

SUSTAINABILITY REPORT

OUR SWEET EES JOURNEY

Sustainability is an integral part of MSM's business philosophy and corporate culture. As the leading sugar refiner and brand ambassador for Malaysia, we infuse our thoughts and actions in aspiration to achieve excellence in sustainability by integrating sustainable practices into every one of its business activities in line with the Group's vision and core values.

Our Sustainability Development Governance Structure

To govern, manage and regulate industry-specific sustainability matters that are considered more critical from economic, environmental and social perspectives.

Board Governance & Risk Management Committee (BGRMC)



Group Chief Operating Officer



To communicate, develop and drive the implementation of sustainability strategies and policies.
To review and report the progress.

Corporate Communications Department



Head of Operations



Subsidiaries



Electricity consumption
decreased by

31.2%



CO₂ emissions from
electricity **reduced** by

35.5%



Maintained

2,000 volunteer hours
every year since 2013



Total Malaysian companies
registered for procurement
increased by

0.6%



Reduction of

30.4% for CO₂
emissions from air travel



Maintained






0 fatal accidents



ECONOMIC SUSTAINABILITY

GRI-203: Indirect Economic Impacts

Established to ensure Malaysia's self-sustainability in refined sugar, MSM has also been a catalyst for socio economic development within Perlis, Penang, the Klang Valley, and most recently Johor. The Group's steadfast expansion into activities throughout the sugar value chain provides employment opportunities as well as opportunities for secondary industries. Today, MSM provides job opportunities for 1,249 employees within the Group.

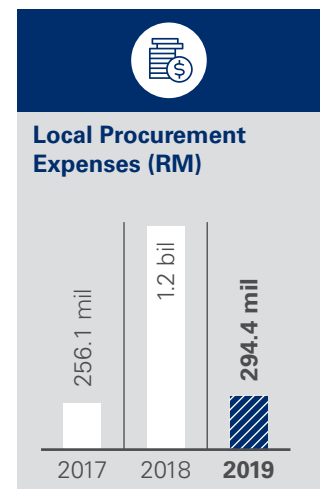
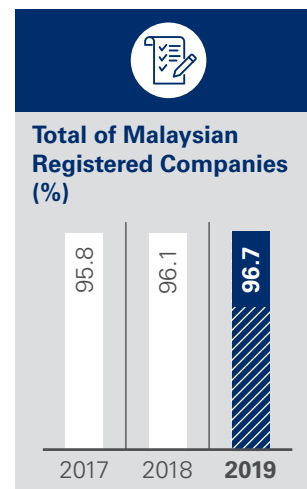
MSM PERLIS	MSM PRAI	MSM LOGISTICS	MSM HOLDINGS	MSM JOHOR
 Plantation 36 employees Factory 356 employees	 495 employees	 49 employees	 52 employees	 261 employees

(data shown as at 31st December 2019)

The reduction in number of employees for plantation sector in MSM Perlis is due to operations ceasing following the disposal exercise of its plantation land in Q3 2019.

GRI-204: Procurement Practices

Taking an active part to elevate good governance within the industry, MSM is committed to ethical supplier management practices and has put in place policies, processes and systems to safeguard ethical, open and sustainable sourcing within our supply, manufacturing and distribution value chain. All employees are required to adhere to the company's procurement process and policy which are set out in the Group Procurement and Policies Handbook which is printed and distributed to staff. The online version is also made available and can be requested from the Procurement Department. These ensure accountability and transparency in procurement activities as well as governs vendors and suppliers to abide by ethical standards, fair business practices and comply with laws and policies.



SUSTAINABILITY REPORT

Engaged & Ethical Marketplace Practices


MSM's core strength is the quality of its sugar products and reliability in service levels. Constant focus is directed towards maintaining and elevating customer satisfaction levels. These include proactively notifying our customers of our reliable service delivery commitments, encouraging feedback through a well managed dedicated online customer service channel at consumer@msmsugar.com, improving the efficiency and responsiveness of our support services, regular engagements to assess customer satisfaction and taking prompt action on feedback, issues or complaints on our products or services.

Knowledge-Sharing with Industry

A fundamentally sound and informed industry knowledge base is essential in building a sustainable economy. MSM believes in contributing to industry development and invests time to actively engage in events and discussions on current economics and industry challenges that help evolve industry practices.

The Group's years of active participation and engagement with industry stakeholders has been noted and in 2019 MSM was involved in several discussions and sessions with relevant ministries and authorities including Ministry of Domestic Trade & Consumer Affairs (KPDNHEP) and Ministry of Primary Industries (MPI) to discuss on the current issues pertaining to national economy, sugar industry and trading.

MSM was also honoured with invitations to participate in several industry events such as Deloitte's 'Integrated Reporting: Leap to Sustainable Value Creation' where MSM, as a panel member, shared its journey of producing an integrated annual report.

MSWG-ASEAN CORPORATE GOVERNANCE AWARDS 2018		
	<div>LIST OF TOP 100 COMPANIES FOR CG DISCLOSURE (BY RANK)</div> <div>38</div>	<div>LIST OF TOP 100 COMPANIES FOR OVERALL CG & PERFORMANCE (BY RANK)</div> <div>60</div>



ENVIRONMENTAL SUSTAINABILITY

2020 GOALS



Optimising 2% of Water Usage
Reduction of 0.0508 m³
per tonne



Reducing 3% of Energy Consumption
Reduction of 0.8778 GJ
per tonne

WASTE MANAGEMENT GRI-306: Effluents & Waste

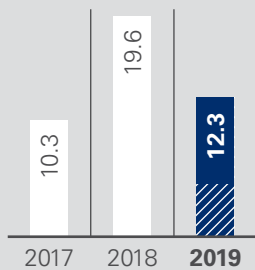
Key Points:

Cutting-edge nano-filtration waste treatment systems enable us to process the discharge produced in our refineries. The resulting salt residue can be reused for resin regeneration, while the rest of the residue is filtered and cleaned before being discharged. Waste stream management is outsourced to a supplier licensed by the Environmental Department to collect, transport, process and dispose waste in accordance with local regulations and standards.

