

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

3rd

most chosen FMCG brand in Malaysia



SYED FEIZAL SYED MOHAMMAD
Group Chief Executive Officer

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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.



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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.

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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.

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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.



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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.



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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



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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 FEIZAL SYED MOHAMMAD
Group Chief Executive Officer