeconomic Conditions



Resource Management



Economic Impact

### Impact to Capitals



Financial Capital



Manufactured Capital



Intellectual Capital



Natural Capital



Human Capital



Social & Relationship Capital

# STAKEHOLDERS ENGAGEMENT



## Vendors, Suppliers & Industry Partners

Provide the materials to produce the products and services aimed for MSM's sustainable growth



## Engagement Platform

- Online communications (e-mail, corporate website, social media)
- Vendor site visits
- Vendor evaluation form
- E-Procurement system
- Formal and informal engagements



## Stakeholders Expectations

- Convenient access to procurement systems
- Fair and equal evaluation of vendors and their proposals
- Communicate fair conditions that satisfy both suppliers and the MSM's needs
- Communicate new policies, guidelines or strategies to ensure optimal performance
- Transparent reporting and disclosures to ensure smooth collaboration with potential partners



## Response to These Expectations

- Transparent and open contract/tender negotiations
- Support local vendors
- Conduct vendor site visits to ensure responsible practices are maintained
- Conduct engagement sessions to ensure vendors' understanding on the procedures, processes, guidelines, expectations of deliverables and quality
- Integrity assessments

## Relevant Material Matters

M1

Service & Product Quality

M2

Operational Performance

M3

Occupational Safety & Health Performance

M4

Governance

M7

Resource Management

M9

Economic Impact

## Impact to Capitals



Financial Capital



**Media, NGOs & Communities**

Building and nurturing existing relationships with the communities where we operate allows us to contribute to transformation, development and various corporate responsibility programmes



**Engagement Platform**

- Community engagement activities
- Online communications (e-mails, corporate website, social media)



**Stakeholders Expectations**

- Responsive and viable contribution to community interest and needs
- Support for key community developments and activities
- Sponsorship and donations
- Employment opportunities
- Socio-economic operational impact and Initiatives



**Response to These Expectations**

- Volunteerism in community activities
- Collaboration with Penang DOE and fishermen community in October for Mangrove Tree Planting
- Continued commitment to CSR programmes
- Extension of financial relief assistance through Zakat and alms giving

**Relevant Material Matters**



Service & Product Quality



Operational Performance



Resource Management

**Impact to Capitals**



Natural Capital



Social & Relationship Capital

# INVESTOR RELATIONS WITH A DIFFERENCE

MSM's Turnaround Plan prioritises a commitment to revitalise investor relations and boost investor understanding in the sugar business. MSM's newly restructured Corporate Strategy & Investor Relations team has been tasked to spearhead the Investor Relations function of the Group and act as a focal point with the investment community to communicate the Company's financial and operational performance, strategies and outlook, as well as addressing any inquiry and request from shareholders.

## DRIVING INVESTOR RELATIONS THROUGH PURPOSEFUL SHAREHOLDER ENGAGEMENT

The team occasionally organised meetings with major institutional investors, individual shareholder groups and financial analysts to share insights of MSM's business strategies. The team also proactively answers questions posed by investors during the respective quarter. Our GCEO, Senior Management and Investor Relations team have taken part in these meetings. Meeting the leaders of MSM directly provides better insights and meaningful understanding to investors on the direction of the Group.

Active participation in roadshows and events for the investing community were also undertaken to ensure continuous communication and updates are provided to investors.

### Investor Relations Calendar 2021

**25 February**

**MSM 4Q 2020 Analyst Briefing**

-  Virtual
-  Analyst/Fund Managers
-  Financial Results Briefing



February 2021

**17 March**

**Engagement with Lembaga Tabung Haji (LTH)**

-  Virtual
-  LTH Senior Management
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



March 2021

**25 May**

**MSM 1Q 2021 Analyst Briefing**

-  Virtual
-  Analyst/Fund Managers
-  Financial Results Briefing



May 2021

**3 June**

**MSM 10<sup>th</sup> AGM Pre-Engagement with Permodalan Nasional Berhad (PNB)**

-  Virtual
-  PNB
-  MSM 10<sup>th</sup> AGM Pre-Engagement



June 2021

**17 June**

**MSM 10<sup>th</sup> Annual General Meeting (AGM)**

-  Virtual
-  Shareholders of MSM
-  Resolutions





Location



Parties



Purpose

**28 June**

**Discussion with PNB**

- Virtual
- PNB
- AGM Post-Engagement



June 2021

**19 July**

**Engagement with Federal Land Development Authority (FELDA)**

- Virtual
- FELDA
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans



July 2021

**26 July**

**Private Roadshow with Employee Provident Fund (EPF)**

- Virtual
- EPF
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans

**27 July**

**MSM Corporate Day with AmlInvestment - Hitting the Sweet Spot**

- Virtual
- Shareholders & Investment Community
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans



**6 August**

**Interview with Stockbit - Hitting the Sweet Spot (Youtube Live)**

- Virtual
- Live session Stockbit
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans



August 2021

**25 August**

**MSM 2Q 2021 Analyst Briefing**

- Virtual
- Analyst/Fund Managers
- Financial Results Briefing

**2 September**

**Pre-Engagement with PNB**

- Virtual
- PNB
- Pre-Engagement and Questions received from PNB



September 2021

**6 September**

**Engagement with United Overseas Bank (UOB)**

- Virtual
- UOB Kay Hian
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans

# INVESTOR RELATIONS WITH A DIFFERENCE

## Investor Relations Calendar 2021

**9 September**

### Pre-Engagement with Minority Shareholder Watch Group (MSWG)

-  Virtual
-  MSWG
-  Pre-Engagement and Highlights Questions received from MSWG

**15 September**

### Extraordinary General Meeting (EGM)

-  Virtual
-  Shareholders of MSM
-  Proposed Disposal of Equity Interest in MSM Perlis to FGV Integrated Farming Holdings Sdn Bhd



September 2021

**27 October**

### Engagement with FELDA

-  MSM Malaysia Holdings Berhad Head Office, Kuala Lumpur
-  FELDA
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



**29 October**

### Non Deal Roadshow Engagement with Lembaga Tabung Angkatan Tentera (LTAT)

-  Virtual
-  LTAT
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



October 2021

**7 October**

### Engagement with Kenanga Investment Bank

-  Virtual
-  Kenanga Investment Bank
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



October 2021

 **Location**
 **Parties**
 **Purpose**

**8 November**

**Engagement with EVLI GROUP**

-  Virtual
-  EVLI Group
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans

**10 November**

**Engagement with Pheim Asset Management Sdn Bhd (Pheim)**

-  Virtual
-  Pheim
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



**10 November**

**CLSA Malaysia Boleh Corporate Day: Food for Thought**

-  Virtual
-  Shareholders & Investment Community
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans

**25 November**

**MSM 3Q 2021 Analyst Briefing**

-  Virtual
-  Analyst/Fund Managers
-  Financial Results Briefing



November 2021

**10 December**

**Best of Asia Discovery Conference 2021**

-  Virtual
-  Shareholders & Investment Community
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans

**22 December**

**Engagement with SIRIM Berhad (SIRIM)**

-  MSM Malaysia Holdings Berhad Head Office, Kuala Lumpur
-  SIRIM
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



December 2021

**21 January**

**Engagement with EPF**

-  Virtual
-  EPF
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans

**28 January**

**Engagement with Urusharta Jamaah Sdn Bhd (UJSB)**

-  Virtual
-  UJSB
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



January 2022

# INVESTOR RELATIONS WITH A DIFFERENCE



Location



Parties



Purpose

## Investor Relations Calendar 2021

**22 February**

**MSM 4Q 2021 Analyst Briefing**



February 2021



Virtual



Analyst/Fund Managers



Financial Results Briefing

All announcements, published information and presentation of the company is available at our Investor Relations section of our website at



[www.msmsugar.com](http://www.msmsugar.com)

## BOOSTING INVESTOR CONFIDENCE THROUGH ACTION & CHANGE

The following are the various topics highlighted and presented to our investors:



### ESG and Sustainability

From feedback received from stakeholders and investors, MSM recognises the growing importance of sustainability and ESG in investors' portfolio.

The Group has responded by identifying gaps in the current ESG and sustainability framework and initiatives towards better ESG disclosures aligned to globally recognised standards such as UN's Sustainable Development Goals (SDGs) and Global Reporting Initiative (GRI), as well as the Bursa's FTSE4Good Index standards.

MSM is also looking into renewable energy such as solar and biomass in an effort to reduce carbon emission, as well as improve waste management.

MSM greatly values its employees in the communities it serves by giving back to society through channels such as the Prodigy programme aimed to help alleviate young graduate unemployment, Skilling & Employment Opportunity programmes and community outreach during the COVID-19 pandemic.

MSM places a high priority on proper governance and integrity at all levels of its operations, with Anti-Bribery and Corrupt Practices procedures in place, establishing enhanced transparency and disclosure measures.



### Average Selling Price

Refined sugar is a controlled-price item with a government-fixed ceiling price for the domestic market at RM2.85/kg. This is among the lowest sugar retail ceiling price in the world.

MSM keeps the government informed on the global sugar market movement. The increase of sugar and forex increases production costs significantly, revisions on ceiling price set by the government will be brought up and discussed.

In early 2022, the gazetted wholesale ceiling price is RM2.69/kg. MSM has increased its Average Selling Price (ASP) towards limit to realise a better margin.



### Non-Core Asset Disposal

Disposal of MSM Perlis to FGV Integrated Farming Holdings Sdn Bhd (FGVIF) was completed on 29 September 2021 and deconsolidated from MSM Group on 30 September 2021.

Proceeds of the disposal amounted to RM181.11 million, of which a portion is to be used to further pare down borrowings.



### Price of Raw Sugar (NY11)

NY11 increased in FY2021 in response to lower raw sugar supply globally which was mainly due to suboptimal weather conditions.

NY11 strongly correlated to Crude Oil prices which surged in July 2021. Higher crude oil price incentivises sugar mills to produce more ethanol than sugar.

MSM manages its raw sugar hedging by purchasing managed lots and by avoiding long-term contracts.



**Operational Performance**

MSM provides operational parameters such as yield, utilisation rate and production volumes for FY2021. These parameters have been reviewed and shared with analysts during the quarterly result announcements.

Production volumes in FY2021 were affected following disruptions due to planned shutdown for repairs and maintenance works in MSM Prai, and boiler issues in MSM Johor.



**Financial Performance**

MSM disclosed its financial quarterly results with detailed explanations on the performance of the Group and its subsidiaries.

In addition, the Group has recognised a positive result in FY2021 despite the COVID-19 pandemic dragged by the prolonged Movement Control Order (MCO).

Navigating through the social distancing requirements, MSM had leveraged on virtual meetings and applications for 2021 Annual General Meeting (AGM) and Extraordinary General Meeting (EGM). Nonetheless, MSM frequently conducted virtual engagements with analysts, shareholders and interested investors.



**Strategic Partnership and Expansion Plans**

MSM has to consider the strategic fit of any potential partners with the Group’s aspirations such as to consider the strategic Johor refinery turnaround and improvement plans, including growing its inherent export footprint for long-term sustainability whereby MSM is already serving Vietnam, China, South Korea, Singapore and other countries in the region.

Should there be interest from any potential party pertaining to MSM Johor, it shall be evaluated with prerequisite of an offtake guarantee based on specific destination market(s) towards reinforcing business sustainability.

**ANALYST COVERAGE**

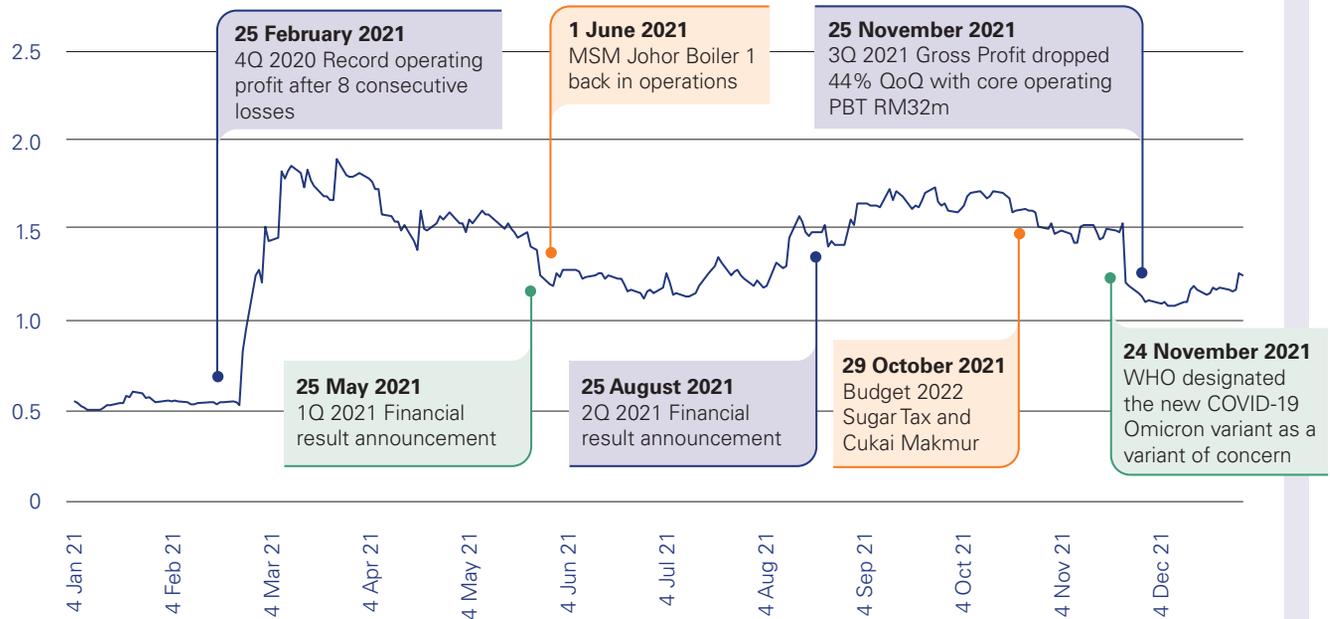
As the largest sugar producer in Malaysia listed on the Main Market of Bursa Malaysia, MSM garnered a fair share of coverage and attention from the investment community. A total of four analysts and research houses had actively covered MSM in FY2021.



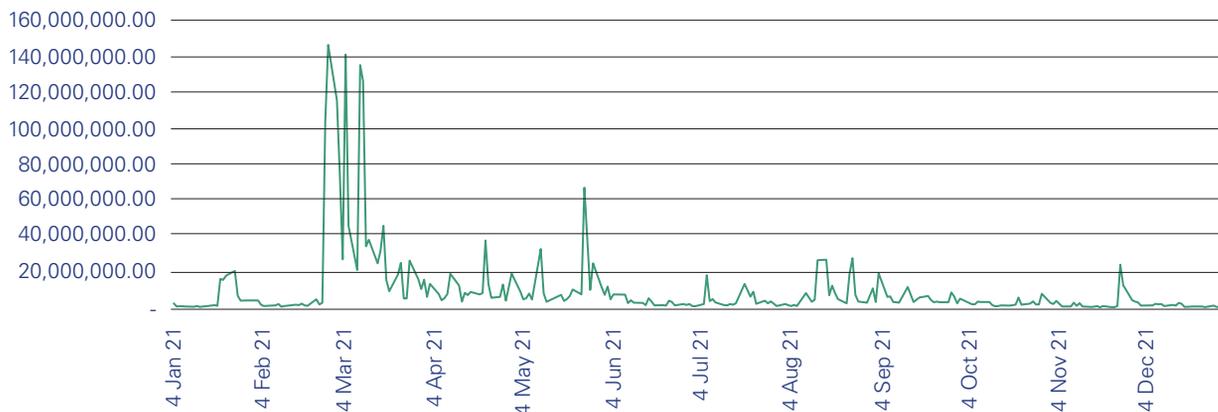
# INVESTOR RELATIONS WITH A DIFFERENCE

## SHARE PRICE MOVEMENT

### Share Price (RM)



### Volume



Shareholder Information as at 21 March 2022:

FGV Holdings Berhad remained as our largest shareholder with 51.00%, with a direct shareholding of 10.97% and an indirect shareholding of 40.03% via FGV Sugar Sdn Bhd. The other significant shareholders are Koperasi Permodalan Felda Malaysia Berhad holding 15.28% and Amanah Trustees Berhad with 7.49%. The balance 26.23% are held by other local corporations, Malaysian retail and foreign shareholders.



To see further shareholder information, refer to Analysis of Shareholdings as at 21 March 2022 on page 372

# FINANCIAL CALENDAR



## ANNOUNCEMENT ON UNAUDITED CONSOLIDATED RESULTS

### 2020

|   |                    |
|---|--------------------|
|  4 <sup>th</sup> quarter ended 31 December 2020    | : 25 February 2021 |
|  1 <sup>st</sup> quarter ended 31 March 2021      | : 25 May 2021      |
|  2 <sup>nd</sup> quarter ended 30 June 2021      | : 25 August 2021   |
|  3 <sup>rd</sup> quarter ended 30 September 2021 | : 25 November 2021 |

### 2021

|  |                    |
|--|--------------------|
|  4 <sup>th</sup> quarter ended 31 December 2021 | : 22 February 2022 |
|--|--------------------|



## DIVIDENDS

### 2020

 No dividend was declared and paid for the FY2020

### 2021

 Announcement on declaration of a final single-tier dividend of 3.0 sen per share for the financial year ended 31 December 2021: 10 March 2022

|                     |                 |
|---------------------|-----------------|
| Date of Entitlement | : 29 March 2022 |
| Date of Payment     | : 7 April 2022  |



## ANNUAL GENERAL MEETING



### 10<sup>th</sup> Annual General Meeting

|                           |                 |
|---------------------------|-----------------|
| Notice of meeting         | : 27 April 2021 |
| Issuance of Annual Report | : 27 April 2021 |
| Meeting date              | : 17 June 2021  |



### 11<sup>th</sup> Annual General Meeting

|                           |                 |
|---------------------------|-----------------|
| Notice of meeting         | : 27 April 2022 |
| Issuance of Annual Report | : 27 April 2022 |
| Meeting date              | : 8 June 2022   |

# SUSTAINABILITY JOURNEY





|     |   |
|-----|---|
| 118 | Board Statement on Sustainability             |
| 122 | Our Sustainability Commitment                 |
| 124 | Our Sustainability Governance                 |
| 128 | Our Way Forward in Our Sustainability Journey |
| 130 | Environment Initiatives                       |
| 142 | Social Initiatives                            |
| 175 | Governance Initiatives                        |

# BOARD STATEMENT ON SUSTAINABILITY

## SWEET SUSTENANCE IN A RESPONSIBLE, SUSTAINABLE AND MINDFUL WAY

The MSM Group is advancing a significant step-up of the Environmental, Social and Governance (ESG) framework in business and operations to reset our sustainability journey. The step-up action signifies our firm commitment in infusing sustainability in our operations and strategies which coincides with our strategy to broaden our global exposure. Additionally, the COVID-19 pandemic has made us realise the importance of steadfastly withstanding unforeseen challenges. While we actively engage in sponsoring and supporting various charity programmes, food banks, and individuals impacted by COVID-19, staying safe also encompasses the safety of business resilience and sustainability in the present business environment.

**We are remapping the material matters to be more relevant to current business operations and future strategy. We target to improve our sustainability reporting and disclosures this year and emerge with a more fortified sustainability framework and targets from FY2022 onwards.**

**As part of this step-up plan, as of this year's reporting, we are committed to work towards meeting FTSE4Good Bursa Malaysia Index standards; align our disclosures with internationally-recognised Global Reporting Initiative (GRI) standards; as well as focus on promoting relevant United Nations (UN) Sustainable Development Goals (SDGs) into our long-term strategies.**

A key achievement this year was the establishment of a dedicated sustainability working group within the Corporate Strategy and Investor Relations department that will henceforth take the lead in expanding our sustainability efforts. Working with an external consultant, a culture of Review, Reflect and Respond (3R) has also been initiated within the Group to inculcate sustainability in our strategies and in our operations. At the same time, we are remapping the material matters to be more relevant to current business operations and future strategy. We target to improve our sustainability reporting and disclosures this year and emerge with a more fortified sustainability framework and targets from FY2022 onwards.

We are escalating the Group's commitment to providing safe, conducive and healthy workplaces. To date, MSM Prai and Sungai Buloh Warehouse have been issued the ISO 45001: Occupational Health & Safety System certificate, and MSM Johor is in the process of being certified.

Awareness for green initiatives is also being ramped up, especially at MSM Prai, with the signing of a certificate of collaboration (COC) with Penang's Department of Environment (DOE) enabling green initiatives in preserving and conserving the environment. Participation in a household e-waste recycling competition and Mangrove Tree Planting programme are some initiatives towards the Company's



**MSM Group's turnaround plan focuses on a high performance culture anchored on integrity as a key to sustaining our performance.**



long-term commitment in preserving the environment, restoring the natural ecosystem as well as supporting the surrounding community.

Besides a stronger sustainability framework, MSM Group's turnaround plan focuses on a high performance culture anchored on integrity as a key to sustaining our performance. It is everyone's role and duty not to deprive potential benefits to the Group and staff through misconduct on business ethics. We are proud to announce 100% signing of the Integrity Pledge following a successful Group-wide Anti-Bribery and Anti-Corruption (ABAC) campaign initiated by MSM's Corporate Governance and Risk Management (CGRM) Department.

During the year, we conducted three Disciplinary Inquiries (DI) as a result of consequence management of misconducts reported. These steps will ensure greater corporate and financial outcomes, and such positive outcomes will eventually translate into key benefits to shareholders and employees alike.

Stay safe always!

**Board of Directors  
MSM Holdings Berhad**



# BOARD STATEMENT ON SUSTAINABILITY

## MSM GROUP'S SUSTAINABILITY JOURNEY AND ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) STEP-UP INITIATIVES AND DISCLOSURES



The COVID-19 pandemic has made us realise the importance of having a sustainable business operations to remain resilient in facing the unforeseen challenges. Further, the world today is also experiencing **Environmental** crises, mainly on climate change where we must act upon as a responsible corporate citizen. Concurrently, the **Social and Governance** aspects of our business shall continue to be strengthened as we review our ESG elements holistically. It is worth to note that ESG has become an important criteria to the regulators and investing community in assessing a company's sustainability position.



# OUR SUSTAINABILITY COMMITMENT

**We strive for best practices in the way we conduct our business improve livelihoods across our value chain, commit to become the employer and partner of choice providing opportunities for advancement and development, play a leading role in community development, and demonstrate environmental responsibility and leadership.**

As the leading sugar refiner and brand ambassador for Malaysia, we aspire to achieve excellence in sustainability by integrating sustainable practices into every business activity in line with our promise of **“Sweet Sustenance in a Responsible, Sustainable and Mindful Way”**. We continue to make positive strides to strengthen our approach in managing sustainability topics that are material to our business, demonstrate our constant commitment to incorporate sustainable practices into all segments of our business, and show leadership with the sustainability challenges we face. Working together in collaboration with partners, customers, regulators and other stakeholders, we focus on maximising our long-term positive impact.

We are working towards revising and updating these policies to align with our current practices and business strategies and to take into account constructive input on the concerns and expectations from our stakeholders.

The Group Sustainability Policy establishes MSM’s commitment to work towards a future that creates a positive impact on our environmental, social and governance responsibilities for our stakeholders. This Policy is applicable to all the Directors and the employees of the MSM Group.



MSM’s Sustainability Policy can be viewed on our website at [www.msmsugar.com](http://www.msmsugar.com)

We report on our sustainability practices and performance annually, with our last report published as part of MSM’s 2020 Annual Report. This year’s statement summarises the key highlights of our efforts towards achieving sustainable development through our ESG initiatives for the reporting period from 1 January 2021 to 31 December 2021.

In the development of our approach towards improving our sustainability reporting, we have improved on the way we document the measurements for our material matters for the disclosures of this year’s Sustainability Report. As the Group makes further traction within our sustainability journey, we will consider the adoption of an external assurance for our disclosures in the near future.



**100%**

Signing of Integrity Pledge

**Signing of**

Collaboration Agreement with Wilmar

Certificate of Collaboration with Penang DOE enabling green initiatives in preserving and conserving the environment

**3<sup>rd</sup>**

Place Winner in E-Waste Competition

Mangrove Tree **Planting programme**

# 2021 SUSTAINABILITY HIGHLIGHTS

**ACCA**

Scholarships worth RM209,721 awarded

**Achievement**

of ISO 45001:2018 for MSM Prai and Sg Buloh Warehouse

**3R**

Recycling Programme

**Launch**

of Prodigy Programme

Reduction of Scope 1 GHG Emissions by

**14%**

Reduction in Scope 3 GHG Emissions by

**77%**

**“Janji...Gula Peket Hijau”**

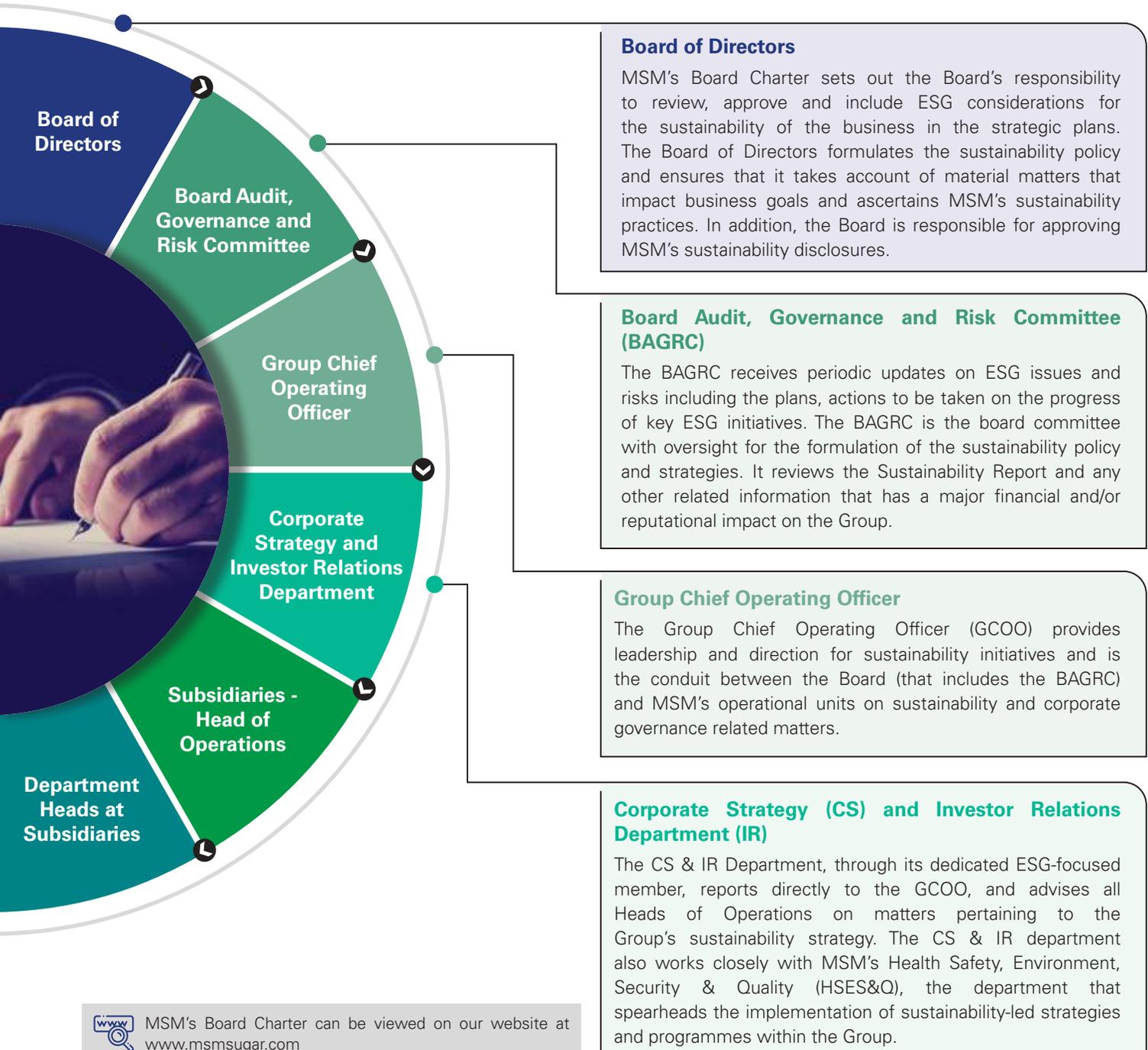
campaign to promote unity



# OUR SUSTAINABILITY GOVERNANCE

MSM's sustainability strategy is overseen by the Board of Directors. With commitment from the top and a robust governance structure, all matters related to sustainability are effectively managed at various levels across the Group setting a culture of integrity, accountability and transparency. Reporting structures of the sustainability governing body are clearly defined to ensure clear demarcation of roles and responsibilities, as described below:

## OUR SUSTAINABILITY GOVERNING BODY



### Risk Management

MSM’s structured risk management framework established under the Risk Management Policy enables MSM to facilitate risk assessment process and mitigation plans to achieve a strategic vision and aspirations to be amongst the top sugar-business companies globally. The framework is designed to identify, assess and prioritise risks and opportunities, including ESG risks that impact our business.

To ensure effective oversight of risks at enterprise-wide level, risk management is embedded into our key processes and activities. The Enterprise Risk Management Framework is designed in accordance with the ISO 31000:2018 Risk Management-Guidelines.

The CGRM Department is the custodian of Group’s risk profile. The Board, assisted by the BGRC, has the overall responsibility to review the effectiveness and adequacy of MSM’s risk management and internal controls.

With a structured risk framework, potential risks are tracked in the risk registers of each operating company and are reviewed on a quarterly basis by CGRM jointly with the respective risk owners from the operations to assess the analysis and mitigation measures, and where applicable, ensure action plans are effective and adequately documented. CGRM publishes its quarterly risk report to the Management, Board Committees and Board on the key risks horizon covering the top 10 and other key risks.

 Further details on the Key Challenges & Mitigations are covered on page 74, and further details on MSM’s Risk Management are disclosed in the SORMIC section on page 251



### Stakeholder Engagement

MSM Group strives to engage actively with the following six categories of stakeholders to manage their expectations by providing adequate information in appropriate forms for effective communication. We place Consumers & Customers first as our top priority stakeholder group.

- |  |                                     |  |  |
|--|-------------------------------------|--|--|
| <b>1</b>  | Consumers & Customers               | <b>4</b>  | Regulatory Agencies & Statutory Bodies |
| <b>2</b>  | Employees                           | <b>5</b>  | Vendors, Suppliers & Industry Partners |
| <b>3</b>  | Shareholders & Investment Community | <b>6</b>  | Media, NGOs and Communities            |

During the year, the Group emphasised on-ground and face to face engagement with key customers and industry players to fortify relationships and create better value delivery synergies. However, due to the pandemic and movement restrictions, virtual engagement channels were employed to reach out to the community and authorities such as the DOE.

 Details on our engagements with our stakeholders are covered on page 102

### Materiality Assessment

Our approach to ESG is currently aligned to our business strategy and this approach is informed by our understanding of the issues that are most material to us as a business and to the communities we touch, and in turn by the priorities we are setting for ourselves along our value chain.

In FY2021, we continued to internally assess and review our material matters for their relevance and changes to the risks and opportunities impacting our business. We have streamlined the material matters, as reported on page 126 and in our previous report in 2020. This year we highlight those that remain relevant and important to us while we progress to refine our priorities in the coming year. We have also enhanced our disclosures on our material topics, and where applicable, aligned these with the relevant GRI standards and identified the UN SDGs most relevant to our sustainability effort in FY2021.

 Details on our Materiality Assessment are covered on pages 96 to 101

# OUR SUSTAINABILITY GOVERNANCE

Below is a summary of our key material topics that have had the most impact on our ESG practices and performance in FY2021:

| Material Matters   | Material Topics                   | GRI Topic Standards  | UN SDGs  |
|--|-----------------------------------|--|--|
|  <b>Environment linked to</b> |                                   |  |  |
| <b>Resource Management</b>   | Waste Management                  | GRI 306 : Waste 2020<br> Refer to page 133                        |  <b>6 Clean Water and Sanitation</b><br>Ensure availability and sustainable management of water and sanitation for all      |
|  | Water Usage & Effluents           | GRI 303 : Water and Effluents 2018<br> Refer to page 135          |  <b>7 Affordable and Clean Energy</b><br>Ensure access to affordable, reliable, sustainable and modern energy for all       |
|  | Energy Optimisation               | GRI 302 : Energy 2016<br> Refer to page 137                       |  <b>12 Responsible Consumption and Production</b><br>Ensure sustainable consumption and production patterns                 |
|  | Climate Change & GHG Emissions    | GRI 305 : Emissions 2016<br> Refer to page 139                  |  <b>13 Climate Action</b><br>Take urgent action to combat climate change and its impacts                                  |
|  <b>Social linked to</b>    |                                   |  |  |
| <b>Economic Impact</b>   | Economic Performance              | GRI 201 : Economic Performance 2016<br> Refer to page 144       |  <b>8 Decent Work and Economic Growth</b><br>Ensure access to affordable, reliable, sustainable and modern energy for all |
|  | Procurement Practices             | GRI 204 : Procurement Practices 2016<br> Refer to page 145      |  <b>12 Responsible Consumption and Production</b><br>Ensure sustainable consumption and production patterns               |
| <b>Operational Performance</b>   | Plant Efficiencies                | Non-GRI<br> Refer to page 146                                   |  |
| <b>Service &amp; Product Quality</b>   | Product Quality                   | GRI 416 : Customer Health and Safety 2016<br> Refer to page 147 |  |
| <b>Talent Management</b>   | Employee Value Proposition        | GRI 401 : Employment 2016<br> Refer to page 152                 |  <b>1 No Poverty</b><br>End poverty in all its forms everywhere   |
|  | Labour Standards & Best Practices | Non-GRI<br> Refer to pages 152 and 160                          |  <b>3 Good Health and Well-Being</b><br>Ensure healthy lives and promote well-being for all at all ages                   |



Financial Capital



Intellectual Capital



Human Capital



Manufactured Capital



Natural Capital



Social & Relationship Capital

**Material Matters**   **Material Topics**   **GRI Topic Standards**   **UN SDGs**

**Social linked to**

|   |                               |   |  |
|---|-------------------------------|---|--|
|   | Diversity & Equal Opportunity | GRI 405 : Diversity and Equal Opportunity 2016<br>Refer to page 154 | <b>4 Quality Education</b><br>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all |
|   | Talent Development            | GRI 404 : Training and Education 2016<br>Refer to pages 156 and 168 | <b>5 Gender Equality</b><br>Achieve gender equality and empower all women and girls  |
| <b>Community Empowerment</b>                        | Uplifting the Community       | GRI 413 : Local Communities 2016<br>Refer to page 161               | <b>1 No Poverty</b><br>End poverty in all its forms everywhere   |
|   |                               |   | <b>8 Decent Work and Economic Growth</b><br>Ensure access to affordable, reliable, sustainable and modern energy for all           |
| <b>Occupational Health &amp; Safety Performance</b> | HSES & Quality (HSES&Q)       | GRI 403 : Occupational Health and Safety 2016                       | <b>3 Good Health and Well-Being</b><br>Ensure healthy lives and promote well-being for all at all ages                             |
|   | Training & Awareness          | Refer to pages 165 to 171   | <b>8 Decent Work and Economic Growth</b><br>Ensure access to affordable, reliable, sustainable and modern energy for all           |
|   | Enhancing COVID-19 Management | Non-GRI<br>Refer to page 172  |  |

**Governance linked to**

|                   |  |  |   |
|-------------------|--|--|---|
| <b>Governance</b> | Ethical Business Practices & Integrity | GRI 205 : Anti-Bribery 2016<br>Refer to page 177 | <b>16 Peace, Justice and Strong Institutions</b><br>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels |
|-------------------|--|--|---|

# OUR WAY FORWARD IN OUR SUSTAINABILITY JOURNEY

Our commitment to our sustainability journey will be progressively accelerated in a meaningful and transparent manner. As part of our transformative plans to step-up our sustainability practices and with the support of our independent consultant, we are headed towards delivering on the promise of **“Sweet Sustenance in a Responsible, Sustainable and Mindful Way”** as our new sustainability framework.

Our concerted efforts aim to enhance our sustainability framework with clearer medium to long-term goals and measurable progress on our “high” priority issues. We target to remap our materiality topics with better defined ESG priorities that align with the changing business landscape and current market conditions.

As a first step, we are disclosing our sustainability performance for FY2021 with additional disclosures on our policies and practices, heightened analysis on our impacts, understanding present gaps. We aim to reflect our sustainability roadmap and our “ambitious” goals in our next report.

At the global front, the manufacturing sector is evolving towards a more efficient, faster and flexible future through greater technology adoption as part of the Fourth Industrial Revolution.

MSM aims to catalyse growth through key technology pillars that are identified in the country’s Industry4WRD: National Policy on Industry 4.0.

By infusing higher value added process of manufacturing through the application of advanced digitisation, advanced manufacturing technologies and efficient resource utilisation, manufacturing issues such as hazardous environments, health and safety of human labour, efficiency in managing supply chains, and reduction in wastages are addressed. It also paves the way to enhanced productivity, job creation, innovation capacity, high-skilled talent pool and ultimately economic prosperity and societal well-being.

Thus, moving forward, MSM intends to collaborate and venture into possible schemes, research and development, and studies on the following:





### Climate Action & Net Zero Ambition

As part of MSM's commitment to operate responsibly through our positive actions, MSM is accelerating its ambition to strengthen its strategy and commitment on reducing its carbon footprint in line with Malaysia's aim of achieving carbon neutrality by 2050 (as announced under the 12<sup>th</sup> Malaysia Plan in September 2021). We are exploring alternative energy reduction initiatives to improve our energy efficiencies and will review our own GHG inventory comprehensively, set baselines and enhance our goals towards the net zero ambition. With the recent announcement by the Environmental and Water Minister in December 2021, Malaysia is making way for a voluntary carbon market and a domestic emissions trading scheme, MSM will also consider opportunities on carbon trading within the FGV Group.



Refer to page 139 for details on our Climate Change and Greenhouse Gas Emissions and on page 138 on our Near Future Energy Initiatives



### Promote Consumer Benefits and Good Health Practices

As part of MSM's aim to enhance its business priorities from FY2022 onwards, MSM aims to focus on promoting healthier lifestyle options and be steadfast on its promise to deliver mindful practices. On the consumer front, expanding on the existing "Go 1/2" and "Go Natura" products for its health conscious customers are on the horizon. MSM is also exploring initiatives via various platforms to encourage and educate its consumers on the benefits and use of "Sugar in Mindful Ways".

The next sections of this report provide the overview and analysis on how we currently approach each of the topics on the respective topics ESG topics in FY2021.

## ESG Material Topics



#### Environment

- Resource Management



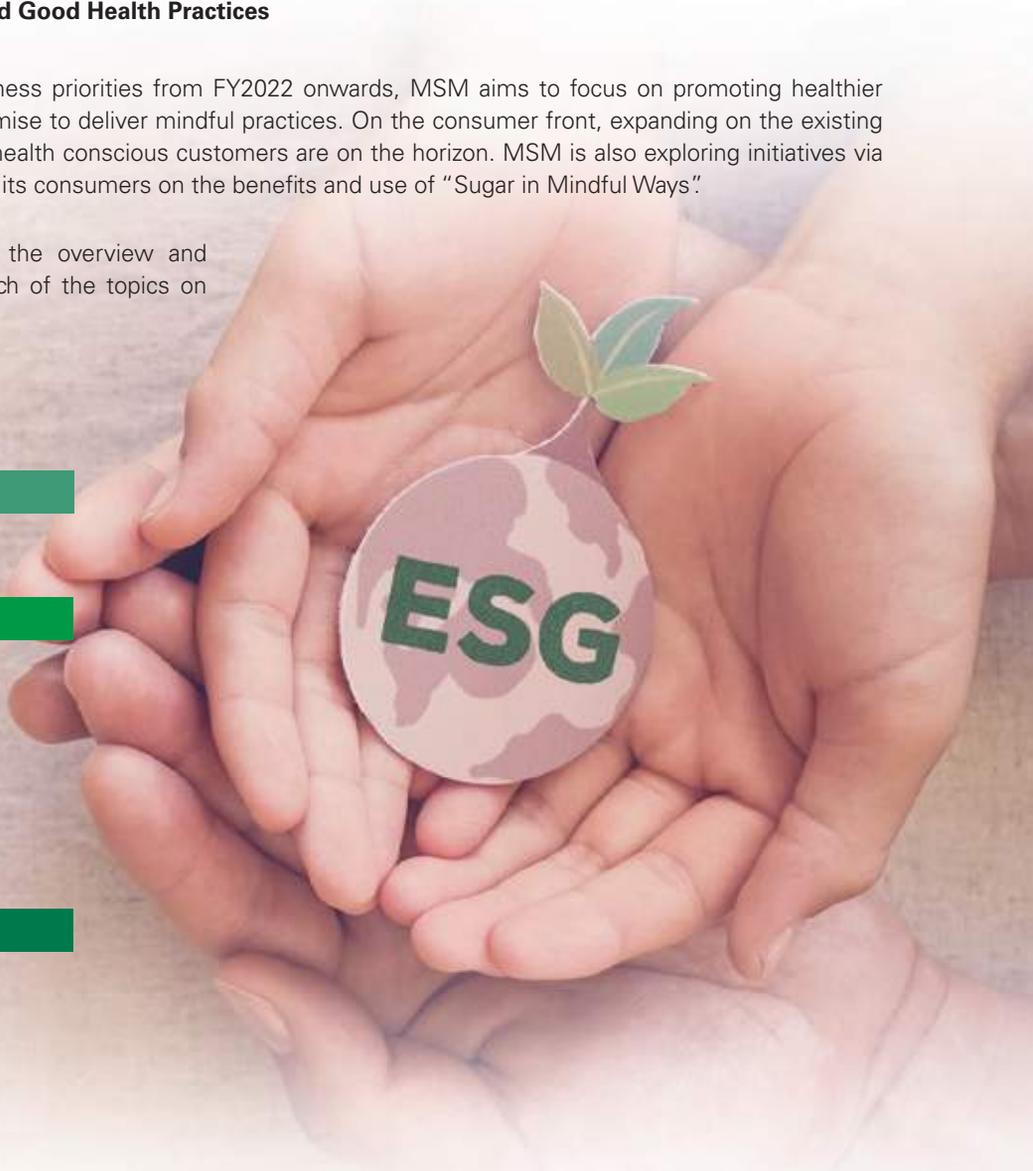
#### Social

- Economic Impact
- Operational Performance
- Service & Product Quality
- Talent Management
- Occupational Health & Safety Performance



#### Governance

- Governance





# ENVIRONMENT INITIATIVES



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The way forward on the world stage is taking positive climate action towards a net zero future. We have to accelerate sustainable actions, and capitalise on early wins.