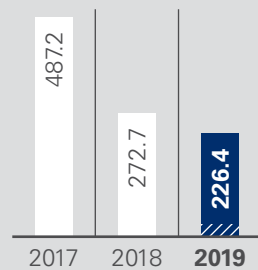


Total Weight of Waste by Type and Disposal Method

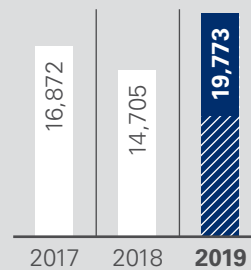
Hazardous Waste Collected by Licensed Contractor for Recovery (tonnes)



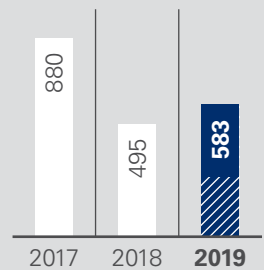
Recycled Waste (tonnes)



Non-Hazardous Waste Landfilled (tonnes)



General Waste (tonnes)



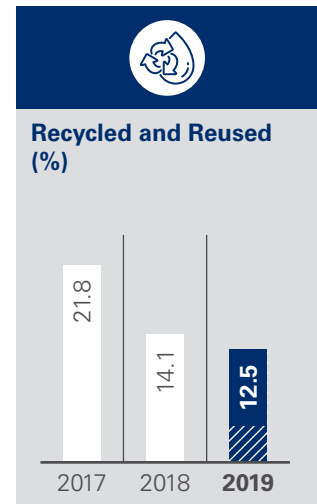
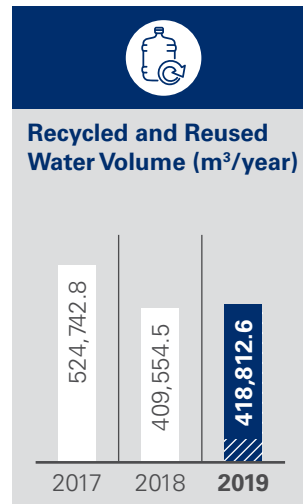
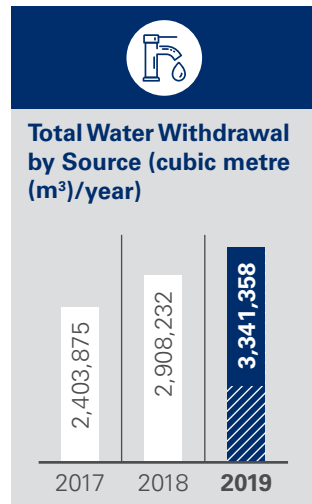
SUSTAINABILITY REPORT

WATER USAGE

GRI-303: Water & Effluents

Key Points:

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.



Water usage increased by 14.9% during 2019 as consumption factored in MSM Johor's full year of operations (as compared to only six months of operations in 2018). River flushing activities at MSM Perlis to mitigate a low performing industrial effluent treatment system also contributed to the increase.

ENERGY OPTIMISATION

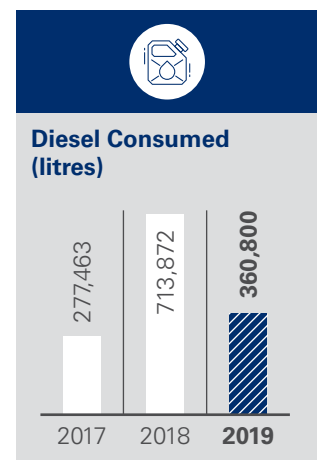
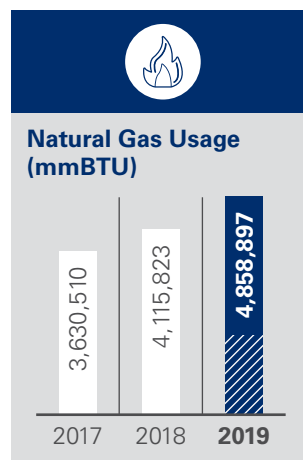
GRI-302: Energy

We have adopted an energy savings approach to monitor the progress of carbon footprint reduction, waste management and utilisation of clean and renewable energy sources within our operations.

We have invested heavily in back pressure turbines to generate approximately half of our energy requirements by channeling exhaust steam back to the heating process. We also recycle our process condensate for boiler steam generation. Where necessary, we use clean natural gas as an energy source at both refineries to reduce production of carbon soot and sulphur emissions. In addition, we 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.

Natural Gas

The increase of 18.1% in natural gas usage was expected in 2019 due to MSM Johor's operational consumption for one full year as compared to only six months in 2018. At the other two refineries, energy consumption was lower compared to 2018.



Diesel

Diesel consumption lowered dramatically across the refineries during the year due to cost saving initiatives such as direct melting, production based on demand and MSM Perlis's installation of a power factor improvement capacitor.

Electricity

Electricity consumption decreased by a further 31.2% in 2019 due to the start up of MSM Johor's Steam Turbine Generator (TG) in September 2019. This means that Tenaga Nasional Berhad's (TNB) supply of electricity is now only required when the TG trips or when there is a plant shutdown. This paves the way for greater reduction of electricity consumption going forward.

