

ABOUT THIS REPORT



KEY FOCUS: PERSEVERANCE

Within an unprecedented challenging environment, MSM Malaysia Holdings Berhad key focus for 2020 was to persevere and stay resilient through volatile market and industry conditions. We enhanced our brand positioning, stayed on track of long term targets, committed to sustainable improvements and sought to stay lean while weathering the storm. We took the opportunity to engage with stakeholders and find new ways to improve efficiencies and service standards as we ready ourselves to leverage on upcoming market opportunities.



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SCOPE AND BOUNDARIES

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.

The report provides a complete and balanced review of MSM and its subsidiaries on the Economic, Environmental and Social (EES) performance within the context of its

strategy, risks and opportunities for the period of 1 January 2020 to 31 December 2020.

This report adheres to the guidelines laid down within Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements and Sustainability Guidelines. It also complies with requirements for EES reporting as outlined under the Global Reporting Initiative (GRI). Compliance with Malaysian legal requirements under the Companies Act 2016 and Malaysian Code on Corporate Governance 2017 (MCCG 2017) has also been adhered to.



ASSURANCE AND APPROVAL

MSM's Board of Directors and Senior Management, has approved the contents of this Annual Report, guided by the requirements of the MCCG 2017, Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia and Sustainability Guidelines. The financial report and statements have been audited

by PricewaterhouseCoopers PLT and is approved free of qualifications. The Board acknowledges responsibility for ensuring the integrity recommendations of the annual report, following recommendation by the Audit Committee, responsible for oversight of the integrated annual report.

our capitals »

A key element of our integrated report is our business model which explains how we leverage our six capitals (as categorised by the IIRC) to create value for our stakeholders. Our six identified capitals are the various relationships and resources we depend on in order to develop, deliver and sustain growth of our business. Our business strategies revolve around maximising positive outcomes within these capitals, being mindful of the trade-offs between capitals, and mitigating negative impacts.



DETERMINING MATERIALITY

The aim of MSM's Annual Report is to provide a transparent, balanced and accessible narrative and analysis of our strategy, performance and prospects in relation to material, financial, economic, social, environmental and governance matters. 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. Financial and non-financial data from our subsidiaries are consolidated for ease of reference. We have also included pertinent information that should assist stakeholders in making an informed assessment of MSM and how we are able to strategically create and sustain long-term stakeholder value.

The material matters and developments which are covered in the report were determined by taking into account the following considerations:

- Quantitative and qualitative criteria and factors in relation to MSM's business and operations
- Matters critical to achieving our strategic objectives and creating long-term value for our stakeholders
- Matters covered in reports submitted to the Board of Directors for discussion or approval
- Material risks identified by our risk management process
- Key stakeholders' interests

All material matters and developments thereof for the reporting year under review can be found within Shaping Material Matters on page 10 and Management Discussion & Analysis (MD&A) from page 23 onwards.



FEEDBACK

MSM's integrated reporting process is intended to move beyond compliance to generate meaningful and inclusive discourse with our stakeholders with the aim of informing our strategy and building trust.

We value feedback and welcome questions or comments on our reports. To share feedback, please contact our Investor Relations unit at +603 2181 5018 or e-mail us at investor.relations@msmsugar.com.



FORWARD LOOKING STATEMENTS

Certain statements in this report regarding MSM's operations may constitute forward-looking statements. 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 statements relate to the plans, objectives,

goals, strategies, future operations and performance of MSM. Actual results and outcomes may differ materially from those projected in any forward looking statements due to various events, risks, uncertainties and other factors. We neither intend to nor assume any obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.



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 the cessation of our refining operations in MSM Perlis Sdn Bhd following the consolidation of operation to our new MSM Sugar Refinery (Johor) Sdn Bhd plant, our current capacity decreased to 2.05 mil tonnes. However, the new plant has provided us with wider potential and prospect to maintain our market leadership, venturing into new market segments and expanding export footprint.



INTELLECTUAL CAPITAL

Our strong brand, expertise, capabilities and established technologies steer our business success. We have over 50 years of industry expertise and our Gula Prai brand is a testament that its brand values are being passed on from one generation of Malaysians to the next. These have ensured our domestic market share dominance of 60%. 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 as we have no direct control on pricing. We build trusted relationships with raw sugar suppliers and exercise hedging strategies to optimise on better deals. We are mindful of our impact to the environment and are committed towards conducting business in an environmentally responsible and sustainable manner. We are guided by Environmental Management System by which we continue to record improvements in waste and greenhouse gases emissions as well as water and energy consumption through our investments in green technologies within our Penang and Johor plants.



HUMAN CAPITAL

Our skilled employees and experienced management team are our greatest assets. We have 1,049 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, our 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.

10th ANNUAL GENERAL MEETING

OF MSM MALAYSIA
HOLDINGS BERHAD



Broadcast Venue at Alpha Meeting Room
Level 21 Wisma FGV
Jalan Raja Laut
50350 Kuala Lumpur, Malaysia



17 June 2021
Thursday



10.00 a.m.

CHAIRMAN'S
STATEMENT

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CHAIRMAN'S STATEMENT



“OUR MAIN PRIORITY IN IMPROVING RETURNS FOR OUR SHAREHOLDERS IS TO CONTINUE PURSUING OPPORTUNITIES THAT WILL IMPROVE THE UTILISATION OF MSM JOHOR. TO THIS END WE HAVE COMPLETED THE ESTABLISHMENT OF MSM'S LIQUID SUGAR AND FINE SYRUP FACILITY IN READINESS TO PENETRATE NEW MARKETS.”



DEAR VALUED STAKEHOLDERS,

Through economic challenges and disruptions of 2020, MSM Malaysia Holdings Berhad (MSM) continued to persevere, displaying good reliability and uninterrupted delivery to our customers. It was a year to focus on the health and safety of our people and foster stronger team spirit as we redefined our vision and mission and charted a new three-year strategic roadmap (BP21) towards increasing growth momentum. The Group's ultimate targets are to achieve downstream integration and cost optimisation by 2023 with effective implementation of the proposed action items outlined within BP21.

PERSEVERING THROUGH ADVERSITY

2020 has been an unprecedented challenging year for the global and domestic economy at large. The COVID-19 pandemic impacted retail sugar demand and consumption patterns of hotels and recreational outlets, due to the drastic drop in social events, tourism related activities, and activities such as conferences and seminars. For MSM, this was exacerbated by the increasingly competitive domestic market, lower volume of Johor plant's operation and the removal of barriers for refined sugar imports into Malaysia.

Perseverance is the keyword for our operations during this period as a high level of persistence and tenacity is required to maintain resilient performance while laying the foundation for future growth. Staying focused with a positive mindset, MSM has resiliently weathered the year's setbacks through tough decision making, intensified marketing efforts, efficient refining operation, aggressive business development work, as well as strong conviction to deliver performance.

- In managing the COVID-19 situation, MSM has built supportive customer service relationships with retail players by offering price incentives and product bundling offers that are helpful in maintaining business continuity.
- In improving the balance of our Johor operations, among other measures, we had initiated a change in plant's leadership team, conducted a total review of energy balances, strengthened the production recording system and enhanced process efficiency.
- In response to increasing competition for domestic market share, we have established sale incentives, better market demarcation for smooth delivery, stronger customer relationship management and closer NY11 raw sugar purchase management to enhance product margins.
- Amidst a volatile export market, we are robustly pursuing export opportunities, capitalising on anti-dumping policies by certain countries and initiating market collaborations with established players like Wilmar and Maxwell.



Through it all, MSM's management devoted time in planning the Group's next strategic blueprint that was approved by the Board on 14 December 2020. Titled BP21, this blueprint lays down corporate targets and goals for 2021 to 2025 and centres around continued optimisation of assets potential; strengthening domestic market share while expanding abroad, and improving MSM's capital structure and gearing.

COMMITMENT TO STAKEHOLDERS

For FY2020, we have posted a total revenue of RM2.18 billion from 1.06 million tonnes of sales volume, generating a Loss After Tax (LAT) of RM71.23 million. Upon adjusting back impairments, we recorded an operational profit of RM6.29 million for the same period. Due to the LAT performance, MSM's Board has not declared any dividends for 2020.