---

In alignment to the Group's Sustainability Policy and Environmental Policy, MSM pledges to comply with all applicable environmental legislation, regulation and requirements that pertain to our receiving, manufacturing and distribution practices. The Group prioritises the effective use of resources, energy and fuel, and also waste reduction. This commitment goes beyond the Group's direct impact and includes effort to ensure good practices across our supply chain. We also encourage our value chain partners to embrace sustainable practices sustainable environmental practices at their work sites and educate our staff on environmentally friendly practices. The Board has oversight over the environmental sustainability matters including the management of climate change risks.



The Group Sustainability Policy is available at the corporate website at [www.msmsugar.com/sites/default/files/group\\_sustainability\\_policy.pdf](http://www.msmsugar.com/sites/default/files/group_sustainability_policy.pdf)

The Group is strongly committed to:

- Meeting the requirement of all applicable legislations as well as other best practices and sustainability commitments that we subscribe to
- Engaging our stakeholders in promoting sustainability practices
- Assisting our external suppliers in meeting the requirements of our policies

## 2021 Environment Step-Ups



**Mangrove Tree  
Planting in Prai**



**Conversion of  
molasses to  
value added  
products**



**Water use  
efficiency and  
care**



**Converting mudcake  
by-product,  
into fertiliser and  
cement**



**Reviewing  
opportunities in  
recycling general  
waste**



**Participation  
with Government  
Bodies in E-waste  
Competition**

# ENVIRONMENT INITIATIVES



**SDG 6**  
CLEAN WATER AND  
SANITATION



**SDG 7**  
AFFORDABLE AND  
CLEAN ENERGY



**SDG 12**  
RESPONSIBLE CONSUMPTION  
AND PRODUCTION



**SDG 13**  
CLIMATE ACTION

## ENVIRONMENTAL

As a business highly dependent on natural resources, we are cognisant of the need to protect the natural environment and contribute to climate action. We actively study technological solutions to optimise energy usage, and emissions such as solar and biomass. We have invested in state of the art technology and equipment to ensure improvements in the efficiency of energy usage, prevention of pollution as well as to be in compliance with relevant requirements and legislations.

Both MSM refineries use boilers which generate steam to be used in the process. MSM Johor's plant was built based on an Environmental Impact Assessment Report with consultation from the Department of Environment (DOE). We continue to monitor key environmental aspects such as energy optimisation, water usage, waste management and inventory of greenhouse gases to measure our progress in minimising our environmental impact. We have also initiated collaborative arrangements such as the signing of

the Certificate of Collaboration with the Penang DOE to work on green initiatives in preserving and conserving the environment.

As MSM expands on a global platform, we are escalating our commitment to minimise the environmental impacts from pollution, waste, resource use, from our business operations.

Total environmental fines and penalties incurred by MSM across the Group during the year was RM73,000 for 43 summonses issued by the DOE. There were no summonses the previous year.

We have commenced our journey towards establishing the ISO 14001: Environmental Management System with awareness building and audits to begin early 2022 and targeted for completion in the same year. We are in the midst of updating our Environmental Policy as we are moving forward with ISO 14001 certification in FY2022.



*Note:*

*As of FY2021, the Group is no longer tracking data for MSM Perlis.*

*MSM is working on improving all tables for FY2022, to ensure all data is tracked and measured accurately and consistently throughout the Group.*

## RESOURCE MANAGEMENT



### Waste Management

MSM's approach in dealing with waste reduction and the process flow of inputs, activities and outputs that impact waste production are guided by the Group Sustainability Policy, the Environmental Policy and respective waste management control procedures established under each the MSM operations in order to comply with the relevant regulations such as the Environmental Quality (Scheduled Waste) Regulations 2005 (Scheduled Waste Regulations 2005).

We record the hazardous waste generated in our operations as Scheduled Waste and all other non-hazardous waste, including by-products, are categorised as Non-Scheduled Waste. This categorisation determines how waste is stored, handled and disposed, in the value chain from production to packaging to distribution stage. Some of the types of Scheduled Waste generated and tracked from MSM's own activities at each of its operations include waste containing materials such as mercury, metal with copper, zinc and chromium as well as containers, bags or equipment contaminated with chemicals, pesticides. Scheduled waste is strictly tracked and monitored at our operations, by competent certified persons, with pertinent details recorded in the internal database as well as at the DOE website, as per the Scheduled Waste Regulations 2005. Scheduled Waste is outsourced to a supplier licensed by the DOE to collect, transport, process and dispose waste in accordance with local regulations and standards. Non-Scheduled Waste includes materials such as plastic, paper boxes, office and general waste, spillage and refining by-products such as mudcake and molasses. To minimise disposal and to divert Non-Scheduled Waste from being sent to landfills, MSM is looking at more efficient recycling and reselling opportunities with appropriate third party partners.

**The total waste generated and tracked by the MSM Group as Scheduled Waste (Hazardous) and Non-Scheduled Waste (Non-Hazardous Waste) in FY2021 is 20,109.57 metric tonnes. Out of which, a total of 146.83 metric tonnes of hazardous waste were generated from our operations.**

### Actions Taken to Mitigate Waste Reduction:

#### Mudcake: Turning Waste to Fertiliser

Replicating the success achieved in the sale of molasses by-product as animal feed, MSM is making inroads turning mudcake waste into useful fertiliser. Mudcake is a compressed sugar refining waste by-product that is produced in both MSM refineries. The DOE previously categorised mudcakes as Scheduled Waste which was required to be handled, stored properly and to be removed from site by a licensed DOE contractor. In FY2021, the DOE had agreed and approved that mudcakes generated as by-products by the refineries are no longer termed as Scheduled Waste.

Research was conducted on MSM's mudcake waste and it was discovered that it reduces acidity in soil making it viable for use as fertiliser. This led to a trial programme between MSM Johor and FGV Fertiliser in October 2021 to turn mudcake into fertilisers. Based on the trial, the parties are in discussions on whether all of the mudcakes generated by MSM Johor and MSM Prai can be taken up by FGV Fertiliser and if successful, a joint venture on this initiative is in the pipeline.

Potential collaborations with third party to supply mudcakes for the cement industry are also being explored at this stage. The possibilities are exciting not just for MSM but for the refining industry and environmental authorities at large. MSM is also exploring opportunities to work with higher education institutions to conduct research on other potential benefits and use of mudcakes.



# ENVIRONMENT INITIATIVES

## Reducing Waste in the Community

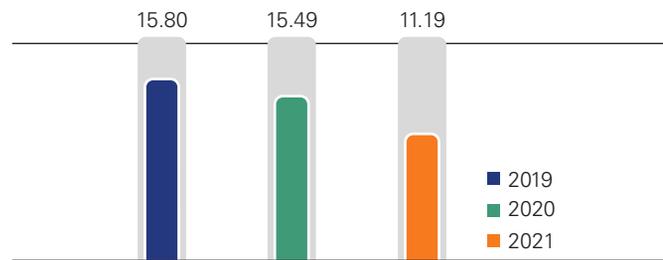
As part of MSM's 2021's sustainability journey and a step-up of our ESG framework, MSM has taken a more active role in participating in initiatives and action to reduce pollution, waste and resource use. In November 2021, MSM Prai took part in a Household E-Waste Collection Hero Competition organised by the Penang DOE and in collaboration with Majlis Bandaraya Seberang Perai and Majlis Bandaraya Pulau Pinang.

MSM Prai took it as an opportunity to raise awareness for staff on ESG topics while fortifying ties with the DOE. In conjunction with the National Environmental Day themed Environment: Our Responsibility, MSM Prai bagged third place in the Industry category with approximately 500kg of electric and electronic waste (e-waste) collected within five days from 7 November until 12 November 2021 by more than 400 MSM Prai employees via the strategic promotion of environmental awareness programme. MSM Prai took its own initiative to participate in the competition and the team effort and commitment shown by its employees demonstrate that everyone in MSM is playing an active role in contributing to MSM's ESG agenda.

To further drive the ESG initiatives for a better and greener environment, MSM launched the 3R: Reduce, Reuse and Recycle Programme in early January 2022. More measures are in the pipeline to promote the 3Rs across the Group and reduce environmental impacts of our products throughout their lifecycles. Further details of the initiatives and activities planned in FY2022 will be disclosed in our next report.

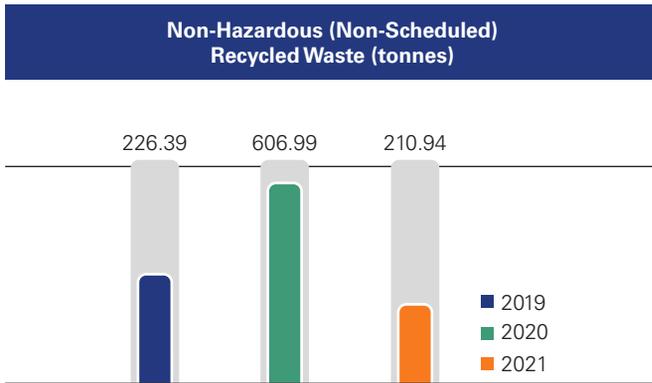
The diagrams provide an overview of the aspects of waste management we have monitored and tracked over the last three years. We recognise that there are still gaps on how waste generation data has been collected and tracked in the respective operations and we are stepping up how we track and measure our progress on waste generation data from FY2022 onwards as we continue to improve our data analysis and tracking methods for more consistency moving forward.

## Hazardous (Scheduled) Waste collected by licensed contractor for recovery (tonnes)



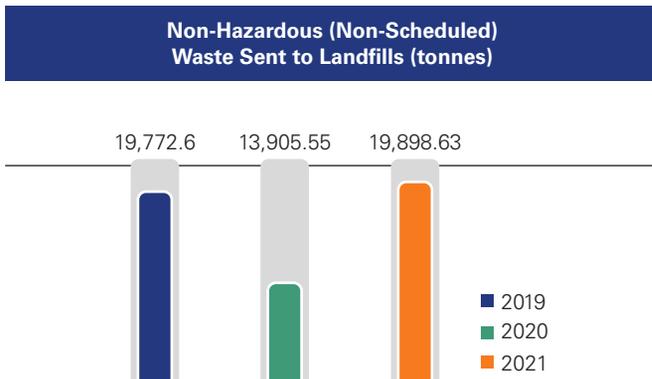
As previously reported, we continued to track the hazardous waste collected by our licensed contractor for recovery and observed a 28% decrease in FY2021 from FY2020. The remaining hazardous waste from our operations were disposed and handled through other methods such as recycling, chemical treatment, incineration, or sent to landfills.

**More measures are in the pipeline to promote the 3Rs across the Group and reduce environmental impacts of our products throughout their lifecycles. Further details of the initiatives and activities planned in FY2022 will be disclosed in our next report.**



Note:  
Only tracked by MSM Prai to date.

Recycled waste generally cover materials such as scrap metal, paper, plastic and empty drums. Higher recycled waste at MSM Prai in year FY2020 was due to the plastic pallet write-off.



Note:  
Data based mostly on disposal of mudcakes.

MSM recorded a 43% increase in the amount of non-hazardous waste such as mudcakes sent to the landfills in FY2021. This is largely due to MSM Johor’s tracking of its mudcakes since 2021. Mudcakes were initially classified as Scheduled Waste and hence, the data for non-hazardous waste sent to landfills was not consistently tracked across the Group previously. MSM is currently in discussion with FGV on disposal of mudcakes to be used as fertiliser and this number is expected to reduce going forward. See story on page 133.

**Target** **Activities**

**Key Activities in 2021**

**Seek ways to reduce, recycle or recover generated waste**

Initiated study with FGV Fertiliser for future collaboration on mudcake conversion to fertiliser



**Water Usage & Effluents**

Vast water quantities are used in the sugar refining process. Sustained water management measures have been adopted to ensure the efficiency of water usage within our operations. The amount of water used and reused in our daily operations are constantly measured and monitored, as is the water effluent discharge from our processes. The data is shared with the MSM headquarters on a quarterly basis for them to monitor progress. MSM’s commitment to reduce water use and improve wastewater treatment capabilities at sites or throughout the Group are reflected in the Group Sustainability Policy and Environmental Policy.

MSM refineries purchase water from the respective local water companies and measures its water consumption from the invoices received on a monthly basis. In the event of water shortages, there are water tanks with capacity of 3,200 m<sup>3</sup> in MSM Johor and 1,344 m<sup>3</sup> in MSM Prai.

The amount of water consumed daily is related to the daily raw sugar melting activity. For MSM Johor, average water consumption was around 1,400 m<sup>3</sup> per day in FY2021. Meanwhile, for MSM Prai daily water consumption ranged from about 2,800 m<sup>3</sup> to 4,500 m<sup>3</sup> per day. This means that the respective water tanks can serve as back up supply for MSM Johor operations for two days, and around 7 to 8 hours for MSM Prai.

MSM Johor possesses its own waste water treatment plant (WWTP) with enough capacity to handle all wastewater discharged. Wastewater is released to the sea after treatment at the refinery’s WWTP. MSM Johor is currently upgrading its WWTP to optimise the process.

# ENVIRONMENT INITIATIVES

MSM Prai does not have an effective WWTP currently but will be constructing a new system targeted to commence in FY2022. As required under the Environmental Quality Act, an independent third party does the monitoring and water sampling on a monthly basis and reports to DOE as well as the local authorities to ensure compliance with all parameters. Water quality checks are conducted on the discharge, the surface and boundary water.

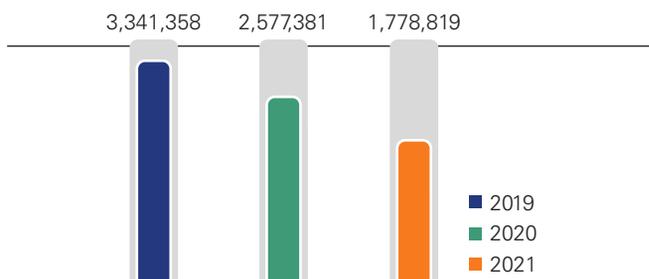
During the year, MSM Prai was fined by DOE when higher than the permissible level of effluent was detected in water discharged. MSM Prai constantly engages with the Penang DOE to regularly update them on the progress on MSM Prai's WWTP plans as well as to clarify and reassure DOE on its commitment to improve processes. MSM Prai also maintains a close relationship with the nearby fishermen community and this can also be seen through the collaboration on the Mangrove Tree Planting.

MSM Johor also encountered issues with its WWTP during the year and has been in regular communication with the Johor DOE on the problems they faced. The respective refineries have taken steps to mitigate these issues by ensuring their competent persons are well trained and prepared to handle these issues, third party consultants are engaged as well as repair works and proper maintenance are carried out to mitigate the risks of managing treated water and continuous engagement with the DOE to demonstrate the operations commitment to resolve issues quickly.



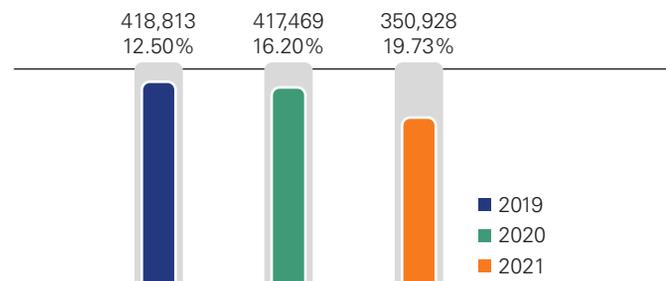
Read more about MSM Prai's Mangrove Tree Planting activity on page 141

## Total Water Consumption in Our Operations (m<sup>3</sup>/year)



MSM individual operations track their water consumption separately. The total water consumption for MSM Group reduced from 2,577,381 m<sup>3</sup> in FY2020 to 1,778,819 m<sup>3</sup> in FY2021. We are working on improving the tables moving forward to ensure all the data are tracked and measured accurately throughout the operations.

## Volume of Water Recycled and Reused (m<sup>3</sup>/year & %)



Note:

Only MSM Prai recycles and reuses water back into the process, and tracks this data to date. FY2019 and FY2020 numbers included data from MSM Perlis.

Although a slight increase was seen in MSM Prai in FY2021, the overall performance reduced by 16% in FY2021 from FY2020, as data from MSM Perlis has been excluded for the year after its disposal.

**The amount of water used and reused in our daily operations are constantly measured and monitored, as is the water effluent discharge from our processes. The data is shared with the MSM headquarters on a quarterly basis for them to monitor progress. The total water consumption for MSM Group reduced from 2,577,381 m<sup>3</sup> in FY2020 to 1,778,819 m<sup>3</sup> in FY2021.**

## Total Effluent Discharge (m<sup>3</sup>) for FY2021

# 1,580,162.

Note:

Data is available for only MSM Prai and MSM Johor.

There were issues with MSM Johor's WWTP in FY2021 which resulted in high effluent discharge in the first half of the year. The problem was addressed and figures for MSM Johor's effluent discharge normalised in the second half of the year. We will aim to track our effluent data closely from FY2022 onwards to enable us to monitor and measure our effluent discharge more accurately.



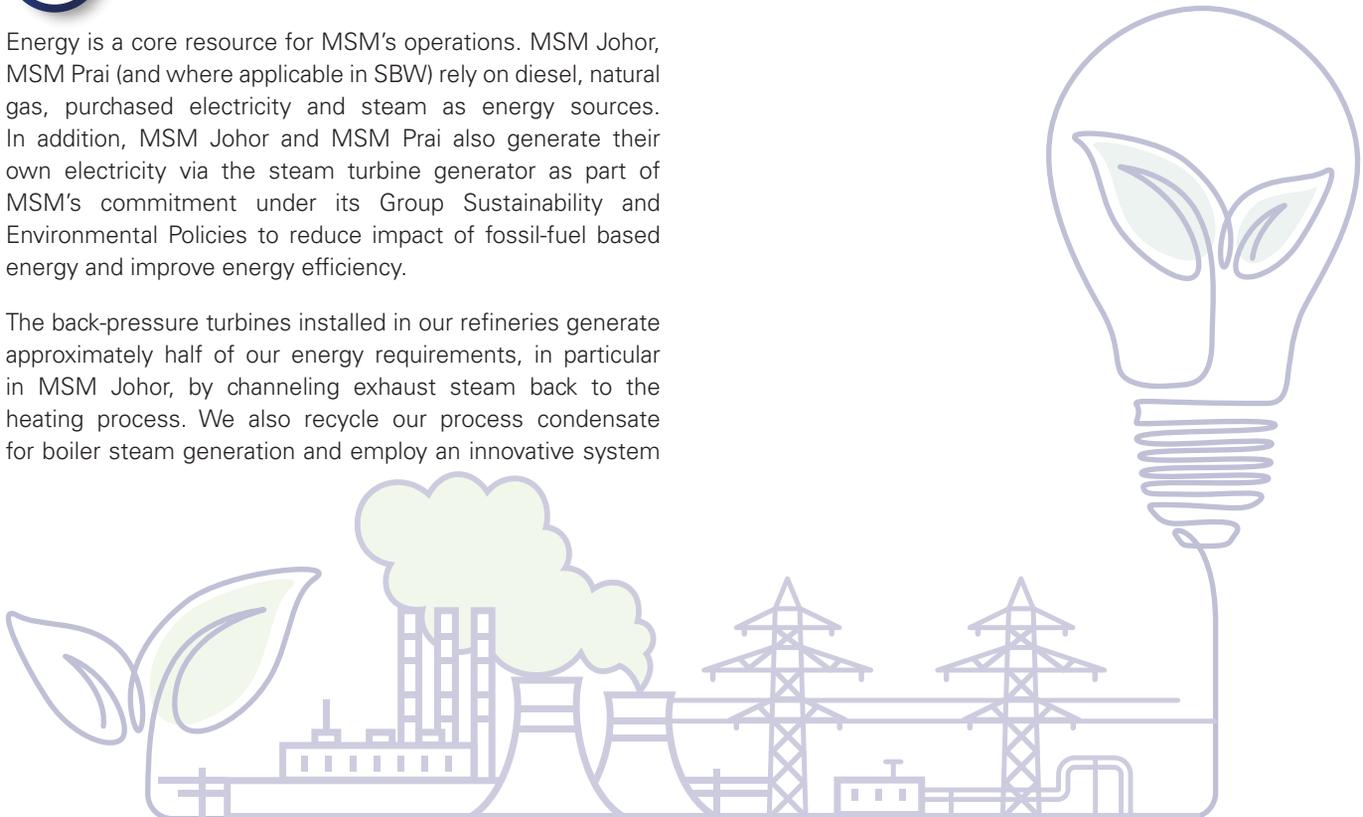
### Energy Optimisation

Energy is a core resource for MSM's operations. MSM Johor, MSM Prai (and where applicable in SBW) rely on diesel, natural gas, purchased electricity and steam as energy sources. In addition, MSM Johor and MSM Prai also generate their own electricity via the steam turbine generator as part of MSM's commitment under its Group Sustainability and Environmental Policies to reduce impact of fossil-fuel based energy and improve energy efficiency.

The back-pressure turbines installed in our refineries generate approximately half of our energy requirements, in particular in MSM Johor, by channeling exhaust steam back to the heating process. We also recycle our process condensate for boiler steam generation and employ an innovative system

that combines functionalities of our Mechanical Vapour ReCompressor (MVR) evaporator and Vertical Crystallisation Tower (VKT) to dramatically reduce the amount of steam required during the sugar-boiling processes. Where necessary, we use clean natural gas as an energy source at both refineries.

It is important for MSM to maximise energy efficiencies for long-term sustainability. Initiatives towards reducing energy in our operations are being implemented progressively for instance, switching to energy efficient LED lighting at the warehouses, using of inverters in the pumps and continued strive for energy efficiency. For purchased electricity, we monitor cost savings, if any, based on monthly electricity bills. For MSM Logistics, a GPS tool tracking system to monitor fuel consumption is being considered for FY2022. There are also discussions to consider biogas as an alternative green energy. Once we have clearer long-term goals set and measures in place, we will provide more detailed disclosures in our FY2022 report.



# ENVIRONMENT INITIATIVES

## Near Future Energy Initiatives

### Energy Audit

Plans are underway to establish a comprehensive Sustainable Energy Management System (SEMS) in FY2022 to cover all sites including MSM Prai, the SBW and MSM Johor. This will involve a preliminary energy audit to ascertain the current overall energy management status. Subsequently, we will work on preparing the group-wide energy policy, establishing energy management organisation, establish the documentation system and targets as well as conduct audits to monitor the progress. We are targeting to achieve the Energy Management Gold Standard 1-star rating, awarded by ASEAN Energy Management Scheme by the second quarter of 2023.



### Solar Energy

Both MSM Prai and SBW are identified as viable locations to install the Solar Photovoltaic (PV) system. Preliminary visits to these sites have been conducted by interested vendors to ascertain the feasibility and capacity of the PV system. The estimated allowable capacity for MSM Prai and MSM SBW is up to the range of 2.3MWp and 0.7MWp, respectively.

Upon successful engagement of appropriate vendors via an open tender process, installation and commissioning is expected to be completed by the third quarter of 2022. We foresee a possible reduction of 10% of current purchased electricity cost.



### Biomass

Biomass is an alternative energy source which we are considering for our operations. Feasibility studies were conducted by consultant and experts in FY2020 to install a biomass plant at MSM Johor. The environmental effects of locating a biomass plant in the vicinity of a food grade plant was identified as a major concern, along with other logistics issues.

We are now studying the prospects of locating the biomass plant at an external site, and have initiated a joint study with FGV R&D on the prospects of utilising their resources to materialise the biomass plant using empty fruit bunch as the fuel source to commercially produce electricity and supply to the grid. Alternative renewable energy source such as biogas is also being discussed and considered for green energy.



The tables below provide an overview of our energy consumption via various energy sources:

|                            | 2019      | 2020      | 2021      |
|----------------------------|-----------|-----------|-----------|
| <b>Natural Gas (mmBTU)</b> | 4,858,897 | 4,704,522 | 4,013,625 |
| <b>Diesel (litres)</b>     | 360,800   | 604,551   | 1,225,054 |

*Note:*  
The diesel consumption is based on usage for the logistics fleet, forklifts, excavators and the generator sets. Since FY2021, diesel consumption at MSM Logistics has been tracked and included in our FY2021 data.

|  | 2019       | 2020       | 2021       |
|--|------------|------------|------------|
| <b>Own Generated Electricity Consumption (kWh)</b> | 86,232,467 | 72,345,310 | 55,556,395 |
| <b>Total Purchased Electricity (kWh)</b>           | 47,788,573 | 47,407,844 | 49,763,468 |

A 14.7% reduction in Natural Gas was recorded by MSM in FY2021, as compared to FY2020, as there was less consumption in MSM Johor due to its boiler breakdown issues. No data from MSM Perlis was also recorded during the year after its disposal in FY2021.

Diesel consumption was higher in FY2021 due to the inclusion of diesel consumption by the logistics fleet under MSM Logistics. This was not tracked in the previous years.

There was overall 23.21% reduction in Own Generated Electricity Consumption in FY2021 as a result of the breakdown of the boiler in MSM Johor in second quarter of 2021. The figure is also lower as there is no data from MSM Perlis in FY2021 after its disposal.



Further details on the boiler breakdown are discussed on page 82

Purchased Electricity consumption was higher by 4.9%. A high increase was recorded by MSM Johor in FY2021 as it was unable to generate its own electricity due to the boiler breakdown issues. There was also increase in demand and production in the other operating companies during the year.



Target



Activities

**Key Activities in 2021**

**Seek ways to optimise energy reduction throughout operations**

Embarked on feasibility studies on energy reduction initiatives such as biomass and solar panel installations



**Climate Change and GHG Emissions**

The impact of climate change presents a significant risk to MSM’s business as it introduces unpredictability in the supply of natural resources it depends on. We also see an opportunity in taking leadership of climate change initiatives as a global player in the sugar industry and therefore we have a strong determination to achieve carbon neutrality along with the ideals of Net Zero as we step up our sustainability journey. As part of our commitment to address climate change under our Group Sustainability Policy, we are actively making efforts and initiatives to minimise our climate change impact including reduction of Greenhouse Gas (GHG) emissions.

With MSM’s GCEO as a main member of the CEO Action Network (CAN), MSM will explore CAN’s agenda towards climate change objectives and a commitment towards playing its part in the global community to achieve SDG 13 on Climate Action as well as supporting Malaysia’s Nationally Determined Contribution (NDC) to the Paris Agreement to reduce GHG emissions by 45% by 2030. Through our participation and learnings from this network, this network, we hope to help steer the MSM Group towards an effective climate transition strategy, taking into account the need for financial stability, increased resilience and sustainability.

# ENVIRONMENT INITIATIVES

Concerted energy management plans such as the alternative energy initiatives, and improving on energy and production efficiencies across our operations need to be optimised to contribute to not just help us reduce costs but towards reducing our carbon footprint as well.

By FY2022, we intend to initiate a comprehensive review of our GHG inventory that would identify and capture key emissions from all entities across the Group that come directly under MSM's operational control as part of our upcoming Climate Action and Environment Protection initiatives. We intend to incorporate climate action measures into our business strategy and action plans, and will continue to adapt the way we conduct our businesses to avert the adverse impacts of climate change.

In FY2022, MSM will actively seek to join and participate with other organisations such as the United Nations Global Compact Network Malaysia and the Climate Governance Malaysia that support climate change related initiatives, to demonstrate MSM's support and commitment in mitigating climate-related risks. MSM is also considering alignment of our GHG emissions with commitments to the Science-Based Targets initiatives as well as aligning our disclosures to the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) in the near future.

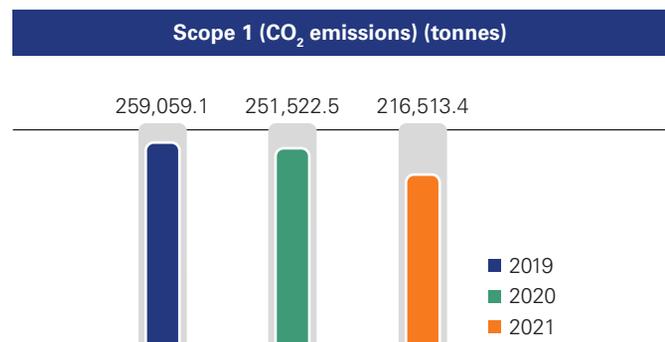
Review and update of GHG inventory

**Upcoming  
Climate  
Action  
Plan**

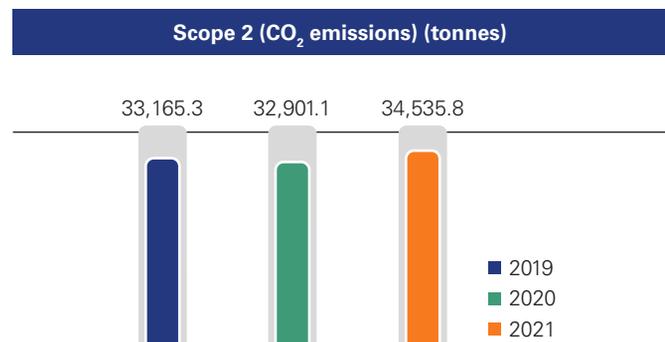
Commitment to reducing carbon emissions

## MSM's GHG Emissions

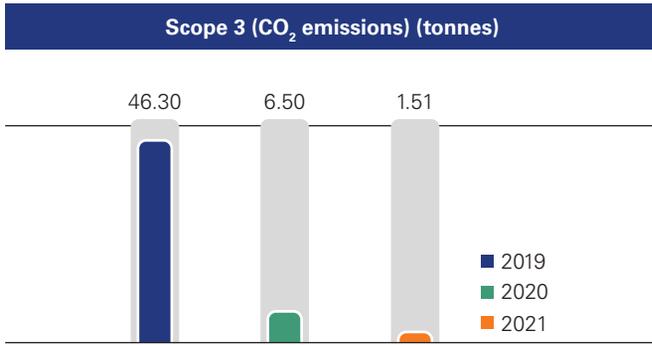
As we work to enhance our GHG inventory and develop a climate change framework, we are also assessing our standards on GHG disclosures to apply a consistent approach in consolidating our data. For this year's report, we compiled our GHG emissions data as follows:



Scope 1 includes direct GHG CO<sub>2</sub> emissions generated from our own generated electricity, diesel used for own production, logistics fleet and natural gas consumption. Scope 1 GHG CO<sub>2</sub> emissions reduced by 14% in FY2021 due to the reduction in natural gas usage and self-generated electricity in the production.



Scope 2 covers indirect GHG CO<sub>2</sub> emissions generated from total purchased electricity. Scope 2 GHG CO<sub>2</sub> emissions increased in FY2021 as MSM recorded an 5% rise in purchased electricity due to more intensive production during the year.



Scope 3 includes indirect GHG CO<sub>2</sub> emissions from business air travels. The limits posed on travel during the Movement Control orders, as well as Group-wide encouragement to choose teleconferencing, virtual meetings and car pooling alternatives, has contributed to the 77% reduction of air travel emissions during the year. Business Air Travel fell from 115 flights in FY2020 to only 46 in FY2021.

*Note:*  
Our calculation method for Scope 1 GHG emissions is based on the GHG protocol calculator - <https://ghgprotocol.org/ghg-emissions-calculation-tool>, while Scope 2 is based on <http://www.greentechmalaysia.my/carboncalculator/> and Scope 3 is based on the International Civil Aviation Organisation (ICAO).



**Future Forward Plans**

**Key activity: Seek ways to reduce GHG CO<sub>2</sub> emissions throughout our operations**

- Carry out product life cycle assessment to determine gross product’s carbon footprint
- Achieve ISO 14067 (Carbon Footprint), ISO 5001 (Energy Management) certification
- Reduce employees carbon footprint through job rotation for every plant
- Obtain green energy from a solar farm probably in 2025-2026 to offset 50% of TNB purchased electric
- Manage plastic waste more efficiently in tandem with Malaysia Plastics Sustainability Roadmap 2021-2030
- Continuously improve employees understanding of climate change and their roles via roadshows, training and campaigns



**EVERYONE IN MSM PLAYS AN ACTIVE ROLE IN BALANCING THE NEED BETWEEN BUSINESS OPERATIONS AND PRESERVING THE ENVIRONMENT. BY ENHANCING THE ESG FRAMEWORK WITHIN MSM GROUP, WE AIM TO BRING POSITIVE SUSTAINABILITY IMPACT THROUGH A WIDE RANGE OF INITIATIVES**

**MANGROVE TREE PLANTING**

In conjunction with the National Environment Day 2021 on 13 October, and as part of MSM’s step-up of our ESG framework, MSM Prai signed a Certificate of Collaboration (COC) with the Penang DOE, towards realising green initiatives in preserving and conserving the environment. This was accompanied by the launch of a Mangrove Tree Planting programme along the coastal mouth of a river from which the refinery draws water for cooling purposes.

A total of 700 mangrove saplings were planted alongside MSM Prai refinery to help rehabilitate the wider ecosystem and improve the surrounding environment scenic landscape. Ecological benefits include protection of water quality, stabilisation of the riverbank and protection of fish habitats. A hundred more saplings are to be planted as part of this activity. Mangrove trees are also known to absorb more carbon than other land-based forests so an increase in mangrove population mitigates climate change too.

The planting benefits MSM Prai’s refining operations as a denser network of mangrove roots can better filter sediments, heavy metals and other pollutants from entering the injection of water pump at the refinery, which is essential in maintaining the water quality.

A proper monitoring on the health and growth of the planted mangrove trees will be carried out to ensure the long-term viability and sustainable value of the programme.

# SOCIAL INITIATIVES



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Today, having steadfastly progressed our sustainability journey and continuously echoing our step-up commitment towards the ESG framework, we are progressing as 'Keluarga MSM', forging stronger ties with our communities and emerging in the radar of investors beyond Malaysia.

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MSM is mindful that well-run operations cascade a multitude of positive impacts through society. Sustainable businesses strengthen the national economy and meet societal needs. Since our establishment, MSM has contributed towards national socio-economic development. The Group's steadfast expansion into activities throughout the sugar value chain provides employment opportunities, expands business possibilities for local vendors as well as supports the development of secondary industries. MSM has also taken responsibility in shaping a progressive and sustainable economic landscape by ensuring accountability and transparency in procurement activities, and complying with relevant quality standards.

Through organisational excellence and recognised brand value, MSM aims to deliver greater returns for our shareholders, drive better benefits for our employees, satisfy consumer demands, create more opportunities for our vendors and enable greater contributions to the community.

## 2021 Social Step-Ups



Sustainable raw sugar sources



Vendors and suppliers subscribing to shared values and practices



Welfare and well-being of employees (including COVID-19 SOPs)



Skilling and Employment Opportunity Programmes



Charity and education via wakalah and CSR budget



Youth support e.g. Prodigy programme in alleviating graduate unemployment



Diversity and Women Empowerment



Fair Labour Practices



Improve communities' socio-economy



Staff volunteerism

# SOCIAL INITIATIVES



## SDG 8 DECENT WORK AND ECONOMIC GROWTH



## SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

### ECONOMIC IMPACT

MSM Group's aspiration to grow market share domestically and on the export front is anchored on quality operations that optimises long-term stakeholder value and maintains the highest standard of food safety and quality. It is vital for us to achieve sustainable economic excellence by operating in a safe and environmentally sustainable manner with integrity and transparent business practices within a challenging business landscape.



### Economic Performance

In FY2021, MSM recorded total revenue of RM2.3 billion due to better operational performance and the disposal of MSM Perlis. Profit after tax amounted to RM125.35 million and a dividend payout of 3.0 sen per share is offered to our shareholders.

MSM's economic values generated, retained and distributed by the Group for the year ended 31 December 2021 are as follows:

Economic Value Generated<sup>(a)</sup> RM2.42 billion

Economic Value Distributed<sup>(b)</sup> RM2.29 billion

Economic Value Retained<sup>(c)</sup> RM125.35 million

#### Notes:

(a) Refers to the revenues and other income generated by MSM.

(b) Refers to operating costs, employee wages, payments to providers of capital, payments to government and community investments.

(c) Refers to Economic Value Generated minus Economic Value Distributed.



Further details of MSM's economic performance can be found in the Financial Statements of this Annual Integrated Report

2021

2020





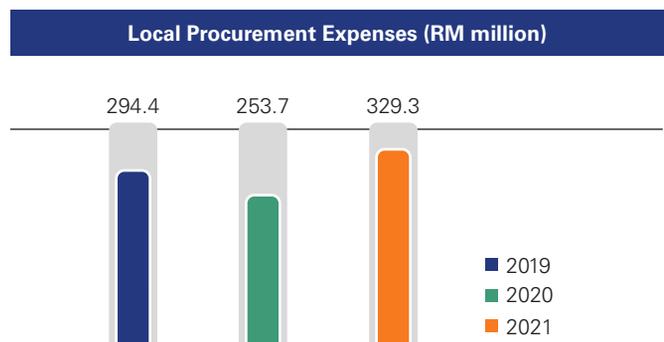
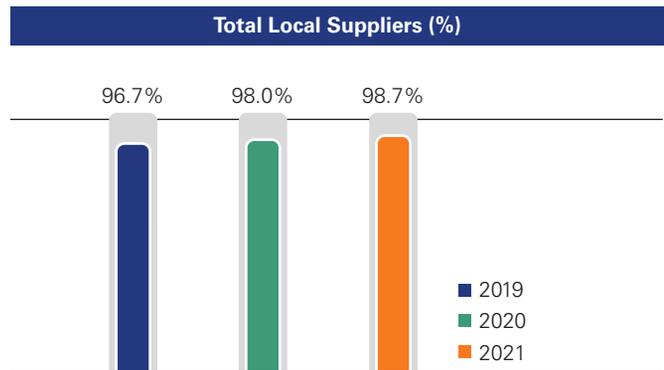
**Procurement Practices**

MSM is committed to ethical procurement practices that ensure a sustainable value chain to improve traceability of raw materials sourced, utilised and distributed. The Group Procurement Policy sets out procurement principles based on efficiency, effectiveness, transparency and accountability, internal control, best value, vendor performance, open competition and smart partnership.

We register our vendors, under the system managed by the FGV Group Procurement, based on their commitment to responsible practices and employment rights, safety, quality and sustainability. We monitor the performance of our vendors and business partners via the vendor performance evaluation process to assess their performance at a standard level and maintain a strong vendor base with competitive price and high quality service levels. However, purchase of raw materials or commodities for production of goods sold (for example: raw sugar, refined sugar, cocoa) are excluded and are not managed through this vendor registration system.

All our vendor relationships are based on principles of good governance without conflict of interest and zero tolerance towards bribery and corruption. Our procurement process supports fair and equal treatment of all suppliers and business partners and separation of technical and commercial assessments. This is accompanied by clear communication on any new policies, guidelines and disclosures to our vendors and business partners to ensure smooth collaboration.

Where possible, MSM employs locally based vendors and suppliers to play our national role in supporting a stable local economy. Procurement expenses from local vendors was RM329 million in FY2021, an increase from FY2020.