GREENHOUSE GAS (GHG) & OTHER EMISSIONS

GRI-305: Emissions

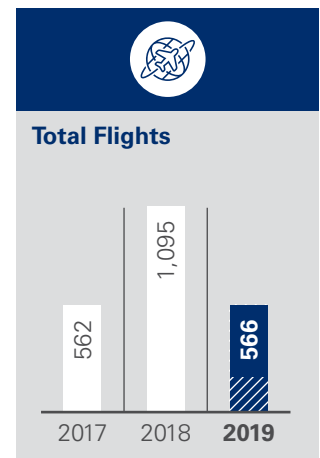
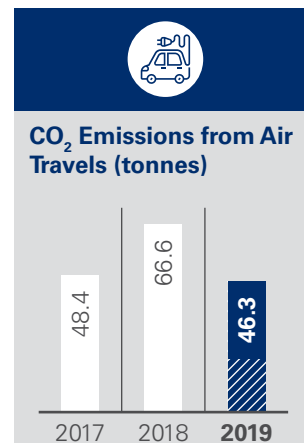
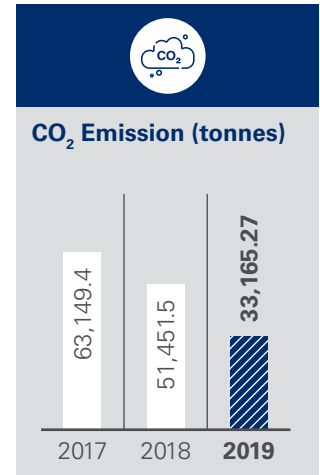
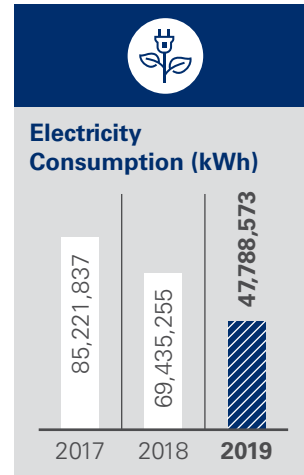
Business Air Travel

We actively attempt to reduce transport-related emissions through several initiatives. We encourage customers, suppliers and employees to adopt the usage of teleconferencing facilities; support car pooling for travels to the head office, refineries and other meeting functions; and we utilise a centralised process booking system for most of our short and long haul flights.

Paper Consumption & Printing

A significant decline in paper consumption and administrative costs has been achieved by encouraging double-sided printing, centralising colour printing accessible by authorised personnel only and promoting electronic communication between colleagues and clients.

We have also identified areas which requires large amounts of paperwork and moved towards digitisation to reduce paper usage and enhance efficiencies. For example, currently, all Procurement tender announcements are uploaded onto our website under the Tender Announcement page at <http://www.msmsugar.com/tender> and linked with FGV's e-procurement portal.



Note: Our calculation method for GHG emission mainly for business air travel is based on the International Civil Aviation Organisation (ICAO) Carbon Emissions Calculator, whereas carbon footprint is computed for each man-trip made.

SUSTAINABILITY REPORT



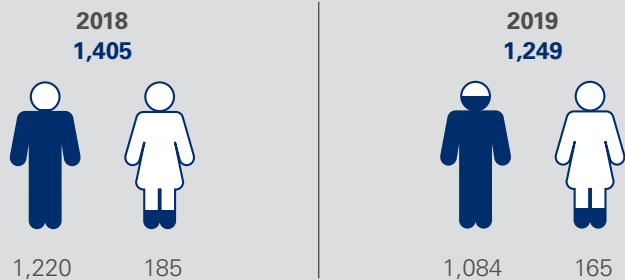
SOCIAL SUSTAINABILITY

EMPLOYEE RELATIONS GRI-405: Diversity and Equal Opportunity

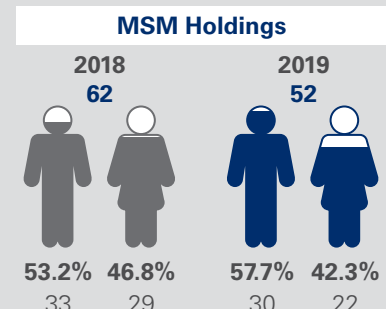
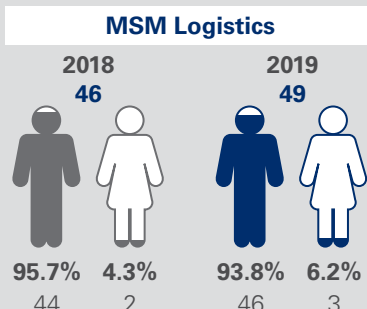
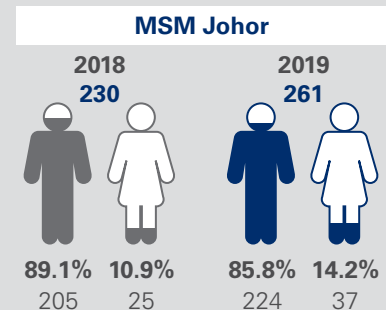
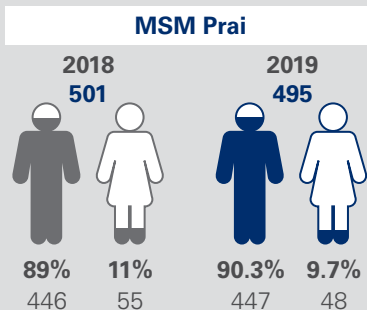
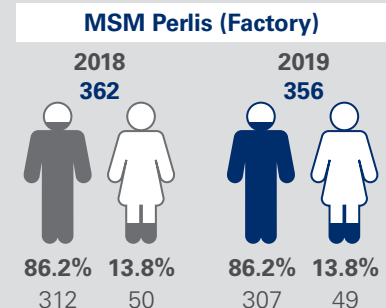
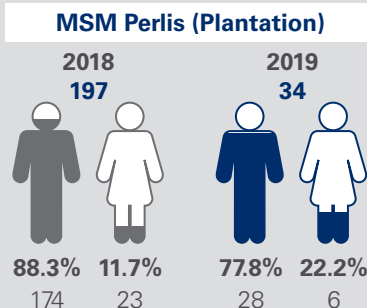
The development and welfare of our employees within the workplace is a priority that MSM has consistently invested in over the past 50 years. As fundamentals, we maintain safe and inclusive workplaces that support diversity and ensure everyone receives equal opportunity to perform at the best of their ability. 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 at all levels. We also maintain a workplace free from discrimination and harassment.