Our main priority in improving returns for our shareholders is to continue pursuing opportunities that will improve the utilisation of MSM Johor. To this end we have completed the establishment of MSM's liquid sugar and fine syrup facility in readiness to penetrate new markets. By unlocking further operational capabilities, MSM will be able to grow

on aggressive export sales of refined sugar, liquid sugar and fine syrup to regional countries. This, on top of the existing domestic performance, would translate into higher revenue and profit for the Group and ultimately better returns to shareholders.

MSM's Group Sustainability Policy also continues to facilitate the achievement of MSM Group's commitment to conduct business responsibly through the integration of Economic, Environmental, and Social (EES) considerations throughout our business process. Despite the COVID-19 pandemic, MSM maintained its production momentum and secured sufficient supply of sugar to the nation. The Group also maintained its zakat contribution of more than RM1 million during the year and continued to fulfil our community obligations.

During the year, MSM has also ensured continual training and development even amidst the pandemic by introducing e-Learning modules as a new channel for transmitting and sharing knowledge with our employees, and another avenue in training. A continual learning series was initiated in 2020 whereby several phases of trainings are conducted in building the capabilities of our employees.

CHAIRMAN'S STATEMENT



“IN THE NEAR FUTURE SOME OF THE OPPORTUNITIES THAT MSM INTENDS TO PURSUE IS THE EXPANSION OF REFINED SUGAR TO EXPORT MARKETS LIKE CHINA, INDONESIA, SINGAPORE AND VIETNAM; GROWTH IN DOWNSTREAM SUGAR PRODUCTS LIKE LIQUID SUGAR, FINE SYRUP AND PREMIX; AND BUSINESS COLLABORATIONS WITH MAJOR INDUSTRY PLAYERS LIKE WILMAR, MAXWILL AND COCA-COLA TO EXPAND OUR BUSINESS HORIZON.”

FORTIFYING GOVERNANCE & RISK MANAGEMENT

MSM's Board has been vigilant in ensuring strong governance and integrity in 2020. Throughout the year, the Board has continued its effort in ensuring that a high level of governance and transparency is exercised at all levels of business. Together with the main Board, a dedicated Board Committee known as the Audit, Governance and Risk Committee has been entrusted to ensure exemplary governance in all MSM matters and ensure that all business transactions are done in responsible and arms-length basis.

Beyond that, MSM has just approved a group-wide Limit of Authority (LOA) that regulates the approval authorities on financial related transactions whereas matters related to contracts award and procurements are primarily performed by open tenders under the purview of our Investment and Tender Committee (ITC). These policies and Board oversights are expected to ensure greater level of transparency and accountability within the Group.

As the COVID-19 situation became more serious during the year, MSM also formed a COVID-19 Committee that monitors the development at each business location daily and provides regular updates to management and the Board. Operationally, we have taken the necessary steps to avoid the risk of infections at the workplace as part of our effort in breaking the COVID-19 chain. Measures that have been, and continue to be, imposed include work-from-home for less essential groups, reduced number of workers at any one-time, social distancing at work and team segregation.

TOWARDS THE FUTURE

For 2021, MSM's core priorities will be to:

1. Improve MSM Johor performance to above 50% average capacity utilisation throughout the year.
2. Strengthen domestic footprint at above 65% market share with more than 400,000 tonnes consumption from wholesale and retail markets.
3. Achieve 30% improvement in exports leading to 380,000 tonnes sales volume, out of which 130,000 tonnes are to be from value-added products.
4. Harness a higher level of digitalisation, data analytics and cloud usage in our business operations towards greater adoption of Industry 4.0 application features and infrastructure.
5. Enhance the raw sugar procurement process through our Just-in-Time mechanism which capitalises the efficiencies of delivery arrangement with suppliers.

Through perseverance, we are confident of success. MSM's long established Gula Prai brand leadership, stable quality parameters, substantial capacity to grow sugar products' business and wide network of supply and distribution regionally are core strengths that keep us in good position to leverage on emerging opportunities.



In the near future some of the opportunities that MSM intends to pursue is the expansion of refined sugar to export markets like China, Indonesia, Singapore and Vietnam; growth in downstream sugar products like liquid sugar, fine syrup and premix; and business collaborations with major industry players like Wilmar, Maxwell and Coca-Cola to expand our business horizon. Assuming stable processing capacity and a positive export outlook, MSM will continue to be resilient and solidify its role as leader in the sugar industry.

APPRECIATIONS

I would like to extend my highest appreciation to our key stakeholders namely, the Ministry of Domestic Commerce and Consumer Affairs (KPDNHEP), sugar industry authorities, customers, suppliers and business partners for their continued support that has enabled MSM to withstand challenges and perform the business effectively during the year.







I also hereby take the opportunity to thank Encik Fakhrunniam Othman who has served as Acting Group Chief Executive Office (GCEO) since September 2020, and welcome MSM's newly appointed GCEO, Syed Feizal Syed Mohammad to the MSM family. I would also like to welcome Dato' Amir Hamdan Hj Yusof to the Board on 12 January 2021. The Board looks forward to a dynamic working relationship with both of them.

My appreciation is also extended to my fellow Board members, management and all MSM employees for their high commitment in managing and deliberating the business affairs allowing for responsive and seamless decision making. My gratitude also extends to all MSM shareholders for their continued trust and loyalty. Rest assured that after persevering through today's challenges, we are highly committed in maximising value to our shareholders going forward.

Thank you.

DATUK SYED HISHAM SYED WAZIR
Chairman
Independent Non-Executive Director




SIX CAPITALS

	INPUTS	OUTPUTS	HIGHLIGHTS
 FINANCIAL CAPITAL	<ul style="list-style-type: none"> » Total Assets: RM2.8 billion » Deposits, cash and bank balances: RM196 mil 	<ul style="list-style-type: none"> » RM2.2 billion revenue » (4.5%) return on equity » (10.13) sen earnings per share » 2.25 assets per share 	<ul style="list-style-type: none"> » 9% increase in revenue
 MANUFACTURED CAPITAL	<ul style="list-style-type: none"> » Total Refineries: 2 » Total Warehouse: 1 » Total Capacity: 2.05 mil tonnes 	<ul style="list-style-type: none"> » 1,010,215 million tonnes annual production output » Wholesale sales volume of 295,578 tonnes » Industry sales volume of 458,397 tonnes » Export sales volume of 270,628 tonnes 	<ul style="list-style-type: none"> » Total Capacity for FY2020 is 2.14 mil tonnes » However, the current capacity has been further reduced to 2.05 mil tonnes following cessation of operation in MSM Perlis Sdn Bhd
 INTELLECTUAL CAPITAL	<ul style="list-style-type: none"> » Product Brand: Gula Prai & Premium Prai » IT infrastructure » Product certifications and compliance 	<ul style="list-style-type: none"> » Brand value of RM624.3 million » RM0.60 million IT CAPEX expenses 	<ul style="list-style-type: none"> » Rebranding of Gula Prai retail packaging
 NATURAL CAPITAL	<ul style="list-style-type: none"> » Water Consumption » Energy Usage » Greenhouse Gas (GHG) Emissions 	<ul style="list-style-type: none"> » 2,577,381 m³ of water consumed » 47,407,844 kWh total purchased electricity » 72,345,310 kWh total own generated electricity » 32,901.04 tonnes of CO₂ emissions from electricity consumption » 6.5 tonnes of CO₂ emissions from business air travel 	<ul style="list-style-type: none"> » Reduction of 0.8% in total purchased electricity » Reduction in CO₂ emissions from Air Travel by 86%
 HUMAN CAPITAL	<ul style="list-style-type: none"> » Total Employees: 1,049 » Total Senior Management Team: 3 	<ul style="list-style-type: none"> » 4.4:1 male to female ratio at managerial level » 11,315 training hours 	<ul style="list-style-type: none"> » Below recommended target of 30% female representation at all levels » Our investment for employee's training and development has increased by 9.7%
 SOCIAL & RELATIONSHIP CAPITAL	<ul style="list-style-type: none"> » Employee volunteer hours » Spending on CSR Programmes » Employee Training » Lost Time Injury » Incident Rate 	<ul style="list-style-type: none"> » 18.23% incident rate » >2,000 volunteer hours » >RM100,000 was spent for CSR Programme 	<ul style="list-style-type: none"> » Cases due to accidents during work hours reduced 26% from 39 cases in 2018 to 29 cases in 2020 » 1 fatality case reported