*The data tracked on the local suppliers and the local procurement expenses referred to in the above diagrams apply to suppliers in Malaysia only. It excludes the raw materials procurement for the production and items or services related to the supply chain.*



# SOCIAL INITIATIVES

## Supplier Management process

| Supplier Selection Process                       | Contracting Process                       |
|--|---|
| Market Survey<br>✓                               | Supplier Selection<br>✓                   |
| Screening<br>✓                                   | Specification Design<br>✓                 |
| Evaluation Criteria<br>(including ESG data)<br>✓ | Tender Evaluation and<br>Negotiation<br>✓ |
| Manpower<br>✓                                    | Contract Award<br>✓                       |
| Experience<br>✓                                  | Supplier Performance<br>Assessment        |
| Price  |   |



**In December 2021, MSM concluded an agreement with Wilmar, a Singapore-based agrobusiness company for MSM to participate in a Sustainable Sugar Programme, based on a No Deforestation, No Peat and No Exploitation (NDPE) Policy. Under the Sustainable Sugar Programme, we aim to collaborate with Wilmar to establish a sustainable sugar supply chain and to participate in sourcing raw sugar that meet sustainability requirements as we continuously strive towards ethical sourcing practices and a supply chain free of deforestation and conflict. This collaboration demonstrates MSM's and Wilmar's commitment to protect the environment, labour and communities while promoting progress in operational efficiencies and best practices. We expect to actively roll out this programme in FY2022.**

## OPERATIONAL PERFORMANCE



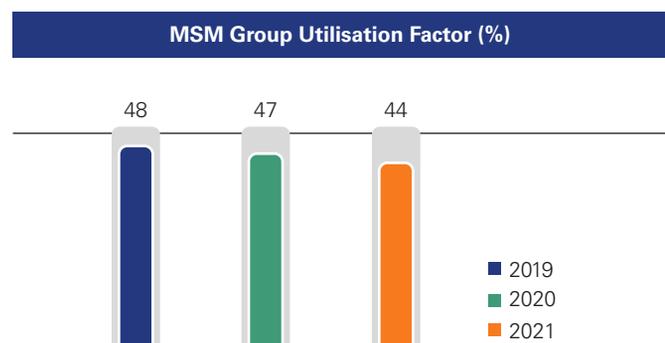
### Plant Efficiencies

The Utilisation Factor (UF) of our plants measure the efficiencies achieved during the year under review. This is impacted by scheduled maintenance to upgrade operational efficiencies as well as unexpected disruptions due to equipment breakdowns or plant closures. For higher plant reliability and efficiency, we strive to ensure our scheduled maintenance and plant upgrades, where required, are on track during the year.

However, in FY2021, MSM Johor's UF was hampered when it lost 65 days of operations in the first half of 2021 due to a breakdown of boilers. Though MSM Prai's plant also experienced a shutdown in June due to detected COVID-19 cases, the period was much shorter and the plant still delivered on yield expectations.

The Group took the opportunity to conduct annual shutdown maintenance and extensive production and reliability improvement programme for MSM Johor during its extended shutdown period.

To improve yield performance in MSM Johor, we consulted an external consultant to propose process optimisation improvements. Yield performance is important to determine how much raw sugar is used to generate the final product as well how much raw sugar is lost during production.





Key Activities in 2021

MSM Prai

**Improve Utilisation Factor**

Proactive steps were implemented at all operational locations to avoid business disruption and ensure the supply of sugar to consumers was not interrupted

**Improve Yield Performance of >96.6%**

Continuous efforts by production team in sustaining yield above 96.5% and minimise sugar losses throughout the refining process

MSM Johor

**Improve Utilisation Factor**

Task team on Ramp Up was established to execute improvements towards increasing production capability. A third party i.e Sugar Specialists was engaged for technical consultation on the refinery's overall process optimisation

**Improve Yield Performance**

MSM Johor's production capabilities in Liquid Sugar and Flavoured Syrups was completed as part of the momentum to step up creation of value added products and optimise on the plant's capacity and capability. Task team on Yield Improvement was established to focus on maximising output as well as minimising sugar losses.

MSM Johor achieved a yield performance rate of 91% in FY2021.

SERVICE & PRODUCT QUALITY



**MSM IS CAPABLE OF PRODUCING COCA-COLA SPECIFICATION SUGAR, AND MEETING STANDARDS SET BY JAKIM HALAL CERTIFICATION STANDARDS OF MALAYSIA, MS1500:2009, FOOD SAFETY SYSTEM CERTIFICATION (FSSC 22000 - MANUFACTURING), HAZARD ANALYSIS AND CRITICAL CONTROL POINT (HACCP) CERTIFICATIONS AND GOOD MANUFACTURING PRACTICES, AMONGST OTHERS THAT ARE RELEVANT TO THE INDUSTRY.**

Quoted in The Edge Markets 7 January 2022



Product Quality

MSM's key competitive strength has always been our consistent delivery of the highest quality of sugar products to our customers, both locally and abroad. As established under our Food Safety Policy, we are committed to provide the safest and highest quality standards preferred by our customers, and comply to all relevant laws and regulations. We have in place a Halal Policy to ensure that we produce halal sugar products in accordance with the all the relevant statutory and regulatory requirements. Our management periodically reviews the Group's established quality objectives to ensure its suitability, adequacy and opportunity for continual improvement.

This has built our market leading position for our Gula Prai brand - the number one best-selling sugar brand in Malaysia, and 3<sup>rd</sup> brand listed among the nation's top FMCG products (based on Kantar's Brand Footprint 2021). Our key suppliers are certified to supply quality materials as part of complying with rigorous quality inspection standards. In line with industry expectations for transparency and accountability, the certifications are clearly displayed on our sugar packaging and the MSM website for easy identification and reference.

Systematic efforts are taken to address health and safety across the lifecycle of our products. We have in place a comprehensive spectrum of product quality processes and controls by certified bodies which are audited on an annual basis. These are regularly monitored through performance indicators that drive continuous improvement and are in line with industry expectations for transparency and accountability.

# SOCIAL INITIATIVES

Our refineries are constantly audited to ensure that our processes are in full compliance and certified with the following:

- Quality Management System (ISO 9001:2015)
- Food Safety System Certification (FSSC 22000 - Manufacturing)
- Food Safety Management System (ISO 22000)
- Good Manufacturing Practice (GMP) *\*For MSM Johor only*
- Hazard Analysis and Critical Control Point (HACCP) Certification from the Ministry of Health, Malaysia

As a global exporter, MSM complies with international standards such as the Halal and Kosher certifications. All our products are:

- Halal-certified under Halal Jabatan Kemajuan Islam Malaysia (JAKIM)
- Kosher-certified by the London Beth Din Kashrut Division



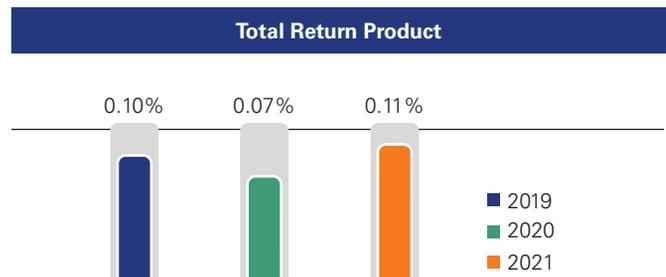
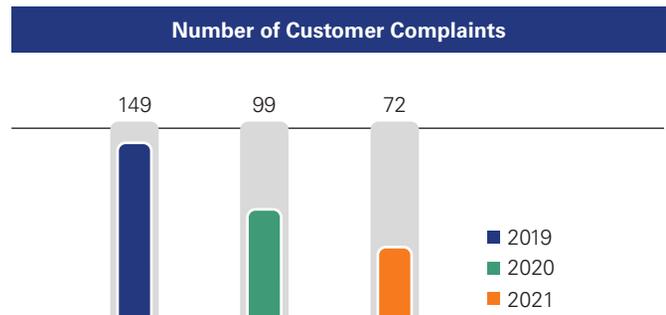
Full list of certifications available on page 26

**Based on the audits and with the relevant certifications in place, we did not encounter any incidents of non-compliance with the regulations and the standards on the health and safety of the products during the reporting year.**

We provide a range of feedback channels for our customers such as our corporate website, official phone line, email and social media channels. During the reporting year, our Group CEO visited key customers to obtain customer feedback from the ground, fostering closer ties as well as adding a personal touch in the relationship with the customer. Customer survey forms are also provided by our sales representatives to collect customer feedback based on the quality of the products, availability of stock, performance of delivery, image of company, ease to do business, and after sales service given against services provided by other competitors.

The Group is dedicated to reviewing and responding to all customer feedback, including product or service-related complaints. Any received complaint will be investigated once details are received which include batch code, sugar grade, quantity affected and request for sample for investigation.

In FY2021, the total number of customer complaints reduced from FY2020. Generally, we receive complaints from our customers on packaging or process related issues which are addressed promptly. The percentage of return product was on par with the previous year, sustained at a lower level than in FY2019.



Note:

Total return product (%) is computed based on total return product out of total sales.



Target



Activities

## Key Activities in 2021



**We managed to maintain the target for returned product as per previous years.**



Thorough quality checks are conducted before the product is delivered to the customer, and every complaint from the customer will be investigated to make sure that all orders are fulfilled successfully



**Gula Prai was ranked 3<sup>rd</sup> most chosen Fast-Moving Consumer Goods (FMCG) brands in Malaysia for FY2020 after Nestle's brands, Maggi and Milo.**

Source: Kantar's Asia Brand Footprint 2021



**SDG 1**  
NO POVERTY



**SDG 3**  
GOOD HEALTH AND  
WELL-BEING



**SDG 4**  
QUALITY EDUCATION



**SDG 5**  
GENDER EQUALITY



**SDG 8**  
DECENT WORK AND  
ECONOMIC GROWTH

**TALENT MANAGEMENT AND  
COMMUNITY EMPOWERMENT**



**STRENGTHENING HUMAN AND SOCIAL CAPITAL, MSM GROUP IS COMMITTED TO BUILD AND EMPOWER THE EMPLOYEES THROUGH JOB CREATION, UPGRADING OF SKILLS, ACCESS TO EDUCATION AND OVERALL ENHANCEMENT OF LIVELIHOOD. WE ALSO CONTINUALLY SEEK OPPORTUNITIES TO CONSULT AND ALIGN WITH THE INTERESTS OF LOCAL COMMUNITIES.**

Extract from MSM Group Sustainability Policy

As a responsible employer, MSM upholds the principles of fair wages and non-discrimination and is committed to equality, talent development and employee welfare. We value our employees as the drivers of our growth and development and provide equal opportunity in recruitment and career growth regardless of race, caste, gender, religion, age, physical condition, marital status, union membership or political affiliation. We define the way we work, interact and respond based on the following values and all employees are encouraged to embody the Group's SWIIT values in their daily activities:

- S** ▶ Sense of Belonging
- W** ▶ Winning Attitude
- I** ▶ Integrity
- I** ▶ Innovation
- T** ▶ Teamwork

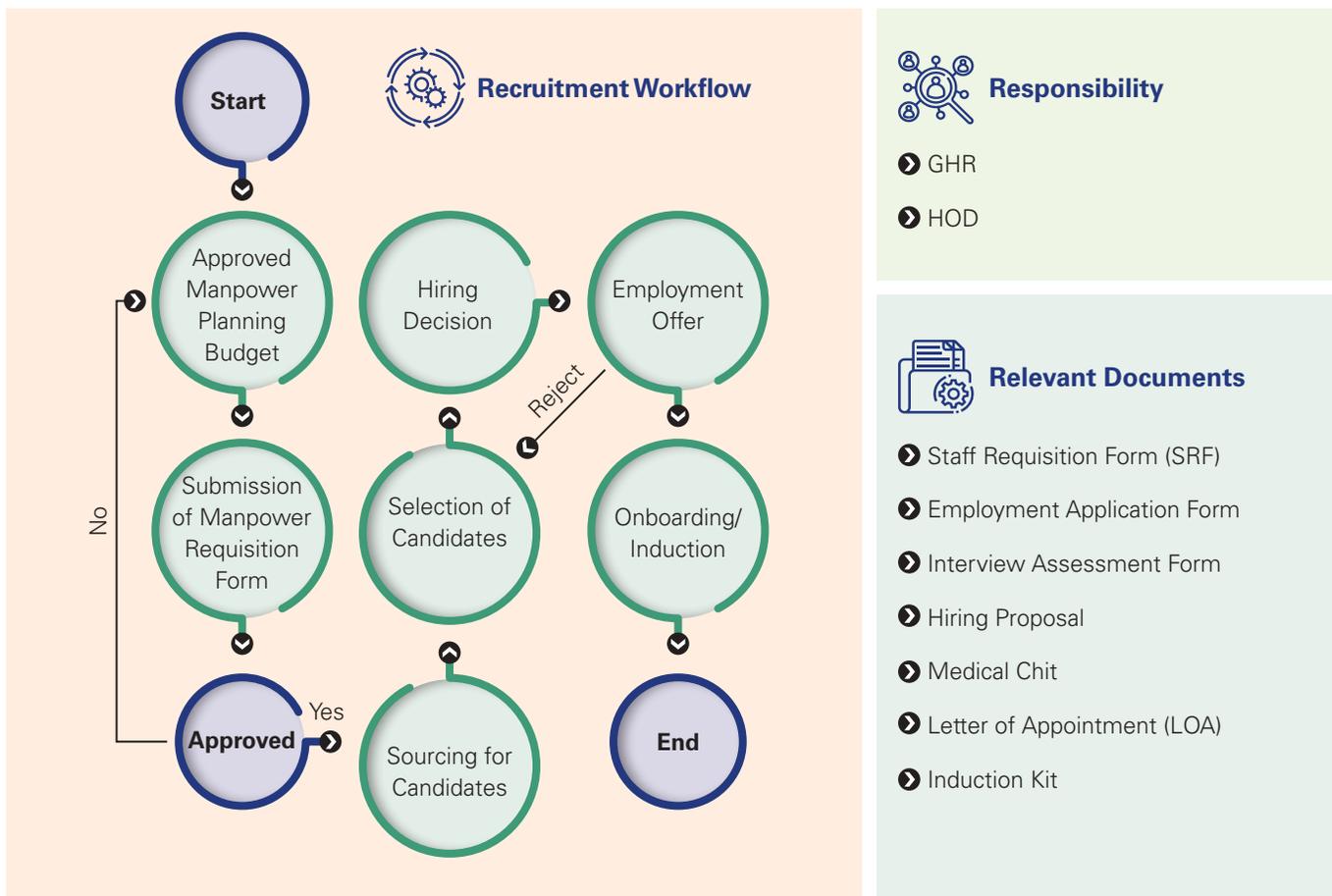


# SOCIAL INITIATIVES

In FY2021, MSM hired 153 new employees and has 1,033 employees working in different capacities within the Group. We constantly review our recruitment, promotion and remuneration principles to ensure they are aligned to industry standards, local laws and regulations. In all our recruitment offers we strive to provide salary and remuneration packages competitive with the market.

Our Recruitment Policy provides a sound framework to attract best talents available, and use the most effective methods to select, hire and assign the right person for the role. The recruitment process starts with proper manpower planning, to the sourcing and selection of candidates. This Policy applies to permanent employees, being in full-time or in contractual senior positions.

In FY2021, the Group actively and successfully recruited individuals in strategic roles with expertise in ESG and Digitalisation to ensure we have the right expertise and team to progress sustainably. These included a Senior Manager and Digital Scientist for Digitalisation, and an Assistant Manager for ESG projects.



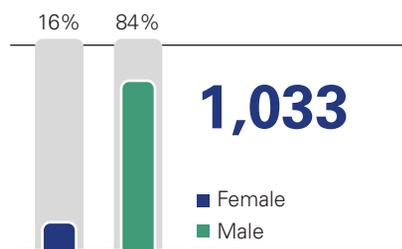
We engage third party contract workers including migrant workers, who make up a part of our workforce involved in the processing and warehousing activities in our operations. To ensure our commitment to fair labour practices, we are exploring to align our labour policies and practices with third party labour associations and external social audits in the near future.

Our employment policies and procedures are also encompassed in the Executive Employee Handbook, Training Policy, Learning & Development Policy and the Code of Business Ethics and Conduct (CoBCE). These policies cover relationships under which work is performed, the extent work is performed as well as issues of discrimination, compensation, promotion, privacy and human resource development. These policies and procedures are made available on the intranet and some are available in both English and Bahasa Malaysia for all employees to access and read.

**MSM's Workforce Profile**

**Total Employees**

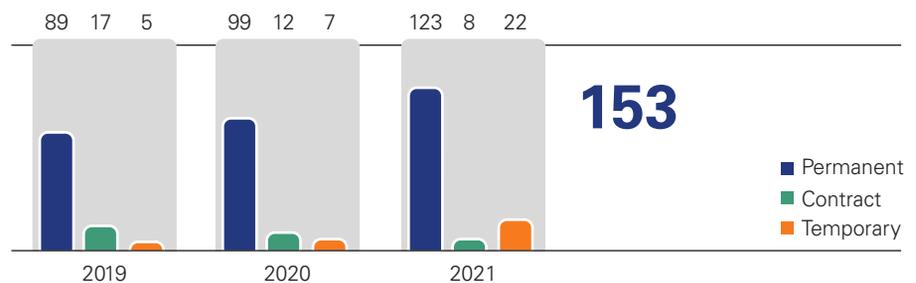
Total number of employees in FY2021



*Note:*  
Employees refer to employed individuals of MSM Holdings, MSM Prai (including SBW operations), MSM Johor, and MSM Logistics.

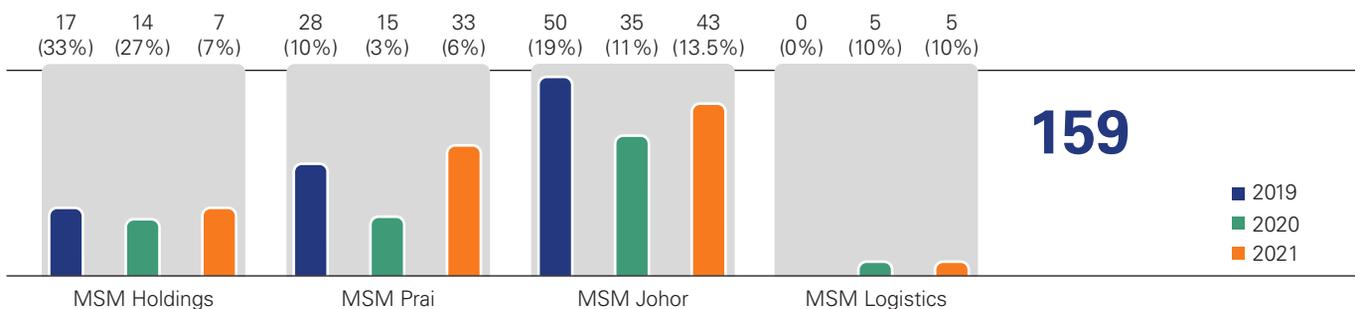
**New Employee Hires**

Total number of new employee hires in FY2021



**Employee Turnover**

Total number of turnovers in FY2021



*Note:*  
Total employee turnover includes retrenchment due to cessation of MSM Perlis operations.

# SOCIAL INITIATIVES



## Employee Value Proposition

In times of need, MSM commits to look after the welfare of our employees as a responsible and caring employer and in line with MSM's value of "People First". In FY2021, employee welfare and benefits were focused on employees to ensure they were supported through the unprecedented impacts of the pandemic. Initiatives included upgrade in medical insurance, food baskets delivered to staff undergoing home quarantine, back-to-school assistance for non-executive officers, financial assistance through zakat wakalah as well as funds for sports and healthy lifestyle activities. MSM also extended assistance to staff affected by the major flash floods in December 2021, with financial assistance, cleaning services and courtesy leave. In this case, MSM even established a rapid task force comprised of People Partner and HSES representatives, to monitor, communicate and aid our employees' situation closely with established hotlines of contact persons at any time required.

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**To retain our employees and nurture loyalty, we offer a value proposition of being part of an extended family which we describe as "Keluarga MSM". Treating our employees as family, we continuously improve the quality of benefits for permanent employees, and extend welfare support beyond the conventional. Regular engagement activities are prioritised throughout the year through townhalls and to kickstart the respective Sports Clubs and recreational activities in our operations (with the uplifting of the COVID-19 restrictions) to build a shared sense of purpose and camaraderie.**

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**Key Welfare and Benefits for 'Keluarga MSM'**



**Maternity and Paternity Leave**

**60** employees benefitted in FY2021



**Special Two months financial assistance for non-executive employees**

September and November 2021:  
**639** non-executive employees

Total contributed:  
**RM766,800**



**Medical Care Insurance**

Upgrade of medical care insurance introduced in FY2021:

- ✓ Room and board upgrade
- ✓ Annual limit increase
- ✓ Extended coverage to working spouse



**Back to School subsistence for children of low-income employees**

Payout in December 2021  
**RM59,000** for **259** eligible staff

Primary: **RM100** per child  
Secondary: **RM150** per child



**Emergency Relief Aid**

Total amount extended to employee affected by December 2021 flash flood:

**RM3,000**

Total amount extended to employee whose house was destroyed in a fire:

**RM3,000**

Total amount extended to employee for medical treatment of premature child:

**RM18,815**



**Sports and healthy lifestyle funds**

Sports Club Budget

MSM Johor **RM20,000**

MSM Prai **RM20,000**

Sungai Buloh Warehouse (SBW):  
**RM10,000**

A **Foldies Cycling Club** was established at MSM Holdings in FY2021 for Folding bicycle enthusiasts within the MSM Group.



**Family care for deceased employees**

Financial contribution of **60** times base salary to beneficiary

In FY2021, in the case of employee deceased due to COVID-19, MSM initiated an unprecedented employment offer to the child of the deceased breadwinner.



**Food and PPE subsidy to employees undergoing COVID quarantine**

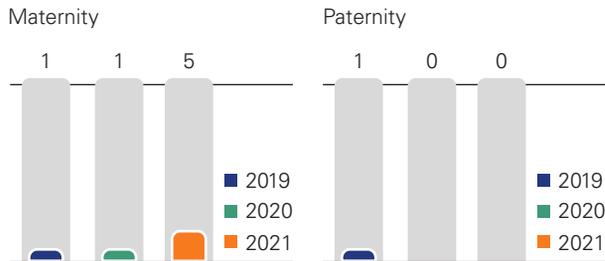
Subsidy in FY2020 during first MCO up to 12 May 2020 totalled **RM356,000**

Subsidy in FY2021 (up to October 2021) amounted to  
**RM168,756** (MSM Prai)  
**RM121,202** (MSM Johor)

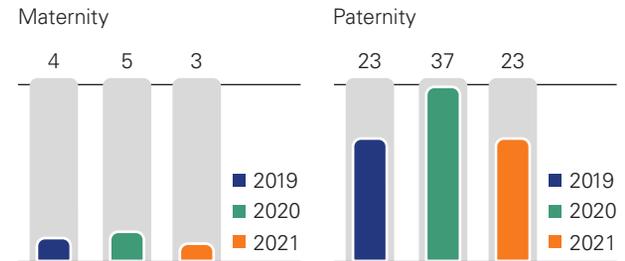
# SOCIAL INITIATIVES

## No of Employees Returning to Work after Maternity & Paternity Leave

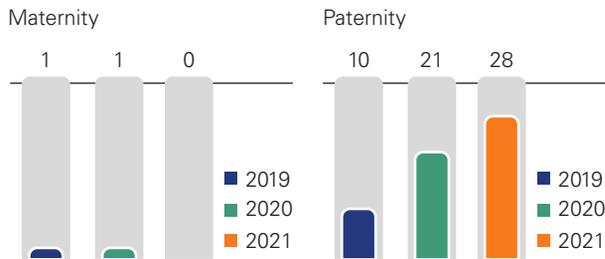
### MSM Holdings



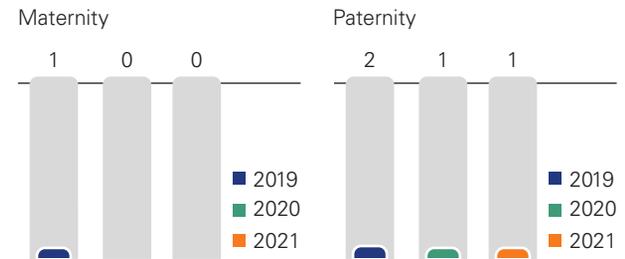
### MSM Prai



### MSM Johor



### MSM Logistics



## Diversity & Equal Opportunity

MSM is committed to a safe and inclusive workplace that embraces and promotes diversity and equal opportunity. Our Employee Handbook, outlines an overview and summary of MSM's HR policies and procedures which includes clear guidelines towards nurturing a workplace that is fair, inclusive and free from all forms of discrimination and sexual harassment. Our policies also offer both maternity and paternity leave as part of our employee welfare benefits.

We recognise workforce diversity as an organisational strength and competitive advantage in retaining and attracting the best people to improve our business performance. We value, respect and leverage the unique contributions of people with diverse backgrounds, experiences and perspectives to enhance understanding of the needs of our customers and provide innovative solutions and exceptional customer service to an equally diverse community.

Towards this end, we have also established feedback channels for employees to raise concerns, identify amiable solutions and report instances where they feel violated, disrespected

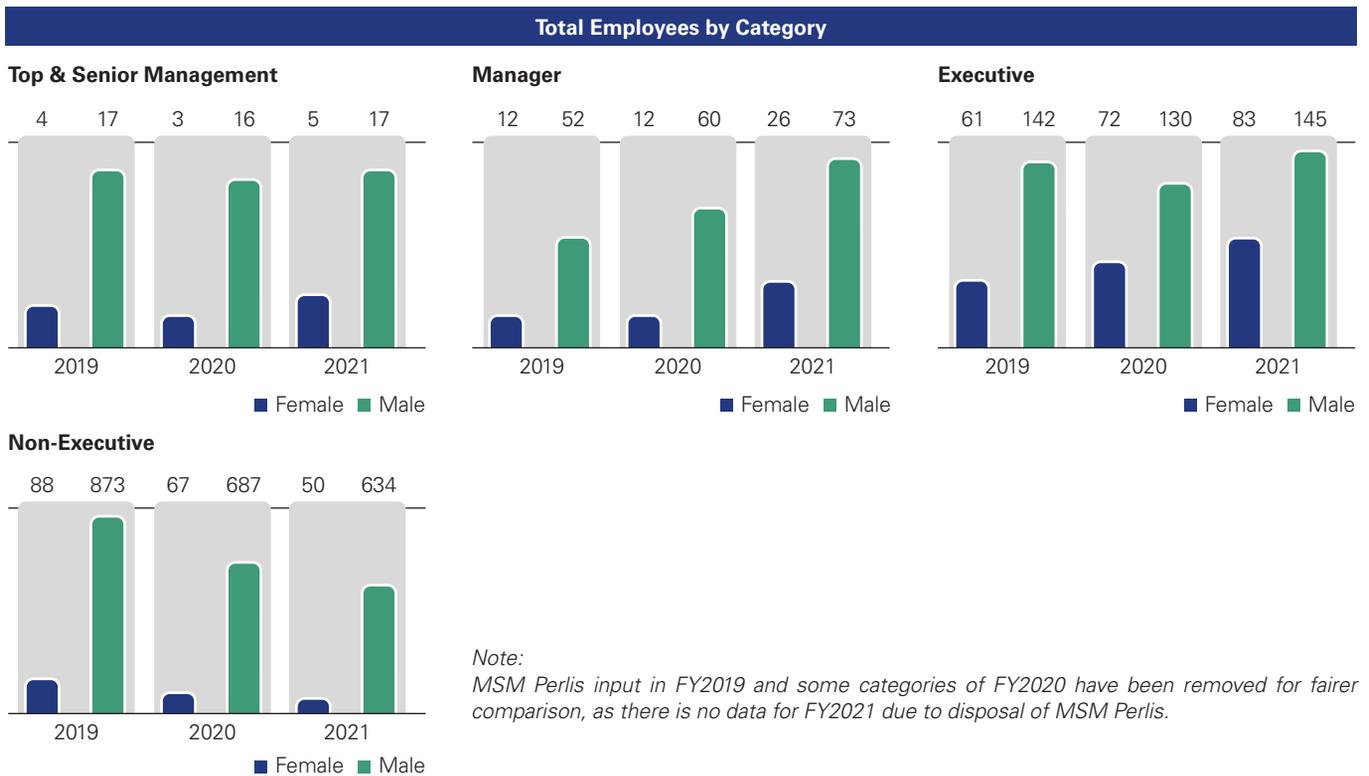
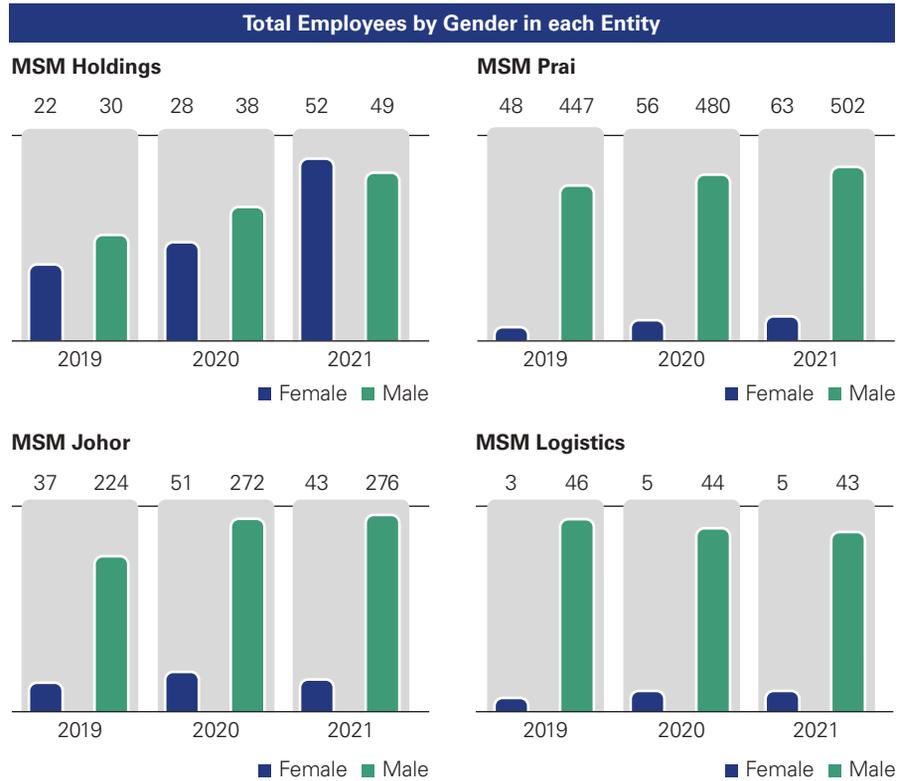
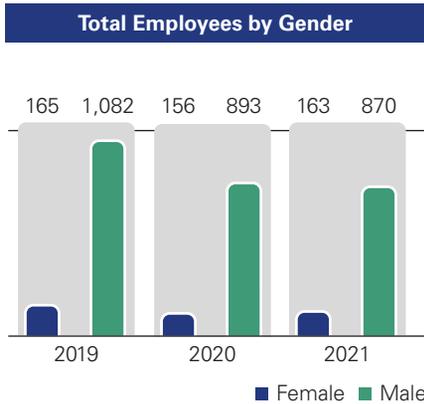
or treated unfairly via grievance mechanism established under the Employee Handbook. As part of our Whistleblowing Policy, we have in place a structured grievance and complaints framework to encourage employees to report these potential violations without fear of reprisal.



Further details on our Whistleblowing Policy and mechanism are highlighted in the Governance topic of this Annual Integrated Report on page 180

Though MSM's workforce within our refineries tends to be male dominated, in light of factory, machinery and work shift demands; we are on a journey to balance out gender diversity from executive level onwards. Towards this end, in FY2021:

- MSM introduced the Executive Committee (EXCO) with the inclusion of one female representative making up 14% of the gender ratio. This move is a step forward in recognising the growing contribution of women in MSM.
- We recorded a 3.4:1 male to female ratio at Top Senior Management level compared to 5:1 in FY2020.
- At Manager level ratio for FY2021 is 2.8:1 compared to 5:1 in FY2020.



Note:  
MSM Perlis input in FY2019 and some categories of FY2020 have been removed for fairer comparison, as there is no data for FY2021 due to disposal of MSM Perlis.

# SOCIAL INITIATIVES

## Trade Union

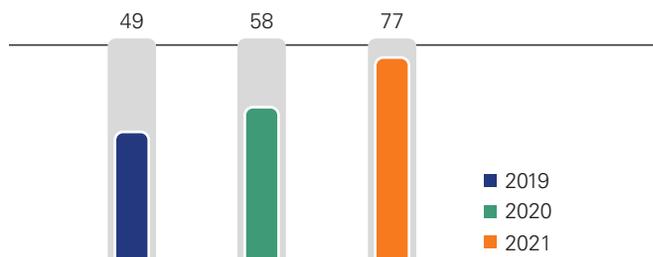


**THE GROUP RESPECTS THE RIGHTS OF EMPLOYEES AND WORKERS TO JOIN AND FORM ASSOCIATIONS OF THEIR OWN CHOICE AND TO BARGAIN COLLECTIVELY SUBJECT TO THE PROVISIONS OF RELEVANT REGIONAL OR NATIONAL LEGISLATIONS.**

MSM supports the employees right to exercise freedom of association and collective bargaining with unions as expressed under the Group Sustainability Policy. Employees of MSM Prai have established an internal union since 1973 while employees of MSM Johor are members of a national union, which was recently formed in FY2021.

We have worked to establish the collective bargaining agreement (CBA) with the union at MSM Prai, representing our employees. The CBA is the result of an extensive negotiation process between the parties regarding topics such as wages, hours, and terms and conditions of employment. MSM Prai signed and successfully renewed their CBA with their internal union in December 2021. MSM Prai has maintained good relationship with its union members throughout the years with no major grievances raised. As the trade union was only recently formed in MSM Johor, MSM Johor is in the midst of negotiating acceptable terms for a fresh CBA with its trade union.

Employees Covered by the CBA



As of 31 December 2021, the CBA negotiation for MSM Johor is yet ongoing.



Target



Activities

### Key Activities in 2021

**Forge a stronger alliance and renew CBA with MSM Prai employees' union**

MSM Prai's management engaged with the union at least once a month throughout FY2021 with renewal of CBA signed in December 2021



### Talent Development

MSM has established a Learning and Development Policy to improve employee performance by committing to raise the capabilities of our employees and provide them with opportunities to participate in training and development activities.

Types of training offered to employees range from sessions to upgrade individual skills towards improved performance to a variety of training courses for technical, non-technical and leadership programmes. There are various platforms available to meet individual training needs, such as online learning using the LinkedIn Learning platform, in-house training addressing fire-fighting, first aid, emergency response and other ad hoc, external and internal training courses are also available upon request or recommendations from the managers.

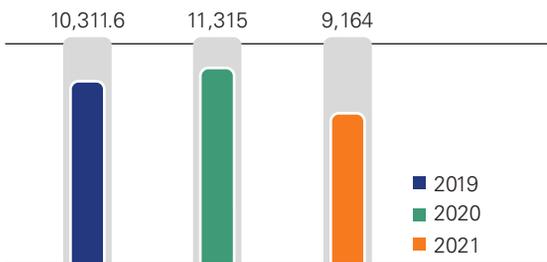
A talent pool of loyal and skilled employees is vital to our future expansion plans. In building loyalty and workforce strength, we have established a Staff Mobility programme anchored on staff training and development for career progression and organisational effectiveness.

This enables accelerated learning curves for new employees. MSM also employs local graduate trainees under the Graduate Management Trainee Programme. With on-job engineering and management training, our graduate trainees are quickly upskilled to allow for ready deployment when required.

Onboarding training is provided for new employees to inculcate them into the Group's philosophy, vision, guiding principles, culture, policies, procedures and focus on safety.

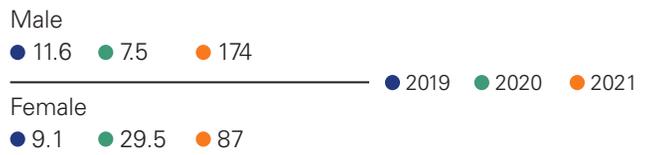
Regular performance reviews are held to appraise employee performance and identify training needs required to enhance the personal development and skill sets of MSM employees.

### Total Number of Training Hours

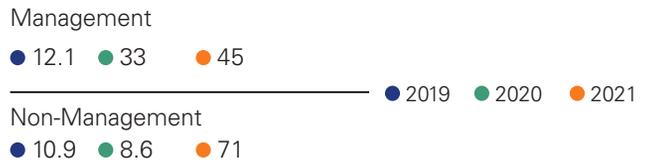


### Average Training Hours by Gender & Employee Category

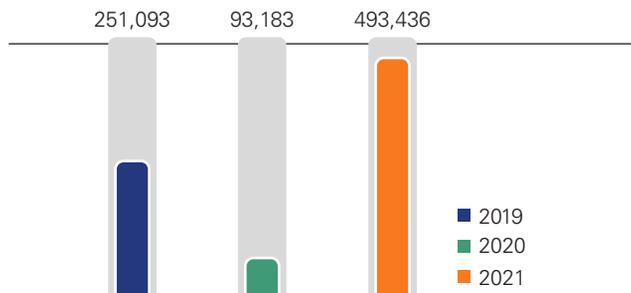
#### By Gender (Hours)



#### By Employee Category (Hours)



### Total Spent on Training & Development (RM)



# SOCIAL INITIATIVES

## Nurturing Future Leaders

MSM is passionate about promoting educational and employment opportunities for the youth. Towards alleviating the current issues of graduate unemployment caused by the current economic situation, MSM launched its Prodigy Programme in FY2021 as a way to give back to the community and nurture better future leaders. This is a six months structured experiential learning and career development programme that provides selected graduates a platform for continuous development via on-the-job training, soft skills training, and expert coaching to improve their future marketability and opportunities. At the end of the programme, successful Prodigy candidates also stand a chance to be absorbed as full-time MSM employees.

In nurturing the potential of future talent, MSM Prai contributed RM209,721 of its zakat and wakalah towards offering three worthy underprivileged students post-graduate ACCA Scholarships that can ensure their future career success.

**MSM's Prodigy Programme in FY2021** provided **14 candidates** a platform for continuous development via on-the-job training, soft skills training, and expert coaching to improve their **future marketability and opportunities**. At the end of the programme, successful Prodigy candidates stand a chance to be absorbed as **full-time MSM employees**.



## ANIS NABIHAH

Food Technology Graduate from UiTM Shah Alam

Assigned to the Packaging Process Department at MSM SBW.

After several unsuccessful attempts in securing a job upon graduation, Anis was thankful to receive the offer to join MSM as a Prodigy. The packaging process is a new experience for Anis and a good opportunity for her to extend her knowledge on end-to-end food line processing.



**IT WAS DIFFICULT TO FIND A JOB DURING THE PANDEMIC PERIOD AND I AM VERY THANKFUL FOR MY OPPORTUNITY AS A PRODIGY TO EXPAND MY KNOWLEDGE AND EXPERIENCE WITH MSM. I WAS SO EXCITED TO GET A CHANCE TO VISIT MSM JOHOR. SEEING THE WHOLE SUGAR PACKING PROCESS WAS A VALUABLE EYE-OPENING EXPERIENCE.**



### Life philosophy

There is no turning back. Life must go on!



## NURUL AIN

Economics graduate from the University of Manchester, United Kingdom

Attached to MSM's Corporate Strategy and Investor Relations Department.

For Nurul Ain getting chance to work in MSM is like a stepping stone for her since it was difficult for her to secure a job due to the COVID-19 outbreak. MSM is a company that she knows well through the well-known Gula Prai brand of sugar that she grew up with.



**I HAVE LEARNT SO MUCH UP TO THIS POINT AND AM DELIGHTED TO SEE WHAT THE NEAR FUTURE WILL LOOK LIKE FOR ME AFTER THIS PRODIGY PROGRAMME.**



### Life philosophy

Take risks and get out of your comfort zone!



## KAMEL AFLAH

Bachelor of Business Administration (Hons.) Finance graduate from UiTM

Attached to MSM's Group Finance Department.

Kamel Aflah chose to join MSM's Prodigy Programme because he wanted to have entry-level training across multiple sectors of a business that would allow him to develop greater knowledge of the industry and gain wide skillsets and experiences.



**I WANT TO LEARN FROM THE GROUND LEVEL AND SLOWLY CLIMB UP THE LADDER TO ACHIEVE MY FUTURE CAREER GOALS.**



### Life philosophy

Everything must take time to create the best results.

# SOCIAL INITIATIVES



## Labour Standards and Best Practices

Human rights issues are embedded into MSM's corporate practices, manuals and policies and include key areas covering social performance, safety, human resources and contracting and procurement. In accordance with the Group Sustainability Policy, MSM recognises its responsibilities to respect and aspires to meet the requirements of human rights of its employees and workers as expressed in the Universal Declaration for Human Rights, the United Nations Guiding Principles on Business and Human Rights and International Labour Organisation Core Conventions. As a responsible organisation, we adhere to Malaysian Employment Laws, that amongst other requirements, ensures fair minimum wages and fair working hours. The Group Sustainability Policy provides for MSM to continuously monitor recruitment process to ensure no incidents of forced, bonded, compulsory or child labour occurs in its operating units.