Employee Work Policies have been established to ensure professional and fair work practices that protect the rights of all employees and address discrimination among the workforce. The policies outline clear guidelines towards ensuring fairness and equality, and are communicated in the employee handbook. Feedback channels for employees to raise concerns, identify amiable solutions and report instances where they feel violated, disrespected or treated unfairly have also been established. As part of our Whistleblowing Policy, we have in place structured grievance and complaints process to encourage employees to report these potential violations without fear of reprisal. (see page 75 of this report).

Employees Gender Diversity



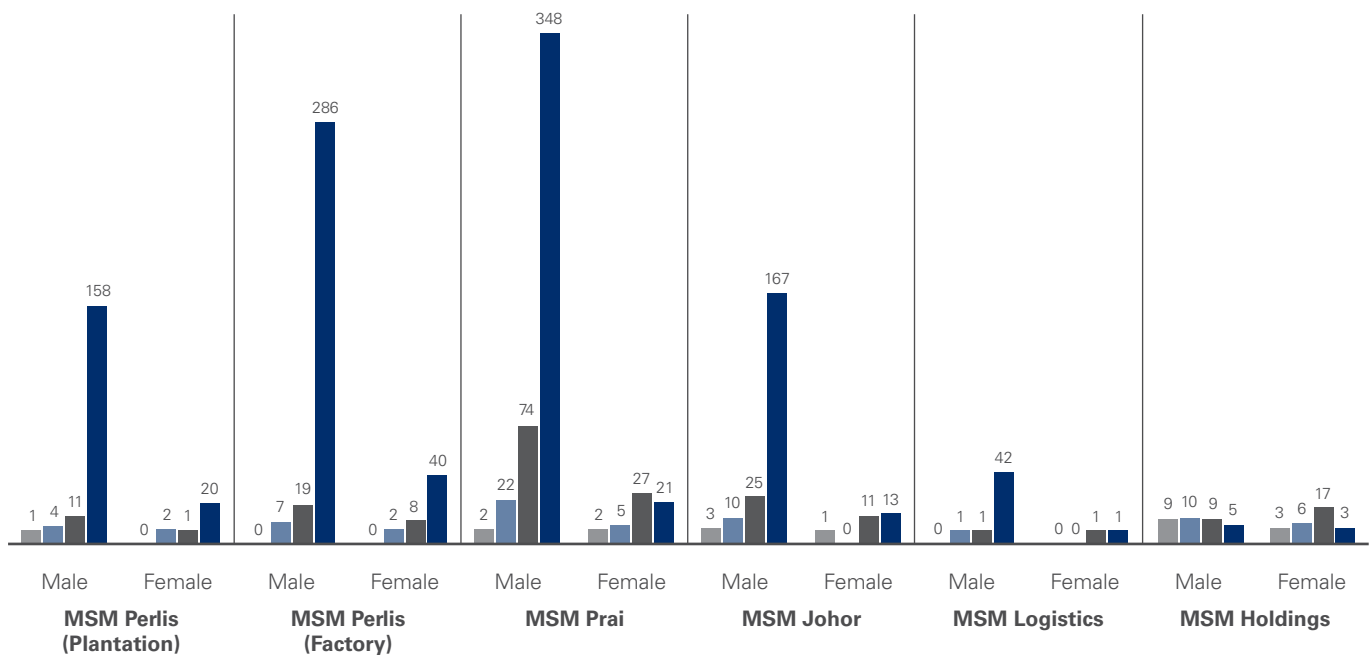
By Entity



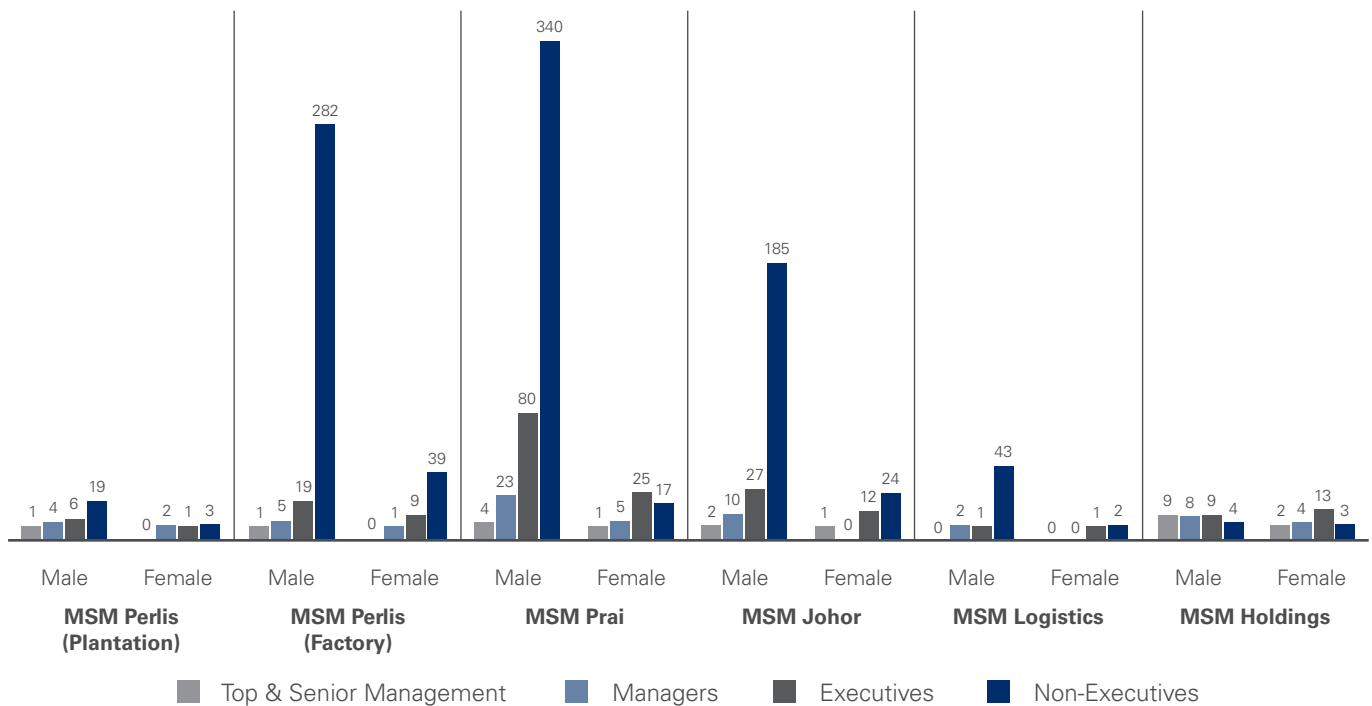
In 2019, we recorded a 69:16 male to female ratio at manager level compared to 69:21 in 2018. More effort will be directed towards coming closer to the recommended target of 30% female representation at all levels.