STRATEGIC PERFORMANCE







PERFORMANCE AND PROSPECTS

-  Monetise non-core assets
-  Synergise international trades with regional reputable players
-  Financial performance was mainly affected by lower sugar consumption in the Domestic segment due to MCO






CAPABILITY AND CAPACITY EXPANSION

-  Balancing production capacity within MSM Group's operation – MSM Prai and MSM Johor
-  Launch of Premium Prai's products (Sugar Stevia Mix and Sugar Sucralose Mix)
-  Further exploration downstream into sugar related businesses
-  Export value-added sugar products (new SKU)





OPERATIONAL EXCELLENCE

-  Reduce raw sugar stock holding via "Just-In-Time" mechanism
-  Improve production efficiency and yield to reduce refining cost
-  Discontinued non-strategic operations – complete discontinuation of MSM Perlis operations on 30 June 2020

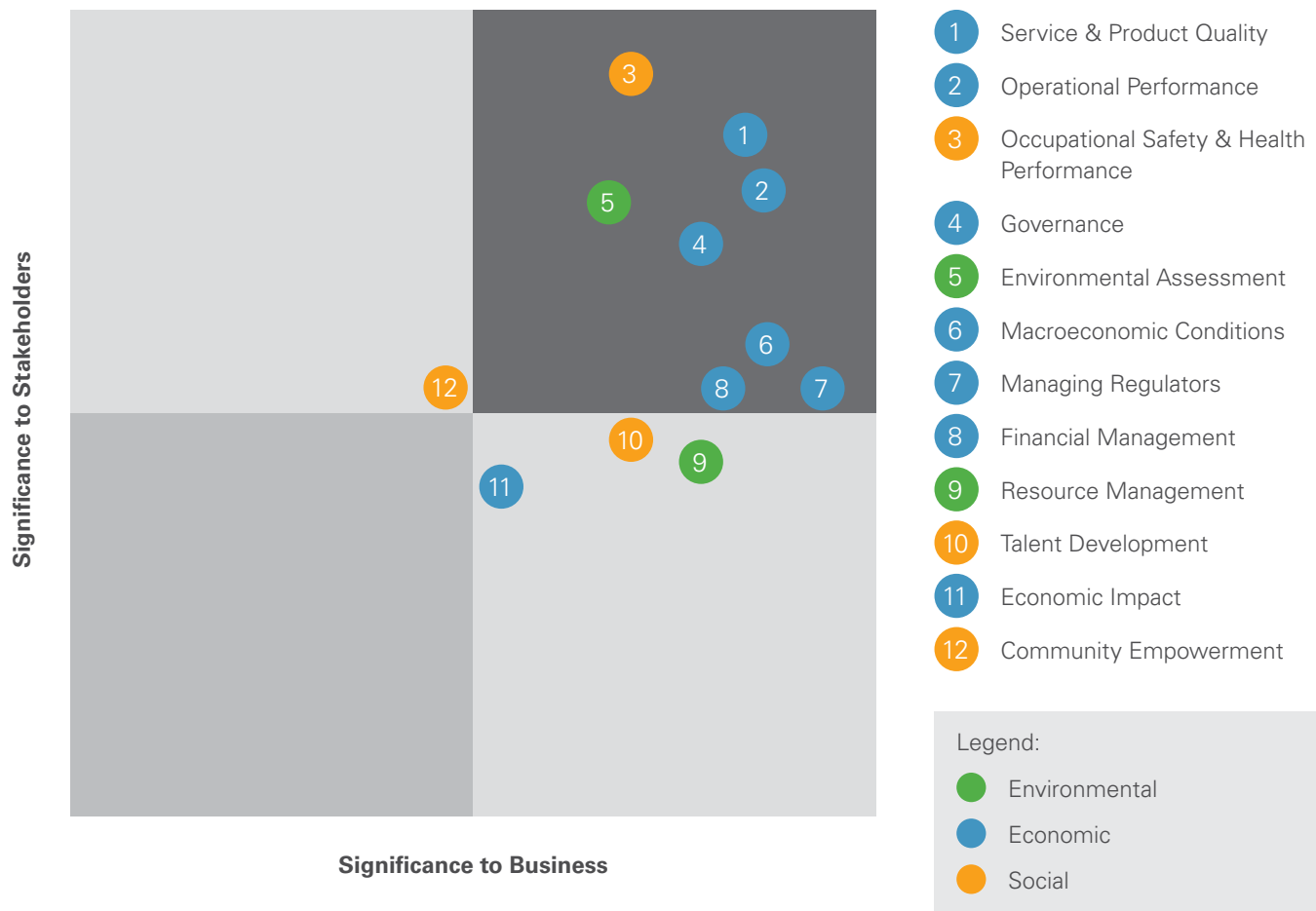


IMPROVE SUSTAINABLE VALUES

-  Energy cost saving projects are being explored
-  Target of 30% female representation at all levels

SHAPING MATERIAL MATTERS

In our ongoing commitment to long term business sustainability, MSM reviews previously identified material issues periodically through surveys with internal and external stakeholders. In 2020, we have identified, reviewed and analysed 12 most material issues based on our business strategies as well as social, environmental and corporate commitments. Our Board of Directors (BOD) and Group Chief Executive Officer (GCEO) have validated these 12 issues, with the first 6 issues being charted 'High' in the materiality index, carrying notable impacts and of high concern to our stakeholders.



The 2020 survey involved our customers, employees, suppliers, media analysts, investors and NGOs.

IMPACTS

OUR RESPONSE

LINK TO STRATEGY

SERVICE & PRODUCT QUALITY

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

- Event and engagement sessions
- Customer care email/satisfaction survey
- Ensure sufficient sugar supply for the domestic market
- Development of new products

- Improve Johor's SKUs to meet domestic demand especially for Coarse Grain Sugar (CGS-P1)
- Explore product integration to improve consumer experience
- Streamline the logistics and supply chain operation for smooth delivery at lower cost

OPERATIONAL PERFORMANCE

- 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

- Balancing production capacity within MSM Group's operation – MSM Prai and MSM Johor
- Discontinuing non-strategic operations
- Increase production yield and utilisation by producing value added sugar products

- 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 cost
- Continue to improve the overall yield in all our refineries

OCCUPATIONAL SAFETY AND HEALTH PERFORMANCE

- 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

- Focused safety programmes
- Establishment of Safety and Health Committee

- Continuous monitoring, measurement and reporting cycle of Health, Safety and Environment (HSE) performance to create an ecosystem of health and safety awareness

GOVERNANCE

- 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 behavior and monopoly practices
- Responsible sourcing practices

- Active engagement, dialogue and briefings
- Enhance business framework to adapt to regulatory requirements
- Embed UN-SDG initiatives into core strategies
- Improve governance, compliance and transparency framework

- Continuous engagement with the government and relevant ministries to discuss issues related to the sugar industry. e.g. sugar import permit
- 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 (MMLR) guided by the Guidelines on Adequate Procedures, section 17A (5) of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment Act 2018)

SHAPING MATERIAL MATTERS

IMPACTS

OUR RESPONSE

LINK TO STRATEGY

ENVIRONMENTAL ASSESSMENT

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Provision of fair and decent work environment and wage policies • Impact to surrounding communities and mitigating actions | <ul style="list-style-type: none"> • We have the plan in place through our Business Continuity Management (BCM). In ensuring readiness, we conduct BCM testing involving and/or taking into account the stakeholders and the surrounding community | <ul style="list-style-type: none"> • In normal operation activities and in reaction to current pandemic (COVID-19), BCM sets strategies to actively increase corporate resilience. The objective is clear: to prevent suspension of operations or services |
|---|---|---|

MACROECONOMIC CONDITIONS

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • 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 and climate change | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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 |
|---|---|---|

MANAGING REGULATORS

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • Enhance policies, procedures and risk practices in line with regulatory standards • Close monitoring of industry and regulatory developments worldwide • Active engagement with related agencies to collaborate on APs, compliance, smuggling, safety and environmental matters | <ul style="list-style-type: none"> • Continuous engagement with the government and relevant ministries such as Ministry of Domestic Trade & Consumer Affairs (KPDNHEP), Ministry of International Trade & Industries (MITI) and Department of Environmental (DOE) • 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 |
|---|---|--|