MSM will not condone any irregularities in this aspect and moving forward, MSM is exploring ways to strengthen its labour standards and aims to seek guidance in any areas of improvement by involvement in initiatives or commitments with frameworks or associations relating to fair labour standards.

During the reporting year, there were no incidences of any non-compliance of labour standards involving the Group.



## Industry Memberships

As a member of recognised industry-led federations such as Malaysian Employers Federation (MEF) and the Federation of Malaysian Manufacturers (FMM), MSM engages with various stakeholders including our supply chain, regulators and policy makers, government, as well as our peers across various sectors to forge partnerships that are committed to responsible business practices and sustainable development.

MEF is the central organisation of private sector employers in Malaysia recognised nationally, regionally and internationally. Established in 1959, MEF promotes and safeguards the rights and interests of employers with services that include advising on industrial relations issues and workplace practices assisting them to meet their statutory Labour and Industrial Relations obligations.

FMM, since its establishment in 1968, has consistently led Malaysian manufacturers in spearheading the nation's growth and modernisation. FMM represents over 3,500 manufacturing and industrial service companies of varying sizes and is the officially recognised and acknowledged voice of the industry.

In January 2022, Tuan Syed Feizal Syed Mohammad, Group Chief Executive Officer of MSM Malaysia Holdings Berhad was accepted as one of the 54 members of CEO Action Network or CAN, a peer-to-peer informal network of CEOs and Board members focused on sustainability advocacy, capacity building and performance. Through a dedicated Working Group, Workstreams and active members driving bespoke initiatives, CAN aspires to catalyse its members towards future-ready and ESG-integrated business models and ecosystems.

MSM has confirmed our active participation in two of the workstreams, Policy Advocacy and Awareness & Capacity Building. In the process, we will exchange industry best practices, and share proven strategies and future-proof ideas with CAN participants. MSM is currently assessing our position to be able to join other CAN members to pledge and publicly announce 14 Collective Commitments to be achieved under three categories, namely environment, people and governance by FY2023 or within 3 years of signing up with CAN. In our next report, we will outline our progress as well as the specific initiatives rolled-out to drive tangible outcomes from our collaborative efforts.



### Uplifting the Community

MSM engages with local communities through steadfast commitment to aid the disadvantaged and underprivileged through contributions of sugar essentials, financial aid and volunteerism. In optimising our impact, we actively collaborate and support existing programmes with various government agencies, welfare institutions and Non-Governmental Organisations (NGOs).

MSM’s guiding principle for sponsorships and donations, as stated in its Sponsorship and Donations Policy, emphasises on enhancement of humanity, including considerations on risks and opportunities to the economy, environment and society. Activities deemed suitable for achieving and granting sponsorships or donations are:



### Corporate Contributions in 2021



Sponsorship & Donations  
**RM127,148**



Zakat & Wakalah Contributions  
**RM307,252**



Volunteer Hours  
**1,693**

### CSR Sponsorship

In FY2021, MSM contributed more than 27,000kg of sugar products to aid communities and employees impacted by COVID-19 pandemic and flood disasters. MSM also contributed cash and in-kind to various CSR programmes in collaboration with local government agencies and NGOs; providing support and assistance to underprivileged segments of society and victims of natural disasters. A contribution was also made to Wakaf Felda Foundation which caters to the welfare of over 2,000,000 FELDA settlers and to the public at large. During the flash floods in December 2021, MSM extended assistance of over 5,000kg of Gula Prai refined sugar to the Yayasan Food Bank Malaysia to be distributed to flood victims in the Klang Valley, Pahang, Kelantan and Terengganu through several temporary relief centres. A further 483kg was also handed over to Masjid Al Madaniah, USJ 18 in Selangor, which helped 281 families of all races and religions, affected by the floods.



# SOCIAL INITIATIVES

## Zakat & Wakalah

At MSM, we view our zakat and wakalah contributions as a fundamental way in which we can contribute towards uplifting "Keluarga MSM" in need and underprivileged members of our community. Zakat or alms giving is based on the Islamic principle that Muslims should ease the economic burden of the less fortunate by sharing our earnings and wealth.



## Assistance & Volunteerism

MSM encourages employees to engage in programmes and activities to help uplift marginalised groups and provide avenues of engagement on how our employees can assist communities. As in FY2020, our progress on this front in FY2021 has been quite restricted due to the MCO lockdowns. Despite that, MSM Prai employees continued to chalk up 1,264 man-hours performing volunteer services to clean up a community park in Taman Tunku, Seberang Prai, helping at community PPV centres, and providing cleaning and sanitisation for the local library in Kampung Manis. The park clean-up is an annual commitment based on MSM Prai's ongoing Community Programme with Seberang Prai Municipal Council, established since 2013. As per the previous year, activities included maintaining the cleanliness of the recreational public park, mowing the lawn, as well as cleaning the area and its facilities.

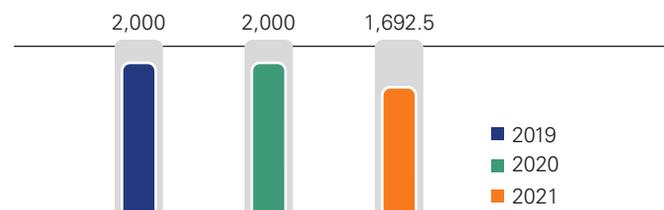
A key highlight for FY2021 on the volunteerism front was a further collaboration by MSM Prai with the Penang Department of Environment, in conjunction with the National Environment Day 2021, enabling green initiatives in preserving and conserving the environment. To date this covers participation in an e-waste recycling campaign and mangrove replanting with community partners.

Towards the end of FY2021, employees of SBW volunteered services to their nearby community for flood relief assistance, food contribution and disinfection of a home and a surau.

Taking up the mantle of volunteerism, teams from MSM Holdings Berhad have also stepped up, the Legal Affairs team volunteered with Free Tree Society at both its Bangsar and Taman Tugu nurseries and collaborated with CGRM to contribute to the planting of 25 trees at the Lower Kinabatangan Wildlife Sanctuary. This is done through APE Malaysia's R.O.A.R initiative. The Group Finance team organised food distribution for the homeless at Pusat Transit Gelandangan KL and participated in a plogging activity at Taman Tasik Titiwangsa.

At MSM Johor, five volunteers also helped purchase, pack and deliver meals and hand sanitisers to 70 hardworking frontliners on duty at a Vaccination Centre as part of the company's CSR activity.

### Volunteer Hours (Man-Hours)



#### Note:

Previously, hours measured only covered MSM Prai's volunteer hours. From FY2022, the Group has started tracking volunteer activities of staff at MSM Holdings too. Volunteer hours of staff from MSM Johor are not tracked yet.

### Mangrove Tree Planting

As part of a strategic collaboration between Penang DOE and Penang Inshore Fisherman Welfare Association (PIFWA), MSM Prai initiated a mangrove tree planting event towards conservation of a wide ecosystem including protecting water quality, stabilising the riverbank, and fostering the fish habitat which is a source of livelihood for the local fishery sector. A fishing community is located directly across the refinery and thus the well-being of the mangrove ecosystem is essential for their livelihood. This is a long-term programme whereby quarterly maintenance (every three months) will be conducted. To date, 700 saplings have been planted, and a hundred more are being planned.

Through this collaboration, MSM Prai has forged a stronger relationship with local fishermen and the DOE by showing our commitment to work in partnership to improve our care for the environment and the surrounding community.



### Promotion of National Unity Campaign

Deciding to uplift brand awareness with community wellbeing, MSM launched a “Janji...Gula Peket Hijau” campaign that flooded public media channels and social media through advertisements during Merdeka and Hari Malaysia. Advertisements promoting “Unity” with the sweetness of our Gula Prai products showcased and celebrated all Malaysian states and all dialects. This is planned as an 18-month programme that will continue until December 2022.



# SOCIAL INITIATIVES



**SDG 3**  
GOOD HEALTH AND WELL-BEING



**SDG 8**  
DECENT WORK AND ECONOMIC GROWTH

## OCCUPATIONAL HEALTH & SAFETY PERFORMANCE

MSM Group is committed to providing a healthy and safe working environment and actively driving accident prevention efforts across all our operations. MSM's group safety approach aims to create a no-harm, risk-free working environment for all our employees and for anyone working at or visiting our premises. We believe that taking care of people is fundamental to the success of the business. To achieve this, we operate with a set of standards, including principles and processes, while encouraging a culture of respect and compliance.

We view health and safety at our facilities as a crucial enabler to ensure the Group's long-term growth, as any hold-ups in operations due to a failure in health and safety requirements ultimately contributes negatively to our bottom line. **NO HARM TO ANYONE AT MSM**, is our goal to create a no-harm-to-anyone working environment at MSM companies. We commit to do whatever is necessary to eliminate accidents at the workplace.

Towards achieving this, MSM has an established Safety and Health management system that priorities high standards of occupational safety and health for our employees and third parties in line with our

Occupational Health and Safety Standards. These adhere to international and local health and safety industry standards by fulfilling the requirements with the Occupational Safety and Health Act 1994 and Factory & Machinery Act 1967.

The Group is fully committed to ensuring the organisation is able to provide a safe, conducive and healthy workplace by preventing work-related injuries, near-misses, and occupational ill health by proactively enhancing and further improving occupational safety and health processes and performance.

### Goals and Aspirations

Our goals are simply stated. No accidents, no harm to people, and no damage to the environment. We will operate our facilities safely and reliably, and care for all those on our sites or impacted by our activities. Everybody who works for any MSM company is responsible for getting HSSE right. The health, safety and security of everyone who works for us are critical to the success of our business. We will continue to mitigate the environmental and health impact of our operations by reducing waste, emissions and discharge, and using energy efficiently. We will produce quality products that can be used safely by our customers.



Below are few of our key initiatives for FY2021 to achieve our objective of **'NO HARM TO ANYONE AT MSM'**:

### U See U ACT

Implemented at all our locations in the course of FY2021, and this is reflected in the safety numbers of FY2021. There is a significant decrease in the number of incidents that might result in a potential fatality in a context of high-risk related activities. That is exactly where the U SEE U ACT focuses on. The safety incident rate dropped by 24% in FY2021, compared with FY2020.

### Enhanced on Permit to Work Implementation

A Permit to Work is an on-the-job document that authorises specified people to carry out non-routine hazardous work that is not described in a standard operating procedure. We have a Group-wide standard procedure Permit to Work that all plants need to follow. Examples of activities that require a Permit to Work are, among others, working at height, working in a confined space, and energised electrical work.

### Implementation of Safety Toolbox Talk

Safety toolbox talk was implemented at all MSM locations. Toolbox talk is an informal way to educate workers overall about safety, and is the easiest way to ensure that employees are taught to recognise and avoid unsafe conditions in their work environment. Toolbox talks are focused on a particular safety issue, and are meant to raise awareness for workers to keep safety top of mind. They also help our employees stay compliant to OSHA and Occupational Health and Safety. Toolbox Talks are the easiest way to ensure that your employees are taught to recognise and avoid unsafe conditions in their work environment.

### Hand Safety Campaign

Injuries related to hands and fingers represent the highest number of accident reports at MSM Group, and are often hard to fix and heal. As hands are critical to everyday life and work tasks, MSM introduced a Hand Safety Campaign in FY2021 to highlight the importance of avoiding hand injuries by wearing the right gloves for the job.

The campaign was launched by the Group HSES of MSM at all MSM locations. The campaign reminded all employees on the importance of protecting our hands while at work, and building a culture of prevention in the workplace so that everyone can work in a safe environment.

MSM Prai is currently restructuring and improving the existing Hand Safety campaign by initiating a "I Glove You" programme. This programme will emphasise the importance of wearing proper PPE to protect our employees' hands. "I Glove You" is scheduled to be launched on April 2022 and will involve employees from all departments.

### ISO 45001 Certification

A Surveillance Upgrading Audit - Standard: ISO 45001:2018 was held at MSM Prai and SBW as an additional site. The audit was conducted from 25 till 29 October 2021 by SIRIM QAS International Sdn Bhd.

Since the above exercise was done during the COVID-19 pandemic, the new normals applied. The audit was conducted online as a Remote Audit. Eventually both MSM Prai and SBW were issued with ISO 45001 certification by SIRIM QAS International as our Occupational Health and Safety management system met all required compliances.

Meanwhile, MSM Johor successfully completed the 1<sup>st</sup> and 2<sup>nd</sup> stage audit and now awaits pending issuance of ISO 45001 certification.

MSM's team is fully committed to ensure the organisation is able to provide a safe, conducive and healthy workplace by preventing work-related injuries, near-misses and occupational ill health by actively enhancing and further improving our OH&S performance.

# SOCIAL INITIATIVES

## Restructured Health, Safety, Environment & Security Department

MSM has improved the existing safety reporting structure by establishing Health, Safety, Environment and Security (HSES) as a new department at Group level, monitoring safety and health issues across all locations. A HSES Lead was appointed to monitor all HSES procedures and the department recommends Group-wide strategies to avoid accidents and safety hazards and drive health and safety action plans.

The HSES Department reports to the Head of Group Health, Safety, Environment & Security and Quality (Group HSES&Q). This restructuring provides more synergy and oversight for an improved safety culture.



## HSES & Quality (HSES&Q)

Our occupational health and safety performance is managed by the Group HSES&Q Committee. There are 21 members in the committee in Johor, Prai has about 25 members and SBW has its own HSE committee too.

The Group HSES&Q Committee maintains a continuous monitoring, measurement and reporting cycle of HSES&Q performance to create a standardised ecosystem of health and safety awareness for operations to follow through for consistent practices. The Group is determined to further enhance the safety culture and systems across all our operations and influence cultural change with our contractors to prevent incidents.

Our process of shared incident information across the Group, including shared corrective and preventative actions and positive confirmation of actions, strengthens our mitigation of risks. It is further supported by recognised investigative techniques to address and mitigate causes through corrective and preventative actions, for significant actual and potential incidents.

Each MSM subsidiary has its own HSE and Safety & Health Committee, headed by a Chairman, at their respective sites. Employees from various departments, Trade Union representatives, and contractors also participate in the Safety and Health Committee meetings at the

operations level. The primary purpose of this committee is to facilitate cooperation between departments, managers, and employees to identify, address, and resolve health and safety concerns.

The Monthly Safety performance for each location will be reported through the HSES dashboard to Group HSES&Q and this will be followed with presentations to the EXCO members during monthly exco meetings.

Safety awareness is a constant realisation that every employee should have at all times. It involves being constantly aware of how they are working, and being able to recognise the hazards they face. Safety awareness is absolutely essential in mitigating safety-related risks. MSM Safety awareness programmes are communicated through monthly newsletters, safety inductions, HSE meetings, Daily Toolbox talk, townhall messages via the whatsapp platform.

## Processes on Reporting, Identification & Eliminating Work-Related Hazards

A structured framework of responsibility has been put in place to manage occupational health services' functions that contribute to the identification and elimination of hazards and minimisation of risks at our refineries. MSM ensures the quality of these services and facilitates workers' access to them. The following list provides an overview of the responsibilities and tasks in place to minimise work-related hazard risks in our operations:

### Workplace conditions

We monitor workplace conditions such as noise, dust and temperature, and are defining and implementing a roadmap to make further improvements. Our new investments take into account strict standards with regards to all working conditions.

### Handling and storing chemicals

Throughout the company, we pay special attention to the safe handling and storage of chemicals. A database records all chemicals used in our plants and strict health and safety guidelines apply to our employees. Employees who are exposed to potentially hazardous materials go through a medical check-up once a year. We are developing and optimising techniques and processes that eliminate the need for hazardous chemicals for the operations.

### Environmental compliance

In line with the ISO 14001 requirements, a company-wide process for lifecycle (3R) management has been developed. The process aims to identify potentially significant environmental impacts in the entire supply chain and considering all the stages of the lifecycle of our finished products and how to address them in an appropriate way.

Systemised processes are used to identify work-related hazards and assess risks on a routine and non-routine basis. A hierarchy of controls are then applied in order to eliminate hazards and minimise risks, including how the organisation ensures the quality of these processes as well as the competency of persons who carry them out as follows:

- ✓ Safety and Health Officer (SHO) Monthly Report - The Mechanism for capturing what is happening on site so that safety teams, engineers and management can understand what is happening and make decisions on how and what to improve
- ✓ Safety & Health Committee Workplace Inspection - The workplace is inspected to identify potential hazards by the committee
- ✓ Conduct Hazard Identification, Risk Assessment & Risk Control (HIRARC) - To identify potential hazards in a company to assess the probability of an accident or financial loss
- ✓ Safety Toolbox Talk - An informal safety meeting that is part of an organisation-wide safety programme

The following lists the processes for workers to report work-related hazards and hazardous situations:

- ✓ Submission of U SEE US ACT to HSES&Q Department upon any findings of unsafe acts, conditions or near-miss accidents
- ✓ Highlight during Safety and Health Committee Meeting
- ✓ Highlight any new risks, new hazards or any safety issues during Safety Toolbox Session
- ✓ Employee to directly or verbally raise any issue to HSES&Q personnel

The findings and results from these processes are used to evaluate and continually improve the occupational health and safety management practices through the following methods:

- ✓ Discuss in weekly meeting with Group Chief Operating Officer (GCOO)
- ✓ The inspection findings will be communicated to the person in-charge through email for corrective action to mitigate the risk
- ✓ Conduct Hazard Identification, Risk Assessment & Risk Control (HIRARC) - To identify potential hazards in a company to assess the probability of an accident or financial loss
- ✓ All the Permit to Work (PTW) will be recorded and shared to all HOD and person in-charge for better monitoring

# SOCIAL INITIATIVES

## Incident Reporting & Mitigation

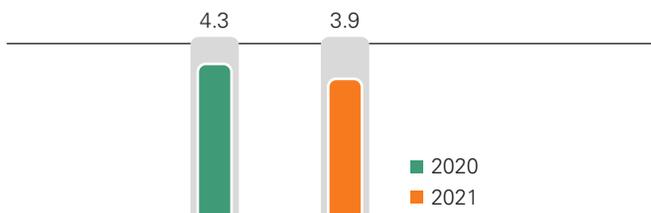
In cases of accidents or incidents leading to injuries or fatalities, steps are taken to immediately investigate and then disclose the following:

-  Investigations and findings of reported incidents
-  Actions taken following reported incidents

In FY2021, we made an impressive breakthrough in safety performance. The efforts and dedication to improve safety have been successful. While every accident or life-altering risk that occurs on our premises is one too many, we are proud of the progress we have made with our teams.

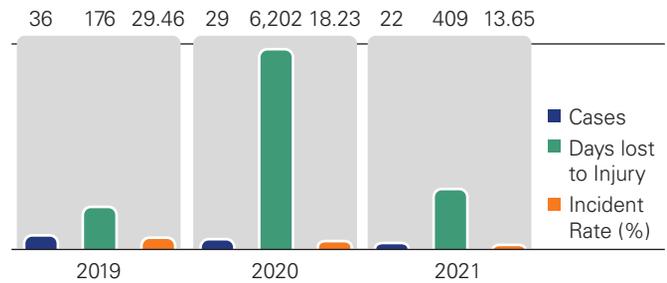
- In FY2021, MSM achieved a lower Lost-Time Incident Frequency Rate as compared to FY2020.
- The Lost-Time Incident Frequency Rate was decreased from 4.3% to 3.9% lower than last year, driven by the reduction in incidents that led to lost time.
- The number of cases decreased by 24% from FY2020, of which one work-related contractor fatality was recorded.

### Lost-time incident rate (LTIR)



Note:  
LTIR is calculated by number of lost time injuries x 1,000,000 divided by employees' total hours worked.

## Accident Statistics



## Training & Awareness

In order to keep abreast with current regulatory requirements and equip employees with new skills, various training programmes are offered for our employees and contractors to carry out their respective tasks safely and effectively.

### Areas of Training

### Training Programmes

#### Emergency Preparedness Trainings

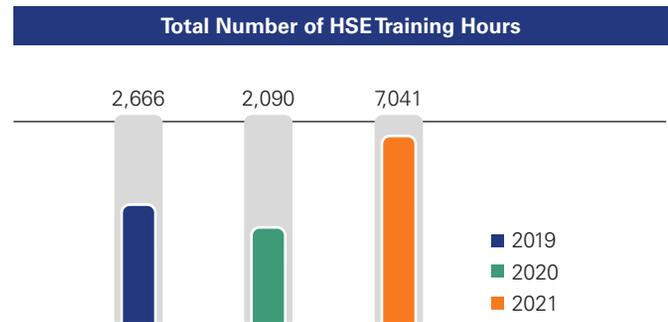
- Refresher SCBA Training
- Mock Drill Spillage
- Fire Drill
- Hose Drill

#### HSE Awareness & Trainings

- Permit-to-Work (PTW) System
- Safety Induction Training on PPE
- Chemical Awareness Training
- Housekeeping & Cleanliness S.O.P
- Working at Height
- Scheduled Waste Management
- Welding Safety
- HIRARC Training
- Handling Hot Water Washing
- "U See U Act"
- Forklift Safety
- MKN S.O.P My Sejahtera & Health Declaration Internal Training

| Areas of Training                    | Training Programmes  |
|--------------------------------------|--|
| <b>Competency Trainings</b>          | <ul style="list-style-type: none"> <li>Forklift Driver Competency Training</li> <li>How To Install &amp; Dismantle The Modular Scaffolding Type</li> </ul> |
| <b>Emergency Response Team (ERT)</b> | <ul style="list-style-type: none"> <li>'Line Of Fire' Training</li> <li>'Hand Safety' Training</li> <li>First Aid Training</li> </ul>                      |
| <b>Noise Pollution Control</b>       | <ul style="list-style-type: none"> <li>Noise Risk Assessment</li> </ul>  |

In FY2021, a majority of MSM employees and contractors attended the training modules and programmes (listed on the left) conducted across the Group. Over 7,000 HSE training hours were conducted during the reporting year.



# SOCIAL INITIATIVES



## HSE Activities, Initiatives and Campaigns

MSM constantly carries out and promotes activities aimed at preventing work injuries from occurring and the creation of a safe and healthy work environment.

### 2021 HSE Activities

#### **"No Harm to Anyone at MSM".**

**"U See U Act"** - a channel for employees of MSM Prai and MSM Johor to report the following via Google forms:

- Unsafe Acts
- Unsafe Conditions
- Near-Misses

**Hand Safety Campaign** - to tackle issues related to hand safety based on inspections and audits on routine practice and machinery used inside the operations area.

#### **Addressing COVID-19 with mitigation action plan.**

- Developed COVID-19 SOPs
- Weekly RTK test
- Workplace sanitisation
- Health Talk for Vaccination Awareness
- COVID-19 Vaccination Awareness
- PIKAS Vaccination Programme

**Emergency Preparedness & Response**

- Close working relationship with surrounding local agencies, fire department and nearby hospital facilities.
- MSM Prai has an on-site clinic at Prai with a full-time nurse available.
- MSM Johor established a clinic with medical support and facilities available during working hours to deal with any medical emergencies. The appointment of a doctor and nurse is ongoing, pending negotiations with the Vendor.
- Defibrillator provided on site.
- Training is provided for the ERP team to ensure that they are First-Aid certified.

*Note: List of training is provided on previous page.*

**Promoting Employee Health & Healthy Lifestyles**

- As part of the DOSH requirements, pre-employment and annual tests for eye and ear by an OHD (Occupational Health Doctor) are carried out.
- Stress Relieve Tips on HSES&Q newsletters to promote mental health and well-being.
- Foldies Cycling Club in MSM Holdings to encourage a healthy and fit lifestyle.
- Revival of Sports Club activities in MSM Prai and MSM Johor as restrictions slowly eased up.

It goes without saying that we don't ever want fatalities or accidents with life-altering injuries to occur. We are proud to see the impact of the many safety trainings, awareness campaigns, safety standards and risk assessments on our safety results. We will continue our efforts in making MSM a safe place to work.



**Target**



**Activities**

**Key Activities in 2021**



**Strengthen the safety culture across MSM Group through awareness programmes and training**



7,041 hours of HSE training and awareness conducted across the Group

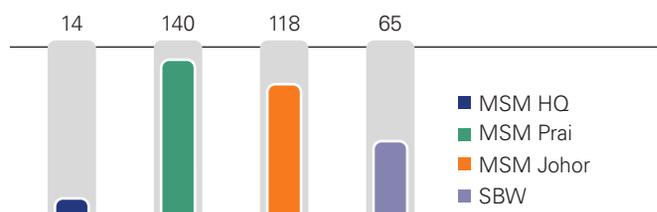
# SOCIAL INITIATIVES



## Enhancing COVID-19 Management

Last year the MSM Group lost four co-workers as a result of COVID-19. Though all were contracted through community and not on site, MSM Prai faced a week-long closure to avoid any spread of the virus at site. This exemplified to the Group the importance in steadfastly enhancing COVID-19 management to safeguard our operating procedures.

### Total Positive Cases as at 31 December 2021



Note:

Total number of cases include employees and contractors.

|              | Recovered  | Deceased |
|--------------|------------|----------|
| MSM HQ       | 14         | 0        |
| MSM Prai     | 136        | 4        |
| MSM Johor    | 118        | 0        |
| SBW          | 65         | 0        |
| <b>Total</b> | <b>333</b> | <b>4</b> |

With tireless and continuous efforts in ensuring and protecting the employees health and working environment, the Management continued to invest in ways to curb positive cases of COVID-19 and at the same time protect the workforce of MSM. Some of these initiative and measures surpass requirements set by the authority (MITI).



## COVID-19 SOPs and Additional Measures Taken

### 1 Appointing Medical Doctors and Healthcare Nurses for Daily Screening and Entrance Control

A team of medical doctors and health nurses have been appointed to conduct screening of all workers before they enter the factory. This is to ensure that employees who come to work are in good health and fit to work. The below categories of employees are not allowed to come in and work:

- ▶ Body temperature of more than 37.5°C
- ▶ Shows any sign of symptoms i.e. fever, cough, sore throat, headache, stomachache, flu
- ▶ MySejahtera status is not updated everyday
- ▶ MySejahtera status shows MEDIUM or HIGH RISK (Only LOW RISK status are allowed)

Those with the above symptoms are not ALLOWED and will be required to visit a clinic and get medically checked. They will then be advised to stay at home and return to work only when they are free from the above symptoms or illness.

## 2

**RTK-Antigen Swab Test**

RTK Antigen Swab Tests are conducted almost on a daily basis for all suspected cases with symptoms, and immediately for close contacts. It is also conducted for all the employees on a weekly basis. This is to ensure that any positive carriers can be traced and eliminated at the earliest stage, and close contact tracing can be done immediately.

## 5

**Face Mask**

Every month, a box of face masks is provided to all employees including contract workers. The Safety and Health team monitors the compliance for both the wearing of face mask and face shield.



## 3

**Sanitisation and Disinfection by External Party**

An external party has been engaged to conduct sanitisation and disinfection at all the common areas of MSM work sites. This is conducted monthly at MSM headquarters, and three times per week at our refineries, without fail, to ensure a safe workplace for all employees and contract workers. Sanitisation at surrounding areas outside the refineries are also conducted three times a week.

## 6

**Hand Sanitisers**

Hand sanitisers are provided at every entry point of the factory, toilets, meeting rooms and common places.



## 4

**Daily Sanitisation by Every Department and Employees**

Hand sanitisers and sanitiser spray guns are made available to all departments for daily sanitisation and records are kept to ensure this is executed.



## 7

**Physical Distancing and Online Meetings**

Physical distancing is very well managed by the Security team to ensure no physical touching occurs at any time.

Face to face meetings are not encouraged and only Online meetings are allowed. This is to avoid physical contacts and being in a confined space.

All meeting rooms are also reduced in capacity and extra chairs are removed or strapped to strictly avoid any unauthorised usage.

# SOCIAL INITIATIVES

## GUIDELINES BEFORE ENTERING MSM GROUP'S PREMISES

1

All staff, contractors and visitors who enter MSM premises must **always wear a face mask**



2

All staff, contractors and visitors entering MSM premises must comply with **1 meter physical distancing**



3

Self-report, record attendance and **check body temperature** at the guard house



4

Check in using **MySejahtera**



5

Fill in Google form **'Health Declaration Form'** for company references



6

Always **wash your hands** using soap or hand sanitiser provided



**STOP  
COVID-19!**



# GOVERNANCE INITIATIVES



We will always be connected with ESG when we conduct our business. In protecting stakeholders interests, decent returns must be provided with proper risk management and governance. These are prerequisites for value creation, trustworthiness and for access to capital.

MSM's Group Sustainability Policy ensures that MSM integrates holistic sustainability approaches in its business strategies and decision making as recommended in the Malaysian Code on Corporate Governance 2021 (MCCG 2021), and in compliance with Bursa's provisions relating to sustainability disclosures and reporting.

## 2021 Governance Focus and Step-Ups



**Review and update procedures and controls adequacy**



**Integrity Pledge and awareness programmes**



**Anti-Bribery and Anti-Corruption practices**



**Improve transparency and disclosures**



**Development of Organisational Corruption Plan**

# GOVERNANCE INITIATIVES



## SDG 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

### GOVERNANCE

A continuous effort on embedding good governance and inculcating a culture of high integrity are priorities. MSM Group's turnaround plan focuses on a high performance culture anchored on governance and integrity. It is everyone's role to ensure proper governance, integrity and adopting best practices at all times to ensure our success and safeguard our businesses. Strong and adequate controls have been put in place to manage all aspects of our business and ensure that our employees feel supported to do the right thing.

The Board anchors the Group's strong corporate governance culture to support sustainable and successful execution of MSM's strategy and strengthen trust and confidence among our investors and stakeholders. The Board's Audit Governance & Risk Committee (AGRC) supports the Board in fulfilling its statutory and fiduciary responsibilities, especially in the areas of financial reporting, governance, risk management

and sustainability practices. In FY2021, we have strengthened our Board and governance structures through the appointment of two new members. They are:



**Nik Fazila Nik Mohamed Shihabuddin**  
appointed on 18 October 2021



**Azman Ahmad**  
appointed on 18 October 2021

MSM is confident that diversity in our leadership teams will create and deliver value and drive MSM forward towards creating a resilient and sustainable business.

*Note: The approach taken by the Group and information about the Group's corporate governance principles, structure and practices; Board of Directors, roles and board committees; risk management; internal and external control can be found in the Corporate Governance Overview Statement and Committees' Report of this FY2021 Annual Integrated Report, on page 208.*





**Ethical Business Practices & Integrity**

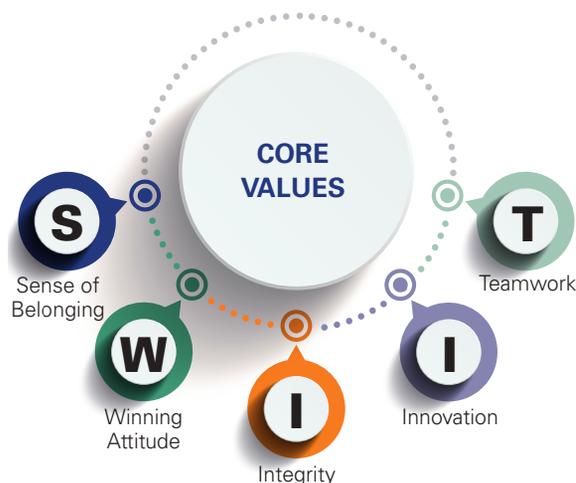


**GREAT COMPANIES OPERATE WITH GREAT INTEGRITY. THAT IS MY EXPECTATION AND THAT IS HOW WE WILL KEEP GROWING, WINNING, AND ACHIEVING OUR BOLD ASPIRATIONS FOR MANY YEARS TO COME**

**DATUK SYED HISHAM SYED WAZIR**  
MSM CHAIRMAN

MSM is committed in conducting business legally, ethically, and with integrity. We have in place policies that communicate our principles on bribery, gifting, corruption, code of business conduct, which are available to all our employees on MSM’s internal portal. We continually work to inculcate a culture of integrity through awareness programmes, such as periodic communication, training workshops and integrity talk that focuses on good governance & integrity and anti-corruption.

MSM’s governance culture is defined through our Constitution, Board Charter, MSM Governance Framework, Code of Business Conduct and Ethics (CoBCE) and our SWIIT Core Values. We also have policies, practices and procedures adopted throughout our value chain to ensure ethical business conduct. The Corporate Governance and Risk Management (CGRM) department oversees the ethics and compliance function and works to promote a culture that is committed to ethical business conduct across the MSM Group.



To elevate and uphold good governance, MSM has established and implemented policies on the following:

The Governance of Policies and Procedures Policy provides a framework to ensure a structured formulation, standardisation and management of all policies and procedures for the MSM Group. All policies must be approved by the MSM Board and are kept in a Central Depository System (CDS) managed by the CGRM department. These processes are in place to ensure a proper internal control system through adequate policies and procedures in directing and managing the business operations.

**INTEGRITY STARTS WITH YOU**

**ANTI-BRIBERY POLICY STATEMENT**

In promoting ethical business practices, MSM is committed in applying the highest standards of ethical conduct and integrity in its business activities.



# GOVERNANCE INITIATIVES



## Ethical Business Conduct

MSM has recently launched the refreshed CoBCE which establishes clear expectations for employee compliance with MSM's policies, and applicable laws and regulations related to lawful and ethical business practices. These reflect a culture of trust, integrity, transparency, holds employees accountable for their behaviour and helps employees determine when and where to seek advice. The CoBCE applies to all employees of the MSM Group. For all new employees, the contents of the CoBCE are covered under their onboarding programme and are expected to be signed and acknowledged for Human Resources department's record.

The CoBCE applies the following six universal principles on business practices following the Malaysian Business Code of Ethics (Rukun Niaga):

- 1 Honesty in Business Dealings
- 2 Responsible Towards Customers, Society and Environment
- 3 Generality Towards Fellow Humans
- 4 Moderation in Business Conduct
- 5 Fair Treatment Towards Suppliers and Customers
- 6 Zeal in Making the Business a Success



## Anti-Bribery & Anti-Corruption

Over the reporting year, MSM has been focusing on improving its anti-bribery measures and compliance. The Board has oversight over the Groups Anti-Bribery & Anti-Corruption initiatives captured through the various approved anti-bribery related policies which is summarised in the Anti-Bribery Policy Statement (4<sup>th</sup> October 2021), which aims to uphold MSM's commitment to prevent corruption and bribery and mitigating the risk of bribery and corruption within the Group, as prescribed by Bursa's Main Market Listing Requirements & Guidelines on Adequate Procedures for Corporate Liabilities as provided under the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment Act 2018).

The Anti-Bribery Policy Statement is a general statement addressing corruption including bribery comprehensively in seven specific policies and code: CoBCE, APID, Whistleblowing, Referral, Conflict of Interest, Sponsorships & Donations and the GEH. Some examples of related bribery and corruption activities are covered under the GEH, a Policy which aims to eliminate solicitation and bribery that may arise in the cause of giving and receiving of gift, entertainment and hospitality. Sponsorship and Donations Policy provides guideline on the framework by which corporate sponsorships and donations shall be evaluated and the procedures by which decisions regarding corporate sponsorships and donations shall be made.

## 7 Policies in the Anti-Bribery Policy Statement



Training is provided for staff and suppliers to build awareness and necessary capacity to identify and counter relevant forms of bribery and corruption activities in our business dealings. For new business counterparties, employees must ensure due diligence is conducted to understand the business and background and to determine the origin and destination of money, property, and services as required under the CoBCE.

 The MSM Anti-Bribery Policy Statement is available on the Company's website at [www.msmsugar.com](http://www.msmsugar.com)

In addition, a Corruption Risk Management (CRM) exercise was conducted for the Group. This is to ensure we continue to identify potential corruption risks in our operations.

As defence against corporate liability for corruption offences committed by person associated with MSM, as defined under Section 17A of the MACC Act 2009 (Amendment Act 2018) MSM is putting in place measures as per Guidelines on Adequate Procedures.

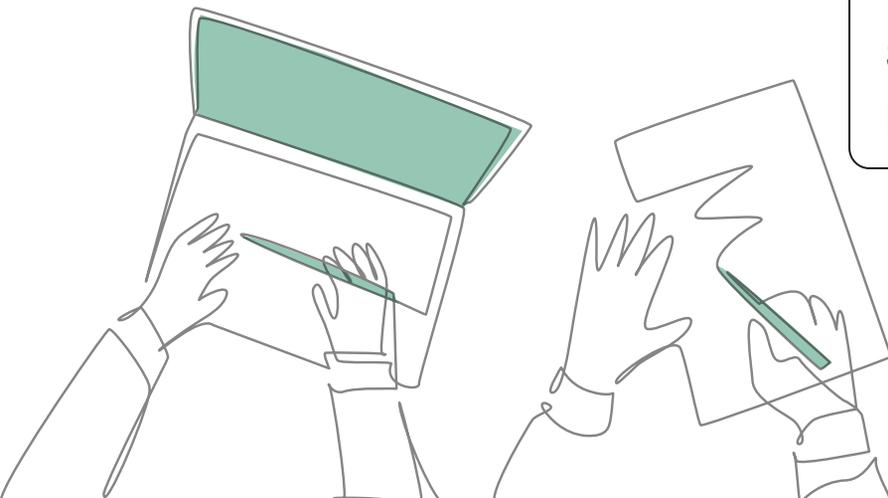
The performance of our anti-corruption initiatives is reviewed every quarter by our Management, Board Committee and Board. We evaluate the progress and success of our initiatives through a number of channels, including obtaining stakeholder feedback, benchmarking and performance tracking. We pay particular attention to the yearly assessments conducted by corporate governance watchdogs such as the Malaysian Institute of Corporate Governance (MICG) and Minority Shareholders Watch Group (MSWG).

MSM has taken a holistic approach to develop and implement adequate procedures by adopting the following principles (T.R.U.S.T):

- T** Top Level Commitment by Board, Executive Leadership & Management
- R** Risk Management through Corruption Risk Management (CRM)
- U** Undertake Control Measures via the establishment and review of policies and procedures
- S** Systematic Review, Monitoring and Enforcement which includes regular review on performances, efficiency and effectiveness of the anti-corruption programme, and ensure the enforcement
- T** Training and Communication on Governance, Integrity & Risk education, awareness and periodic communication



**ONE SUCCESSFUL INITIATIVE UNDER ANTI-BRIBERY AND ANTI-CORRUPTION WAS THE QUICK TAKE UP AND 100% SIGNING OF THE INTEGRITY PLEDGE.**



# GOVERNANCE INITIATIVES

MSM has conducted the Corruption Risk Assessment exercises throughout the Group in collating and comprehensively assessing the significant risks and potential incidents of corruption to combat corruption more effectively. MSM has zero tolerance for fraud, abuse of power and corruption and takes all incidents reported very seriously.

## Whistleblowing

MSM's Whistleblowing Policy provides a framework to facilitate and encourage any disclosure of corruption, fraud, improper conduct without fear of punishment or unfair treatment and aims to protect any whistleblower's identity from being victimised or harassed. This mechanism provides an avenue for any employee or any member of the public to raise any complaints of any improper business conduct in a confidential manner. Although the whistleblower is encouraged to provide his or her name in order to be protected by the Policy, all anonymous whistleblowing allegations are accepted.



MSM Whistleblowing Policy is available on the Company's website at [www.msmsugar.com](http://www.msmsugar.com)

The Whistleblowing Committee (WBC), headed by Head of the CGRM, receives all complaints reported through any of the established whistleblowing channels that includes a dedicated email address, helpline, letter or directly to the Whistleblowing Secretariat.

## IF YOU SEE ANY WRONG-DOING OR MALPRACTICE, SPEAK UP SO WE CAN ALL CHANGE IT

**INFORMATION & IDENTITY OF WHISTLEBLOWER WILL BE PROTECTED**



### WHO can whistleblow?

- Employees
- Board of Directors
- Shareholders
- Members of the public
- Any parties involved in business relationship with MSM Group



### HOW to report?

- Email your concern to [MSMW@msmsugar.com](mailto:MSMW@msmsugar.com)
- Call hotline at 03-21816827
- Send letter to  
MSM WB Secretariat  
Level 44, Menara Felda, Platinum Park, No. 11  
Persiaran KLCC 50088, Kuala Lumpur, Malaysia



### WHAT to whistleblow?

- Breach of Company's policies and code of conduct
- Improper conduct
- Unethical behaviour
- Actual/suspected fraud
- Abuse of power

**Conflict of Interest**

The Conflict of Interest Policy guides employees of the MSM Group in avoiding any potential conflict of interest situations by requiring timely disclosures and declarations on any conflict of interest situations. The CoBCE also prohibits employees from putting themselves in a conflict of interest situations or allowing personal interest to take precedence over an employee’s work commitments and allowing such conflict of interest or personal interest to hinder their duties to the Group.

**CONFLICT OF INTEREST POLICY**

- ✓ **Responsibility of employee to disclose and declare** his/her potential situation of Conflict of Interest
- ✓ **Responsibility of every employee to report** any Conflict of Interest upon their knowledge
- ✓ **Failure to comply with this requirement subject to disciplinary action** as prescribed in the CoBCE

**Compliance with Laws and Regulations**

MSM endeavours to adhere to all applicable laws and regulations in the areas of its operations.