Total Employees by Gender & Category

2018



2019

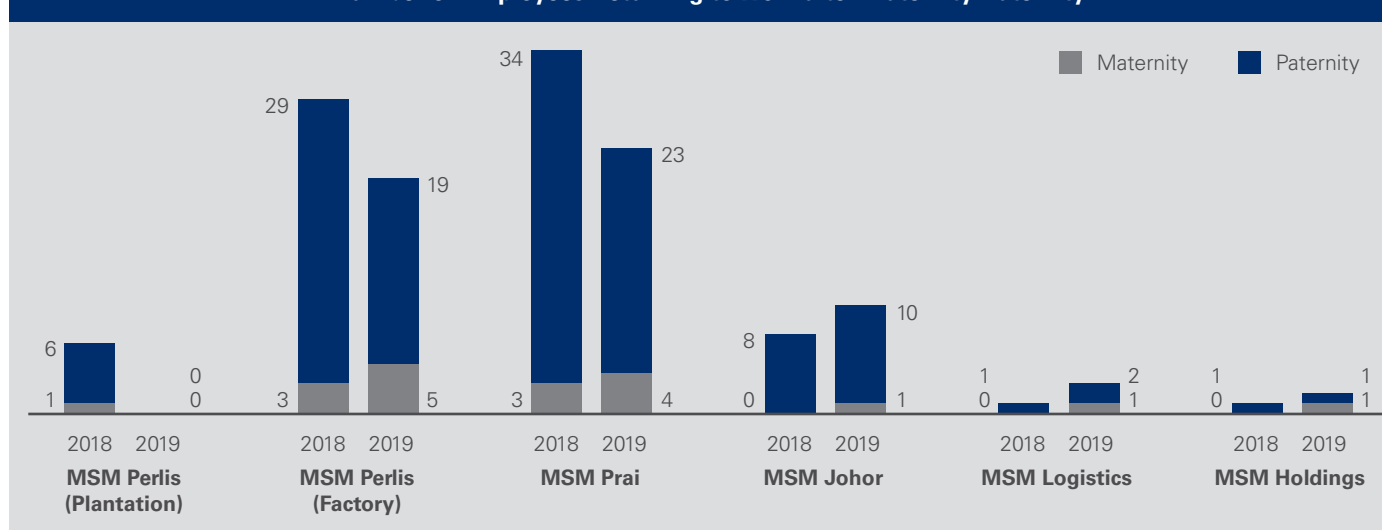


SUSTAINABILITY REPORT

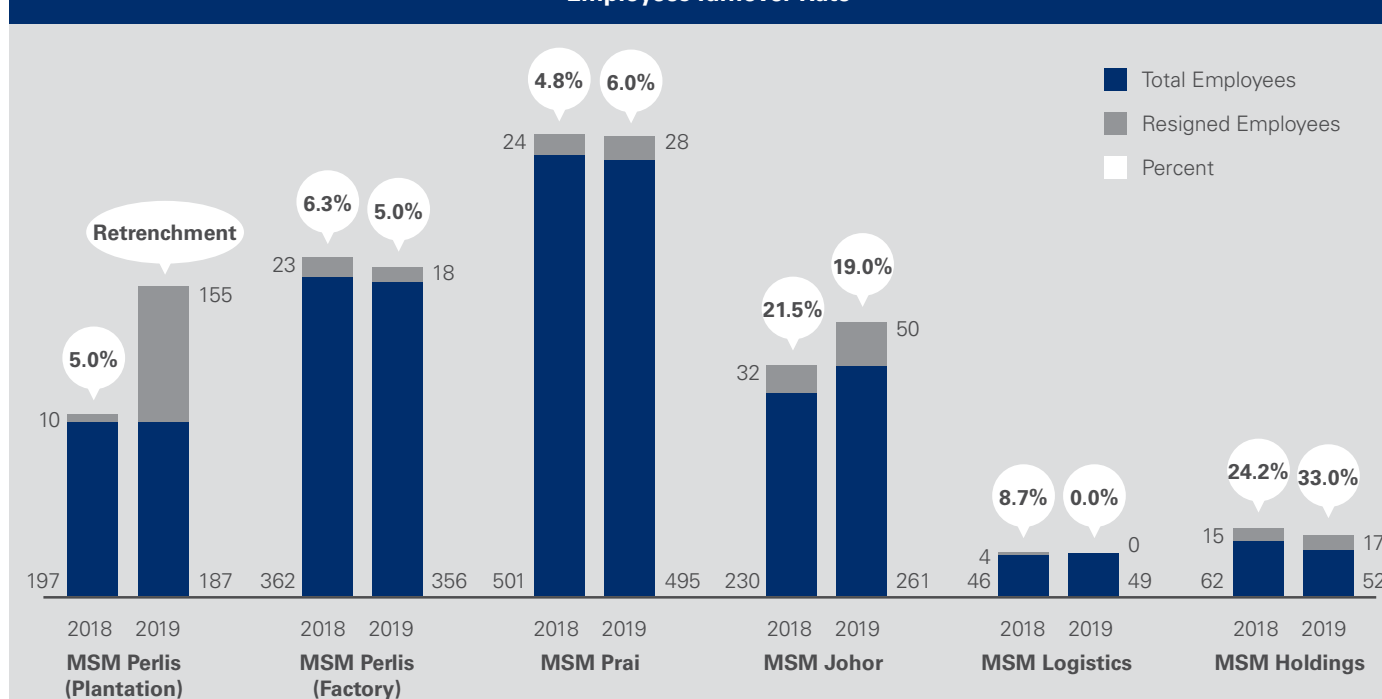
GRI-401: Employment

In 2019 we continued to offer maternity and paternity leave as part of our employee welfare benefits. Staff turnover rate for the year increased due to a retrenchment exercise held at MSM Perlis. This was due to disposal of plantation assets as part of MSM's strategic plan to focus on core refining business. All retrenchments were conducted in a transparent manner, in full compliance with the necessary processes and relevant laws. Retrenched employees were fairly compensated and some of them have been retained to assist in completing the necessary paperwork for the disposal exercise.

Number of Employees Returning to Work after Maternity/Paternity

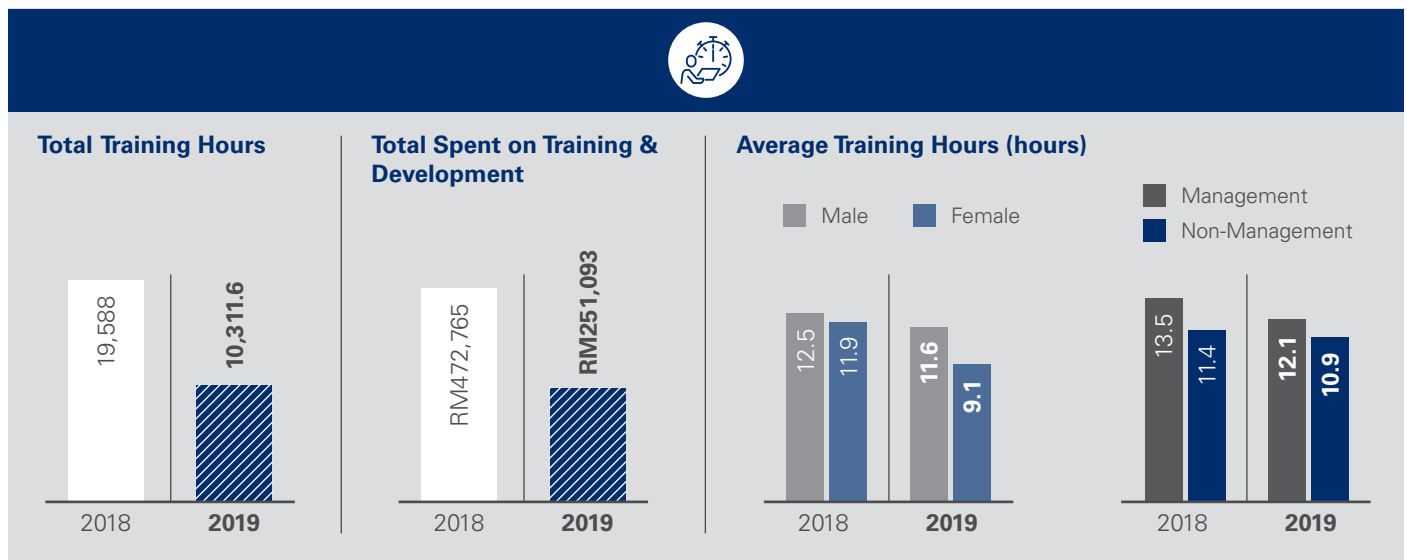


Employees Turnover Rate