FINANCIAL MANAGEMENT

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • Improve financial performance • Improve governance, compliance and transparency framework • Pursue value enhancing opportunities | <ul style="list-style-type: none"> • Minimise losses and improve the overall Group performance • New investments and expansions were further rationalised and regulated to prioritise profitability and focus on business continuity and sustainable • Further explore downstream into sugar related business unlocking value-added income stream • Monetise all the non-strategic and non-productive assets |
|---|--|--|

IMPACTS

OUR RESPONSE

LINK TO STRATEGY

RESOURCE MANAGEMENT

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

- Continuous monitoring of key environmental aspects such as energy optimisation, water usage, waste management and inventory of greenhouse gases

- Continues to explore initiatives to lower refining cost at each refinery via installation of biomass boilers and solar photovoltaic systems
- Optimising 2% of Water Usage
- Reducing 3% of Energy Consumption

TALENT DEVELOPMENT

- 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

- Continued investment through training and development
- Strategic transformation targets
- Focused safety programmes
- Internal engagements via townhall, intranet and newsletter
- Management dialogues with employees and union representative
- Employee engagement survey

- To create a more conducive working environment
- Offer better packages based on performance and productivity of refinery
- Creating opportunity for knowledge and experience development
- Continue with Graduate Management Trainee initiative
- Focus on training and development initiative to strengthen core competencies

ECONOMIC IMPACT

- Infrastructure investments and support services
- Indirect economic impacts

- Employment opportunities
- Socio-economic operational impact and initiatives

- Transparent and open contract/tender negotiations
- Employ a diverse workforce from different backgrounds and professional expertise in operations and business support









COMMUNITY EMPOWERMENT

- Local community engagement and development programmes

- Volunteerism
- Continued commitment to CSR programmes
- Tithe and alms giving

- Responsive and viable contribution to community interest and needs
- Support for key community developments and activities
- Sponsorship and donations

LINKING THE CAPITALS & MATERIAL MATTERS TO STRATEGY, SUSTAINABILITY & RISKS

STRATEGIC THRUST	IMPACTED CAPITALS	MATERIAL MATTERS	KEY RISKS
PERFORMANCE AND PROSPECTS	 Financial Capital	<ul style="list-style-type: none"> Financial Management Governance Economic Impact 	<ul style="list-style-type: none"> Poor generation flow from operations Non-compliance will trigger an Event of Default (EOD)
CAPABILITY AND CAPACITY EXPANSION	 Intellectual Capital  Manufactured Capital	<ul style="list-style-type: none"> Macroeconomic Conditions Service & Product Quality 	<ul style="list-style-type: none"> Competitive sales
OPERATIONAL EXCELLENCE	 Manufactured Capital  Natural Capital	<ul style="list-style-type: none"> Operational Performance Resource Management Managing Regulators 	<ul style="list-style-type: none"> Inability to meet the Test After Completion (TAC) production per day Failure of critical equipment/machinery (Failure/tripping of steam boiler during normal operation, Raw Sugar Weigher Malfunction, Failure of turbine generators, Failure of critical equipment/machineries)
IMPROVE SUSTAINABLE VALUES	 Natural Capital  Human Capital  Social & Relationship Capital	<ul style="list-style-type: none"> Talent Development Community Empowerment Environmental Assessment Occupational Safety & Health Performance 	<ul style="list-style-type: none"> Health and safety of our workers Pandemic and movement control order (MCO) by Government

MITIGATING MEASURES	2020 PRIORITIES	OUTCOMES	PAGE REFERENCES
<ul style="list-style-type: none"> i. To restructure loan with bank ii. To seek letter of indulgence from the financier for the breach and deferment of the imposition of financial covenants 	<ul style="list-style-type: none"> i. Reduce stock holding ii. Monetise non-core assets 	<ul style="list-style-type: none"> • Reduced raw sugar stock holding via "Just-In-Time" mechanism • Efforts to monetise non-productive and unutilised assets: MSM Perlis refinery operations has been successfully discontinued on 30 June 2020 	 Refer to pages 28, 34, 36, 38
<ul style="list-style-type: none"> i. Manage EPC contractor or supplier to provide performance guarantee ii. Comprehensive plant and machine upgrading and replacement programme iii. Planned and scheduled maintenance and service iv. Ensure skilled and trained operators and technicians for maintenance work v. Establish and update standard operating procedures and hazard Identification, Risk Assessment and Determining Control for all activities vi. Establish a consistent schedule of maintenance and servicing of our refining machinery, and where identified have replaced aging machinery with machine upgrades and replacements vii. Ensure maintenance plan are carried out consistently 	<ul style="list-style-type: none"> i. Balancing production capacity within MSM Group's operation – MSM Prai and MSM Johor ii. Focus on product diversification iii. R&D on food and non-food sugar related products 	<ul style="list-style-type: none"> • Consolidation of production in MSM Johor • Launch of Premium Prai's products (Sugar Stevia Mix and Sugar Sucralose Mix) • Further exploration downstream into sugar related business 	 Refer to pages 28, 34, 38, 41
<ul style="list-style-type: none"> i. Engage with government to curb and monitor the number of sugar import AP issuances ii. Staying responsive to customer feedback and providing good follow-ups to issues raised. Regular visits to improve customer relationships iii. Close monitoring of market demands and competitors' activities iv. Ensure reliable supply and convenient delivery of good quality sugar 	<ul style="list-style-type: none"> i. Increase efficiency ii. Increase export of value-added sugar products (new SKU) 	<ul style="list-style-type: none"> • Improving production efficiency and yield while refining cost • MSM Johor's yield has improved to 90% in 2020 compared to 88% in 2019 • In 2020, MSM has continued exporting premix, liquid sugar and fine syrup to China 	 Refer to pages 28, 38
<ul style="list-style-type: none"> i. 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 ii. All employees/contractors have to abide to the Standard Operating Procedures initiated by the government while working iii. Ensure all employees are aware of matters pertaining to hygiene, health epidemics and cleanliness and trained on contamination prevention procedures in order to prevent operational disruptions iv. Fully comply with Industrial Safety and environment regulations by reducing our Lost Time Injury 	<ul style="list-style-type: none"> i. Lower refining cost through energy cost saving strategies 	<ul style="list-style-type: none"> • Energy cost saving projects are being explored • Biomass Boiler project and Solar photovoltaic system were identified to reduce energy cost and carbon footprint 	 Refer to pages 28, 53

SWEETENING LIVES OF MALAYSIANS SINCE 1964



KEY HIGHLIGHTS

Revenue
RM 2.2 billion

Total Assets
RM 2.8 billion

Total Refineries
2

Production Output
1,010,215 tonnes

Capacity Utilisation
47 %

Current Annual Production Capacity
2.05 mil tonnes

Domestic Market Share
60 %

Total Sales Volume
1,024,603 tonnes

Top 5 Export Destinations
**Vietnam
China
South Korea
Singapore
New Zealand**

CORPORATE PROFILE

Incorporated on 10 March 2011, MSM has been listed on the Main Market of Bursa Malaysia and has a market capitalisation of RM401 million as at 31 December 2020. The 50 year-old iconic home-grown product, which carries an approximate brand value of RM624.3 million, is a testament that its brand values are being passed on from one generation of Malaysians to the next.

The current production capacity for MSM Group is 2.05 mil tonnes whilst the capacity in FY2020 is 2.14 mil tonnes. The total production capacity has been further reduced due to the completion closure of MSM Perlis following the consolidation of Group's capacity.

We produce, market and sell 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 and indirectly through traders, wholesalers and distributors.

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.

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.