The Management is uncompromising in upholding the highest standards of integrity and will investigate violations of business conduct reported and, if found true, will take stern measures accordingly without fear or favour. In addition, the Management will not hesitate to extend the full reach of the laws in the country i.e. SPRM (Malaysian Anti-Corruption Commission) and PDRM (Royal Malaysia Police) for such violation of business conduct including acts abetting such violations.

The Management also will not tolerate any abuse of MSM Group’s policies, procedures, and any conducts that is not aligned with MSM Group’s values, which potentially risks the integrity of our business, the reputation, and image of MSM Group, and the Gula Prai brand.



**Key Activities in 2021**

- Uphold anti-corruption and ethical behaviour across the MSM Group**
  - Anti-Bribery Policy Statement (4 October 2021)
  - Organised Anti-Bribery and Anti-Corruption campaign
  - 100% Integrity Pledge achieved and signed by all employees
  - Conducted Corruption Risk Management (CRM) Workshop to identify potential corruption risks in MSM Group
- Preparedness in meeting the requirements of Section 17A of the Malaysian Anti-Corruption Commission Act 2009**
  - Developing and implementing adequate procedures under the principles of T.R.U.S.T

**We Value Your Feedback**



We aim to develop our sustainability goals and strategies further with the benefit from collaborative discussions and engagements with our stakeholders. Therefore, once our reports are published, we listen carefully to stakeholders’ feedback where more clarifications and explanations are desired within our disclosure topics. We welcome all comments, suggestions and feedback on our sustainability practices and reporting. Please send us a message via email to [esg@msmsugar.com](mailto:esg@msmsugar.com).

# HOW WE ARE GOVERNED





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# BOARD OF DIRECTORS DIVERSITY

INFORMATION AS AT 21 MARCH 2022

A FOCUSED BOARD

BOD



**DATUK SYED HISHAM SYED WAZIR**  
Chairman  
Independent Non-Executive Director

BOD

AGRC

ITC



**CHOY KHAI CHOON**  
Independent Non-Executive Director

BOD

AGRC

NRC



**DATO' MUTHANNA ABDULLAH**  
Independent Non-Executive Director

BOD

ITC

NRC



**DATUK DR ABD HAPIZ ABDULLAH**  
Independent Non-Executive Director

BOD

AGRC

NRC



**DATO' ROSINI ABD SAMAD**  
Independent Non-Executive Director

BOD

AGRC

ITC



**DATUK LIM THEAN SHIANG**  
Independent Non-Executive Director



**DATO' AMIR HAMDAN HJ YUSOF**  
Non-Independent Non-Executive Director



**NIK FAZILA NIK MOHAMED SHIHABUDDIN**  
Non-Independent Non-Executive Director



**AZMAN AHMAD**  
Non-Independent Non-Executive Director

## BOARD OF DIRECTORS DIVERSITY

The Board is primarily responsible for MSM Group's overall strategic plans and directions, overseeing the conduct of the businesses, risk management, succession planning of Senior Management, implementing investor relations programmes and ensuring the system of internal controls and management information system are adequate and effective.

- BOD** Board of Director
- AGRC** Audit, Governance and Risk Committee
- ITC** Investment and Tender Committee
- NRC** Nomination and Remuneration Committee



The details of the Board of Directors Diversity can be found in the Corporate Governance Overview Statement of this Annual Integrated Report

# PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

## DATUK SYED HISHAM SYED WAZIR

Chairman, Independent Non-Executive Director

67  
Age

Gender

Nationality

### Board Meeting Attendance:

BOD  
16/16

| Appointment to the Board: | Length of Tenure as Director: | Date of Last Re-election: |
|---------------------------|-------------------------------|---------------------------|
| 8 May 2020                | < 3 years                     | 17 June 2020              |



### Directorship of Public Companies (if any):

- Bermaz Auto Berhad

### Qualification(s):

- Master in Business Administration, Ohio State University, US
- Bachelor of Science in Mechanical Engineering, Plymouth University, United Kingdom
- Ordinary National Diploma in Engineering, Hastings College of Further Education, United Kingdom

### Working Experience and Occupation:

- Independent Non-Executive Director, Bermaz Auto Berhad (December 2016 - present)
- Non-Executive Director, SIRIM STS Sdn Bhd (August 2019 - present)
- Non-Executive Director, SIRIM National Precision Tooling Sdn Bhd (September 2020 - present)
- Non-Executive Director, SIRIM QAS International Sdn Bhd (September 2020 - present)
- Non-Executive Chairman, SIRIM National Precision Tooling Sdn Bhd (November 2017 - October 2020)
- Non-Executive Chairman, SIRIM QAS International Sdn Bhd (July 2017 - October 2020)
- Director, SIRIM Berhad (July 2017 - August 2019)
- Group Managing Director, Puncak Niaga Holdings Berhad (November 2015 - July 2017)
- President & Group Chief Executive Officer, UMW Holdings Berhad (October 2010 - October 2015)
- Director, UMW Oil & Gas Corporation Berhad (2010 - September 2015)
- Director, UMW Equipment Sdn Bhd (2010 - September 2015)
- Director, UMW M&E Sdn Bhd (2010 - September 2015)
- Director, UMW Toyota Motor Sdn Bhd (2010 - September 2015)
- Director, KYB-UMW Malaysia Sdn Bhd (2010 - September 2015)
- Director, PERODUA Sales Sdn Bhd (2010 - September 2015)
- Director, PERODUA Manufacturing Sdn Bhd (2010 - September 2015)
- Director, PERODUA Engine Manufacturing Sdn Bhd (2010 - September 2015)
- Director, Toyota Capital Malaysia Sdn Bhd (2011 - September 2015)
- Director, UMW Technology Sdn Bhd (2013 - September 2015)
- Chief Operating Officer, Naza Kia Sdn Bhd & Naza Kia Services Sdn Bhd (November 2009 - August 2010)
- Managing Director, Edaran Otomobil Nasional Berhad (May 2005 - August 2009)
- President/Chief Operating Officer, Honda Malaysia Sdn Bhd (2003 - May 2005)
- General Manager, Marketing Division, Honda Malaysia Sdn Bhd (January 2001 - December 2002)
- General Manager, International Business, DRB-HICOM Export Corporations Sdn Bhd (April 1998 - December 2000)
- Director, Proton Cars (UK) Pte Ltd (1997 - 1998)
- General Manager, Proton Corporations Sdn Bhd (1995 - March 1998)

# CHOY KHAI CHOON

Independent Non-Executive Director

64  
Age

Gender

Nationality

### Board Meeting Attendance:

BOD  
16/16

AGRC  
13/13

ITC  
8/8

| Appointment to the Board: | Length of Tenure as Director: | Date of Last Re-election: |
|---------------------------|-------------------------------|---------------------------|
| 8 May 2020                | < 3 years                     | 17 June 2020              |

#### Directorship of Public Companies (if any):

- Zurich Life Insurance Malaysia Berhad
- Zurich General Insurance Malaysia Berhad
- Malaysia Marine and Heavy Engineering Berhad
- Hap Seng Plantations Holdings Berhad
- Kenanga Investment Bank Berhad

#### Board Committee Membership:

- Chairman of Audit, Governance and Risk Committee
- Member of Investment and Tender Committee

#### Qualification(s):

- Professional Qualification in Accounting, Australian CPA
- Professional Qualification in Accounting, The Malaysian Institute of Accountants
- Professional Qualification in General Management, INSEAD Europe Campus, France
- Master in Business Administration, Oklahoma University, USA
- Bachelor Degree in Commerce, University of New South Wales, Australia

#### Working Experience and Occupation:

- Non-Independent Non-Executive Director, Kenanga Investment Bank Berhad (December 2021 - present)
- Chairman, Zurich General Insurance Malaysia Berhad (January 2021 - present)
- Member of Labuan Financial Services Authority (Labuan FSA) (November 2020 - present)
- Independent Director, Hap Seng Plantations Holdings Berhad (November 2017 - present)
- Senior Independent Director and Board Audit Committee Chairman, Malaysia Marine and Heavy Engineering Berhad (February 2013 - present)
- Nomination & Remuneration Committee Chairman, Zurich General Insurance Malaysia Berhad (August 2019 - December 2020)
- Chairman of the Board, Zurich Life Insurance Malaysia Berhad (September 2013 - present)
- Audit Committee Chairman, RAM Rating Services Malaysia Berhad (August 2013 - June 2020)
- Deputy Chairman of the Board, Chairman of Audit Committee and Nomination & Remuneration Committee, Deutsche Bank Malaysia Berhad (June 2012 - June 2021)
- Public Interest Director, Federation of Investment Managers Malaysia (September 2019 - present)
- Independent Director, Bond & Sukuk Information Platform Sendirian Berhad (November 2017 - present)
- Independent Director, Asian Banking School Sendirian Berhad (December 2015 - present)
- President/Chief Executive Officer, Cagamas Berhad (April 2006 - March 2012)
- Senior General Manager, Group Head, RHB Banking Group (2003 - 2006)
- Chief Executive Officer, Morley Fund Management Ltd, Singapore (2001 - 2002)
- Regional Finance & Planning Director, Asia, Aviva Insurance Asia (1998 - 2001)
- Commercial Union Assurance Berhad (1995 - 1998)
- Credit Corporation Malaysia Berhad (CCMB) (1984 - 1995)



# PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

## DATO' MUTHANNA ABDULLAH

Independent Non-Executive Director

61  
Age

Gender

Nationality

### Board Meeting Attendance:

BOD  
14/16

NRC  
9/9

AGRC  
13/13

#### Appointment to the Board:

8 May 2020

#### Length of Tenure as Director:

< 3 years

#### Date of Last Re-election:

17 June 2020



#### Directorship of Public Companies (if any):

- Digital Nasional Berhad
- IHH Healthcare Berhad
- Sapura Resources Berhad
- MSIG Insurance Malaysia Berhad (MSIG)
- Malaysian Life Reinsurance Group Berhad (MLRe)

#### Board Committee Membership:

- Chairman of Nomination and Remuneration Committee
- Member of Audit, Governance and Risk Committee

#### Qualification(s):

- Advocate & Solicitor (High Court of Malaya)
- Barrister-at-Law (Middle Temple, England)

#### Working Experience and Occupation:

- Consultant, Abdullah Chan & Co (Advocates & Solicitors) (2019 - present)
- Partner, Abdullah Chan & Co (Advocates & Solicitors) (2012 - 2018)
- Partner, Lee Hishammuddin Allen & Gledhill (Advocates & Solicitors) (2001 - 2012)
- Partner, Abdullah A. Rahman & Co (Advocates & Solicitors) (1985 - 2001)

#### Trusteeships of Foundations

- Yayasan Siti Sapura
- Habitat Foundation

#### Societies

- President, Bukit Tunku Residents Association
- Board Member, Malaysia Aerospace Industry Association
- Board Member, Kuala Lumpur Business Club

#### Others

- Honorary Consul, Republic of San Marino in Kuala Lumpur
- Avocat Au Confiance, Embassy of Switzerland Malaysia

# DATUK DR ABD HAPIZ ABDULLAH

Independent Non-Executive Director

| Appointment to the Board: | Length of Tenure as Director: | Date of Last Re-election: |
|---------------------------|-------------------------------|---------------------------|
| 8 May 2020                | < 3 years                     | 17 June 2020              |

63  
Age

Gender

Nationality

## Board Meeting Attendance:

BOD  
16/16

ITC  
8/8

NRC  
9/9

### Directorship of Public Companies (if any):

- Perdana Petroleum Berhad
- Ancom Berhad

### Board Committee Membership:

- Chairman of Investment and Tender Committee
- Member of Nomination and Remuneration Committee

### Qualification(s):

- Bachelor of Science (BSc) in Chemistry, University of Nevada, Reno, Nevada, USA
- Doctor of Philosophy (PhD) in Organic Chemistry, Utah State University, Logan, Utah, USA

### Working Experience and Occupation:

- Independent Non-Executive Director (INED), Perdana Petroleum Berhad (April 2015 - present)
- INED, Ancom Berhad (May 2020 - present)
- INED, Lanzatech Inc, USA (June 2018 - present)
- INED, P2 Science Inc, USA (February 2016 - present)
- Council member, National Science Council of Malaysia (NSC) (February 2020 - present)
- Chairman, Chemical Industry Council of Malaysia (CICM) (June 2010 - present)
- Venture Partner, Xeraya Capital (February 2015 - present)
- President/Chief Executive Officer, Petronas Chemicals Group Berhad (May 2011 - May 2014)
- Managing Director, Dupont Malaysia Sdn Bhd & Asia Pacific Regional Director Dupont Glass Laminated Solutions Asia Pacific (April 1995 - May 2011)
- Regional Marketing Manager, Dow Chemical Polyolefins Asia Pacific (January 1985 - April 1995)
- Chemistry Lecturer, University Malaya (1984)



# PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

## DATO' ROSINI ABD SAMAD

Independent Non-Executive Director

67  
Age

Gender

Nationality

### Board Meeting Attendance:

BOD  
16/16

NRC  
9/9

AGRC  
13/13

#### Appointment to the Board:

7 January 2015

#### Length of Tenure as Director:

7 - 9 years

#### Date of Last Re-election:

17 June 2021

#### Directorship of Public Companies (if any):

- Nil

#### Board Committee Membership:

- Member of Audit, Governance and Risk Committee
- Member of Nomination and Remuneration Committee

#### Qualification(s):

- Postgraduate Diploma in Accounting, University of Malaya
- Bachelor of Economics, Accounting (Hons.), University of Malaya
- Master in Business Administration, University of Cardiff, United Kingdom
- Member of the Malaysian Institute of Accountants
- Honorary Fellow CPA Australia

#### Working Experience and Occupation:

- Independent Non-Executive Director on the Board of IIUM Holdings Sdn Bhd (2015 - August 2021)
- Audit Committee Chairman, IIUM Holdings Sdn Bhd (2016 - August 2021)
- Member of Nomination and Remuneration Committee, IIUM Holdings Sdn Bhd (2016 - August 2021)
- Remedial Grievances and Disciplinary Committee, IIUM Holdings Sdn Bhd (2016 - August 2021)
- Member of Disciplinary Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Member of Tender Committee, Percetakan Nasional Malaysia Berhad (2010 - 2014)
- Member of Nomination and Remuneration Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Chairman of Audit Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Board Member, Percetakan Nasional Malaysia Berhad (2007 - 2014)
- Accountant General's nominee, Council of Malaysia Institute of Accountant (MIA) (2011 - 2014)
- Deputy Accountant General (Corporate), Accountant General's Department Malaysia (2010 - 2014)



# DATUK LIM THEAN SHIANG

Independent Non-Executive Director

50  
Age

Gender

Nationality

### Board Meeting Attendance:

BOD  
16/16

AGRC  
13/13

ITC  
8/8

|  |   |  |
|--|---|--|
| <b>Appointment to the Board:</b><br>23 August 2013 | <b>Length of Tenure as Director:</b><br>7 - 9 years | <b>Date of Last Re-election:</b><br>17 June 2021 |
|--|---|--|

#### Directorship of Public Companies (if any):

- Daya Materials Berhad
- GCCP Resources Limited (Singapore) - Listed on the Singapore Stock Exchange

#### Board Committee Membership:

- Member of Audit, Governance and Risk Committee
- Member of Investment and Tender Committee

#### Qualification(s):

- Bachelor of Business Administration, University Utara Malaysia
- Bachelor of Law, University of London

#### Working Experience and Occupation:

- Chairman, Ipoh Cargo Terminal Sdn Bhd (June 2020 - present)
- Non-Independent Non-Executive Chairman, Daya Materials Berhad (2020 - present)
- Independent Non-Executive Chairman, GCCP Resources Limited (Singapore) (2020 - present)
- Director, Fiberail Sdn Bhd (2021 - present)
- Executive Chairman, Daya Materials Berhad (2019 - 2020)
- Executive Vice Chairman, Daya Materials Berhad (2017 - 2019)
- Executive Director & Chief Executive Officer, Daya Materials Berhad (2015 - 2017)
- Chairman, Tropicana SJII Education Management Sdn Bhd (2018 - 2020)
- Independent Non-Executive Director, Tropicana Corporation Berhad (2017 - 2018)
- Executive Chairman, Port Klang Free Zone (2008 - 2009)
- General Manager, Port Klang Authority (2008 - 2009)
- Director, WWE Holdings Berhad (2004 - 2006)
- Director, EI Medical Systems Sdn Bhd (2001 - 2008)
- Director, Latimax Engineering Sdn Bhd (2001 - 2008)
- Director, Focus Indera Sdn Bhd (2001 - 2008)
- Director, Tripro Engineering Sdn Bhd (2001 - 2008)
- Director, Glotel Sdn Bhd (2001 - 2008)



# PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

## DATO' AMIR HAMDAN HJ YUSOF

Non-Independent Non-Executive Director

60  
Age

Gender

Nationality

### Board Meeting Attendance:

BOD  
13/15

NRC  
8/9

#### Appointment to the Board:

12 January 2021

#### Length of Tenure as Director:

< 3 years

#### Date of Last Re-election:

17 June 2021



#### Directorship of Public Companies (if any):

- Nil

#### Board Committee Membership:

- Member of Nomination and Remuneration Committee

#### Qualification(s):

- Degree, Malay Anthropology & Pengajian Islam (B.A. Hons)
- Advance Business Study, Said Business School, Oxford University, London
- Project Framework Analysis, Australian National University Canberra, Australia

#### Working Experience and Occupation:

- Chairman, Koperasi Permodalan FELDA Malaysia Berhad (2020 - present)
- Director (Alternate), Malaysian Palm Oil Board (MPOB) (present)
- Director, Felda Uralkali Sdn Bhd (present)
- Director, Felda Asset Sdn Bhd (present)
- Director, Grand Borneo Hotel Sdn Bhd (present)
- Deputy Director General FELDA (Operation) (JUSA B/VU6) (2021 - January 2022)
- Deputy Director General FELDA (Plantation and Settler Development) (JUSA B/VU6) (2019 - 2021)
- Director (Jusa C/VU7), Plantation Department FELDA (2019)
- Director (Jusa C/VU7), Entrepreneur Development Department FELDA (2015)
- Director (Jusa C/VU7), Higher Education & New Generation Development Department FELDA (2013 - 2015)
- Director (Jusa C/VU7), Administration Department FELDA (2012 - 2013)
- Assistant General Manager (N52/N54), Wilayah Mempaga, FELDA (2006 - 2012)
- Senior Officer (N48), Business Services Department, Ibu Pejabat FELDA (2002 - 2006)
- Officer Wilayah Sahabat, FELDA (1997 - 2002)
- Head of Community Development Unit, Wilayah Jengka, FELDA (1993 - 1997)
- Officer Economic Development, Wilayah Negeri Sembilan Barat, FELDA (1991 - 1992)
- Officer Economic Development, Wilayah Temerloh, FELDA (1989 - 1990)
- Internal Audit Department, FELDA (1987 - 1989)
- Land Survey & Settler Settlement Department, FELDA (1986 - 1987)

# NIK FAZILA NIK MOHAMED SHIHABUDDIN

Non-Independent Non-Executive Director

55  
Age

Gender

Nationality

|   |   |                                       |
|---|---|---------------------------------------|
| <b>Appointment to the Board:</b><br>18 October 2021 | <b>Length of Tenure as Director:</b><br>< 3 years | <b>Date of Last Re-election:</b><br>- |
|---|---|---------------------------------------|

### Board Meeting Attendance:

BOD  
4/4

NRC  
1/1

#### Directorship of Public Companies (if any):

- FGV Holdings Berhad

#### Board Committee Membership:

- Member of Nomination and Remuneration Committee

#### Qualification(s):

- Chartered Accountant, Malaysian Institute of Certified Public Accountants (MICPA)
- Chartered Accountant, Malaysian Institute of Accountants (MIA)
- Bachelor of Economics (Accounting), Flinders University of South Australia, Adelaide, Australia

#### Working Experience and Occupation:

- Group Managing Director, Chemical Company of Malaysia Berhad (December 2017 - December 2021)
- Group Chief Financial Officer, Chemical Company of Malaysia Berhad (March 2012 - December 2017)
- Chief Financial Officer, Biotropics Malaysia Berhad (April 2007 - March 2012)
- Chief Financial Officer, UDA Holdings Berhad (April 2006 - March 2007)
- Group General Manager, Group Finance Division, KUB Malaysia Berhad (January 2001 - March 2006)
- General Manager, Corporate Audit Division, Sapura Telecommunications Berhad (August 1998 - December 2000)
- Senior Manager, Audit & Business Advisory, Price Waterhouse (February 1988 - August 1998)



# PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

## AZMAN AHMAD

Non-Independent Non-Executive Director

60  
Age

Gender

Nationality

### Board Meeting Attendance:

BOD  
4/4

ITC  
3/3

#### Appointment to the Board:

18 October 2021

#### Length of Tenure as Director:

< 3 years

#### Date of Last Re-election:

-



#### Directorship of Public Companies (if any):

- Nil

#### Board Committee Membership:

- Member of Investment and Tender Committee

#### Qualification(s):

- Degree in Maritime Studies (Maritime Technology), University of Wales Institute of Science and Technology - UWIST, Wales, United Kingdom
- Diploma in Management, Malaysia Institute of Management

#### Working Experience and Occupation:

- Group Divisional Director/Executive Vice President, Logistics & Support Businesses (LSB) Sector (2018 - present)
- Member of Techno-Economics Research Advisory Panel for Malaysia Palm Oil Board (MPOB) (2021 - present)
- Industrial Panel for Azman Hashim International Business School (AHIBS), Universiti Teknologi Malaysia (UTM) (2019 - present)
- Trustees Board Members of Raja Alias Foundation (MOSTA) (2013 - present)
- Officer-In-Charge Representing Group CEO, FGV Holdings Berhad (FGV) (May 2021 - August 2021)
- Chairman, Appeal Committee, FGV (2018 - 2019)
- Acting Managing Director, Felda Holdings Berhad (FHB) (June 2018 - November 2018)
- Member, Board Executive Committee, FHB (June 2018 - November 2018)
- Cluster Head, Logistic & Others, FGV (2017 - 2018)
- Deputy HSE Steering Committee, FGV (2014 - 2018)
- Cluster Head/Senior Vice President, Downstream, FGV (2016 - 2017)
- Chairman, Executive Disciplinary Committee, FGV (2015 - 2017)
- Senior Vice President (SVP) Trading, Logistics, Manufacturing and Others (TLMO), FGV (2013 - 2016)
- Board Member, Lembaga Pelabuhan Kuantan (2013 - 2015)
- Chief Executive Officer, Felda Johore Bulkurs (FJB) Group (2009 - 2016)
- Chief Executive Officer, Felda Bulkurs Sdn Bhd (2008 - 2009)

#### Additional Information

1. None of the Directors has family relationship with and is not related to any Director and/or major shareholder of MSM Malaysia Holdings Berhad.
2. None of the Directors has any conflict of interest with MSM Malaysia Holdings Berhad.
3. None of the Directors has
  - been convicted of any offence (other than traffic offences)
  - been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year
4. None of the Directors hold more than five directorships in listed issuers.
5. The details of Directors' attendance at Board Meetings held in the financial year ended 31 December 2021 are set out in the Corporate Governance Overview Statement on page 208 of MSM Annual Integrated Report 2021.

# PROFILE OF COMPANY SECRETARY

## KOO SHUANG YEN

Company Secretary

59  
Age

Gender

Nationality

### Date of appointment:

20 May 2011

### Directorship of Public Companies (if any):

- Nil

### Conflict of interest with the Company:

- Nil

### Family relationship with any director and/or major Shareholder:

- Nil

### List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:

- Nil

### Qualification(s):

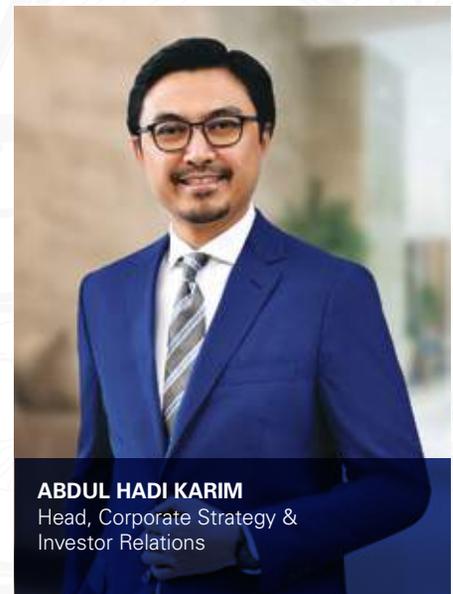
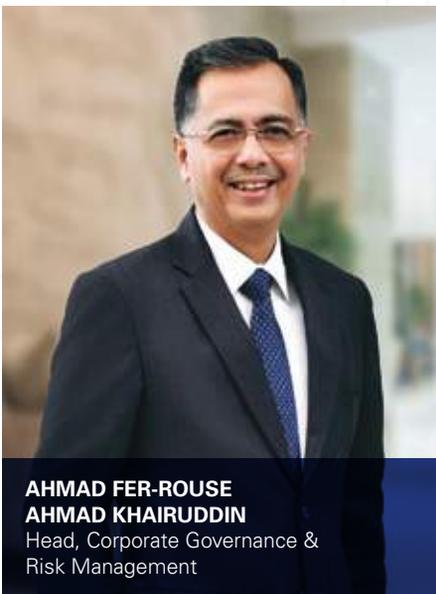
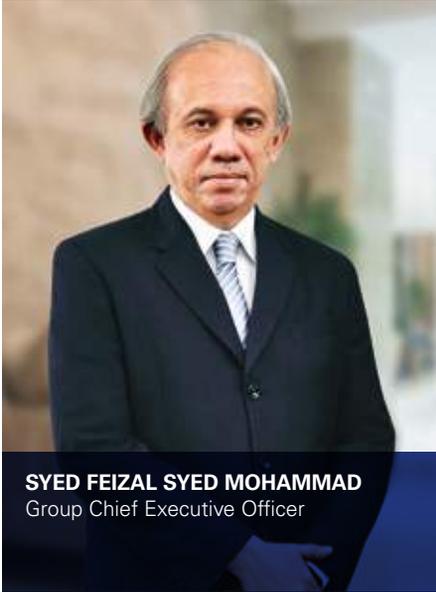
- Associate of the Chartered Institute of Management Accountants, United Kingdom
- Chartered Accountant with Malaysian Institute of Accountants

### Working Experience and Occupation:

- Company Secretary, FGV Holdings Berhad (FGV) and its Group of Companies (2014 - present)
- Company Secretary, MSM Malaysia Holdings Berhad and its Group of Companies (2011 - present)
- Senior Vice President, Group President/Chief Executive Officer's Office, FGV (July 2016 - December 2017)
- Head of Budgeting Unit, FGV (2015 - August 2016)
- Head of Cluster Finance & Accounting Unit, FGV (2013 - August 2016)
- Company Secretary, Felda Holdings Bhd and its Group of Companies (1995 - 2012)
- Senior General Manager, Group Finance, Felda Holdings Bhd (2011 - 2012)
- Group Accountant, Downstream Division, Felda Holdings Bhd (2009 - 2010)
- Head of Finance, Felda Enterprises Sdn Bhd (2007 - 2008)
- Head of Finance, Felda Engineering Services Sdn Bhd (1991 - 2006)



# EXECUTIVE COMMITTEE AT A GLANCE





The Executive Committee (EXCO), established on 12 March 2021, is the primary executive leadership body in the MSM Group. It comprises the following Management members:



The purpose of the EXCO's establishment is to support the Group CEO of MSM in the stewardship of the MSM Group to centrally monitor MSM Group's performance, co-ordinate and align the Group's management and business operations to achieve MSM Group's objectives. In addition, the EXCO provides a collective forum for senior management to discuss and review business and operational activities in accordance with the constitution, policies and procedures of the MSM Group.

Muhammad Faritz Roslan has been appointed as the EXCO Secretary with the mandate to ensure EXCO decision and matters arising are properly followed up to completion.

In FY2021, the EXCO worked to:



Ensure the 3-Year strategic roadmap and framework, commencing with 2021 **“Turnaround Through Asset Optimisation”** phase, was well implemented and achieved in time.



Deliberate together with the rest of the Management team on additional initiatives and opportunities that would be beneficial to MSM in further enhancing the 3-year strategic framework.

# PROFILE OF EXECUTIVE COMMITTEE



## SYED FEZAL SYED MOHAMMAD

Group Chief Executive Officer

58  
Age

Male



### Appointment to the Position:

1 February 2021

### Academic/Professional Qualification(s):

- Masters in Business Administration (Executive), Charles Sturt University, Australia
- Bachelor of Science in Electrical Engineering from University of Nebraska, Lincoln, USA
- Member of Institute of Corporate Directors Malaysia
- Adjunct Professor, Azman Hashim International Business School, UTM

### Directorship in MSM Group of Companies:

- MSM Prai Berhad
- MSM Sugar Refinery (Johor) Sdn Bhd
- MSM Logistics Sdn Bhd
- MSM Trading & Distribution Sdn Bhd

### Directorship of Public Companies:

- None

### Relevant Experience:

Syed Fezal has over 32 years of experience in multinational and local conglomerates companies and over 10 years C-level executive roles. He had served at various corporate and business sectors including engineering and construction of oil and gas facilities, petrochemicals and industrial process plants, exploration & production, infrastructure (water, transport and power) and trading of agro and industrial commodities (palm oil, rubber, rice and sugar) and hydrocarbons. His experience in various large to mega capital project conceptualisation and development spans several countries and regions including Asia Pacific, South Asia and Middle East.

Previously, Syed Fezal held several senior leadership positions as Chief Executive Officer, Executive Project Sponsor and Board roles, managing large organisations of over 3,000 people in Malaysia. He was also a senior member of Executive Committee overseeing over 7,000 people in Asia Pacific with over 15 subsidiaries across China, SE Asia and Australia.

## HASNI AHMAD

Group Chief Operating Officer



53

Age



Male



### Appointment to the Position:

1 February 2021

### Academic/Professional Qualification(s):

- Bachelor in Chemical Engineering (with distinction)  
Clarkson University, New York

### Directorship in MSM Group of Companies:

- MSM Prai Berhad
- MSM Sugar Refinery (Johor) Sdn Bhd
- MSM Logistics Sdn Bhd
- MSM Trading & Distribution Sdn Bhd

### Directorship of Public Companies:

- None

### Relevant Experience:

Hasni has close to 30 years of experience in managing oleochemical manufacturing as well as overall plant management. He began his career with FPG Oleochemicals, Kuantan and served in various capacities for 18 years. In 2010, he joined Felda Holdings Berhad and was seconded as General Manager to Twin River Technologies (TRT) US Inc, in Quincy Massachusetts, emerging in 2013 as Vice President of the Downstream Cluster, managing overall operations of the manufacturing plant.

He then served multiple roles within the FGV Group holding the CEO post with FGV Biotechnologies Sdn Bhd, Head of Operations (Downstream Division) for the plantation sector, Interim Caretaker of the palm downstream cluster, and most recently, CEO of Delima Oil Products.

# PROFILE OF EXECUTIVE COMMITTEE



## AB AZIZ ISMAIL

Chief Financial Officer



Age



Male



### Appointment to the Position:

1 June 2019

### Academic/Professional Qualification(s):

- Fellow Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom
- Chartered Accountant with Malaysian Institute Accountants

### Directorship in MSM Group of Companies:

- MSM Prai Berhad
- MSM Sugar Refinery (Johor) Sdn Bhd
- MSM Logistics Sdn Bhd
- MSM Trading & Distribution Sdn Bhd

### Directorship of Public Companies:

- None

### Relevant Experience:

Ab Aziz is a Chartered Accountant by training and began his career in a London chartered accountant firm in 1991 as an auditor. He joined Felda Holdings Berhad as Senior Audit Manager in 1994 and rose through the ranks to be appointed General Manager of Felda Trading Sdn Bhd in 2004, Chief Financial Officer of Felda Iffco Sdn Bhd in 2007, and Senior General Manager (Support Services) of FGV Trading Sdn Bhd in 2015. Prior to his appointment as MSM's Chief Financial Officer in 2019, he was the Group Financial Controller (Plantation Sector) of FGV Holdings' Group Finance Division.

## MOHD BAKHTIAR MOHD PAHRORAJI

Head, Group Human Resource



Age



Male



### Appointment to the Position:

15 September 2020

### Academic/Professional Qualification(s):

- LLB (Hons) IIUM
- Diploma HR Management, MIHRM

### Directorship of Public Companies:

- None

### Relevant Experience:

Mohd Bakhtiar has over 19 years of human resource experience, beginning his career as a HR Manager in 2002. Since then he has climbed up the hierarchy and served as Head of Human Resource & Communication, Total E&P Malaysia in 2009, Director of Human Resource, SapuraKencana Petroleum Group in 2011, Chief Human Resource Officer, Omesti Group in 2015 and most recently as Head of People & Organisation, Sabah International Petroleum since 2018.



# PROFILE OF EXECUTIVE COMMITTEE



## AHMAD FER-ROUSE AHMAD KHAIRUDDIN

Head, Corporate Governance & Risk Management

58  
Age

Male



### Appointment to the Position:

1 November 2019

### Academic/Professional Qualification(s):

- Master of Business Administration
- Bachelor of Science (Real Estate) Certified Integrity Officer (CeIO), MACC

### Directorship of Public Companies:

- None

### Relevant Experience:

Ahmad Fer-Rouse has a dynamic portfolio of experience in human resource, corporate communications and public relations and is a certified integrity officer. Prior to his present appointment, he served nine years within the FGV Group with his last position being that of Senior General Manager of the Governance & Compliance Department. He has also worked in various capacities with Sime Darby Plantations, Golden Hope Plantations, Technology Park Malaysia Corp, Iomega (Malaysia) and the SAPURA Group.

## WAN ANNIZA S.M. JAMALUDDIN

Head, Legal Affairs



Age



Female



### Appointment to the Position:

12 July 2018

### Academic/Professional Qualification(s):

- Admitted to the Malaysian Bar
- Bachelor Degree in Laws (Honours), National University of Malaysia
- Diploma in Islamic Judicial and Legal Administration, National University of Malaysia

### Directorship in MSM Group of Companies:

- None

### Directorship of Public Companies:

- None

### Relevant Experience:

Wan Anniza has had a dynamic career as a legal counsel serving diverse corporations from Celcom Axiata Berhad, Tesco Stores (Malaysia) Sdn Bhd and Public Performance Malaysia Sdn Bhd. She began her career as a lawyer in 2002 as a Legal Associate with Messrs. RamRais & Partners and then as Senior Legal Associate with Messrs. V Chong W Lam until 2008, before moving on to the corporate world.

Prior to her appointment as Head of Legal Affairs with MSM, she was the Senior Legal Manager for FGV Holdings Berhad, a position she took on in 2015.



# PROFILE OF EXECUTIVE COMMITTEE



## ABDUL HADI KARIM

Head, Corporate Strategy & Investor Relations

36  
Age

Male



### Appointment to the Position:

1 March 2021

### Academic/Professional Qualification(s):

- Bachelor of Business Administration (International Business), Multimedia University
- Master of Business Administration (Islamic Finance), Open University Malaysia

### Directorship of Public Companies:

- None

### Relevant Experience:

Hadi brings with him over 10 years of experience largely in Corporate Finance and Strategic Planning. He was General Manager of Corporate Strategy at MSM prior to his present appointment.

He had served in banking industry with local and international banks as well as in construction industry. He was Manager of Corporate Finance at SPK Construction from September 2016 to July 2018.

# PROFILE OF HEADS OF OPERATIONS

## CHEAH POH LYE

Head, Operations - MSM Prai Berhad

53  
Age

Male



### Appointment to the Position:

January 2019

### Academic/Professional Qualification(s):

- Degree in Mechanical Engineering 1992
- Steam Engineer Grade 2 1998
- Energy Manager from Energy Commission Malaysia 2017

### Directorship of Public Companies:

- None

### Relevant Experience:

Cheah Poh Lye began his career as a mechanical production engineer with Sony Electric Malaysia in 1992 and joined MSM Prai as mechanical engineer in 1993. Since then he has rose the ranks within MSM Prai serving as Mechanical Manager in 2004, General Manager of Engineering in 2009 and Acting Head of Operations in 2018, before his present appointment. He thus brings with him close to three decades of experience, involvement and understanding of MSM Prai operations.



# PROFILE OF HEADS OF OPERATIONS



## MUHAMMAD IRFAN GOBINATH ABDULLAH

Head, Operations - MSM Sugar Refinery (Johor) Sdn Bhd

45  
Age

Male



### Appointment to the Position:

1 December 2021

### Academic/Professional Qualification(s):

- Bachelor of Engineering (Mechanical design & Technology) University of Northumbria

### Directorship of Public Companies:

- None

### Relevant Experience:

Mumammad Irfan has over 20 years of dynamic experience in overseeing a wide spectrum of manufacturing operations management. He brings with him expertise and understanding of the food industry and human resource management functions towards delivering set business objectives. He is well versed in the areas of strategic planning, production planning and control, Lean Manufacturing and productivity enhancement. He possesses strong know-how in workplace safety, quality management system and Halal management.

## SANURI SAARI

Head, Operations - Sungai Buloh Warehouse (SBW)

53  
Age

Male



### Appointment to the Position:

1 December 2021

### Academic/Professional Qualification(s):

- Master of Business Administration (MBA), Northern University of Malaysia
- Diploma in Logistics Management, FMM Institute

### Directorship of Public Companies:

- None

### Relevant Experience:

Sanuri has over 25 years of working experience with multinational corporations such as Matsushita (Panasonic), Shin-Etsu Chemical, Mewah Group and 3PL companies such as Linfox Logistics, and most recently with DKSH Malaysia where he served as Senior Manager of its Distribution Centre Operations for over three years.

In various capacities and roles, over his career he has gained valuable knowledge and insights in logistics management, warehousing, shipping, transportation, customs compliance and related value-added services (VAS).

### Additional Information

1. None of the Senior Management has any family relationship with and is not related to any Director and/or major shareholder of MSM Malaysia Holdings Berhad.
2. None of the Senior Management has any directorship in public companies and listed issuers.
3. None of the Senior Management has any conflict of interest with MSM Malaysia Holdings Berhad.
4. None of the Senior Management has
  - been convicted of any offence (other than traffic offences) within the pass five (5) years; and
  - been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT



The Board of MSM Malaysia Holdings Berhad (MSM or Company) is pleased to present the Corporate Governance Overview Statement (Statement or CGOS) that sets out the principles and features of MSM Governance Framework with the principles and best practices recommended under the Malaysian Code on Corporate Governance 2021 and highlights the main areas of focus and priorities for the Board during the financial year ended 31 December 2021.





MSM upholds the highest principles of transparency and accountability as it firmly believes that such matter is vital to the Group to create value and improve efficiencies.

The Board sets the Company's core values and standards, and maintains a corporate governance framework that embeds a culture of performance, conformance and integrity across MSM Group.