GRI-404: Training and Education

One of MSM's distinct strength is its talent pool of loyal and skilled employees. In building loyalty and workforce strength, we have established a Staff Mobility programme that encourages staff training and development for career progression. The programme has been vital in speeding up learning curves among new employees through training. MSM also employs local graduate trainees under its Graduate Management Trainee Programme, that focuses on on-job engineering and management training, allowing ready deployment when required.



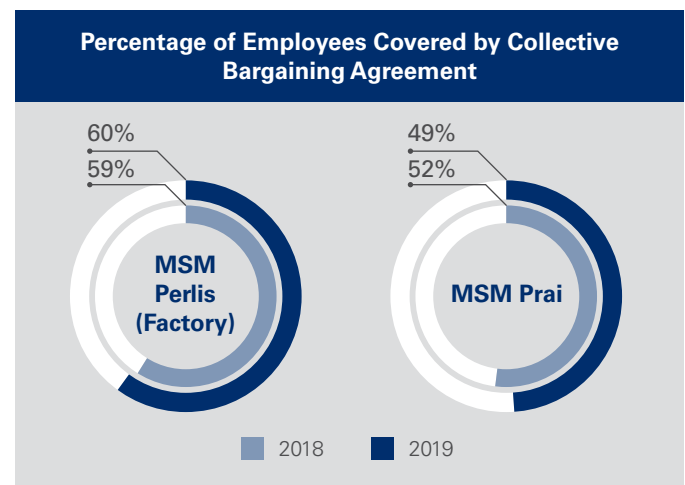
Training hours and expenditure reduced in 2019 as resources and cash flow had to be streamlined and optimised during the year. To save on costs more internal resources were used during the year. However it continues to rank as a main priority and average training hours achieved showed only a slight drop.