CORE VALUES

S  **Sense of Belonging**

W  **Winning Attitude**

I  **Integrity**

I  **Innovation**

T  **Teamwork**

OUR SUBSIDIARIES:

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

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

SWEET TRAIL



CORPORATE STRUCTURE

AS AT 25 MARCH 2021

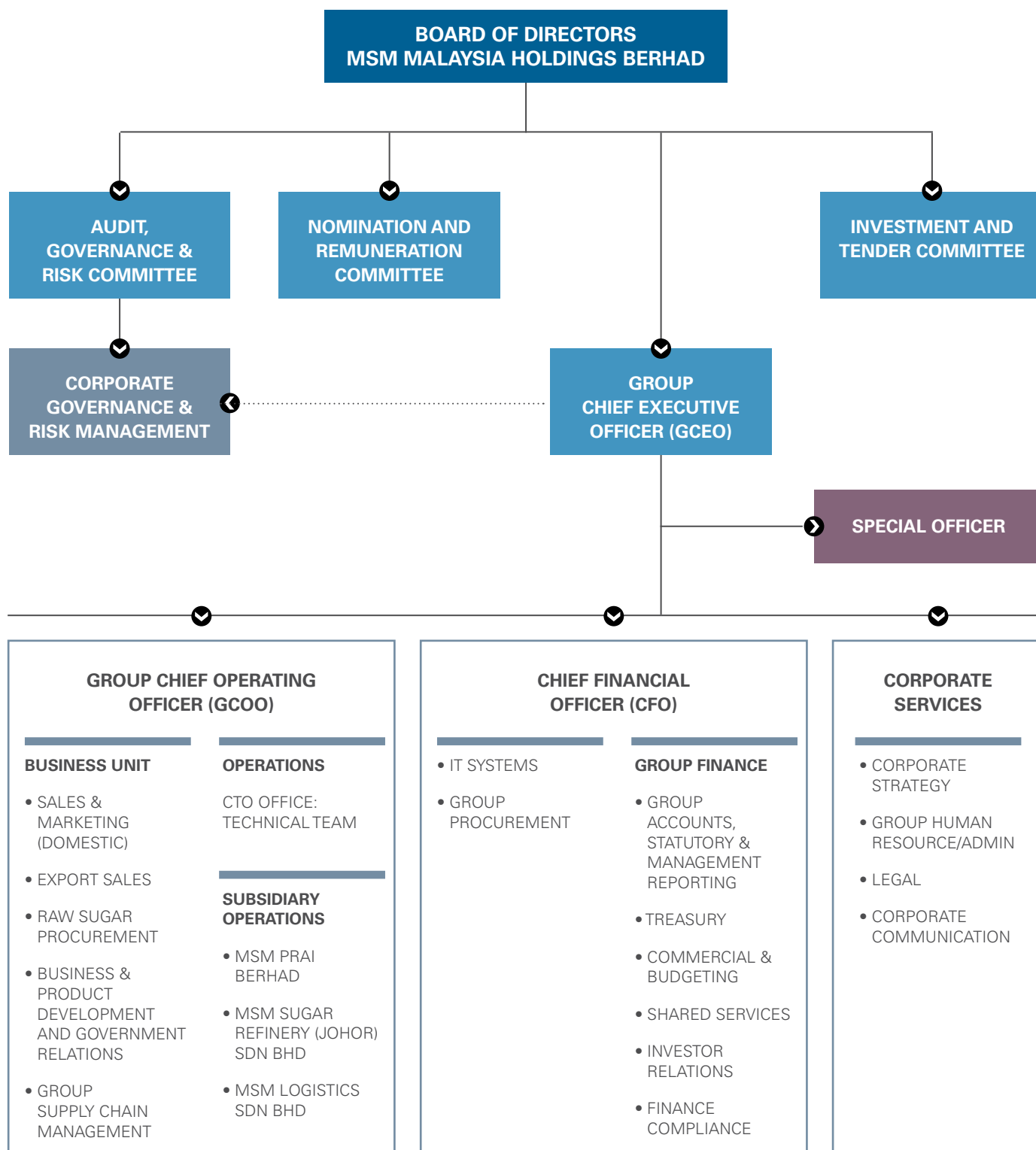
KOPERASI
PERMODALAN
FELDA
MALAYSIA
BERHADFGV HOLDINGS
BERHADFGV SUGAR
SDN BHDAMANAHRAYA
TRUSTEES
BERHADOTHER
SHAREHOLDERS**15.28%****10.97%****40.03%****7.49%****26.23%**

MSM MALAYSIA HOLDINGS BERHAD

100%**100%****100%****100%****100%**MSM PRAI
BERHADMSM PERLIS
SDN BHDMSM SUGAR
REFINERY
(JOHOR) SDN
BHDMSM TRADING
& DISTRIBUTION
SDN BHDMSM TRADING
INTERNATIONAL
DMCC
(under
liquidation)**100%**MSM LOGISTICS
SDN BHD

ORGANISATIONAL STRUCTURE

AS AT 25 MARCH 2021



CORPORATE INFORMATION

AS AT 25 MARCH 2021

BOARD OF DIRECTORS

DATUK SYED HISHAM SYED WAZIR

Chairman/Independent
Non-Executive Director
(appointed with effect from 8 May 2020)

CHOY KHAI CHOON

Independent Non-Executive Director
(appointed with effect from 8 May 2020)

DATO' MUTHANNA ABDULLAH

Independent Non-Executive Director
(appointed with effect from 8 May 2020)

DATUK DR ABD HAPIZ ABDULLAH

Independent Non-Executive Director
(appointed with effect from 8 May 2020)

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
(appointed with effect from 12 January 2021)

DATO' HARIS FADZILAH HASSAN

Non-Independent Non-Executive Director

DATUK WIRA AZHAR ABDUL HAMID

Chairman/Non-Independent
Non-Executive Director
(resigned on 31 May 2020)

ANUAR MALEK

Non-Independent Non-Executive Director
(deceased on 11 July 2020)

GROUP CHIEF EXECUTIVE OFFICER

SYED FEIZAL SYED MOHAMMAD

(appointed with effect from
1 February 2021)

DATO' KHAIRIL ANUAR AZIZ

(cessation of office on
5 October 2020)

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
Tel : +603 2789 0000
Fax : +603 2789 0001

SHARE REGISTRAR

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

Helpdesk: +603 7890 4700
Fax : +603 7890 4670

AUDITORS

Messrs. PricewaterhouseCoopers PLT
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia
Tel : +603 2173 1188
Fax : +603 2173 1288
Website : 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

Level 44, Menara Felda, Platinum Park
No. 11 Persiaran KLCC
50088 Kuala Lumpur, Malaysia
Tel : +603 2181 5018
Fax : +603 2181 5015
Website : www.msmsugar.com
Email : investor.relations@
msmsugar.com

KEY MOMENTS



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MSM MALAYSIA HOLDINGS BERHAD Annual Report 2020

1 31 January 2020

- Malaysian Investor Relations Association (MIRA) Visit to MSM
- MSM HQ @ Menara Felda

2 2 February 2020

- Majlis Makan Malam Pertubuhan Bantuan Teknikal Insaf (INSAT) Malaysia
- Shangri-La Hotel @ Kuala Lumpur

3 4 February 2020

- Special Analyst Briefing with Analyst & Fund Managers
- Level 31 @ Menara Felda

4 14 February 2020

- Fundraising Hi-Tea for the Development of Wakaf Dialysis Centre by Majlis Agama Islam & Istiadat Melayu Perlis
- Mandarin Oriental Hotel

5 17 February 2020

- FGV Awards Night
- Dewan Perdana @ Kuala Lumpur

6 March - April 2020

- COVID-19 Assistance (collaboration with NADMA, Yayasan Food Bank Malaysia, FELDA & FGV)
- Perak, Pahang etc

7 27 May 2020

- 1Q Analyst Briefing
- MSM HQ @ Menara Felda

8 17 June 2020

- MSM 9th Annual General Meeting
- Wisma FGV @ Kuala Lumpur

9 20 June 2020

- Ministry of Domestic Trade & Consumer Affairs (KPDNHEP) Minister Visit to MSM Prai Berhad
- MSM Prai Berhad @ Penang

10 23 June 2020

- MSM Chairman & Management Team Visit to Ministry of Domestic Trade & Consumer Affairs (KPDNHEP) Minister Office
- KPDNHEP HQ @ Putrajaya

11 15 & 16 August 2020

- Promo Launching of Go1/2 & GoNatura
- Elewsmart Subang Perdana & Section 22 Shah Alam

12 19 August 2020

- 2Q Analyst Briefing
- MSM HQ @ Menara Felda

13 16 November 2020

- 3Q Analyst Briefing
- MSM HQ @ Menara Felda

14 30 December 2020

- Occupational Safety & Health Campaign
- Warehouse MSM Sungai Buloh



Event



Venue

AWARDS AND CERTIFICATIONS

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MSM MALAYSIA HOLDINGS BERHAD Annual Report 2020

1



2



3



4



6



9



1. 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

2. Kosher Kushrut London Beth Din (KLBD)

- To be recognised as Kosher brand
- To meet the requirement of Kosher recognised customers

3. 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

4. HACCP (Hazard Analysis and Critical Control Point)

- To demonstrate Company's commitment to ensure the safety and quality of the product

5. ISO 22000 (Food Safety Management System)

- To enhance food safety management system and product quality
- To meet customer requirements

6. 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

7. 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

8. Occupational Health & Safety Advisory Services (OHSAS 18001) Occupational Health & Safety Management System (MS 1722)

- To demonstrate the Company's commitment to ensure the safety and quality of the workplace

9. GMP (Good Manufacturing Practice)

- To establish a system for ensuring that the products are consistently produced according to a quality standard

MSWG-ASEAN CORPORATE GOVERNANCE AWARDS 2019

LIST OF TOP 100 COMPANIES FOR
CG DISCLOSURE 2019 (BY RANK)

N0 59



GROUP CHIEF EXECUTIVE OFFICER REVIEW

2020 MARKET OVERVIEW

Global and local markets were hit by an unprecedented impact from COVID-19 in 2020 that continues to reverberate into 2021. This has changed the landscape of business and challenged many industries, some of which, such as travel and hospitality, are recording immense setbacks following the travel bans and other virus containment measures imposed by the Government.