MSM Governance Framework complies with regulatory requirements and consistency with best practices and guidelines:



Companies Act, 2016



Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities)



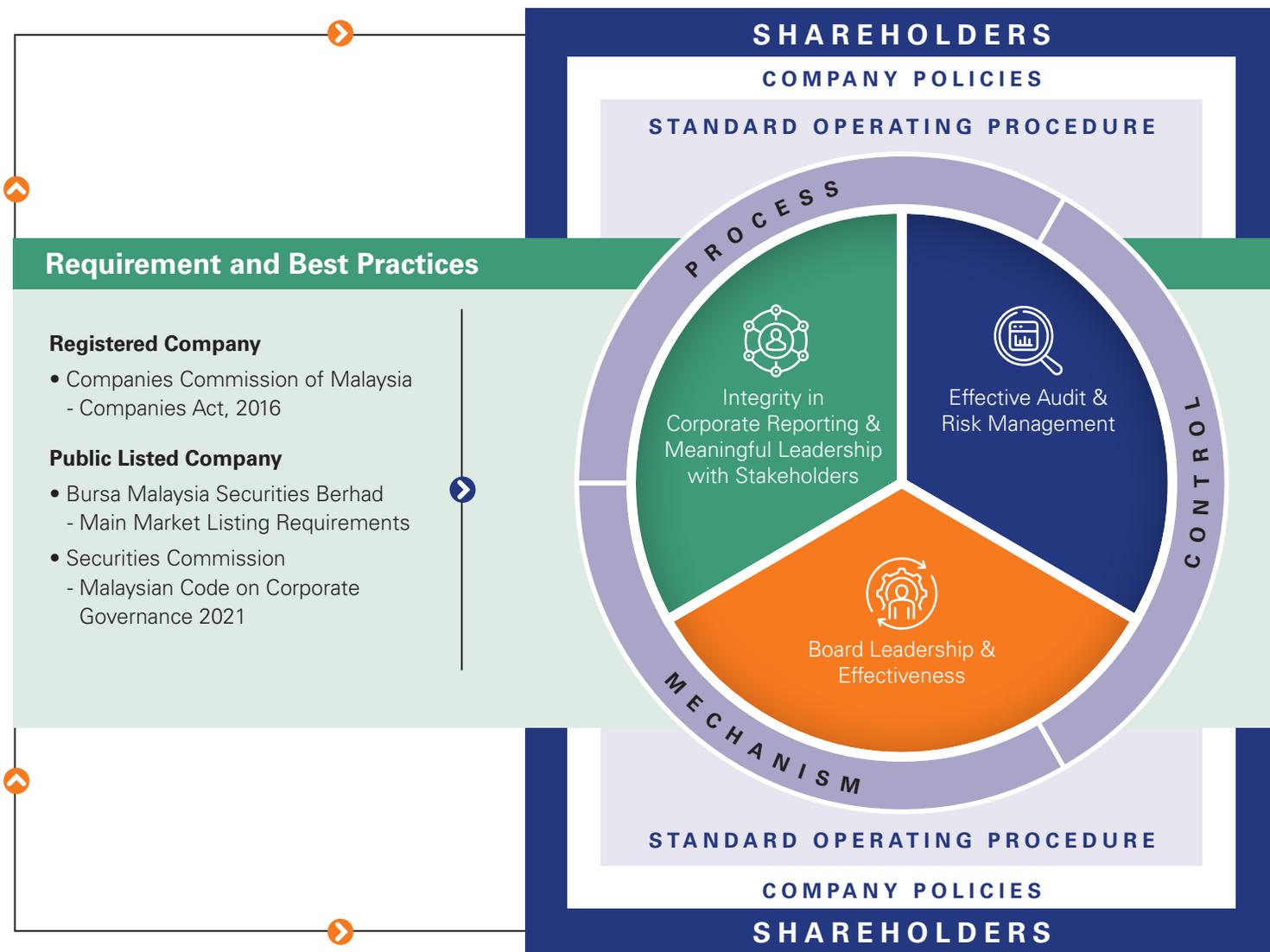
Malaysian Code on Corporate Governance 2021 (MCCG 2021) published by the Securities Commission



Corporate Governance Guide - 4<sup>th</sup> Edition 2021 (4<sup>th</sup> CG Guide) published by Bursa Securities

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## MSM GOVERNANCE FRAMEWORK



MSM Governance Framework provides an overview on the Corporate Governance practices of MSM Group under the leadership of the Board and guided by the following key principles:

- Board leadership and effectiveness
- Effective audit and risk management
- Integrity in corporate reporting and meaningful relationship with stakeholders



**Commitment to Anti-Bribery and Anti-Corruption**

Adequate Procedures are the pillars of defense against corporate liability, particularly corruption offences. MSM has taken a holistic approach in implementing adequate procedures by adopting the principles (T.R.U.S.T):

- Top Level Commitment
  - Board, Executive Leadership & Management
- Risk Management
  - Corruption Risk Management (CRM)
- Undertake Control Measures
  - Establishment and review of policies and procedures
- Systematic Review, Monitoring and Enforcement
  - Regular review on performances, efficiency and effectiveness of the anti-corruption programme, and ensure the enforcement
- Training and Communication
  - Governance, Integrity & Risk education, awareness and periodic communication

MSM has embedded the principles of adequate procedures in the Anti-Bribery Policy Statement and Whistleblowing Policy which evidently available at MSM’s corporate website in compliance with Paragraph 15.29 (1) and (2) of Listing Requirements and guided by the Guidelines on Adequate Procedures, Section 17A (5) of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment Act 2018). There are three (3) key focus areas were examined - Corruption, Fraud and Abuse of power.



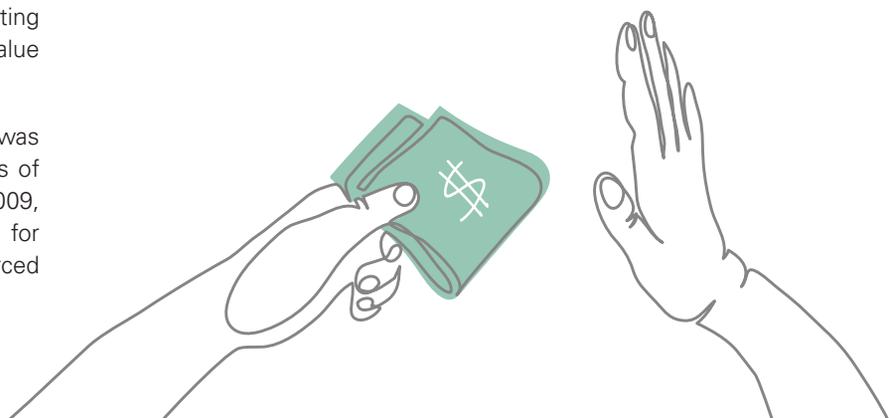
**Focus on Strong Governance**

We recognise that good governance is essential in assisting the business to deliver its strategy, generate shareholder value and safeguard shareholders’ long-term interests.

An important area of focus for the Group during the year was to ensure our preparedness in meeting the requirements of Section 17A of the MACC Act 2009. The MACC Act 2009, which was amended to introduce corporate liability for corruption offences of commercial organisations, was enforced on 1 June 2020.



Anti-Bribery Policy Statement and Whistleblowing Policy are available on the Company’s corporate website at <http://www.msmsugar.com/our-company/corporate-governance>



# CORPORATE GOVERNANCE OVERVIEW STATEMENT



## Application of MCGG 2021

With the revised MCGG 2021, MSM has four (4) departures for financial year 2021 (FY2021). The details on how the Company had applied each practice as set out in the MCGG during the FY2021 can be found in the Company's Corporate Governance Report 2021 (CG Report 2021) which is available on the Company's corporate website. The summary of explanations on the departures are in the table below:

| Departed Practice   | Summary Explanation for Departure  |
|---|--|
| <p><b>Practice 4.4</b><br/>Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities</p>                      | <p>There was no material sustainability risks and opportunities element in the Senior Management performance indicator</p>   |
| <p><b>Practice 5.9</b><br/>The board comprises at least 30% women directors</p>   | <p>There was no indication of 30% or any percentage for women director in the Board Nomination and Election Policy and Procedures of MSM. As at 31 December 2021, MSM Board comprised of seven (7) male Directors and two (2) female Directors (22% female representation)</p>                                 |
| <p><b>Practice 5.10</b><br/>The board discloses in its annual report the company's policy on gender diversity for the board and senior management</p>   | <p>There was no policy on gender diversity for Senior Management. The application on gender diversity for Senior Management is premised on merit based selection and appointment along a fair and equitable consideration and deliberation for qualification, experience, skills, intelligence and empathy</p> |
| <p><b>Practice 9.2</b><br/>The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee</p> | <p>The existing AGRC's Terms of Reference and External Auditor Policy stated that a former key audit partner must observe a cooling-off period of at least two years before being appointed as a member of the AGRC. Currently, there is no former key audit partner sitting on the AGRC</p>                   |

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS



### Roles and Responsibilities of Directors

The Board oversees the MSM Group's businesses and its performance for the MSM Group long-term success, working with the Senior Management to achieve the MSM Group strategic objectives and the delivery of sustainable value to its Stakeholders.

The Board is primarily responsible for the MSM Group overall strategic plans and directions, overseeing the conduct of the businesses, risk management, succession planning of Senior Management, implementing investor relations programmes and ensuring the system of internal controls and management information system are adequate and effective.

Details of information on the Board's roles and responsibilities together with the Board's reserve matters can be found in the Board Charter which is made available on the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.



### Board of Directors

Under the Company's Constitution, the number of Directors shall not be less than two (2) and not more than twelve (12). The current composition of the Board is in compliance with Paragraph 15.02 of the Listing Requirements. As at the date of this statement, there are nine (9) members on the Board, comprising:

- Six (6) Independent Non-Executive Directors; and
- Three (3) Non-Independent Non-Executive Directors.

The composition of the Board is reviewed annually by the Nomination and Remuneration Committee (NRC) to ensure effective balance diversification of gender, skill-sets, experience and knowledge. The profiles of the Directors are presented on pages 186 to 194 of this Annual Integrated Report.

Appointments to the Board are made via formal, rigorous and transparent process, premised on meritocracy and taking into account objective criteria such as competencies, experience, character, integrity, diversity and the ability to devote time as needed.

During the financial year under review, the Board appointed Dato' Amir Hamdan Hj Yusof, a Nominee Director from Koperasi Permodalan Felda Malaysia Berhad (KPF) as Non-Independent Non-Executive Director (NINED) of MSM.

On 7 April 2021, Dato' Haris Fadzilah Hassan, a nominee from FGV Holdings Berhad (FGV) has resigned as NINED of MSM. Following thereto, the Board on 18 October 2021 has approved the appointment of two (2) nominees from FGV to sit on the Board of MSM namely Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad as NINED of MSM. The new Directors with the diversified skills-set, and depth knowledge in the related fields such as Information Technology (IT), Environmental, Social and Governance (ESG) and Logistic Business will improve the Board dynamics and increase the level of debates and challenges at the Board and Board Committees meeting.

The Board is chaired by Datuk Syed Hisham Syed Wazir, an Independent Non-Executive Director, who provides leadership to the Board to ensure the Board can perform its responsibilities effectively.

The Board is supported by:

- Audit, Governance and Risk Committee
- Nomination and Remuneration Committee; and
- Investment and Tender Committee

These Committees play a significant role in reviewing matters within their respective Terms of Reference (TOR), and facilitate the Board in discharging its duties and responsibilities. Each of the Board Committee has specific TOR, scope and authorities to review matters before tabling to the Board for approval.

Even though there is delegation of responsibilities from the Board to the Board Committees, Group Chief Executive Officer (Group CEO), Chief Financial Officer (CFO) and Group Chief Operating Officer (Group COO), there are still a number of matters reserved solely for the Board's undertaking.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Audit, Governance and Risk Committee (AGRC)

### Chairman

- Choy Khai Choon

### Member

- Dato' Muthanna Abdullah
- Datuk Lim Thean Shiang
- Dato' Rosini Abd Samad

## Responsibilities & Duties

- Oversee the financial reporting
- Evaluate the internal and external audit process and outcome
- Manage risk and assess the risk management framework and internal control environment
- Review conflict of interest situations and Related Party Transactions (including Recurrent Related Party Transactions)
- Enhance governance, ethics and integrity
- Oversee sustainable practices
- Review the relevant statements for inclusion in the Annual Report including:
  - i. AGRC Report
  - ii. Statement on Risk Management and Internal Control
  - iii. Corporate Governance Overview Statement
  - iv. Sustainability Reporting on Economic, Environmental and Social
  - v. Corporate Governance Report



Details of the AGRC Report is set out on pages 229 to 235 of this Annual Integrated Report

## Nomination and Remuneration Committee (NRC)

### Chairman

- Dato' Muthanna Abdullah

### Member

- Datuk Dr Abd Hapiz Abdullah
- Dato' Rosini Abd Samad
- Dato' Amir Hamdan Hj Yusof
- Nik Fazila Nik Mohamed Shihabuddin  
*(appointed as NRC member on 18 October 2021)*

## Responsibilities & Duties

- Review the composition of the Board, Board Committees, directorship in Group and Senior Management
- Review the processes for nomination and election, appointment, reappointment and re-election of Directors
- Evaluate the contribution and commitment of Directors
- Review the Board assessment/AGRC term of office and performance
- Review succession planning
- Review the Remuneration Policy, all remuneration matters and other general remuneration matters across MSM Group
- Review remuneration of the Non-Executive Directors, Group CEO and Top Management
- Review the Nomination and Remuneration Committee Report for inclusion in the Annual Report



Details of the NRC Report is set out on pages 236 to 244 of this Annual Integrated Report

### Investment and Tender Committee (ITC)

#### Chairman

- Datuk Dr Abd Hapiz Abdullah

#### Member

- Choy Khai Choon
- Datuk Lim Thean Shiang
- Azman Ahmad  
(appointed as ITC member on 18 October 2021)

### Responsibilities & Duties

- Ensuring that MSM has in place optimum frameworks, mechanisms, policies and procedures for effective investment and procurement undertakings and activities
- Review proposals related to new investments, divestments and procurements of the Group in line with MSM's prevailing related policies and procedures
- Review the Investment and Tender Committee Report for inclusion in the Annual Report

### The Group's Investment and Divestment Matters

- Review and recommend to the Board, the specific initiatives, projects and potential investments and divestments to achieve the approved Group Strategic Plan
- Review the Group's investment portfolio and assess the performance of the Group's investments in the context of business and operational performance as well as changing market environment



Details of the ITC Report is set out on pages 245 to 246 of this Annual Integrated Report

- Review emerging risk and opportunities, market outlook (i.e. market study and market analysis), economic indicators, currency market, industry/regulatory developments as well as key business developments, which may affect the investment portfolio, the Group's investment strategy and the Group's financial health

### The Group's Procurement Matters

- Review the Group Procurement Policies & Procedure, including its framework
- Review the efficiency and effectiveness of the Group's centralised procurement initiatives
- Review and recommend and/or approve tender awards and any variation order for the awarded contracts
- Review status reports on procurement transactional efficiency and effectiveness, including amongst others, completion and delivery, spending against budget annually



The details of the responsibilities and duties of ITC are disclosed in the TOR of ITC which is made available on the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board Committees are governed by their respective TOR.

The Board Committees' TORs are published in the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.



## Our Company Secretary

The Board is supported by a qualified and competent Company Secretary who is responsible for addressing the Board on all governance matters and ensuring the Board procedures are followed, applicable rules and regulations are complied with in order to facilitate the Board in discharging their duties and responsibilities. Ms Koo Shuang Yen is the Company Secretary of MSM Group since 20 May 2011.

The details of information on the roles and responsibilities of the Company Secretary can be found in the CG Report 2021 and Board Charter at Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.



## Board Evaluation Assessment

A formal performance evaluation of the Board and Board Committee is completed annually to assess the Board's performance. The exercise of Board Evaluation Assessment for the year 2021 (BEA 2021) was carried out internally and facilitated by Company Secretary. The sets of questionnaires were sent to Directors for their evaluation. The assessment was then analysed and the findings presented to NRC for deliberation and the summary of the results tabled to the Board for endorsement.

Further details on the BEA 2021 carried out is disclosed in the NRC Report on page 236 of this Annual Integrated Report.



## Our Board and Board Committee Meetings and Attendance

The Board meetings conducted in 2021 were scheduled ahead and approved by the Board on 23 November 2020. The meeting schedule together with the draft agendas were structured to address the Board's collective responsibilities in relation to strategy, performance and governance.

There were sixteen (16) Board meetings held during financial year 2021. Due to COVID-19 pandemic, most of the Board meetings for the year 2021 were convened virtually. There were eight (8) unscheduled meetings convened to discuss the proposals which required critical and immediate decision from the Board. The summary of key activities of the Board for the year 2021 are illustrated at page 218 of this Annual Integrated Report.

## Priorities in FY2022

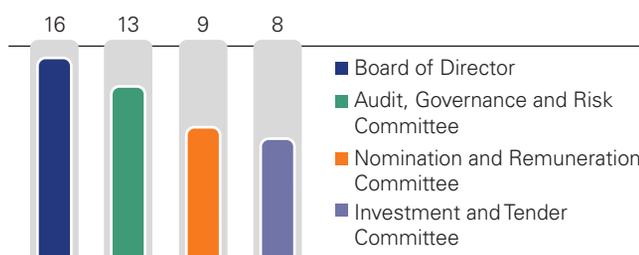
- 01 Sustainable Manufacturing Performance
- 02 Improving Sales Performance
- 03 Growing a Sustainable Operation with Better Energy Planning and Green Energy
- 04 Sales & Distribution Cost Savings
- 05 Strategic Capital Management
- 06 Export via Strategic Partnership
- 07 Digital Transformation via Industry 4.0



Details of the priorities can be found at the Corporate Strategy and Business Plan Review on page 73

Number of meetings convened by Board and each Board Committee:

## Number of Meetings in 2021



The agenda and supporting papers were distributed prior to Board and Board Committee meetings to allow sufficient time for review to facilitate discussion at the meetings. The access by the Directors to board papers is carried out online, through a dedicated software which allow Directors to securely access, read and review the board papers at any time or location.

Upon conclusion of each of the Board and Board Committee meeting, minutes were prepared accurately to record all issues raised, discussions, deliberations, decisions and conclusions including dissenting views made by the Directors at the Board and Board Committee meetings along with clear

actions to be taken by responsible parties. The final draft minutes of the Board and Board Committee meetings were then circulated to the Chairman of Board Committee and Board members respectively in a timely manner. This has allowed the Chairman of Board Committee and Board members to comment and seek clarifications of the minutes or request for any necessary corrections prior to confirming the minutes as true and correct records in the following respective meetings.

The Board and Board Committees' meetings attendance for financial year ended 2021 (FY2021) are set out below:



**Notes:**

1. Appointed as Board member and member of NRC with effect from 12 January 2021.
2. Appointed as Board member and member of ITC with effect from 18 October 2021.
3. Appointed as Board member and member of NRC with effect from 18 October 2021.
4. Resigned as Director and ceased as member of ITC on 7 April 2021.

Based on the above, all Directors have complied with the minimum requirement of 50% attendance at Board meetings as stipulated in the Paragraph 15.05(3)(c) of the Listing Requirements.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT



## Summary of Board Key Activities in FY2021

Below are among the key matters considered by the Board throughout the 16 meetings held during FY2021:



### Board Structure

- Accepted the Resignation of Non-Independent Non-Executive Director of MSM Malaysia Holdings Berhad
- Reviewed/recommended/approved/accepted the Appointment/Reappointment/Re-election of Directors
- Reviewed the report of Board Effectiveness Assessment for year 2019/2020 (BEA 2019/2020) and considered the Key Areas of Improvement based on the outcome of BEA 2019/2020
- Reviewed the Performance Assessment of the Audit, Governance and Risk Committee and its members
- Reviewed and analysed the Board Annual Assessment on the Independence of the Independent Directors



### Remuneration and Human Resources

- Reviewed and selected the candidates recommended by NRC for the position of Group CEO and Group COO of MSM Malaysia Holdings Berhad
- Reviewed and considered the proposal for the renewal of contract of the Chief Financial Officer
- Reviewed the proposed Formation and Changes to the Organisational Structure of MSM Malaysia Holdings Berhad
- Reviewed and approved the formation of Group Health, Safety, Environment, Security and Quality Division in MSM Group of Companies
- Reviewed and approved the Proposed MSM Group Scorecard 2021
- Reviewed and approved the Proposed Financial Year 2021 Annual Increment for MSM Group of Companies
- Reviewed the Proposed Formation of Group Digital Department in MSM Malaysia Holdings Berhad
- Proposed Payment of One-Off Financial Assistance 2021 During Pandemic Period to the Eligible Employees of MSM Group of Companies
- Reviewed the remuneration structure of Non-Executive Directors of MSM Malaysia Holdings Berhad



### Financial

- Reviewed and approved the 2021 quarterly results and the Audited Financial Statements for the financial year 2020
- Assessed and approved the reappointment of external auditor in accordance with MSM External Auditor Policy
- Reviewed the Quarterly report on:
  - Group Recurrent Related Party Transactions
  - Group's Capital Expenditure
  - Recoverability and Trade Receivables
  - Financial Covenants
  - Cashflow Projection
- Reviewed and approved policies:
  - Raw Sugar Pricing Proposal for FY2023
  - Revised MSM Receivable Policy
  - Credit Control & Sales Payment Terms Policy
  - MSM Conflict of Interest Policy
  - MSM Referral Policy
  - Code of Business Conduct of Employees
- Reviewed and considered the Business Plan and Budget 2022 for MSM and its Group of Companies
- Reviewed the proposal in relation to MSM Group's Climate Actions through Science Based Target Initiatives and Net Zero Ambition
- Reviewed and approved the capital expenditure (CAPEX) projects for 2021 and its implementation



### Company and Group Operation

- Monitor the implementation of CAPEX projects and utilisation of funds at MSM Prai Bhd and MSM Sugar Refinery (Johor) Sdn Bhd
- Reviewed and approved the appointment of consultants to dispose MSM Perlis Sdn Bhd's assets and reallocate some assets to MSM Prai Bhd and MSM Sugar Refinery (Johor) Sdn Bhd
- Reviewed the proposal to dispose MSM Group non-core assets

- Reviewed and approved proposed strategies for improvements & optimisation in both MSM Sugar Refinery (Johor) Sdn Bhd and MSM Prai Bhd to address operational issues
- Reviewed, recommended and approved new gas supply agreement for refineries operations
- Reviewed and approved revisions of MSM Group policies relating to procurement
- Reviewed Group's business strategies for expansion and diversification



**Governance and Others**

- Reviewed, deliberated and approved among others, reports for disclosure in Annual Report 2020, policies and procedures and matters related to the 2021 AGM
- Reviewed the Circular to Shareholders pertaining to the Divestment of 100% Shares in MSM Perlis Sdn Bhd owned by MSM Malaysia Holdings Berhad to FGV Integrated Farming Holdings Sdn Bhd
- Approved the Nomination by CEO Action Network of MSM Group CEO as Main Member
- Reviewed the Establishment of Whistleblowing Channel (System) & Committee in MSM Malaysia Holdings Berhad and its Group of Companies
- Reviewed the status of COVID-19 cases for MSM Group time by time and set up the task force to manage and control the case of COVID-19
- Reviewed the Level of Compliance and Gap Analysis for practices under MCCG 2021
- Reviewed MSM Cyber Security Status of MSM Group



**Board Composition**

The following were the changes in the Board Composition during FY2021:

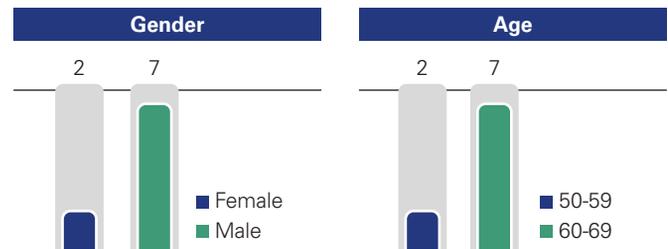
- Appointment of the following Non-Independent Non-Executive Directors:
  - Dato' Amir Hamdan Hj Yusof as Nominee Director for KPF effective 12 January 2021
  - Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad, represented FGV effective 18 October 2021
- Resignation of Dato' Haris Fadzilah Hassan on 7 April 2021.

With the above changes, the Board composition under the financial review, comprised of nine (9) members, with six (6) Independent Non-Executive Directors (INED) and three (3) Non-Independent Non-Executive Directors (NINED). This complied with the Paragraph 3.04 of Listing Requirements and Practice 5.2 of MCCG 2021.



**Board Diversity for FY2021**

The Board recognises the importance of diversity in its composition to ensure effectiveness and good corporate governance. The NRC and Board regularly review the composition of the Board to ensure proper discharge of its functions and obligations. All Directors are appointed via a robust process, based on merit and in line with the standards set out in Paragraph 2.20A of the Listing Requirements. The background of each Director can be found on pages 186 to 194, demonstrating the Board's diversity policy.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT



## Director Induction and Continuous Professional Development

Non-Executive Directors are appointed from time-to-time and on appointment, they receive a comprehensive introduction to the Group's activities and a tailored induction programme including a number of site visits. All Directors are provided with the opportunity for ongoing training to keep up to date with relevant legislative changes, including covering their duties and responsibilities as Directors and the general business environment. Directors can obtain independent advice at the expense of the Company.

All Directors have attended trainings, seminars and briefings during the financial year ended 31 December 2021.

### Datuk Syed Hisham Syed Wazir

#### 14 April 2021

- Responsibilities of Director - Safeguarding the Company against MACC Section 17A (Malaysian Institute of Corporate Governance)

#### 17 August 2021

- Corporate Director's Summit themed "Governance 4.0: Transforming Business, Transforming Boards" (Boardroom Corporate Services Sdn Bhd partnering with the Malaysian Alliance of Corporate Directors)

#### 22 September 2021

- Cybersecurity: A Boardroom Agenda (Companies Commission of Malaysia Training Academy)

#### 28 September 2021

- SC Guidelines on the Conduct of Directors of Listed Corporations and their Subsidiaries ('SC Guidelines') - their implications to the Group, Directors and Management, including what need to be done (Malaysian Institute of Corporate Governance)

### Dato' Muthanna Abdullah

#### 18 & 19 February 2021

- Understanding Board Decision-Making Process (Asia School of Business)

#### 15 & 16 March 2021

- Nominating and Remuneration Committees - Beyond Box-Ticking & Enhancing Effectiveness (Asia School of Business) in collaboration with MIT Sloan

#### 31 March - 2 April 2021

- Bursa Programme: "Mandatory Accreditation Programme (MAP)" (Asia School of Business)

#### 20 April 2021

- Risk Management in Technology (RMiT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards? (Asia School of Business)
- BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know (FIDE Forum)

#### 4 - 6 October 2021

- Khazanah Megatrends Forum 2021 The Invention of Tomorrow - Crafting Our New Collective Narrative (Khazanah Nasional)

#### 6 December 2021

- Securities Commission's Audit Oversight Board Conversation with Audit Committees (Securities Commission)

**Datuk Dr Abd Hapiz Abdullah****10 & 17 February 2021**

- Understanding Section 17A of Corporate Liability Provision and Establishing Adequate Procedures (The Malaysian Institute of Integrity)

**5 & 6 May 2021**

- Key Disclosure Obligations of a Listed Company (CKM Advisory Sdn Bhd)

**22 September 2021**

- Cybersecurity: A Boardroom Agenda (Companies Commission of Malaysia Training Academy)

**Dato' Rosini Abd Samad****21 January 2021**

- Live Webinar on Key Disclosure Obligations of a Listed Company - Financial Reporting (CKM Advisory Sdn Bhd)

**15 & 16 March 2021**

- Audit Committee Conference 2021 - Agility, Empathy and Resilience: How the Audit Committee will Thrive in the New Normal (Malaysia Institute of Accountants)

**5 & 6 May 2021**

- Key Disclosure Obligations of a Listed Company (CKM Advisory Sdn Bhd)

**29 & 30 July 2021**

- Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness (Iclif Executive Education Centre)

**17 August 2021**

- Corporate Director's Summit themed "Governance 4.0: Transforming Business, Transforming Boards" (Boardroom Corporate Services Sdn Bhd partnering with the Malaysian Alliance of Corporate Directors)

**Choy Khai Choon****9 & 10 March 2021**

- IMAS-Bloomberg Investment Conference 2021: The Future of Capital (IMAS-Bloomberg)

**11 March 2021**

- Rethinking Our Approach to Cyber Defence in FI's (FIDE)

**2 June 2021**

- The role of independent director in embracing present and future challenges (BNM-FIDE Forum)

**21 June 2021**

- Briefing on Sustainability (MISC)

**23 - 25 June 2021**

- JC3 Conference Finance for Change (Bank Negara Malaysia & Securities Commission)

**8 July 2021**

- BNM Dialogue on Risk Management in IT (FIDE)

**22 September 2021**

- 2021 APAC Summit Global Markets in Transition - The Ethical Investment Demand - A Conversation with Tan Sri Abdul Wahid Omar

**24 September 2021**

- The path to economic recovery - A conversation with Ben Bernanke

**28 September 2021**

- IFRS17 Training by EY

**30 September 2021**

- APAC Summit Risk, Resilience & Recovery - A Conversation with Condoleezza Rice

**20 October 2021**

- IIFA Conference (International Investment Fund Analyst Association)

**25 October 2021**

- Federation of Investment Fund Managers Malaysia Annual Conference

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Datuk Lim Thean Shiang

### 8 April 2021

- Dealings in Listed Securities, Closed Period & Insider Training (CKM Advisory Sdn Bhd)

### 14 April 2021

- Responsibilities of Director - Safeguarding the Company against MACC Section 17A (Malaysian Institute of Corporate Governance)

### 10 May 2021

- Corporate Governance and Corporate Liabilities - by Daya Material (Epsilon Advisory Services Sdn Bhd)

## Dato' Amir Hamdan Hj Yusof

### 26 January 2021

- On-boarding Session for Newly Appointed Director (MSM Management)

### 27 January 2021

- Convene Training for Dato' Amir Hamdan Hj Yusof (Digital Meeting Platform for MSM Directors) (FGV IT)

### 31 March - 2 April 2021

- Bursa Programme: "Mandatory Accreditation Programme (MAP)" (Asia School of Business)

### 21 & 22 October 2021

- Bengkel Pelan Strategik Felda 2022-2026 (Jabatan Pembangunan Strategik, Felda)

### 28 October 2021

- Felda Engagement Workshop: Assets Rationalisation (Transformation Management Office, Felda)

## Nik Fazila Nik Mohamed Shihabuddin

### 22 October 2021

- On-boarding Session for Newly Appointed Director (MSM Management)

### 23 & 24 November 2021

- Future Proofed Palm Oil Summit

### 16 December 2021

- Rethink, Reimagine & Redesign: Business Model of the Future - Institute of Corporate Directors Malaysia

### 17 December 2021

- Becoming a Boardroom Star - Institute of Corporate Directors Malaysia

## Azman Ahmad

### 22 October 2021

- On-boarding Session for Newly Appointed Director (MSM Management)

### 1 - 3 November 2021

- Mandatory Accreditation Programme (Asia School of Business)



## Directors & Non-Executive Directors Remuneration

### Directors

The level of Directors' remuneration is generally set to be competitive to attract and retain Directors of calibre to provide the necessary skills and experience as required and commensurate with the Board's responsibilities, expertise and complexity of the Company's activities for the effective management and operations of the Group. The Board has formalised its Directors Remunerations Policy (DRP) which spells out the policy and framework of MSM Directors' remuneration.

Details of Directors' Remuneration and aggregate remuneration of Directors for FY2021 are as follows:

|  | Directors' Annual Fees |                          |                       | Meeting Allowance (RM) | Benefits <sup>(1)</sup> (RM) | Total (RM)          |
|--|------------------------|--------------------------|-----------------------|------------------------|------------------------------|---------------------|
|  | MSM Board (RM)         | MSM Board Committee (RM) | MSM Subsidiaries (RM) |                        |                              |                     |
| <b>Non-Executive Directors</b>   |                        |                          |                       |                        |                              |                     |
| Datuk Syed Hisham Syed Wazir   | 315,000.00             | -                        | -                     | 32,000.00              | 24,169.34                    | 371,169.34          |
| Choy Khai Choon  | 120,000.00             | 58,038.36                | -                     | 74,000.00              | 15,218.75                    | 267,257.11          |
| Dato' Muthanna Abdullah  | 120,000.00             | 46,410.96                | -                     | 72,000.00              | 15,218.75                    | 253,629.71          |
| Datuk Dr Abd Hapiz Abdullah  | 120,000.00             | 36,443.84                | -                     | 66,000.00              | 15,218.75                    | 237,662.59          |
| Dato' Rosini Abd Samad   | 120,000.00             | 37,358.91                | -                     | 76,000.00              | 15,218.75                    | 248,577.66          |
| Datuk Lim Thean Shiang   | 120,000.00             | 35,189.05                | -                     | 74,000.00              | 15,218.75                    | 244,407.80          |
| Dato' Amir Hamdan Hj Yusof<br><i>(appointed w.e.f 12 January 2021)</i>         | 116,451.61             | 14,268.49                | -                     | 42,000.00              | 14,289.90                    | 187,010.00          |
| Nik Fazila Nik Mohamed Shihabuddin<br><i>(appointed w.e.f 18 October 2021)</i> | 24,516.13              | 4,109.59                 | -                     | 10,000.00              | 284.68                       | 38,910.40           |
| Azman Ahmad<br><i>(appointed w.e.f 18 October 2021)</i>                        | 24,516.13*             | 3,287.67*                | -                     | 14,000.00*             | -                            | 41,803.80           |
| Dato' Haris Fadzilah Hassan<br><i>(resigned on 7 April 2021)</i>               | 32,333.33*             | 2,126.03*                | -                     | 12,000.00*             | -                            | 46,459.36           |
| <b>Total</b>   | <b>1,112,817.20</b>    | <b>237,232.89</b>        | <b>-</b>              | <b>472,000.00</b>      | <b>114,837.66</b>            | <b>1,936,887.76</b> |

**Figures exclude GST**

\* Directors' Annual Fees paid/will be paid to FGV Holdings Berhad

<sup>(1)</sup> Benefits comprises of:

- benefits-in-kind (i) driver's allowance (ii) security services allowance; and
- other benefits i.e. medical expenses, insurance coverage, travelling and other claimable benefits

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Non-Executive Directors

The Non-Executive Directors' remuneration package reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Directors.

The draft Non-Executive Directors Remuneration Policy (NEDRP) was prepared internally by Group Secretarial Division captured the revised remuneration structure which has been approved by the shareholders at the 10<sup>th</sup> Annual General Meeting of the Company in 2021. The draft NEDRP then has been reviewed by external solicitors who are specialised in human resource fields.

The working committee comprises representatives from Group Human Resource, Company Secretary and Legal Affairs has reviewed the draft NEDRP. The Board on 25 November 2021 through the recommendation from NRC has approved the NEDRP for the implementation in MSM Group effective from 17 June 2021.

Details of the Non-Executive Directors' remuneration as members of the Board and Board Committees in the form of fees FY2021 are as follows:

| Board/Board Committees                  | Fees per annum (RM)            |                                |
|---|--------------------------------|--------------------------------|
|   | Chairman                       | Member                         |
| <b>Board of Directors</b>               | 315,000.00<br>(RM26,250/month) | 120,000.00<br>(RM10,000/month) |
| <b>Board Committees</b>                 |                                |                                |
| - Audit, Governance and Risk Committee  | 64,000.00                      | 32,000.00                      |
| - Nomination and Remuneration Committee | 35,000.00                      | 20,000.00                      |
| - Investment and Tender Committee       | 32,000.00                      | 16,000.00                      |

Details of the Non-Executive Directors' benefits in accordance with the remuneration structure (excluding Directors' annual fees) are set out below:



### Meeting Allowance

- Board and Board Committee meeting:  
RM2,000 per attendance



### Benefits

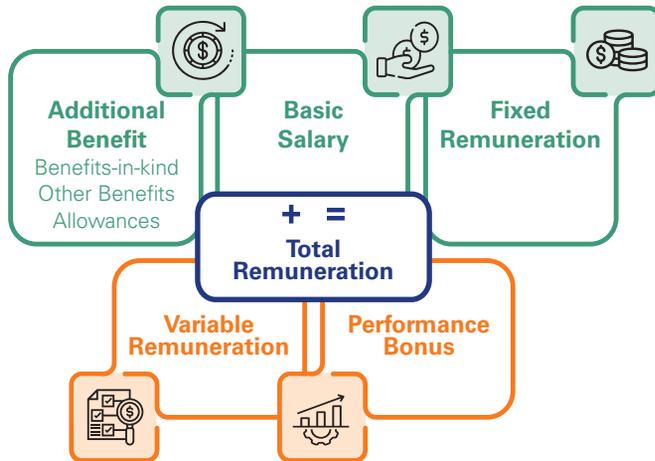
- Company car (Chairman only):
  - one (1) Company car of at least 2000cc with a maximum of RM180,000 per annum for utility of the car (car maintenance, petrol, etc. which is not convertible to cash; and
- Driver allowance (Chairman only):
  - RM30,000 per annum
- Medical expenses, insurance coverage, travelling expenses and other claimable



### Summary of Group Chief Executive Officer Remuneration Policy

The Group CEO receives a remuneration package recommended by the NRC and approved by the Board. The remuneration package takes into account the individual performance which are benchmarks against the Company's targets as well as market rate for benefits-in-kind, annual increment and bonus. The Group CEO is not entitled to annual fees nor any meeting allowances for the Board and Board Committee meetings. Group CEO is also not entitled to any annual fees in MSM Group.

The summary of the Group CEO’s remuneration package is as follows:



**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**



**Audit, Governance and Risk Committee**

The Board has established an Audit, Governance and Risk Committee (AGRC) to provide robust oversight on financial reporting, external and internal audit processes, and related party transactions. The AGRC members possess the requisite financial literacy and business knowledge that support the sound understanding of matters under their purview.

The AGRC has unrestricted access to both the internal and external auditors, who report functionally and directly to the AGRC. The AGRC has established transparent arrangements to maintain an appropriate relationship with the Company’s external auditor. The external auditor has provided assurance that its personnel are and have been independent throughout the conduct of the audit in accordance to the terms of relevant professional and regulatory requirements.



**Oversight of Financial Reporting**

The Board ensures that Shareholders are presented with a clear, balanced and comprehensive view of the Group’s financial performance and prospects through the audited financial statements, quarterly announcement of financial results, the Chairman’s Address and the Management Discussion and Analysis (MD&A) on page 266, page 42, page 48 and page 76, respectively in this Annual Integrated Report as well as corporate announcements on significant developments affecting the Company in accordance with the Listing Requirements. The Directors considered the compliance with all applicable financial reporting standards, provision of the Companies Act, 2016 and relevant provision of laws and regulations in Malaysia.

The AGRC updates the Board on the matters deliberated in its meetings. Details on the summary of work carried out during the year is set out in the AGRC Report on page 229 of this Annual Integrated Report.



**Corporate Governance Matters**

We are committed to excellence in corporate governance, transparency and accountability. All those are vital in supporting our business in executing its strategy and in generating long-term shareholder value. Below are the initiatives taken in place:



**Governance**

- Establishment of MSM Domestic Sales Policy, Conflict of Interest Policy and Referral Policy
- Revision of MSM Governance of Policies and Procedures Policy, Group Trading Policy, Related Party Transactions (RPT) and Recurrent Related Party Transactions (RRPT) Policy, Receivables Policy, Credit Control & Sales Payment Term Policy, Group Procurement Policy, Code of Business Conduct & Ethics

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

- Establishment of MSM Whistleblowing Channel (System) & Committee

On 25 May 2021, the Board has approved the establishment of Whistleblowing Channel (System) & Committee in MSM Malaysia Holdings Berhad and its group of Companies for implementation. Previously, MSM adopted FGV whistleblowing reporting channel & committee, being managed by FGV Whistleblowing Secretariat.

The channel which allows the reporting individual to report on alleged unethical behaviour within the Group was established with the aim to maintain the highest standard of ethics and legal conduct within the Group.

Further information on the implementation of the channel & committee can be found in the CG Report 2021 and published in the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.

- Vendor Integrity Attestation
- Corporate Governance & Risk Management update to EXCO

On-going education programmes:

- Governance & Integrity E-Learning Module
- Integrity Talk
- Whistleblowing Roadshow



## Ethic & Integrity

MSM Malaysia Holdings Berhad has undertaken the following key activities to show our commitment as being an ethical and professional organisation, anchored on ethics, integrity and accountability:

- Corruption Risk Management
- MSM Integrity Pledge
- Governance, Integrity & Risk Periodic Communication
- MSM Anti-Bribery Policy Statement
- Central Depository System
- Establishment of new and revised Policies
- Establishment of Whistleblowing Channel & Committee
- Integrity Compliance Assessment
- Governance and Integrity E-Learning
- Virtual Prodigy Induction
- EXCO Integrity Talk and Pledge



## Risk Management, Business Continuity Management and Internal Controls

The Board affirms its overall responsibility for the Group's Statement of Risk Management and Internal Control. The AGRC provides an independent assessment of the effectiveness of the MSM's Enterprise Risk Management (ERM) framework and reports to the Board. Key elements of the Group's control environment include Organisation Structure, AGRC, Group Internal Audit, Code of Business Practice, Business Continuity Management, Legal, Company Secretary, Limits of Authority, Policies and Procedures, Financial and Operational Information and Systems and Information Security.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure has been designed in order to develop, plan, execute, monitor and control the Group's objectives effectively and to ensure that internal controls are embedded within the operations.

Further information on the Group's risk management and internal control framework is made available on the Statement on Risk Management and Internal Control on page 251 of this Annual Integrated Report.

### Business Continuity Management

During normal operation and in response to current pandemic COVID-19, Business Continuity Management (BCM) sets a strategies to actively increase corporate resilience. The objective is to prevent suspension of operations or services.

Most businesses experience significant disruption to their business-as-usual operations and faces business underperformance throughout the duration of the COVID-19 crisis. To help address these challenges, MSM Group proposed the COVID-19 Response Plan which was updated and email blasted to all MSM staff on 19 August 2021.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**



**Relations and Communications with Stakeholders**

The Company has a Corporate Disclosure Policy stipulating the proper framework and guidelines to govern the release of information to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders. The Corporate Disclosure Policy also regulates the review and release of information to Bursa Securities as well as through the Company’s corporate website, facilitating timely and accurate disclosure of the Company’s affairs.

The Company communicates with its shareholders and stakeholders through the following channels of communication:

**Media Coverage and Briefings on the Quarterly Results**

The Media is an important partner of the MSM Group as it helps the company to reach the public through all sorts of media channel including mainstream and digital media. MSM emphasised on accuracy, credibility, objectivity and timeliness throughout its media relations activities. All forms of media engagement, interaction and statements shall be referred to, prepared and issued by Corporate Communication Department.

Our media relations are facilitated by our Media & Spokesperson Policy to ensure consistency and positive management of the information released to the media whilst safeguarding MSM’s asset and reputation. It includes media release and briefing, press conferences, media enquiry and interview. All of MSM’s media release and media clippings are made available on MSM’s corporate website at <http://www.msmsugar.com/> and media enquiries can be emailed to [corpcomms@msmsugar.com](mailto:corpcomms@msmsugar.com).