GRI-407: Freedom of Association and Collective Bargaining

We regard loyalty as the catalyst in forming long lasting and meaningful relationships that transcend work. Through the listed employee engagement activities, we foster opportunities to build rapport, teamwork and inculcate a culture of shared values. These also promote work-life balance by spanning the spectrum of sports, charity, learning and sheer fun.

In 2019, we sustained the number of employees covered by the Collective Bargaining Agreement in promoting employee rights and welfare.

Note: the reduction in percentage for MSM Prai in the chart shown reflects the drop in total number of employees from 2018 to 2019, and not a reduction in employees covered.



SUSTAINABILITY REPORT

EMPLOYEE ENGAGEMENT 2019

14 – 15 FEBRUARY 2019

MSM Perlis
Townhall @ MSM Perlis

15 MARCH 2019

Desaru @ Johor
Value Incultation Training

29 MARCH 2019

G-Tower @ KL
Senior Management Performance Planning Session

7 APRIL 2019

Shah Alam @ Selangor
Bowling Sakan 2019

28 JUNE – 3 JULY 2019

MSM Perlis, MSM Holdings, MSM Prai & MSM Johor
Sambutan Hari Raya Aidilfitri 2019

13 JULY 2019

Setapak @ KL
Pertandingan Futsal Piala Dato' Haris Antara Syarikat: FIGHT FOR THE ULTIMATE PRIDE

1 AUGUST 2019

MSM Johor
MSM Audit Committee Visit to MSM Johor

8 OCTOBER 2019

MSM Johor
FGV Board of Directors Visit to MSM Johor

19 OCTOBER 2019

Mutiara Damansara @ KL
Bank Islam's Corporate Banking Bowling Tournament

28 NOVEMBER 2019

MSM Johor
BCM Simulation Test

CORPORATE SOCIAL RESPONSIBILITY

GRI-413: Local Communities

MSM's corporate social responsibility initiatives are stemmed from a commitment to aid the disadvantaged and underprivileged within communities through the encouragement of employee volunteerism and in providing financial and sugar contributions on a regular basis. In order to optimise resources and effectiveness, MSM works to support existing programmes spearheaded by government agencies, welfare institutions, Non-Governmental Organisations (NGOs) and educational institutions.

PURPOSE

- Supporting Corporate Responsibility Programmes organised by relevant government agencies, welfare institutions and NGOs
- Supporting Corporate Responsibility Programmes intended for educational organisations or organised by relevant educational institutions

INITIATIVES

- Sugar contributions to uplift the poor and disadvantaged
- Contributions to Food Banks
- In support of Pertubuhan Teknikal Insaf Malaysia, Persatuan Cerebral Palsy, Himpunan Anak Kedah Malaysia, among others
- Sugar contributions to the Orang Asli community
- Working with Universiti Malaysia Perlis, Universiti Teknologi Malaysia, Kolej Poly-Tech MARA, among others

QUANTITY OF SUGAR CONTRIBUTED

6,576 kg

AMOUNT

RM18,989.44

Zakat and Alms Giving

Zakat, one of the five pillars of Islam, is based on the Islamic principle that Muslims should ease the economic burden of the less fortunate, in a spiritually progressive journey towards eliminating inequality in the world. At MSM, we view our zakat contributions as a fundamental way in which we can contribute towards a more just and equitable society.

Throughout 2019, MSM continued with our zakat contributions to the underprivileged, which comprise the poor and destitute, single mothers, senior citizens and orphans.

List of Zakat Contributions 2019:



**Musolla An Nur, SK Khir
Johari @ Perai, Penang**
RM5,000.00

To support the cost for repair and upgrading the surau for the usage of schools and students



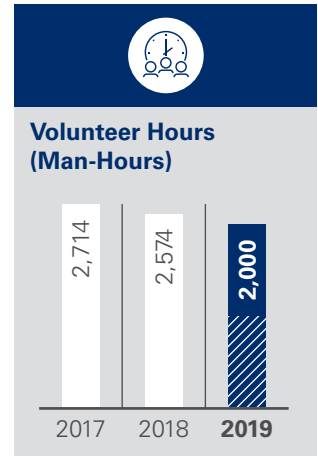
10 selected schools in Perlis
RM25,000.00

To sponsor and supply water cooler facilities to selected schools in Perlis

Assistance & Volunteerism

Every year, volunteer programmes and activities are organised to expose our employees to marginalised groups and provide avenues of engagement on how they can assist communities.

Total volunteer hours in 2019 have reduced compared to 2018, due to a reduction in outdoor activities and events. However, MSM Prai employees continued to chalk up 2,000 man-hours performing volunteer services based on our Community Programme with Seberang Prai Municipal Council, which has been established since 2013. Activities included maintaining the cleanliness of the recreational public park, mowing the lawn, as well as cleaning the area and its facilities.



GRI-416: Customer Health & Safety

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. This has built our market leading position for our Gula Prai brand - the number one best-selling sugar brand in Malaysia.

Our refineries are constantly audited to ensure that our processes are in full compliance and certified with the Food Safety System Certification (FSSC 22000 – Manufacturing), Food Safety Management System (ISO22000), Good Manufacturing Practice (GMP) and the Hazard Analysis and Critical Control Point (HACCP) Certification from the Ministry of Health, Malaysia. We also 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.