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MSM MALAYSIA HOLDINGS BERHAD Annual Report 2020

Generally, the business community in Malaysia is experiencing tighter cash flow due to enforced business closures as part of the government's movement control order (MCO) from March to May 2020. For the food and beverage sector, manufacturers started regulating productions which directly affects the consumption of sugar. Domestic economic recovery has also been further hampered with the Conditional Movement Control Order (CMCO) announced in quarter 4 (Q4) of 2020 due to the third wave of COVID-19. This has caused a drop in domestic sugar consumption for the wholesale and industry segment for 2020.

The sharp slowdown in economic activities is expected to contract Malaysia's GDP by at least 3.1% in 2020 according to World Bank projections.

2020 PERFORMANCE REVIEW

Overall, MSM's financial performance was mainly affected by lower sugar consumption in the domestic wholesale and industry segment due to MCO since late March 2020. During the year under review, the Group's domestic sales volume dropped by 110,000 tonnes or 13% lower compared to the prior year and revenue loss was approximately RM118 million. During the initial phase of MCO, most of the domestic customers suspended their operations whilst

the Industry customers were facing export supply chain disruptions. Nonetheless, consumption trends have been improving since Q3 2020 based on the positive operational earnings of the Group since July 2020.

The weak sales volume in Domestic segment has been supplemented by an increased Export segment sales volume. The refined sugar volume has recorded a significant increase by almost threefold the volume recorded last year mainly influenced by increase Premium which contributed to an increase in revenue of more than RM200 million whilst new export products such as Liquid Sugar (LS), Fine Syrup (FS) and Premix Sugar (PS) contributed to an increase in revenue of approximately more than RM80 million.

On the operations and reliability front, MSM continued to deliver up to customer expectations during the year and ensured sufficient sugar supply towards the nation. One of the highlights of the year was the celebration of 'Gula Prai' as a trusted brand, with over 50 years of experience in sugar refining industries. Through the tagline 'Sweetening the lives of Malaysians since 1964', a refreshed brand positioning was introduced to strengthen brand positioning and create top of mind awareness of Malaysia's longest serving sugar brand. Towards this end, MSM also introduced a new packaging for 'Gula Prai' to reflect the brand's long heritage in Malaysia.

“ DURING THE INITIAL PHASE OF MCO, MOST OF THE DOMESTIC CUSTOMERS SUSPENDED THEIR OPERATIONS WHILST THE INDUSTRY CUSTOMERS WERE FACING EXPORT SUPPLY CHAIN DISRUPTIONS. NONETHELESS, CONSUMPTION TRENDS HAVE BEEN IMPROVING SINCE Q3 2020 BASED ON THE POSITIVE OPERATIONAL EARNINGS OF THE GROUP SINCE JULY 2020. ”

GROUP CHIEF EXECUTIVE OFFICER REVIEW

During the year, MSM also made good strides on executing planned key strategic initiatives.

Raw sugar procurement through the Just-In-Time method was set towards improving the Group's cash position from minimal raw sugar stockholding, lowering Banker's Acceptance (BA) interest cost and reducing external warehouse rental expenses. The Board has approved this initiative's continuation through 2021 and 2022.

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MSM MALAYSIA HOLDINGS BERHAD Annual Report 2020

We completed MSM Johor's LS and FS capacity upgrade to 12,000 tonnes/month. The upgraded FS lines were successfully installed in November 2020 while LS lines were completed in December 2020. The upgraded lines are projected to contribute up to 14% utilisation factor (UF) to MSM Johor. At present, the largest LS and FS importer is China with Indonesia and Philippines also identified as potential markets. Current existing world suppliers are refiners in Thailand, Vietnam, UAE and Malaysia.

Another initiative that started in 2020 is to increase MSM Johor's yield. The yield factor is critical to the sugar refining process as it determines the amount of sugar loss during the production. MSM Prai, being a mature plant, has been recording a yield of 96.5% from minimal loss on sugar polarisation and molasses. At present, MSM Johor's yield hovers around 90% and management has been rectifying this through spillage recovery and re-melt of off-specs sugar into LS. We target to achieve a yield above 93% in 2021.

As part of the Group's capacity rationalisation efforts, operations at MSM Perlis refinery ceased in June 2020. The production has been gradually transferred to MSM Johor to maximise the Johor plant's UF by up to 12%, based on MSM Perlis's previous production trends. Since the closure and subsequent capacity rationalisation, the Group's the Refining Cost (RC) reduced by 3% against the prior year.

Last but not least, the tender exercise for Trucking Outsource by Refinery Location was concluded in March 2020 and we expect distribution cost savings of up to 10% from this outsourcing initiative.



NY11 RAW SUGAR PRICE 2020 AND 2021

At macro level, global agricultural markets are stable as food trade has remained more resilient than the overall trade. Despite the pandemic, NY11 prices in 2020 has been generally favourable for the Group, trending between USD11.00 – 15.00 cents/lb. The stable prices were a result of high production in Brazil¹ which balanced out the shortage caused by Thailand's extreme drought. MSM managed to close the year at an average price of USD12.70 cents/lb against the market average of USD12.89 cents/lb.

In 2021, global sugar trade flow is projected to be in deficit of 0.5 million tonnes with a more bullish price outlook ranging from USD14.00 – 19.00 cents/lb² as the dry-weather in Thailand is expected to prolong to 2022, reducing the sugar supply in the region and the world by about 7 million tonnes and shifting the supply risk to Brazil as the single largest raw sugar exporter for 2021. The increase in crude oil prices will also have an impact on Brazilian sugar production as millers will be motivated to produce more ethanol instead of sugar from the sugarcane crop. We also expect to see similar ethanol related influence similar to Brazil for Indian producers.

1. High raw sugar production in Brazil due to low ethanol price, weak real and good sugarcane crop
2. Source: Wilmar



STAYING RESILIENT

There are still identified challenges towards MSM's performance outlook due to the Group's large refining capacity. MSM has to enhance its domestic market position and expand its export market footprint whilst faced with high production cost, borrowing commitments and volatility of external market factors. Having analysed the Group's competitive position, Management has identified opportunities for the Group and formed the basis of the strategies for the next three years. The aim is to ensure MSM's financial performance keeps on improving and sustainable.

Based on a strategic analysis, as well as review of current risks and opportunities, Management has set out seven key strategic initiatives (KSIs) under MSM's BP21 that shall uphold the four key strategic thrusts of Operational Improvement, Product and Market Penetration, New Growth Area and Financial Capability Building.

► [More information on MSM Strategy can be found on page 28.](#)

To mitigate present key risks, we commit to undertake the measures below in the near term:

1. Expand refined sugar export to regional target markets i.e. Singapore, China, Vietnam and Indonesia.
2. Develop more volume of specialty products, such as liquid sugar, fine syrup and premix.
3. Increase utilisation factor in MSM Johor through enhance availability, reliability, yield, energy efficiency and well managed preventive maintenance programme.
4. Closely monitor and manage NY11 price, freight and foreign exchange position.
5. Leverage on through continuation of the Just-In-Time mechanism for raw sugar procurement as this has proven effective in reducing stock holding, reducing costs and cash commitments.

► [More on Risks & Opportunities and BP21 can be found on pages 30 and 31 respectively.](#)

FOCUS ON SUSTAINABILITY

MSM's focus on sustainable growth continues to be trained on ensuring good governance practices, enabling a fair and safe workplace, taking care of our employees, maintaining energy and water savings, managing waste and emissions and contributing to the community.