MSM also committed to ensure its communication through social media channel which include Instagram, Facebook, LinkedIn and Twitter are constantly monitored by Corporate Communication Department. Each engagement, interaction and content posted shall be reviewed thoroughly to safeguard the Group’s image and reputation.

MSM consistently update and announce the quarterly result to the Bursa Securities via Bursalink. The list of quarterly result announcement are as follows:

**2020**

- 25 February 2021**  
4<sup>th</sup> quarter ended 31 December 2020
- 25 May 2021**  
1<sup>st</sup> quarter ended 31 March 2021
- 25 August 2021**  
2<sup>nd</sup> quarter ended 30 June 2021
- 25 November 2021**  
3<sup>rd</sup> quarter ended 30 September 2021

**2021**

- 22 February 2022**  
4<sup>th</sup> quarter ended 31 December 2021

**Financial Reporting and Disclosure**

MSM’s Board strives to present shareholders with a balanced and comprehensive assessment of the Group’s financial performance, challenges and outlook (Audited Financial Statements and Quarterly Results).

The Board is also committed in releasing announcements in a timely manner in respect of the Group’s performance. In the context of our Financial Statements, the Group adheres to the requirements set out in the Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the Companies Act, 2016 as well as the laws and regulations in the respective countries in which MSM operates. Our Audited Financial Statements and Quarterly Reports are also reviewed by the AGRC to ensure a fair representation of the Group and the Company.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Annual Report

This is MSM's 11<sup>th</sup> Annual Report produced since its listing on Bursa Securities on 28 June 2011. The report provides a comprehensive view on the Group's operational and financial performance.

An online version of the complete Annual Report is made available on MSM's corporate website for download. Our share registrar will ensure that the printed copy reaches Shareholders within four (4) days after receiving the request form.

## Corporate Website

The Company's corporate website has become a key communication channel to reach its shareholders and the general public. Financial results, Annual Reports, Bursa Malaysia announcements, corporate presentations and other information on the Company are published on the Company's corporate website. The presentation slides for research analyst briefings and press releases are also made available to the public via Company's corporate website, [www.msmsugar.com](http://www.msmsugar.com).

## Conduct of General Meeting

The Company's Annual General Meeting (AGM), is the primary platform for communication with the widest range of shareholders. The notice of 10<sup>th</sup> AGM was issued to shareholders on 27 April 2021 which was more than 28 days before the date of AGM. The notice of 10<sup>th</sup> AGM provided the details of the proposed resolutions along with the explanation notes to enable the shareholders to understand, evaluate and vote accordingly.

The Chairman, at the commencement of a general meeting, informs Shareholders of their right to vote. The Board considers the use of electronic voting for polling to facilitate greater shareholders' participation, taking into consideration its availability, reliability, applicability, cost and efficiency. MSM shall appoint a Poll Administrator to handle the polling process and Independent Scrutineers to verify the results of the poll.

Due to the pandemic COVID-19, the 10<sup>th</sup> AGM of the Company held on 17 June 2021 was conducted virtually via LUMI platform. The Chairman of the Board chaired the meeting in an orderly manner and the Shareholders/Proxies participated remotely and were allowed to pose their questions in the LUMI platform. All Directors were present to the 10<sup>th</sup> AGM to respond to the questions raised by the Shareholders/Proxies.

The Group CEO presented the Company's operational and financial performance for the financial year under review. The presentation covered salient points on financial, operational performance and return on shareholders' fund. Questions raised by the Minority Shareholder Watch Group (MSWG) prior to the AGM together with feedback from Management were also shared with Shareholders during the AGM. The Chairman provided fair opportunity and time to all shareholders in exercising their rights to raise questions throughout the meeting.

A media conference was held immediately after the 10<sup>th</sup> AGM virtually attended by the Chairman, Group CEO and CFO to update the media representatives on the resolutions passed and answered questions on matters related to the Group. Results of all resolutions passed at the 10<sup>th</sup> AGM were announced on the same day via Bursa LINK.



## Statement by the Board

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 21 March 2022.

On behalf of the Board

**DATUK SYED HISHAM SYED WAZIR**  
Chairman

# AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT



THE AUDIT, GOVERNANCE AND RISK COMMITTEE (AGRC OR COMMITTEE) WAS ESTABLISHED BY THE BOARD OF DIRECTORS OF MSM MALAYSIA HOLDINGS BERHAD IN LINE WITH THE MAIN MARKET LISTING REQUIREMENTS (LISTING REQUIREMENTS) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES) WITH THE PRINCIPAL ROLE TO ASSIST THE BOARD IN CARRYING OUT ITS OVERSIGHT RESPONSIBILITIES IN RELATION TO FINANCIAL REPORTING, EXTERNAL AUDIT AND INTERNAL AUDIT PROCESSES, CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS. THE AGRC ALSO PLAYS A CRUCIAL ROLE IN ENSURING APPROPRIATE CHALLENGE AND GOVERNANCE IN MATTERS RELATING TO INTERNAL CONTROL, FINANCIAL REPORTING AS WELL AS GOVERNANCE, RISK MANAGEMENT AND ETHICS PROGRAMMES OF THE GROUP.

THE BOARD IS PLEASED TO PRESENT THE AGRC REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021.

## COMPOSITION OF AGRC

The current AGRC comprises of four members, all of whom are Independent Non-Executive Directors. The composition of the AGRC complies with the Listing Requirements of Bursa Securities and the principles and practices set out in the Malaysian Code on Corporate Governance 2021 (MCCG 2021) that Audit Committee should comprise solely of Independent Directors. None of the AGRC members is a former key audit partner of the Group.

The Committee is chaired by Choy Khai Choon, an Independent Director who is not the Chairman of the Board, thus satisfying the requirement of separation of power between the Chairman of the Board and the Chairman of AGRC as prescribed by the MCCG 2021. He is a member of the Malaysian Institute of Accountants (MIA) and also an Honorary Fellow of CPA Australia. The Chairman of the Committee meets the requisite qualifications as stipulated in paragraph 15.09(1)(c)(i) of the Listing Requirements.

The membership and meeting attendance of AGRC members for 2021 are as follows:

| Members                 | Type of membership                          | No. of meetings attended during 2021 |          |
|-------------------------|---|--------------------------------------|----------|
|                         |   | Held                                 | Attended |
| Choy Khai Choon         | Chairman/Independent Non-Executive Director | 13                                   | 13       |
| Dato' Rosini Abd Samad  | Member/Independent Non-Executive Director   | 13                                   | 13       |
| Dato' Muthanna Abdullah | Member/Independent Non-Executive Director   | 13                                   | 13       |
| Datuk Lim Thean Shiang  | Member/Independent Non-Executive Director   | 13                                   | 13       |

# AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

The AGRC discharges its responsibilities through a series of scheduled meetings during the year. The AGRC conducted a total of thirteen (13) meetings including eight (8) unscheduled meetings which were held on 29 March 2021, 5 April 2021, 26 April 2021, 7 July 2021, 9 September 2021, 12 October 2021, 19 November 2021 and 8 December 2021.

The Company Secretary and Chief Internal Auditor act as the Committee's Secretaries in all the meetings. The meetings were attended by Group Chief Executive Officer (Group CEO), Chief Financial Officer (CFO), Group Chief Operating Officer (Group COO), Head of Corporate Governance & Risk Management together with the members of Senior Management and the external auditor, upon invitation, to brief the Committee on related matters.

The AGRC meetings were conducted in accordance with the requisite quorum of two (2) members as stipulated in the Term of Reference (TOR) of AGRC.

All AGRC meeting minutes, including meeting papers, on matters deliberated by the Committee in the discharge of its functions were properly documented. Minutes of the AGRC were circulated to the members for confirmation. Reports on the proceedings of the Committee meetings were tabled to the Board quarterly.

## ROLES OF THE COMMITTEE

Key areas under the purview of the AGRC include the financial reporting and performance oversight, internal audit, external audit, Related Party Transactions (RPT), Recurrent RPT, governance oversight, ethics and integrity, risk management, internal control environment, sustainability framework and anti-bribery. Further details on the functions and duties of the AGRC are provided in its TOR which is available at the Company's corporate website at [www.msmsugar.com](http://www.msmsugar.com).

The AGRC's TOR has been established pursuant to the Listing Requirements and was approved by the Board to guide the Committee in the discharge of its functions and duties. In addition, the TOR also recognises and adopts related better practices and guidance from the MCCG and the Corporate Governance Guide. The TOR of AGRC was approved by the Board on 24 July 2020.

The existence of the Committee does not diminish the Board's ultimate statutory and fiduciary responsibilities for decision-making relating to the functions and duties of the Committee.

## SUMMARY OF WORKS

The salient matters that the AGRC considered during the financial year 2021 in discharging their duties and responsibilities through the 13 meetings held and various private sessions with the external and internal auditors are as follows:



### Financial Reporting

#### a. Quarterly Financial Results

At the AGRC meetings held on 17 February 2021, 17 May 2021, 13 August 2021 and 11 November 2021, the AGRC reviewed and discussed with Management the unaudited quarterly financial results, any changes in accounting policies, the going concerns assumptions, and ensuring that the necessary processes and controls are in compliance with accounting standards and regulatory requirements before recommended to the Board for approval.

The AGRC also reviewed the reports of the external auditor from their quarterly financial statement review and significant matters highlighted by the external auditor in the financial statements and significant judgments made by Management.

#### b. Audited Financial Statements

On 12 March 2021, the AGRC together with external auditor and Management had considered and reviewed the draft of the audited financial statements for the year ended 31 December 2020 together with the Directors' and Auditor's Statement and concluded that the financial report presented a true and fair view of the Company's financial performance for the year and was in compliance with regulatory requirements.

c. Quarterly Reports

The AGRC reviewed the following reports which are presented at each of its quarterly meeting:

- Group's Consolidated Cashflow Projections.
- Capital Expenditure (CAPEX).
- Recurring Related Party Transactions.
- Report on Recoverability of Trade Receivables and Past Due Accounts.

d. Reviewed MSM Group's Goodwill and MSM Johor's Asset Impairment Assessment.

e. Reviewed the position on the financial covenants of the MSM Group.



### Assessing the Risks and Control Environment

- a. Evaluated the reports on the assessment of the risks and control environment based on the external auditor's quarterly financial statement reviews and statutory financial audits.
- b. Reviewed all internal audit reports issued by the Group Internal Audit, which detailed the observations from all the internal audits undertaken.
- c. Received assurances from the Group CEO and CFO that the risk management and internal control system of the Group for the financial year 2020 have been operating adequately and effectively, in all material respects.
- d. Monitored the implementation of corrective actions taken for improvement by Management based on matters highlighted by internal and external auditors.
- e. Provided relevant guidance for the improvement of the risks and internal control of the Group, particularly in the areas of inventory management which was the key focus area of the Group during the financial year. This included improvements in the monitoring and systems.
- f. Reviewed raw sugar pricing for FY2023 and gas price hedging with Brent Crude Oil.
- g. Reviewed proposal to enter into agreement for two (2) years refined sugar supply with Coca-Cola.



### Internal Audit Process

- a. The AGRC reviewed Group Internal Audit reports summarising the following at quarterly meeting during the financial year 2021:
  - The observations from the internal audit reports issued during the quarter. The Committee gave direction to Management on key matters requiring Management's special and immediate attention. The Committee has reported to the Board on these key significant matters.
  - The progress of implementation of the recommendations from internal audit reports issued.
  - The progress of implementation of the MSM Group Annual Internal Audit Plan.
- b. Considered the outcome of any special reviews and investigations, including those arising from Management and recommendation raised by the Committee's Chairman and members and Management's response and follow-up actions thereto, and reported key matters to the Board.
- c. Reviewed and recommended the proposal for Award of Out-Source Review of MSM Johor Refinery Construction-Phase 3 to the Board for approval.
- d. On 11 November 2021, the AGRC reviewed and approved the MSM Group Annual Internal Audit Plan for the year 2022 including assessing the priority ranking of the audit universe to provide sufficient audit coverage, the adequacy of resources of the internal audit function to execute the MSM Group Annual Internal Audit Plan and competencies required.
- e. Assessed the performance of the Chief Internal Auditor basing on the delivery of the internal audit function. This included assessment whether the internal audit function has the required expertise and professionalism to discharge its duties.

# AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT



## Reviewing the External Audit Process

- a. Held two (2) private discussion sessions with the external auditor, Messrs PricewaterhouseCoopers PLT (PwC) without Management on 17 February 2021 and 13 August 2021.

These sessions provided the external auditor with the opportunity to openly share concerns about the Group and any related issues requiring attention or significant matters arising from the external audit with the Independent Non-Executive Directors.

- b. Reviewed and approved the PwC's Audit Plan and scope of work for the statutory audit of the Financial Statements for the financial year ended 31 December 2021 on 13 August 2021, which covered:

- The focus areas planned as follows:
  - i. Risk of management override of controls (in line with International Standards of Auditing requirements).
  - ii. Ensuring revenue is recognised in the correct accounting period and is appropriately supported.
  - iii. Recoverability of non-current assets (including goodwill).
  - iv. Recoverability of inventories and adequacy of provisions on onerous contracts.
  - v. Rationalisation plan by Management - closure of MSM Perlis factory operations.
  - vi. Risk of non-compliance to the financial covenants.

- Declaration of PwC's independence as external auditor.

- c. Analysed the external audit fees and non-audit fees proposed in respect of the scope of work required for the financial year and recommended the same for approval by the Board.

- d. Reviewed the assessment of the performance and effectiveness of PwC in respect to their statutory audit services as the external auditor for financial year 2020. The result of evaluation was discussed at the AGRC meeting held on 12 March 2021. Based on the assessment and input from Management, the AGRC was satisfied with the services rendered by PwC. The AGRC recommended the re-appointment of PwC as external auditor for the financial year 2021 for the shareholders' approval at the Company's Annual General Meeting.



## Related Party Transactions

- a. Divestment of 100% shares in MSM Perlis Sdn Bhd owned by MSM Malaysia Holdings Berhad to FGV Holdings Berhad (Proposed Disposal)

Pursuant to paragraph (3)(a) of the Appendix 10C of the Listing Requirements, the AGRC is required to provide a statement in the announcement and circular pertaining to the divestment to the shareholders of MSM that the AGRC has considered and deliberated all aspects of the Proposed Disposal and the AGRC is of the opinion that the Proposed Disposal is:

- In the best interest of MSM.
- Fair, reasonable and on normal commercial terms.
- Not detrimental to the interest of the minority shareholders.

In forming the opinion on the above, the AGRC has considered, amongst others, the terms and conditions of the Proposed Disposal, rationale, financial effects as well as the evaluation of the Independent Adviser.

- On 17 February 2021, the AGRC reviewed the Proposed Disposal.
  - On 29 March 2021, the AGRC sought the preliminary view from the Independent Adviser on Proposed Disposal.
  - On 26 April 2021, the AGRC reviewed the update of Proposed Disposal by Management.
  - On 7 July 2021, the AGRC reviewed the Proposed Circular to Shareholders for the Disposal of Equity in MSM Perlis Sdn Bhd to FGV Integrated Farming Holdings Sdn Bhd and recommended to the Board for approval.
- b. Reviewed and analysed the quarterly report on Recurrent Related Party Transactions for monitoring of the transactions against the shareholders' mandate from the 10<sup>th</sup> Annual General Meeting held on 17 June 2021.
- c. Reviewed the Circular to the shareholders for the purpose of seeking mandate for renewal and new Recurrent Related Party Transactions of the Group at the Annual General Meeting 2021.
- d. Reviewed the revision to Related Party Transactions and Recurrent Related Party Transactions Procedures.

- e. Reviewed the Group Internal Audit report on review of the Recurrent Related Party Transactions Procedures.



### Governance and Integrity

- a. Reviewed the quarterly Progress Report on Corporate Governance Activities of MSM Group.
- b. Reviewed the latest updates on MCCG 2021 issued by Securities Commission Malaysia and MSM's gap analysis, which was recommended to the Board for information and direction.
- c. Reviewed new and the revised Policies & Procedures and Limits of Authority under the Group.
- d. Reviewed the establishment of Whistleblowing Committee and Whistleblowing System implementation within MSM Group of Companies.



### Risk Management

- a. Reviewed the quarterly Progress Report on Group Risk Register Report and Business Continuity Management (BCM) and provided necessary guidance on identification, assessment and mitigation of key business risks and effectiveness of its mitigation.
- b. Reviewed quarterly progress updates on:
  - COVID-19 status within the Group
  - Key emerging risk that would impact the Company's business and operation.

# AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT



## Others

a. Reviewed and recommended the Corporate Governance Report and the following reports for Board's approval for inclusion in the Annual Report 2020:

- Corporate Governance Overview Statement.
- AGRC Report.
- Sustainability Reporting on Economic, Environmental and Social.
- Statement of Risk Management and Internal Control.

The Committee reviewed the reports with focus on meeting the Listing Requirements and reporting best practices based on the guidance from the MCCG 2017 (now revised in 2021), Guidance to Directors of Public Listed Companies on the Statement of Risk Management and Internal Control and other best practice references.

b. Reviewed and approved the Schedule of AGRC meetings for year 2022.

## RELATIONSHIP WITH EXTERNAL AUDITOR

Through the AGRC, MSM Group maintain a professional and transparent relationship with its external auditor. The External Auditor Policy (Policy) was developed to provide guidance on matters related to dealing with the firm of professional accountants which is or will be appointed as the external auditor for the statutory audit of MSM Group. This Policy was approved by the Board on 23 February 2016 and will be further reviewed to update based on the latest requirement and best practices.

The Policy covers appointment and re-appointment of external auditor, assessment of external auditor's performance and independence, audit partner rotation, audit delivery and reporting, engagement of external auditor for non-audit services and removal of external auditor.

During the financial year ended 31 December 2021, other than the assurance service for review of quarterly Bursa announcement, there were also other non-audit

services rendered by the external auditor amounting to RM136,000. The non-audit fees relate to two engagements carried out in respect of Divestment of MSM Perlis; a sum of RM99,000 of the total was approved by the Board on 24 February 2021 and the remainder was approved on 25 November 2021.

## CONTINUOUS LEARNING AND DEVELOPMENT

The Committee members are regularly kept updated on changes to accounting standards and issues related to financial reporting through quarterly meetings.

The members of the Committee had attended various seminars, training programme and conferences to keep abreast with changes in the industry and business environment.

Further details on the training attended by the Committee's members during the financial year 2021 are detailed out in the Corporate Governance Overview Statement under Directors' Training on page 220 of this Annual Integrated Report.

## COMMITTEE EVALUATION

For year of assessment 2021, Board Evaluation Assessment was carried out in 2022 which encompassed the performance of the Committee and its Chairman as well as the Independence of the Independent Directors. The assessment focused on how effective the Committee had conducted its activities in 2021.

## INTERNAL AUDIT FUNCTION

The Internal Audit function for MSM Group is outsourced to the holding company, FGV Holdings Berhad (FGV) Group Internal Audit Division (GIA). The Chief Internal Auditor reports functionally directly to the AGRC of MSM. The conduct of GIA is based on a Group Internal Audit Charter, which was established consistent with the requirements of Institute of Internal Auditor's International Professional Practise of Framework and affirmed through a Quality Assurance Review once every 5 years with the most recent review in 2020.

The Chief Internal Auditor, Zalily Mohd. Zaman Khan, is a fellow member of CPA Australia, a professional member of the Institute of Internal Auditors Malaysia, a Certified Internal Auditor of the Institute of Internal Auditors, USA and holds an accounting degree from University of South Australia. She has accumulated over 30 years of experience in various industries.

Four (4) internal auditors comprising of a Senior General Manager, a Senior Manager and one (1) team of two (2) persons are specifically assigned for audits of MSM Group throughout the financial year.

The total cost incurred for the financial year ended 31 December 2021 was RM1,449,067 (2020: RM1,380,064).

The qualification and professional status of the internal auditors together with their independence and objectivity are disclosed in the Corporate Governance Report on Practice 11.1 and 11.2.

## SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

During the financial year under review, the Internal Audit function has undertaken the following main activities:

- a. Prepared and developed the Annual Internal Audit Plan of MSM Group for year 2022 and presented the same to the AGRC for approval.
- b. Performed internal audits according to the Annual Internal Audit Plan approved by the AGRC and reported the findings, recommendations and Management's corrective action directly to the AGRC with copies to the relevant Management for their action. The scope of work was focused on the following key areas:
  - Governance Framework and Structure;
  - Inventory Management;
  - Production Management;
  - Repair and Maintenance;
  - Financial closing at Subsidiary Level;
  - Pay-per-use Mechanism; and
  - Information Technology.

In 2021, the Internal Audit function performed 16 internal audit assignments (i.e. 6 assurance audits and 10 investigations) which consumed 1,969 mandays in comparison to 645 budgeted mandays during the year.

- c. Presented to the AGRC at its quarterly meetings, the summary observations and recommendations and Management's corrective action implementation from the internal audit reports are issued.
- d. Performed investigative audit and presented to the AGRC the conclusions and subsequently seeking the recommendation and direction from AGRC on action to be taken.
- e. Undertook Recurrent Related Party Transactions review for the purpose of supporting the Committee's statement in the Circular to the shareholders to seek mandate on new and existing Recurrent Related Party Transactions of the Group.

## STATEMENT BY THE BOARD

This Audit, Governance and Risk Committee Report was made in accordance with a resolution of the Board of Directors duly passed on 21 March 2022.

# NOMINATION AND REMUNERATION COMMITTEE REPORT



**THE NOMINATION AND REMUNERATION COMMITTEE (NRC OR THE COMMITTEE) IS PLEASED TO PRESENT ITS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (FY2021).**

**THIS REPORT PROVIDES SHAREHOLDERS WITH VALUABLE INSIGHT INTO THE ACTIVITIES OF THE NRC DURING THE FINANCIAL YEAR UNDER REVIEW AND HOW THE COMMITTEE PLAYED ITS ROLE TO ENHANCE THE EFFECTIVENESS OF THE BOARD.**

## COMPOSITION

The NRC members as at the date of this report comprises exclusively of Non-Executive Directors (NED), the majority of whom are Independent NED. The Committee is chaired by an Independent NED, Dato' Muthanna Abdullah.

There were changes to the composition of the NRC during the financial year 2021. On 12 January 2021, Dato' Amir Hamdan Hj Yusof was appointed as Non-Independent Non-Executive Director (NINED), a Nominee Director from Koperasi Permodalan Felda Malaysia Berhad (KPF) and a member of the NRC of MSM Malaysia Holdings Berhad (MSM). Following thereto, the Board on 18 October 2021 has approved the appointment of Nik Fazila Nik Mohamed Shihabuddin, a Nominee Director from FGV Holdings Berhad as NINED of MSM and a member of the NRC.

| Members   | Type of membership                            | No. of meetings attended |
|---|---|--------------------------|
| Dato' Muthanna Abdullah   | Chairman/Independent Non-Executive Director   | 9/9                      |
| Datuk Dr Abd Hapiz Abdullah   | Member/Independent Non-Executive Director     | 9/9                      |
| Dato' Rosini Abd Samad  | Member/Independent Non-Executive Director     | 9/9                      |
| Dato' Amir Hamdan Haji Yusof<br><i>(appointed as member on 12 January 2021)</i>       | Member/Non-Independent Non-Executive Director | 8/9                      |
| Nik Fazila Nik Mohamed Shihabuddin<br><i>(appointed as member on 18 October 2021)</i> | Member/Non-Independent Non-Executive Director | 1/1                      |

The current composition is in compliance with the requirement of Paragraph 15.08A (1) of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities) and in line with Practice 5.8 of the Malaysian Code on Corporate Governance 2021 (MCCG 2021) which recommends the NRC is chaired by an Independent Director or the Senior Independent Director.

The Board believes that the current NRC composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to meet the needs of the Group.



### Roles of the Committee

The Committee is responsible:

- to review the composition of the Board, evaluate the balance of skills, knowledge, experience and diversity of the Board
- to review the performance and effectiveness of the Board
- to set the remuneration policy for the Directors and the employees of MSM Group
- to lead the process for the appointment of new Directors to the Board and make appropriate recommendation to the Board

Further details of the roles of NRC are provided in the Terms of Reference which is available at Company's corporate website at [www.msmsugar.com](http://www.msmsugar.com).

### TERMS OF REFERENCE

NRC is governed by its own Terms of Reference (TOR) which was established pursuant to the Listing Requirements and was approved by the Board. The TOR is reviewed periodically between one (1) to three (3) years, as and when required especially when there are changes to the Listing Requirements and MCCG.



The NRC TOR is published in the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>

### MEETING

NRC meetings are chaired by its Chairman, an Independent Non-Executive Director, who is responsible for the conduct of meetings. NRC is required to conduct its meeting at least three (3) times annually.

In order to facilitate NRC members' time planning, NRC meetings held during the FY2021 were scheduled and approved in November 2020. In addition to the scheduled meetings, Chairman also called for meetings as and when required.

During the FY2021, NRC held a total of nine (9) meetings. Out of the total, four (4) meetings were unscheduled meetings. The attendance at all NRC meetings met the requisite quorum as stipulated in NRC's TOR.

### SUMMARY OF ACTIVITIES OF THE NOMINATION AND REMUNERATION COMMITTEE FOR THE FINANCIAL YEAR 2021

Due to COVID-19 pandemic, all NRC meetings for the year 2021 were held virtually. The meetings were attended by Group Chief Executive Officer together with Head of Human Resources. The Group Chief Operating Officer and Chief Financial Officer will attend the meetings upon invitation. The summary of matters discussed and deliberated by NRC were as follows:

#### Nomination and Election Process

- Reviewed and selected the candidates for the position of Group Chief Executive Officer and Group Chief Operating Officer of MSM Malaysia Holdings Berhad
- Reviewed the proposal for the renewal of contract of the Chief Financial Officer
- Reviewed the re-election of retiring directors at the 2021 Annual General Meeting
- Reviewed the re-appointment of Independent Directors upon completion of the three (3) years tenure
- Reviewed and evaluated the Performance Assessment of the Audit, Governance and Risk Committee and its members

# NOMINATION AND REMUNERATION COMMITTEE REPORT

- f. Reviewed and assessed the Board Annual Assessment on the Independence of the Independent Directors
- g. Assessed and evaluated the candidates of Nominee Director of FGV Holdings Berhad in MSM Malaysia Holdings Berhad as Non-Independent Non-Executive Director

## Remuneration Matters

- a. Reviewed the Proposed Remuneration Package including Terms and Conditions of Service for Group Chief Operating Officer of MSM Malaysia Holdings Berhad
- b. Reviewed and analysed the remuneration structure of Non-Executive Directors of MSM Malaysia Holdings Berhad
- c. Reviewed the Proposed Financial Year 2021 Annual Increment for MSM Group of Companies
- d. Reviewed the Proposal on Payment of One-Off Financial Assistance 2021 during pandemic period to the eligible employees of MSM Group of Companies
- e. Reviewed the new Non-Executive Directors' Remuneration Policy for MSM Malaysia Holdings Berhad

## Other Matters

- a. Reviewed the Formation of Group Health, Safety, Environment, Security and Quality (HSES & Q) Division in MSM Group of Companies
- b. Reviewed the report on Nomination and Remuneration Committee for Inclusion in MSM Malaysia Holdings Berhad 2020 Annual Report
- c. Reviewed the proposed Formation and Changes to the Organisational Structure of MSM Malaysia Holdings Berhad
- d. Reviewed and evaluated Corporate Scorecard 2021 for MSM Group
- e. Reviewed and assessed 2020 Board Effectiveness Assessment
- f. Reviewed the Formation of Group Digital Department in MSM Malaysia Holdings Berhad
- g. Approved the Schedule of NRC Meetings for year 2022

MSM Company Secretary is the Secretary of NRC and was present at all meetings to record the proceedings of the meetings.

## BOARD APPOINTMENT PROCESS

Pursuant to the TOR and Board Nomination and Election Policy and Procedures, NRC is responsible to review the structure, size and composition (including skills, knowledge, experience and diversity) of the Board, the Board Committees and all directorships in the Group.

The Company Secretary ensures that all appointments are properly made and all necessary information is obtained from the Directors for the purposes of meeting statutory obligations including obligations arising from Listing Requirements or other regulatory requirements.

During the FY2021, the following changes had taken place:



### Board of Directors

| Director  | Changes     |                 |
|---|-------------|-----------------|
|   | Type        | Effective Date  |
| Dato' Amir Hamdan Hj Yusof<br><i>Non-Independent Non-Executive Director</i>         | Appointment | 12 January 2021 |
| Dato' Haris Fadzilah Hassan<br><i>Non-Independent Non-Executive Director</i>        | Resignation | 7 April 2021    |
| Azman Ahmad<br><i>Non-Independent Non-Executive Director</i>                        | Appointment | 18 October 2021 |
| Nik Fazila Nik Mohamed Shihabuddin<br><i>Non-Independent Non-Executive Director</i> | Appointment | 18 October 2021 |

The NRC is responsible for assessing and evaluating the new candidates for proposed directorships before making recommendations to the Board for decision. The NRC ensures that right balance of skills, experiences and diversity in terms of range and gender are reflected in the selection process.

The proposed appointments of Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad were duly tabled to the NRC for evaluation and assessment on 17 September 2021 and 12 October 2021, respectively. With the NRC's recommendation, the Board on 18 October 2021 approved the appointments of Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad as Non-Independent Non-Executive Directors of MSM. The Board also approved the appointment of Nik Fazila Nik Mohamed Shihabuddin as a member of NRC while Azman Ahmad as a member of Investment and Tender Committee. The NRC believes that the appointment of the new directors with their valuable experiences and expertise in logistic business and Environmental, Social and Governance (ESG) can add value and foster opportunity for the Board to make effective decisions during the Board and Board Committees' meetings.

Each of the newly appointed Director was furnished with a Director's Kit which consist of, among others, the Board Charter and Board Committee TORs which give guidance on good corporate governance and outlines the roles and responsibilities of the Board and Board Committees as well as their authority limits. An on boarding session, for the newly appointed Directors was held on 22 October 2021 for Directors to meet the management team and to understand the business, operations and strategies of MSM Group.

# NOMINATION AND REMUNERATION COMMITTEE REPORT



## Senior Management

Changes to the Senior Management personnel that took place during the FY2021 until the date of this report:

| Senior Management  | Changes                   |                 |
|--|---------------------------|-----------------|
|  | Type                      | Effective Date  |
| Syed Feizal Syed Mohammad<br><i>Group Chief Executive Officer (GCEO)</i> | Appointment               | 1 February 2021 |
| Hasni Ahmad<br><i>Group Chief Operating Officer (GCOO)</i>               | Redesignation/Appointment | 1 February 2021 |
| Fakhrunniam Othman<br><i>Acting GCEO</i>                                 | Cessation                 | 1 February 2021 |

In February 2021, Syed Feizal Syed Mohammad (Syed Feizal) and Hasni Ahmad were appointed as the GCEO and GCOO of MSM respectively. With the appointment of Syed Feizal, Fakhrunniam Othman ceased to be the Acting GCEO on the same day.

Syed Feizal is an engineer by profession and has over thirty-two years of experience in both multinational companies and local conglomerates. He has a strategic mindset which can lead MSM Group to achieve its targeted business plan.

Under the leadership of Syed Feizal, MSM has strengthened relationships with local industry players, including governmental bodies (ministries and agencies), analysts, suppliers and vendors. Syed Feizal, together with MSM's Management have committed to progressively turnaround MSM and to restore confidence of all stakeholders.

Hasni Ahmad's experience in downstream operation in previous employment can guide and lead the MSM Operational Team to effectively monitor the process of sugar refinery in Prai and Johor.

## REAPPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Constitution, the newly appointed Directors during the year must offer themselves for re-election at the first Annual General Meeting (AGM) following their appointment and one-third of the Directors for the time being shall retire from office at least once in every three years and shall then be eligible for re-election. The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment. A retiring Director shall retain office until the closure of the general meeting at which he retires.

In accordance with MSM Board Nomination and Election Policy and Procedures, NRC is responsible to assess the retiring Directors for re-election via the Board Assessment for the preceding financial year.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 11<sup>th</sup> AGM, the NRC has conducted an assessment on each of the retiring Directors in line with Practice 5.1 of the MCCG 2021. Apart from the quantitative analysis of the Director's performance, the NRC also considered the other elements, among others, the following:

- a. The Individual Director assessment as part of the Board Effectiveness Assessment 2021 (BEA 2021) carried out internally which focuses more on soft governance aspects of the Director (individual contribution, communication with members, their decision making and traits); and
- b. Special skills and knowledge an individual Director brings to the organisation.

Based on the Individual Director assessment results of the BEA 2021 and the Directors' contribution to the Board, the NRC concluded that each of the Director has met the performance criteria required for an effective and high performance Board and has the ability to continuously discharging their duties diligently as Directors of the Company.

The Independent Non-Executive Directors concerned have also provided their annual declaration/confirmation of independence in January 2022.

As evaluated and recommended by NRC, the Board approved that the following Directors are eligible to stand for re-election at the forthcoming 11<sup>th</sup> AGM:

| Director                           | Designation                            | Provision                          |
|------------------------------------|--|------------------------------------|
| Dato' Muthanna Abdullah            | Independent Non-Executive Director     | Re-election pursuant to Clause 99  |
| Choy Khai Choon                    | Independent Non-Executive Director     | Re-election pursuant to Clause 99  |
| Nik Fazila Nik Mohamed Shihabuddin | Non-Independent Non-Executive Director | Re-election pursuant to Clause 105 |
| Azman Ahmad                        | Non-Independent Non-Executive Director | Re-election pursuant to Clause 105 |

The Directors who retire in accordance with Clause 99 of the Company's Constitution namely, Dato' Muthanna Abdullah and Choy Khai Choon are eligible to stand for re-election. Both retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board and Board Committee meetings.

# NOMINATION AND REMUNERATION COMMITTEE REPORT

The independence of Dato' Muthanna Abdullah and Choy Khai Choon who have served as Independent Non-Executive Directors of the Company have been assessed by the NRC. Both Dato' Muthanna Abdullah and Choy Khai Choon satisfied the criteria of an Independent Director as defined under Listing Requirements which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders. Based on the NRC assessment, the Board affirmed Dato' Muthanna Abdullah and Choy Khai Choon to continue to act as Independent Non-Executive Directors of the Company. Dato' Muthanna Abdullah and Choy Khai Choon has not exceeded the nine (9) years tenure as Independent Director.

Clause 105 of the Company's Constitution stipulates that at any time and from time to time, the Director shall have power to appoint any person to be a Director either to fill a casual vacancy or as an additional Director by way of ordinary resolution. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election.

Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad, who were appointed during the financial year and before the 11<sup>th</sup> AGM, have successfully completed the Mandatory Accreditation Programmes pursuant to the provision of the Listing Requirements.

To assist shareholders in making their decisions in the re-election of Directors, sufficient information such as personal profiles, attendance at Board and Board Committee meetings and the shareholdings in the Company of the Directors standing for re-election is furnished in this Annual Integrated Report.

## BOARD EFFECTIVENES ASSESSMENT

Pursuant to the Board's decision in November 2021, the Board Effectiveness Assessment process for year assessment 2021 (BEA 2021) has been carried out internally. The Board was in the opinion that the external consultant may be appointed for the BEA exercise every two (2) to three (3) years for realignment to ensure the process is correct. This is the first internal BEA done and it is in line with good board governance practices.

The BEA 2021 was carried out from 21 December 2021 to 10 January 2022. Three (3) sets of assessment forms were circulated to the seven (7) Directors (except the two newly appointed Directors) to assess the effectiveness of the following:

- a. Board as a whole
- b. Board Committees
- c. Directors' Self and Peer Evaluation

The scope of the assessment for Board as a whole was adopted from the previous year BEA 2020 which covers the core drivers or ten (10) domains influencing the effective functioning of the Board as below:

- a. Board Roles and Responsibilities (oversight of strategy, risks, performance monitoring);
- b. Board Leadership;
- c. Board Dynamics;
- d. Board Management Relationships;
- e. Board Composition and Diversity;
- f. Board Information;
- g. Board Processes;
- h. Board Committees;
- i. Board Agenda and Meeting; and
- j. Board and Stakeholders Engagement.

The assessment of the Directors was based on the relevant performance criteria in line with Practice 6.1 of the MCCG 2021.

The evaluation as a whole has covered the ten (10) core drivers of board effectiveness and the overall rating core drivers as detailed below:

| Overall Effective |                                   |
|-------------------|-----------------------------------|
| ↑                 | Board Leadership                  |
| ↑                 | Board Dynamics                    |
|                   | Board Management Relationships    |
| ↑                 | Board Composition and Diversity   |
| ↑                 | Board Information                 |
| ↑                 | Board Processes                   |
|                   | Board Committees                  |
| ↑                 | Board Agenda and Meetings         |
|                   | Board and Stakeholders Engagement |
|                   | Board Roles and Responsibilities  |
| ■                 | Very Effective                    |
| ■                 | Effective                         |
| ↑                 | Improved compared to 2020         |

In summary, there are improvements in six (6) out of ten (10) of the core drivers evaluated compared to the BEA carried out in 2020 by external consultant and overall, the Board remains Effective.

Each Board Committee namely, Audit, Governance and Risk Committee, Investment and Tender Committee and NRC has discharged its roles and responsibilities effectively as guided by its respective TOR.

All of the Directors has met the performance criteria required for an effective and high performance Board and has the ability to continuously discharge their duties diligently as Directors of the Company.

The outcome and conclusion of BEA 2021 was tabled to the NRC and Board in March 2022.

**ASSESSMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE**

Pursuant to Paragraph 15.20 of Listing Requirements, the NRC also reviewed the performance of Audit, Governance and Risk Committee (AGRC) for the year 2021. The performance assessment of AGRC and its member has been tabled to the NRC and Board in March 2022. The Board concluded that the AGRC and its members have discharged their functions, duties and responsibilities in accordance with its TOR.

# NOMINATION AND REMUNERATION COMMITTEE REPORT

## DIRECTORS' REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

At the Tenth Annual General Meeting (10<sup>th</sup> AGM) of MSM held on 17 June 2021, the shareholders had approved the proposed revised remuneration structure of the Non-Executive Directors. With the approval obtained at the 10<sup>th</sup> AGM, the existing Directors Remuneration Policy was then revised to capture the approved remuneration structure. The revision was done internally by a working committee consist of the representatives from Group Human Resource, Company Secretary and Legal Affairs.

The draft revised remuneration policy named Non-Executive Directors' Remuneration Policy (NEDRP) then tabled to the NRC and NRC decided that the draft NEDRP be reviewed by external solicitors who are specialised in human resources matters to facilitate the following:

1. reviewing the draft NEDRP with a view to benchmarking the same against the best practices in other organisations
2. analysing the gaps in the draft NEDRP and identifying the challenges in implementing the said NEDRP

The key considerations taken into account by the external solicitors for the purpose of reviewing the draft NEDRP and conducting the benchmarking exercise were as follows:

1. Alignment with regulatory and corporate governance requirements namely the Bursa Malaysia Securities Berhad Main Market Listing Requirements, Malaysian Code on Corporate Governance (as at 28 April 2021) (MCCG 2021) and the Companies Act, 2016;
2. Comparability with market practices;
3. Alignment with shareholders and stakeholders' interests; and
4. Clarity of the policies and procedures stipulated in the draft NEDRP.

On 15 November 2021, the proposed NEDRP together with the report of the NEDRP Benchmarking and Review Exercise were presented to NRC and subsequently to the Board on 25 November 2021 where at this Board meeting, the Board approved the NEDRP presented for implementation effective 17 June 2021.

The summary of the NEDRP is published in the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.

## THE COMMITTEE'S PERFORMANCE

On an annual basis, the Board shall evaluate the Committee's performance and the extent to which the Committee has met the requirements of its TOR, including the term of office and performance of the Committee and each of its members. This performance assessment may constitute a part of the annual Board Effectiveness Assessment, pertaining to the assessment of Board Committees.

## STATEMENT BY THE BOARD

This Report on Nomination and Remuneration Committee is made in accordance with a resolution of the Board of Directors duly passed on 21 March 2022.

# INVESTMENT AND TENDER COMMITTEE REPORT



## THE BOARD IS PLEASED TO PRESENT THE REPORT ON INVESTMENT AND TENDER COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (FY2021).

The role of Investment and Tender Committee (ITC or the Committee) is to review the Business Plans progress and performance of MSM's existing and new strategic investment. The Committee also oversee the operations and ensure governance of procurement processes within the organisation are carried out in a fair, transparent, effective and comprehensive manner in accordance with the limits set out in MSM Group Limits of Authority and Group Procurement Policy.

| Members  | Type of membership                            | No. of meetings attended |
|--|---|--------------------------|
| Datuk Dr Abd Hapiz Abdullah  | Chairman/Independent Non-Executive Director   | 8/8                      |
| Choy Khai Choon  | Member/Independent Non-Executive Director     | 8/8                      |
| Datuk Lim Thean Shiang   | Member/Independent Non-Executive Director     | 8/8                      |
| Azman Ahmad<br><i>(appointed as Member with effect from 18 October 2021)</i> | Member/Non-Independent Non-Executive Director | 3/3                      |

The ITC comprises exclusively of Non-Executive Directors and majority are Independent Directors. The ITC Chairman is an Independent Non-Executive Director. The Board believes that the current ITC's composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to meet the needs of the Group.