As a global exporter, MSM complies with international standards such as the Halal and Kosher certifications. All our products are Halal-certified under MSM 1500:2009 and Kosher-certified by the London Beth Din Kashrut Division. Our Occupational Health and Safety Standards fulfil the requirements by the Occupational Health and Safety Advisory Services (OHSAS18001) and the Malaysian Occupational Health and Safety Management Systems (MS1722).

Additionally, 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.

(Refer to page 20 – Awards & Certifications)

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH & SAFETY

At our workplaces, we adhere and comply to industry requirements in health and safety standards and guidelines. 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.

GRI-403: Occupational Health & Safety

Adhering to International and Local Health and Safety Industry Standards

MSM employs industry certified full-time Safety Health Officers (SHO) or representatives at all our refineries, warehouses, distribution and packing centres as well as office premises. A Safety Health Committee is also setup at all locations, tasked with the responsibility of addressing all issues pertaining to safety, with active participation from all employees. In order to maintain a safe and healthy work environment, we have implemented the following two standards at all our facilities:

- **Malaysian Standard - MS 1722 Occupational Safety and Health Management Systems (OSHMS)**

This is a national standard that provides requirements on OSHMS and a basis for the development of Occupational Safety and Health (OSH) systems in an organisation.

- **International Standard - OHSAS 18001:2007 Occupational Health and Safety Management Systems**

The Occupational Health and Safety Assessment Series (OHSAS) is a standard that is developed by the OHSAS team, an association that includes government agencies, certification bodies, national standards, industry associations and consultants. OHSAS 18001 assists organisations to establish a management system to manage and control their health and safety risks and improve their occupational health and safety performance.

Internal Audits	External Audits
<ul style="list-style-type: none"> • MS 1722 • OHSAS 18001:2007 	<ul style="list-style-type: none"> • FGV HSE Management Audit • OHSAS 18001:2007 and MS 1722 audit by SIRIM – for certification and surveillance audits • Fire Certification – BOMBA • Department of Safety and Health (DOSH) • Department of Environment (DOE) • Client Audits

Monitoring & Measurement of Health Safety and Environment (HSE) Performance

To ensure we meet all our safety goals and targets, MSM implements a continuous schedule of activities and programmes that monitors and measures our HSE performance. This includes a monthly workplace inspection at all our locations conducted by the respective Safety Health Committee. Our extensive list of activities and outcomes are laid out below.

Creating an Ecosystem of Health & Safety Awareness

Through targeted engagement with stakeholders, we have developed and maintained an acute awareness of health and safety issues at the workplace:

- Weekly Toolbox Meetings conducted in MSM Johor with all contractors who works on the construction
- At other locations, Toolbox Meeting are conducted prior to any major maintenance/repair/installation/construction works by external contractors or employees
- Implemented mandatory safety briefings by SHO or representatives for all external contractors and new employees
- Random Contractors and Safety Team walk-about on site
- Implementation of work permits for non-routine work

Maintaining a Continuous Reporting Cycle

MSM raised the stakes on its reporting abilities by collating data from our main operations facilities. Within MSM Prai and MSM Perlis, a new and more robust reporting system was established, paving the way for MSM Prai (Sg Buloh Warehouse) and MSM Johor to adopt this new reporting mechanism.

MSM Malaysia Holdings Berhad is also contributing data to our new reporting system, which has increased the Group's capacities to hone in on areas which needs to be improved with access to more comprehensive data sets covering all our manufacturing, packing and distributing activities.



Monitoring our Accident Statistics

MSM Perlis had an exemplary year of safety, winning several awards for excellence in OSH management and for achieving 1 million man hours without lost time injury. However, safety performance at the other refineries dropped as days lost due to injury increased by 27 days. Causes for all incidents were identified and mitigation plans have been set in place to prevent future severity of impact. We are committed to continue reducing loss time injury days as we make greater headway on improving operational excellence at all our refineries.



Lost Time Injury (LTI)			
Year	2017	2018	2019
Cases	35	39	36
Days Lost to Injury	170	149	176
Incident Rate	34.18%	33.60%	29.46%



ZERO Fatal Accidents

SUSTAINABILITY REPORT

Activities, Awards & Recognition

Areas of Training		Training Programmes
	Emergency Preparedness Trainings	<ul style="list-style-type: none"> Personal Protective Equipment Training MSM Johor Fire Fighting Training MSM Johor Fire Drill MSM Prai Chemical Exposure MSM Prai
	HSE Awareness & Trainings	<ul style="list-style-type: none"> Permit to Work (PTW) Training (Staff & Contractors) MSM Johor Tool Box Talk MSM Johor First Aid Training MSM Prai
	Competency Trainings	<ul style="list-style-type: none"> Forklift Training by Toyota MSM Johor
	Emergency Response Team (ERT)	<ul style="list-style-type: none"> Emergency Response Team (ERT) MSM Johor Emergency Response Team (ERT) MSM Prai
	Noise Pollution Control	<ul style="list-style-type: none"> NOISE Training (Staff) MSM Johor Audiometric Test MSM Prai

CERTIFICATION/AWARD/RECOGNITION	ASPECT	EVALUATOR/PROVIDER
President's FGV Award for Safety 2018/2019 – MSM Perlis i. Best Safety Project – 3rd Place ii. Best Safety & Health Committee – 4th Place	Occupational Safety & Health Management	FGV Group Health & Safety
Achieving 1 Million Man-Hour Without Lost Time Injury – MSM Perlis	Lost Time Injury	Department of Occupational Health & Safety Malaysia

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 critiques on our sustainability practices and reporting. Please send us a message via email to corpcomms@msmsugar.com.