Contributed over
RM120,000
worth of sugar products in basic
food products care packages

In 2020, we strove to increase engagement opportunities with our employees and the community in nurturing resilience within a challenging pandemic period. More investments towards digitalisation were also initiated towards meeting new norms for business continuity.

EMPLOYEE ENGAGEMENT

Due to COVID-19, the Group's scheduled people engagement activities could not be carried out as planned. Instead, MSM focused on digital communication channels and activated a people outreach channel to strengthen employee-management synergy and harmony. Open channels of communication were established to enable sharing of constructive values and information during a period of uncertainty. In order to lighten the burden of all employees during this difficult period, MSM also contributed basic food essential packs that contained sugar, cooking oil, rice, sweetened creamer and instant noodles.

COMMUNITY ENGAGEMENT

During the year, MSM continued with our zakat contributions of more than RM1 million to the disadvantaged as well as MSM Prai's voluntary cleaning and maintenance of the Taman Tunku, Seberang Jaya park every fortnight. This has been an ongoing community programme with Seberang Prai Municipal Council that has been established since 2013.

Additionally, in view of the impact the pandemic had on the livelihoods of certain segments of the community, we also contributed over RM120,000 worth of sugar products in basic food products care packages through collaboration with various associations, non-governmental organisations (NGO) and government agencies such as Yayasan Food Bank Malaysia, NADMA and FELDA.

GROUP CHIEF EXECUTIVE OFFICER REVIEW

DIGITAL ENGAGEMENT

To help curb the COVID-19 impact and catalyse our digitalisation journey, in 2020 MSM adopted digital engagement in our work practices by increasing online and teleconference meetings to avoid frequent interstate and inter-district travel. Previously, MSM frequently travel to operation sites and for other business meetings by flight. In relations to the digital adaptation in our business approach, we managed to reduce our carbon footprint by 86% for Greenhouse Gas (GHG) emissions related to air travel.

OUTLOOK

The year 2021 began as an outright challenging year amidst the third wave of COVID-19 infections in Malaysia with the government imposing a fresh Movement Conditional Order (MCO) that caused further declines in market demand coupled with increased challenges for the SME industries.

Having expanded our refining capacity with MSM Johor on stream, an immediate priority moving forward is to ensure the maximisation of Group capacity that is well supported by the growth in the core business units namely Domestic (Wholesale and Industry) and Export (refined sugar and value added products). This is towards achieving low refining cost in MSM Johor.

Being an asset-based sugar player, MSM's competitive edge lies on the ability to maximise assets utilisation through high process reliability. Our refined sugar cost structure is broken down into three major components namely raw sugar usage, sugar refining cost and other overheads (sales, distribution and administration cost). While raw sugar usage cost is uncontrollable and market driven, and other overheads are mostly fixed in nature, the refining cost varies with production volume.

In this respect, we aspire to lower MSM Johor's refining cost (RC) to match what is achieved at MSM Prai.

Efforts that will be taken to bring down the RC towards MSM Prai level in the future involve maximisation of production volume, efficient energy consumption and robust supply chain management. Further, Management shall also undertake the ramp up plans of MSM Johor as part of planned optimisation.

► More on Business units' performance and plans moving forward are captured in the Business Review on page 36.

Another immediate concern is to ensure our employees' welfare as a healthy and able workforce is vital to continue business and refinery operations. We began the year with further enforcement of a robust and strong adherence to standard operating procedures (SOPs) coupled with a continuous education programme and stringent enforcement to ensure a healthy and capable workforce.

Moving forward into the future, the Group is embarking on an aggressive growth in business units. Towards this end, strengthening human resources and digitalisation are our priorities in providing adequate resources and support that commensurate with the expansion of the business units.

ENHANCING HUMAN RESOURCES

Recognising human capital as our most important asset in achieving organisational success, MSM's Human Capital/People Partner Division has laid out five strategic priorities for the next few years. These entail efficient manpower planning to attain the right people size with the right people fit; build and retain human resource capabilities in ensuring business and organisation sustainability; drive a robust performance driven and teamwork culture orientation; support of a HR Digitalisation plan to promote accurate decision making; and cultivation of an entrepreneurial and innovative mindset amongst our people.

Manpower planning is the turning key for improving internal controls, better management and operations of the Group. Hence, there shall be continuous efforts to have optimum departmental headcounts to reinforce the operational effectiveness. To date, 14 positions at the Head Office and Sg Buloh Warehouse have been identified to support the initiative towards the turnaround plan.

DIGITAL TRANSFORMATION

The fourth industrial revolution 4.0 (IR 4.0) has been catalysed by the pandemic as the power of digitalisation and automation is increasingly required to sustain business continuity today. MSM has outlined a robust plan towards implementation of advanced ERP system, IR 4.0 operating plants, Artificial Intelligence (AI) driven assessment and decision making as well as a green based operating environment at the workplace.

OPTIMISATION			TRANSFORMATION		
CORE		EXTENSIBILITY		UNIQUE	NEXT-GEN
FOUNDATION ERP	OPTIMISED Scale Efficiency + Effectiveness	SPECIFIC PROCESS Experiences with Unique Outcomes	CONFIGURED + CONNECTED Smart Facilities + Networked	INNOVATION New Business Models + Value Services	INDUSTRY DISRUPTION
Existing Environment	CLOUD & CONNECTIVITY	MOBILITY & MODERN USER EXPERIENCE	IOT, AUTOMATION	DIGITAL SUPPLY CHAIN	NEW INDUSTRY MODEL
	SCHEDULING & PLANNING	DOCUMENTATION DIGITALISATION	EQUIPMENT MONITORING	INTELLIGENT DECISION SUPPORT (AI)	
	INVENTORY LOT TRACK & SCANNING	EXCEPTIONAL MANAGEMENT	ADVANCED DEMAND PLANNING		
	ADVANCED BUSINESS INTELLIGENCE	COLLABORATION			
	EQUIPMENT MAINTENANCE				
	2019 - 2021		2022		2023

Present initiatives are ongoing in elevating the workplace environment and infrastructure to adapt to the new normal with work from home and remote connectivity via Cloud technologies. These include enabling virtual conference-call meetings, digital signatures and counterpart documents execution.

We intend to optimise current technologies wherever possible while investing to latest technologies to access better speed and resiliency. New investments, as highlighted above, will include advanced ERP business solutions in key functions like commercial and finance to promote high speed, accuracy and integration; enhancing our plants capabilities towards enhanced precision, automation and quality; and realising a digital supply chain that integrates route management, inventory level, order processing and delivery actions under one common platform.

IN CONCLUSION

Having been appointed as MSM GCEO only recently on 1 February 2021, I take this opportunity to express my gratitude to the Board of Directors for entrusting me to lead the Group. I would also like to thank Encik Fakhrunniam Othman who has served as Acting GCEO since September 2020 and the dedicated MSM team for performance and delivery in the right direction.

We remain guided by the BP21 initiatives and goals that have been set in place in this strategic roadmap in sustaining MSM's turnaround journey, staying resilient and building on emerging opportunities. In addition, we will be enhancing MSM's regional position to greater heights in unlocking further potential in the road ahead and in creating greater shareholder value and benefits for the employees.

Barring unforeseen circumstances, the strategies and measures put in place should set the Group on a path of steady growth. My focus is to effect organisational transformation towards global benchmarks in business and operations, drive growth, accelerate stronger value delivery and address current issues and challenges with responsiveness and agility. I am confident we can persevere and succeed with the benefit of experienced employees, established market position and expanded capacity.

We will continue to engage positively with our stakeholders and look forward to delivering sustainable growth and emerging stronger in 2021 with full support from our shareholders, Board, Management, employees and stakeholders.


Thank you.