### Roles of the Committee

The main responsibilities of the Committee are:

- To ensure that MSM has in place optimum frameworks, mechanisms, policies and procedures for effective investment and procurement undertakings and activities
- To review proposals related to investments, divestments and procurements of the Group in line with MSM's prevailing related policies and procedures



The full details of the Committee's Term of Reference is published in the Company's corporate website at [www.msmsugar.com](http://www.msmsugar.com)

# INVESTMENT AND TENDER COMMITTEE REPORT



## Meetings in 2021

The Committee has held eight (8) meetings during year 2021 and among the key matters discussed were on the divestment of 100% shares in MSM Perlis Sdn Bhd, strategic partnerships to explore new export segments, ramping up plans of MSM Sugar Refinery (Johor) Sdn Bhd and its related matters.

The meetings of the ITC were attended by the Group Chief Executive Officer, Group Chief Operating Officer, Chief Financial Officer and relevant team members who presented their proposals. ITC can award tenders and variation orders up to certain amount as per MSM Group Limits of Authority. All approvals by ITC were informed to the Board and all recommendations were tabled to the Board for further deliberations and approvals.



## Focus in 2021

The Committee has undertaken the following key activities during the financial year 2021:

- Reviewed and approved the capital expenditure (CAPEX) projects for 2021 and its implementation
- Monitor the implementation of CAPEX projects and utilisation of funds at MSM Prai Bhd and MSM Sugar Refinery (Johor) Sdn Bhd
- Reviewed and approved the appointment of consultants to dispose MSM Perlis Sdn Bhd's assets and reallocate some assets to MSM Prai Bhd and MSM Sugar Refinery (Johor) Sdn Bhd
- Reviewed the proposal to dispose MSM Group non-core assets
- Reviewed, recommended and approved proposed strategies for improvements & optimisation in both MSM Sugar Refinery (Johor) Sdn Bhd and MSM Prai Bhd to address operational issues
- Reviewed, recommended and approved new gas supply agreement for refineries operations
- Reviewed and approved revisions of MSM Group policies relating to procurement
- Reviewed Group's business strategies for expansion and diversification



## Statement by the Board

This Report on Investment and Tender Committee is made in accordance with a resolution of the Board of Directors duly passed on 21 March 2022.

# ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following information is provided:

## UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

MSM Holdings had on 8 June 2021 entered into a Share Sale Agreement with FGV Integrated Farming Holdings Sdn Bhd for the disposal of the entire equity interest in MSM Perlis Sdn Bhd, a wholly-owned subsidiary of MSM Holdings for total consideration of RM181.11 million in cash, subject to the terms and conditions therein.

The status of the utilisation of the proceeds from the disposal as at 31 December 2021 was as follows:

| Purpose                                      | Approved Utilisation<br>RM'000 | Actual Utilisation<br>RM'000 | Expected timeframe for<br>utilisation upon receipt<br>of the proceeds |
|--|--------------------------------|------------------------------|---|
| Prepayment of borrowings                     | 100,000                        | 100,000                      | within 3 months   |
| General capital expenditure                  | 50,000                         | 474                          | within 18 months  |
| General working capital <sup>1</sup>         | 30,206                         | 30,206                       | within 6 months   |
| Estimated expenses for the Proposed Disposal | 900                            | 900                          | within 3 months   |
| <b>Total<sup>1</sup></b>                     | <b>181,106</b>                 | <b>131,106</b>               |   |

Note:

<sup>1</sup>There is a variation or adjustment to the Final Disposal Consideration as a result of the adjustment of Completion Net Working Capital and Completion Net Debt as set out in Section 2.4.2 of Part A of the Circular to Shareholders dated 27 August 2021 has resulted in a RM24.96 million reduction to the amount allocated for general working capital.

## NON-AUDIT FEES

The amount of non-audit fees rendered to the Group by its external auditors, PricewaterhouseCoopers PLT (PwC), for the financial year ended 31 December 2021 amounted to RM136,000.

## MATERIAL CONTRACTS

Save for those disclosed in the Financial Statements and below, there is no other material contract entered into by the Company or its subsidiaries either still subsisting at the financial year ended 31 December 2021 or entered into since the end of the previous financial year ended 31 December 2020.

Share Sale Agreement dated 8 June 2021 between MSM Holdings and FGV Integrated Farming Holdings Sdn Bhd for the disposal of the entire equity interest in MSM Perlis Sdn Bhd, a wholly-owned subsidiary of MSM Holdings for total consideration of RM181.11 million in cash, subject to the terms and conditions therein.

## DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE (RRPT)

At the 10<sup>th</sup> Annual General Meeting (AGM) held on 17 June 2021, the Company had obtained a Shareholders' mandate from its Shareholders for the existing Recurrent Related Party Transactions of revenue or trading nature for MSM and its subsidiary companies (MSM) and Shareholders' mandate for the new Recurrent Related Party Transactions of revenue or trading nature for MSM Malaysia Holdings Berhad (MSM) (RRPT Shareholders' Mandate). The RRPT Shareholders' Mandate is valid until the conclusion of the forthcoming 11<sup>th</sup> AGM of the Company.

# ADDITIONAL COMPLIANCE INFORMATION

The Company proposes to seek a renewal of the RRPT Shareholders' Mandate at its forthcoming 11<sup>th</sup> AGM. The renewal of the RRPT Shareholders' Mandate, if approved by the Shareholders, will be valid until the conclusion of the Company's next 12<sup>th</sup> AGM. The details of the proposed renewal of the RRPT Shareholders' Mandate will be disclosed in the Circular to Shareholders which will be sent together with the Notice of the 11<sup>th</sup> AGM.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of the Recurrent Related Party Transaction of revenue or trading nature entered into during the financial year ended 31 December 2021 are as follows:

| Transacting Parties                                       | Nature of Relationship  | Nature of Transaction   | Transaction Value for the year ended 31 December  |   |       |       |
|---|---|---|---|---|-------|-------|
|   |   |   | 2021 (estimate) RM'000  | 2021 (actual) RM'000  |       |       |
| MSM Malaysia Holdings Berhad Group (MSM) and FGV Group    | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Provision of management services  | 6,500 | 2,954 |
| MSM Malaysia Holdings Berhad Group (MSM) and FGV Prodata  | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Provision of information technology (IT) services   | 1,000 | 47    |
| MSM Malaysia Holdings Berhad Group (MSM) and FGV Security | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Provision of security services  | 3,250 | 1,752 |
| MSM Malaysia Holdings Berhad Group (MSM) and FELDA        | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | <b>Office rental</b><br><u>Address</u><br>Level 44,<br>Menara FELDA,<br>Platinum Park<br>No. 11, Persiaran<br>KLCC 50088<br>Kuala Lumpur<br>Malaysia<br><u>Area</u><br>15,631 sq ft<br><u>Duration</u><br>23 November<br>2019 to<br>22 November<br>2022<br><u>Rental Payment</u><br>Monthly | 2,000 | 885   |

| Transacting Parties  | Nature of Relationship  | Nature of Transaction   | Transaction Value for the year ended 31 December  |  |        |       |
|--|---|---|---|--|--------|-------|
|  |   |   | 2021 (estimate) RM'000  | 2021 (actual) RM'000                                       |        |       |
| KPF Trading and MSM Malaysia Holdings Berhad Group (MSM)   | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Sale of refined sugar                                      | 35,000 | 1,921 |
| MSM Malaysia Holdings Berhad Group (MSM) and KPF Niaga     | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Provision of motor vehicle insurance                       | 1,000  | 302   |
| MSM Malaysia Holdings Berhad Group (MSM) and Felda Travel  | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Provision of travel and accommodation services             | 1,000  | 61    |
| MSM Malaysia Holdings Berhad Group (MSM) and Felda D'Saji  | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Provision of refreshments                                  | 1,000  | 4     |
| MSM Malaysia Holdings Berhad Group (MSM) and FGV Transport | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Provision of freight forwarder and transportation services | 30,000 | 5,772 |
| MSM Malaysia Holdings Berhad Group (MSM) and FGV Transport | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Supply of courier services                                 | 1,000  | (nil) |

# ADDITIONAL COMPLIANCE INFORMATION

| Transacting Parties   | Nature of Relationship  | Nature of Transaction   | Transaction Value for the year ended 31 December  |  |               |       |
|---|---|---|---|--|---------------|-------|
|   |   |   | 2021 (estimate) RM'000  | 2021 (actual) RM'000   |               |       |
| FGV Kernel and MSM Malaysia Holdings Berhad Group (MSM)             | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Supply of molasses and other sugar products  | 1,000         | 49    |
| FGV Integrated Farming and MSM Malaysia Holdings Berhad Group (MSM) | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Supply of molasses and other sugar products  | 1,500         | (nil) |
| MSM Malaysia Holdings Berhad Group (MSM) and FGV Integrated Farming | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | <b>Rental of land</b><br><u>Address</u><br>Mukim Chuping, Perlis, Malaysia<br><u>Area</u><br>369.08 Ha<br><u>Duration</u><br>10 March 2021 to 9 March 2022<br><u>Rental Payment</u><br>In advance for first 6 months, and monthly thereafter | 2,000         | 129   |
| FGV Group and MSM Malaysia Holdings Berhad Group (MSM)              | <b>Interested Major Shareholders</b> <ul style="list-style-type: none"> <li>• FGV Sugar</li> <li>• KPF</li> <li>• FGV</li> <li>• FELDA</li> </ul> | <b>Interested Directors</b> <ul style="list-style-type: none"> <li>• Azman Ahmad</li> <li>• Nik Fazila</li> <li>• Dato' Amir</li> </ul> | <b>Interested Person Connected</b> <ul style="list-style-type: none"> <li>• FAHC</li> </ul> | Sale of refined sugar  | 9,000         | 60    |
| <b>Total</b>  |   |   |   | <b>95,250</b>  | <b>13,936</b> |       |

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



**This statement is made pursuant to: Rule 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, Malaysian Code on Corporate Governance 2021 and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.**

## RESPONSIBILITY AND ACCOUNTABILITY

The Board is committed in maintaining and continuously improving the MSM Group and its subsidiaries system of risk management as well as internal controls and is pleased to promote this through the following statement for the group during the year under review.

The Board acknowledges the importance of a sound risk management system and internal control practices for good corporate governance with the objective of safeguarding shareholders' investments and the Group's assets. The Board affirms its overall responsibility for the Group and has undertaken a review on the adequacy and effectiveness of those systems and compliance with relevant laws and regulations. In view of the inherent limitations in any system of internal controls, this system is designed to manage the risk to as low as reasonably practicable in achieving the corporate objectives. The system can only provide with reasonableness, nevertheless it is short of absolute assurance against material misstatement or losses or the occurrence of unforeseeable circumstances.

### Audit, Governance and Risk Committee

Audit, Governance and Risk Committee (AGRC) at Board level supports the Board in its risk management and internal control responsibilities. AGRC is tasked with:

- i. overseeing risk management and governance aspects of the Group; and
- ii. assessing the risks and control environment and overseeing financial reporting, including the external and internal audit.

## RISK MANAGEMENT

Risk Management is regarded by the Board to be an integral part of the Group's organisational processes, with the objective of maintaining sound system and ensuring its continuing adequacy and integrity. Risk Management is firmly embedded in the Group's Risk Management Framework.

The Management's key role is to identify significant risks, evaluate the risk profile and drive risk mitigation strategies on a regular basis. The management team is also responsible for risk management within their functional areas and to ensure that risk management is embedded in their day-to-day business processes.

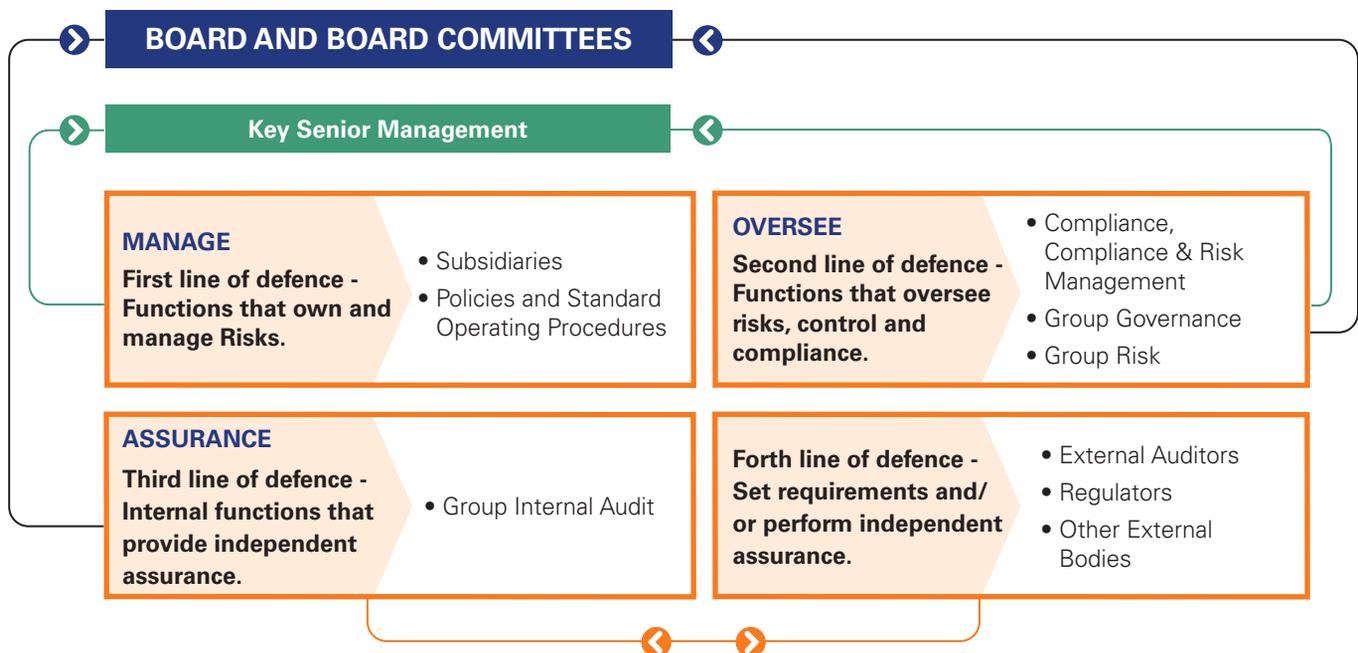
# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group's Risk Management function; undertaken by Corporate Governance & Risk Management (CGRM) adopts an effective and progressive Enterprise Risk Management System (ERMS) to identify, evaluate and monitor the risks faced by the Group, and Management take specific measures to mitigate the risks. CGRM purview include the following responsibilities:



## Risk Management Framework and Process

In ensuring effective oversight of risks enterprise-wide level, we have embedded risk management in all our key processes and activities. These are guided by our Enterprise Risk Management and Framework, which was designed in accordance with ISO 31000:2018 Risk Management - Guidelines. An overview of the Group's Risk Management Framework is depicted below:



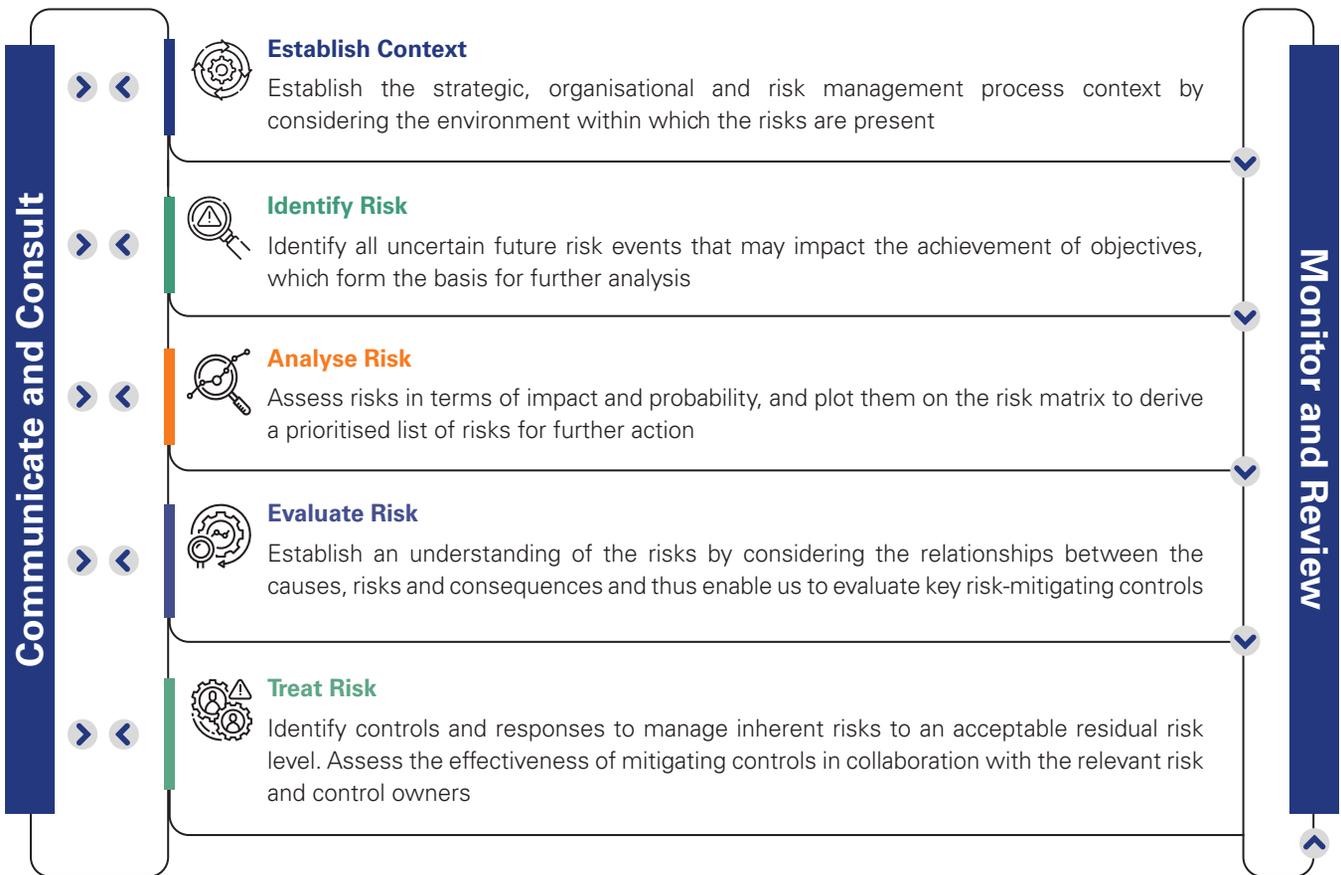
The Risk Management Framework:

MSM has adopted the 4 lines of defence model as the fundamental approach to ensure the effectiveness of risk management.

The framework seeks to minimise risk incidents and maximise business outcomes by allowing us to:



The process of risk management adopted by the Group is illustrated below:



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Overview of Risk Reporting Architecture is illustrated below:



## Enterprise Risk Management (ERM) System

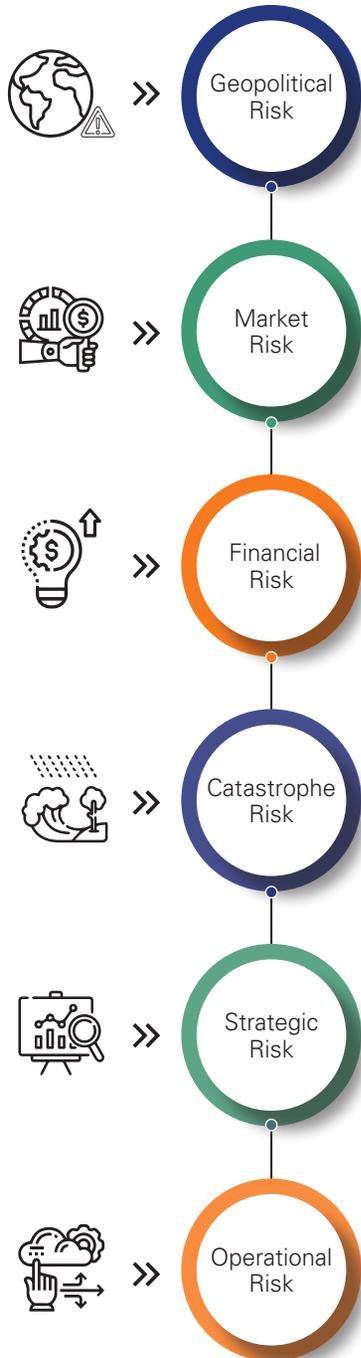
The Enterprise Risk Management framework enables the subsidiaries, operating units and support functions to exercise a consistent approach for risk identification and institutes a common platform to deliberate and manage risks.

The Group has in place a continuous and systematic control structure and process for identifying, evaluating and managing significant risks pertinent to the achievement of the Group's overall corporate objectives. The control structure and process which has been established throughout the Group is updated and reviewed from time to time to suit the changes in the business environment.

Below are the steps of compilation of risk information conducted within the Group:

|  |   |  |
|--|---|--|
|  | <b>Review &amp; Update</b>                | <u>Risk Owner</u><br>Review, update the Risk Register (RR) quarterly in line with the company's strategies and objectives.   |
|  | <b>Review, verify, confirm and revise</b> | <u>Risk Champion</u><br>Review, verify, confirm and revise the Risk Register (RR) that has been updated by Risk Owners. Risk Champion selects the Top 10 Risks for the companies every quarter (Select from established Risk Registers). |
|  | <b>Review &amp; Approve</b>               | <u>GCEO/GCOO/HOO/HOD</u><br>Review and approve/reject the RR & the top 10 risk for each subsidiary.  |
|  | <b>Review &amp; Determine</b>             | <u>Sector Risk Champion</u><br>Review and determine the top 10 risk for the sector.  |
|  | <b>Review &amp; Approve</b>               | <u>Sector Head</u><br>Review and approve the top 10 risk for the sector.   |
|  | <b>Report to Board</b>                    | Board Reporting on quarterly basis.  |

Principally, in the ERM System, the Group's key risk factors are categorised as follows:



## RISK MANAGEMENT ACTIVITIES

Continuous integration between strategies and risk management was carried out to ensure risk management approach is embedded into business decision.

Listed below are the key risk management activities undertaken by CGRM to reinforce the risk management culture within the Group:

### 1 Quarterly Risk Reporting for MSM Group

CGRM published its Quarterly Risk Report as a reporting tool to inform the Management, Board Committees and Board of the key risks horizon associated with the Group's business and operations covering the Top 10 and other key risks.

### 2 Review of Risk Registers

Existing risk registers were reviewed jointly with the respective risk owners at Operation Site via MsTeam approach, to ensure the analysis and corresponding mitigation measures and action plans were effective and adequately documented.

### 3 BCM Training (By FGV Holdings)

Business Impact Analysis (BIA) Workshop

### 4 Enhancement of ERM System

In April 2021, the ERMS has undergone enhancement for the whole FGV Group. The training on the enhancement has been conducted.

#### Categories covered in the ERMS System

- Risk Owner
- Risk Champion and Head of Operation/CEO level
- Sector Risk Champion and Sector Head level

The migration of the enhanced ERMS has been completed and moved into Go-Live phase on 4 June 2021.

### 5 BCM Quick Response Assessment (BCM QRA)

The BCM QRA has been develop to determine the critical function by each Division/ Department.

The assessment has been identified at MSM Holdings Berhad.

### 6 Corruption Risk Management (CRM) Training

Conducted 4 Sessions CRM training for companies and corporate centres on the identification of corruption risks and preparation of CRM risk registers.

### 7 Risk Management Workshop

The Risk Management Workshop was conducted in 3 sessions covering all of MSM Group.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## COVID-19 Pandemic

The pandemic has had significant impact on the Organisation. MSM Group has taken several initiatives in attendance to COVID-19 as per below:

### Updated COVID-19 Response Plan

The COVID-19 Response Plan has been updated based on the current situation. The plan clarifies the steps to be taken by Employees and related Department Heads when there are positive cases identified. The revised Response Plan was email blasted to MSM Group on 19 August 2021.

### COVID-19 Risk Assessment

Since 2020, the COVID-19 Pandemic has been addressed in the risk assessment by the representatives. The risk that has been updated by the representative also taking into consideration on the monitoring of the employee that been infected with COVID-19.

### COVID-19 Report

COVID-19 Report has been reported to the Top Management weekly and also reported to the Board quarterly. In addition, the MSM Group takes initiative to report to FGV Group Risk.

## Risk Related to COVID-19

- 1 Pandemic and movement control orders (MCO) by Government**

Wide and fast spread of virus infection from one source country to another forcing governments (local and/or abroad) to take extreme preventive and mitigating measures on a wide scale over a period of months including travel bans.
- 2 COVID-19 pandemic and the effects towards the Group's investment initiative**

Strategies have to be realigned to the market landscape post MCO by prioritising the right initiatives with the highest benefit to cost parity.
- 3 Rising energy prices (Crude Oil & Natural Gas)**

Brent crude oil prices has been trending higher surpassing the USD80 mark. Natural gasses futures have also been spiking pass to USD5-6 mark. Higher energy cost may reduce the overall profit margin of the Group.
- 4 Freight Charges (CIF)**

The freight charges (CIF) of incoming raw sugar vessels.
- 5 Exposure to Pandemic**

Employees are exposed to epidemic or pandemic (such as COVID-19, influenza, SARS, H1N1 etc.)

**KEY RISKS & MITIGATIONS**

| Risk Category   | Category                       | Description   | Mitigation   |
|---|--------------------------------|---|--|
|  <b>Market Risk</b>      |                                |   |  |
| Volatility in foreign currency exchange (FOREX) movements   | Economic                       | Exposure to volatility in movement of the global currency markets   | i. Monitor the currency market   |
| Freight Charges (CIF)   | Economic                       | Increased global freight costs worldwide due to limited availability of vessels plying routes, new vessels in the market, due to slower production of vessels as a result of worldwide shipyard closures amid the recent Pandemic | i. Monitor global freight charges  |
| Competitive sales   | Economic                       | Competitive sales will lead to a reduction in market share and lower profit margins   | i. Engage with government to curb and monitor the number of sugar import AP issuances<br>ii. Improve customer relationships<br>iii. Monitor market demands and competitors' activities<br>iv. Ensure reliable supply and convenient delivery of good quality sugar |
|  <b>Financial Risk</b> |                                |   |  |
| Rising energy prices (Crude Oil & Natural Gas)  | Environment (renewable energy) | Oil prices have been trending higher surpassing the mark  | i. Hedging of Oil prices   |
| Non-compliance of Covenant will trigger an Event of Default (EOD)   | Economic                       | EOD under General Facility Agreement (GFA) will result in financier, accelerating repayment and may trigger cross-default on the other loans  | i. Refinancing   |
| Poor generation cash flow from operations   | Economic                       | A low utilisation factor will result in high refining cost  | i. Restructure loan with bank  |

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

| Risk Category   | Category  | Description   | Mitigation  |
|---|-----------|---|---|
|  <b>Catastrophic Risk</b>  |           |   |   |
| Pandemic and movement control orders (MCO) by Government  | Social    | <p>The outbreak now constitutes a global health emergency that can affect the productivity of an organisation and even a country's economy</p> <p>Wide and fast spread of virus infection from one source country to another, force governments (local and/or abroad) to take extreme preventive and mitigating measures on a wide scale over a period, including travel bans</p>   | <ol style="list-style-type: none"> <li>All staff/contractors have to abide to the Standard Operating Procedures initiated by the government while working</li> <li>Urging all staff/contractor to be fully vaccinated and take up the booster dose</li> <li>Implementing control measures at plant to curb COVID-19 spread by performing weekly RTK swab test</li> </ol>  |
| Health and safety of our workers  | Social    | <p>Industrial accidents and health pandemics can lead to lowering of reputation, loss of reliability and contamination of products. Quality is of paramount importance</p>  | <ol style="list-style-type: none"> <li>Ensure all employees are aware of matters pertaining to hygiene, health epidemics and cleanliness</li> <li>Fully comply with Industrial Safety and environment regulations</li> </ol>  |
|  <b>Operational Risk</b>   |           |   |   |
| <p>Failure of critical equipment/ machinery</p> <p>(Failure/tripping of steam boiler during normal operation, Raw Sugar Weigher Malfunction, Failure of turbine generators, Failure of critical equipment/ machineries)</p> | Operation | <ul style="list-style-type: none"> <li>• Aging machinery, computer software and hardware malfunctions, interruption of utility supplies, production disruption and loss</li> <li>• Malfunction of the weigher will result in error of weighing and wrong recording</li> <li>• Turbine generators tripping will affect the plant production</li> <li>• Any breakdown or downtime will cause plant to shut down or melting stop</li> <li>• All these lead to higher operating cost, lower efficiency and loss of customer confidence</li> </ul> | <ol style="list-style-type: none"> <li>Comprehensive plant and machine upgrading and replacement programme</li> <li>Planned and scheduled maintenance and service</li> <li>Ensure skilled and trained operators and technicians for maintenance work</li> <li>Establish and update standard operating procedures and hazard Identification, Risk Assessment and Determining Control for all activities</li> <li>Establish a consistent schedule of maintenance and servicing of our refining machinery, and where identified have replaced aging machinery with machine upgrades and replacements</li> <li>Ensure maintenance plans are carried out consistently</li> </ol> |

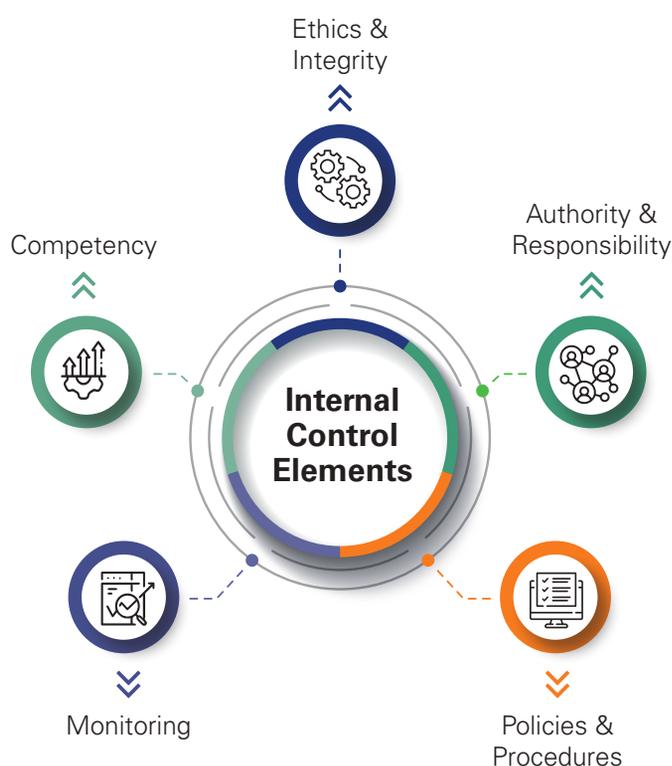
| Risk Category   | Category    | Description  | Mitigation   |
|---|-------------|--|--|
|  <b>Operational Risk</b> |             |  |  |
| Cyber threats   | Operation   | Failure of Data Migration<br><br>Exposure to threats which are classified under Cyber Security Risk due to IT resources, communications and network systems not being adequately protected | i. Affirm data with process owner and sign off<br>ii. Completeness Data Checking and Sign Off<br>iii. Evaluate Cut Over strategy<br>iv. Identify major changes for critical object<br><br>i. Incorporate network protection and security on IT/IT communication resources<br>ii. Incorporate network protection and security on IT resources such as firewall<br>iii. Roll Out Cyber Security Assessment |
| Environmental Issue-IETS for waste water, mud cake disposal & air emission                                | Environment | To fully comply with the Environmental Act & DOE requirements  | i. Competent persons are trained<br>ii. Engage the environmental consultant<br>iii. Prepare Gantt Chart for list of machineries to be repaired, provide the comprehensive maintenance schedule   |
| Quality of raw sugar  | Economic    | Inconsistency in raw sugar quality from different origins results in very poor quality of raw sugar received and used  | i. File complaint and claim to supplier<br>ii. Blending to improve quality   |
| Safety and health hazards   | Social      | Insufficient drivers and lack of safety awareness that can affect business operation (Logistic)  | i. HSE to educate employee on HSE related matters, reducing human errors, and prevention of incidents and fire safety<br>ii. HSE to ensure safety awareness is provided<br>iii. Periodical assessment on driver's health<br>iv. Provide sufficient training and awareness (Defensive Driving)  |

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTERNAL CONTROL

The Group manages its risks by implementing various internal control mechanisms. The mechanisms apply to all subsidiaries within the Group.

The key elements of our internal control structure are as follows:



### Ethics and Integrity

MSM is committed in applying the highest standards of ethical conduct and integrity in conducting its business activities by putting in place adequate Policies & Procedures as the fundamentals for internal control. It is also aligned with the Guidelines on Adequate Procedures for Corporate Liability, which are based on the five guiding principles of T.R.U.S.T. In tightening up the Group's internal control, MSM has developed/enhanced through the following:

### Integrity Activities

MSM Malaysia Holdings Berhad has undertaken the following key activities to show our commitment to be an ethical and professional organisation, anchored on ethics, integrity and accountability:

- Corruption Risk Management
- MSM Integrity Pledge
- Governance, Integrity & Risk Periodic Communication
- MSM Anti-Bribery Policy Statement
- Central Depository System
- Establishment of new and revised Policies
- Establishment of Whistleblowing Channel & Committee
- Integrity Compliance Assessment
- Governance and Integrity E-Learning
- Virtual Prodigy Induction
- EXCO Integrity Talk and Pledge
- Vendor Integrity Attestation
- Corporate Governance & Risk Management update to EXCO

### Anti-Bribery Policy Statement

MSM is committed to encourage transparent and good ethical conduct and upholding good image of integrity, transparency and accountability in all aspects of its business. The anti-bribery policy statement has been updated and approved on 4<sup>th</sup> October 2021 and been uploaded in the web



<http://www.msmsugar.com/our-company/corporate-governance>

### Establishment of MSM Whistleblowing Channel (System) & Committee

On 25 May 2021, the Board has approved the establishment of Whistleblowing Channel (System) & Committee in MSM Malaysia Holdings Berhad and its group of Companies for implementation. Previously, MSM adopted FGV whistleblowing reporting channel & committee, being managed by FGV Whistleblowing Secretariat.

The channel which allows reporting of any allegations of misconduct within the Group is also a preventive measure against unethical conduct. The channel thereby supports MSM to maintain the highest standard of ethical and legal conducted within the Group.

### MSM External Gift Entertainment and Hospitality Policy

MSM Group recognises that the giving and accepting of gifts, entertainment and hospitality can be part of building normal business relationships. The aim of the Policy is to ensure that the highest standards of integrity are maintained and that it can never be suggested that there was an improper motive behind the offer or acceptance of the gift, entertainment and hospitality will unduly influence the recipient. The policy was approved by the Board.

### MSM Referral Policy

On 25 August 2021, the Board has approved the establishment of MSM Referral Policy. The purpose of this policy is to establish the rules and principles for referrals on criminal cases including but not limited to fraud, bribery and abuse of power to Enforcement Agencies.

This policy provides guided parameters to ensure that referral protocols are adhered to in relation to when the information is received, the results of investigation and any other matters related to it.

### MSM Conflict of Interest Policy

On 25 August 2021, the Board has approved the establishment of MSM Conflict of Interest Policy. All employees and third parties of MSM Group shall act, at all times, in the best interest of MSM Group and not based upon their personal interest. Employees must not put themselves in a position where they are involved in an activity for personal gain, to themselves, their 'relative', 'associate' or third parties, or any activity that conflicts with MSM Group's interest.

### MSM Code of Business Conduct and Ethics (CoBCE) Policy for Employees

On 25 November 2021, the Board has approved the revision of MSM CoBCE Policy. The MSM CoBCE Policy guides our employees in embracing the Group's values and in complying with applicable law and regulations through honest, transparent and ethical business practices. The MSM CoBCE Policy covers areas such as compliance, integrity, conduct in the workplace, business conduct, protection of the Group's assets, confidentiality and conflict of interest.

### Authority and Responsibility

#### Organisation Structure

The Group has a comprehensive organisational structure which organises its business operations. The organisational structure provides clear lines of reporting, authority and segregation of duties, which promotes ownership, accountability, and delegated authority.

#### Limits of Authority (LOA)

A documented Limits of Authority (LOA) with clear lines of accountability and responsibility serves as a tool of reference to identify the appropriate approving authority at various levels of management including matters that require the Board's approval. The new LOA of MSM Group was approved and subsequently implemented effective 23<sup>rd</sup> November 2020.

#### Job Description

Each role in the organisation structure is supported by clear description of job responsibilities which are linked to the vision and goals of the Group. A well developed and effective job description has been designed for clarity of responsibilities and relationship between functions which will enhance collaboration across the Group moving towards operational efficiency besides supporting the succession planning. It can retain and motivate the best talents by ensuring that employee's engagement and helps drive high performance culture.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Policies and Procedures

The process of development and revision of policies and procedures in MSM is governed by the MSM Governance of Policies and Procedures Policy to ensure documents are thoroughly reviewed by the relevant stakeholders, in compliance with the Malaysian laws and regulations and appropriately approved by the authorised authority. The monitoring mechanism is also embedded in the Governance of Policies and Procedures Policy to ensure the documents are still relevant and reflect the current business environment.

### Policies

Policies are designed to manage risks and ensure compliance to related requirements of the Group's operations and aligned to the FGV Holdings Berhad's requirement. New policies are formulated as business needs or risks arise and to uphold proper governance of MSM Group.

The following are the new and revised policies that were endorsed by AGRC and approved by the Board in 2021:

#### Sales

5 March 2021

MSM Domestic Sales Policy

#### Corporate Governance & Risk Management

5 March 2021

MSM Governance of Policies and Procedures Policy

#### Raw Sugar Procurement Unit (GCEO Office)

5 March 2021

MSM Group Trading Policy

#### Finance

25 November 2021

MSM Related Party Transactions (RPT) and Recurrent Related Party Transactions (RRPT) Policy

25 May 2021

MSM Receivables Policy

25 May 2021

MSM Credit Control & Sales Payment Term Policy

#### Procurement

14 July 2021

MSM Group Procurement Policy

#### Corporate Governance & Risk Management

25 August 2021

MSM Conflict of Interest Policy

25 August 2021

MSM Referral Policy

#### Human Resources

25 November 2021

MSM Code of Business Conduct & Ethics Policy

## Monitoring

### Financial and Operational Review

Financial and Operational Review is a mechanism adopted to measure MSM Group's actual performance against its business plan, previous year's performance and the annual budget.

This review is undertaken on a regular basis by an Executive Committee comprising senior management of the Group.

The Group Chief Executive Officer, Group Chief Operating Officer and Chief Financial Officer present MSM Group's Quarterly Financial Information and Operational Performance analysis to the Audit, Governance and Risk Committee prior to Board's approval and subsequent release to Bursa Malaysia.

### Annual Business Plan and Budget

Business Planning, which is coordinated and aligned to specific objectives, is essential to direct the activities and initiatives of each Subsidiary and Head Office towards meeting the Group's short term and long-term objectives. With this view, the Group emphasises on a comprehensive annual budgeting process to ensure that the Group's Business Plan are in line with Strategic Plans approved by the Board.

## Competency

MSM views its employees as invaluable assets. The Group is committed to its employees and professional development at all levels.

In achieving the next level of productivity, excellent service, and performance, MSM has developed SWIIT Values (**S** for Sense of belonging, **W** for winning attitude, **I** for Integrity, **I** for Innovation and **T** for Teamwork) which bring meaningful purpose, practical strategies and goals together to make the organisation aspirations more credible and achievable.

In 2021, the Group has developed a qualifying and accredited competency programme which focus in building a competent workforce in particular food safety, international standard certification and professional finance accreditation as part of the learning roadmap. This is a key focus towards strong, sustainable and balanced growth. The programmes are holistic in nature, aiming to enhance both professional and behavioural competencies by incorporating elements such as integrity, governance as well as the Group's core values.

## INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function. The Internal Audit Function is to provide internal audit services to assist the Audit, Governance and Risk Committee (AGRC) and Board in reviewing the effectiveness, adequacy and integrity of the Group's systems of internal control in managing risks.



More details on Internal Audit activities covered in page 234

## REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement of Risk Management and Internal Control as per Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guideline (APPG) 3 issues issued by Malaysian Institute of Accountants. AAPG3 does not require external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

## STATEMENT BY THE BOARD

Based on the processes and measures undertaken by the Board and its Committees during the financial year and assurance provided by the Group Chief Executive Officer and Chief Financial Officer, the Board is of the view that the risk management framework and internal control system as described in this Statement is sound and effective to safeguard the shareholders' investment and MSM Group's assets.

This Statement is made in accordance to the resolution of the Board dated 21 March 2022.

# Kopi ke... Teeeh ke... janji gula peket hijau!



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