SYED FEIZAL SYED MOHAMMAD
Group Chief Executive Officer

MSM STRATEGY





PROGRESS & ACHIEVEMENT 2020




Key Strategies	Priorities	Progress & Achievement 2020
 Cash Flow Driven	<ol style="list-style-type: none"> 1. Reduce stock holding 2. Monetise non-core assets 	<p>Reduced raw sugar stock holding via “Just-In-Time” mechanism</p> <ul style="list-style-type: none"> • Reducing raw sugar balance, optimising warehouse rental cost and improving cash balance. <p>Monetise non-core assets</p> <ul style="list-style-type: none"> • Efforts to monetise non-productive and unutilised assets will be ongoing in 2021.
 Restructure Business	<ol style="list-style-type: none"> 1. Balancing production capacity within MSM Group's operation – MSM Prai and MSM Johor 2. Focus on product diversification 3. R&D on food and non-food sugar related products 	<p>Consolidation of production in MSM Johor</p> <ul style="list-style-type: none"> • MSM Perlis refinery operations has been successfully discontinued on 30th June 2020. • The production volume from MSM Perlis was successfully consolidated to MSM Johor and MSM Prai whilst improving refining cost. <p>Launch of Premium Prai's products (Sugar Stevia Mix and Sugar Sucralose Mix)</p> <ul style="list-style-type: none"> • Premium Prai is an alternative sweetener brand with lower caloric value mixtures of different types of sweeteners. • The products are mostly sold in convenient stores with easy to use sachets for on-the-go lifestyles. • The small sachet size is suitable for take away use with drinks, travel and flights. <p>Further exploration downstream into sugar related business</p> <ul style="list-style-type: none"> • A detailed study on the condensed milk business model was achieved. Further R&D will be required to obtain the right recipe and target market.
 Stabilise & Turnaround	<ol style="list-style-type: none"> 1. Increase efficiency 2. Lower refining cost – energy cost saving strategies 3. Increase export of value added sugar products (new SKU) 	<p>Improving production efficiency and yield</p> <ul style="list-style-type: none"> • MSM Johor's yield has improved to 90% in 2020 compared to 88% in 2019. <p>Energy cost saving projects are being explored</p> <ul style="list-style-type: none"> • Biomass Boiler project and Solar photovoltaic system were identified to reduce energy cost and carbon footprint. • Rationalising CAPEX and prioritising the ramp up plan for MSM Johor refinery. • Achieved a higher production volume from higher exports helping the plant to achieve a lower refining cost. <p>Export value-added sugar products (new SKU)</p> <ul style="list-style-type: none"> • In 2020, MSM has continued exporting premix, liquid sugar and fine syrup to China. • Capacity expansion for fine syrup was completed in 2020. • The capacity expansion of the liquid sugar and premix facilities in MSM Johor will be fully completed in 2021 to cater for the increasing demand from China and other Asian markets.

3-YEAR STRATEGIC PLAN 2020-2022

3-Year Plans	Priorities	Strategic Plan 2020-2022
 2020 Business Perseverance	<ol style="list-style-type: none"> 1. Discontinue non-strategic operations 2. Balance production capacity within MSM Group's operation – MSM Prai and MSM Johor 3. Rationalise investments 4. Just-In-Time mechanism 5. Reduce stock levels 	<ul style="list-style-type: none"> • Minimise losses and improve the overall Group performance. • Management's efforts to streamline profitability and consolidate Group production resulted in the discontinuation of MSM Perlis operations on 30th June 2020. • Expansion of the liquid sugar and fine syrup facilities, enabled MSM to tap into the new segment improving yield and profitability. • New investments and expansions were further rationalised and regulated to prioritise profitability and focus on business continuity and sustainability. • Practicing Just-In-Time mechanism to reduce working capital requirements, as well as having arrangements with suppliers to ensure sustainable raw sugar supply is secured.
 2021 Turnaround Through Asset Optimisation	<ol style="list-style-type: none"> 1. Optimise production levels 2. Reduce refining cost 3. Improve distribution cost 4. Monetise non-core assets 5. Increase sales of value-added sugar products 6. Capital restructuring 	<ul style="list-style-type: none"> • Complete of expansion plans for the value-added facilities in MSM Johor. • Improve MSM Johor's SKUs to meet domestic demand especially for Coarse Grain Sugar (CGS-P1). • Improve MSM Johor's production capabilities and efficiency. • Penetrate new markets via direct engagements with reputable players having regional distribution networks, towards increasing sales and utilisation factor of our refineries. • Strategic capital management to improve liquidity. • Continue to improve the overall yield in all our refineries. • Streamline the logistics and supply chain operation for smooth delivery at lower cost. • Further explore downstream into sugar related business unlocking value-added income stream. • Monetise all the non-strategic and non-productive assets.
 2022 Resilient with a Strengthened Income Stream	<ol style="list-style-type: none"> 1. Increase production efficiency 2. Lower refining cost via commissioning of energy cost saving projects 3. Focus on product diversification and integration 4. R&D on food and non-food sugar related products 5. Increase export of value-added sugar products (new SKU) 	<ul style="list-style-type: none"> • Continue to explore initiatives to lower refining cost at each refinery via installation of biomass boilers and solar photovoltaic systems. • Obtain a healthy sales margin by lowering cost per unit production. • Further diversify income stream from new sugar-related businesses with better margins. • Explore product integration to improve consumer experience. • Strengthen our refined sugar export footprint regionally to be an established distributor in destination markets. • Value accretive via vertical integration with downstream M&A in synergistic business.

KEY RISKS & MITIGATIONS

Risk Category	Description	Mitigation
 Financial Risk Poor generation flow from operations	A low capacity utilisation will result in a decrease in price rate	To restructure loan with bank
 Financial Risk Non-compliance will trigger an Event of Default (EOD)	EOD under General Facility Agreement (GFA) will result in financier, accelerating repayment and may trigger cross-default on the other loans at MSM and FGV	To seek letter of indulgence from the financier for the breach and deferment of the imposition of financial covenants (Letter of indulgence obtained from Financier dated 10 Dec 2020)
 Operational Risk Inability to meet the Test After Completion (TAC) production per day	The performance of producing sugar refinery unable to meet TAC as per contract	Manage EPC contractor or supplier to provide performance guarantee
 Operational Risk Failure of critical equipment/ machinery (Failure/tripping of steam boiler during normal operation, Raw Sugar Weigher Malfunction, Failure of turbine generators, Failure of critical equipment/ machineries)	i. Aging machinery, computer software and hardware malfunctions, interruption of utility supplies, production disruption and loss ii. Malfunction of the weigher will result in error of weighing and wrong recording iii. Turbine generators tripping will affect the plant production iv. Any breakdown or downtime will cause plant to shut down or melting stop v. All these lead to higher operating cost, lower efficiency and loss of customer confidence	i. Comprehensive plant and machine upgrading and replacement programme ii. Planned and scheduled maintenance and service iii. Ensure skilled and trained operators and technicians for maintenance work iv. Establish and update standard operating procedures and hazard Identification, Risk Assessment and Determining Control for all activities v. Establish a consistent schedule of maintenance and servicing of our refining machinery, and where identified have replaced aging machinery with machine upgrades and replacements vi. Ensure maintenance plan are carried out consistently

Risk Category	Description	Mitigation
 Market Risk Competitive sales	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 ii. Staying responsive to customer feedback and providing good follow-ups to issues raised. Regular visits to improve customer relationships iii. Close monitoring of market demands and competitors' activities iv. Ensure reliable supply and convenient delivery of good quality sugar
 Catastrophic Risk Pandemic and movement control orders (MCO) by Government	The outbreak now constitutes a global health emergency that can affect the productivity of an organisation and even a country's economic	i. 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 ii. All employees/contractors have to abide to the Standard Operating Procedures initiated by the government while working
 Catastrophic Risk Health and safety of our workers	Industrial accidents and health pandemics can lead to lowering of reputability, loss of reliability and contamination of products. Quality is of paramount importance	i. Ensure all employees are aware of matters pertaining to hygiene, health epidemics and cleanliness and trained on contamination prevention procedures in order to prevent operational disruptions ii. Fully comply with Industrial Safety and environment regulations by reducing our Lost Time Injury

GLOBAL PRESENCE

Brazil
619,959 [56.73%]

South Africa
122,350 [11.20%]

Guatemala
46,830 [4.29%]

India
303,730 [27.79%]

**RAW SUGAR
IMPORTS
(Region)
1,092,869
TONNES**

**TOP 5 EXPORT
DESTINATIONS
233,468
TONNES**

Vietnam
118,780 [50.88%]

China
63,358 [27.14%]

South Korea
22,650 [9.70%]

Singapore
16,680 [7.14%]

New Zealand
12,000 [5.14%]

**REGION-WISE
ALLOCATIONS
270,628
TONNES**

South East Asia
137,760 [50.90%]

Asia
107,128 [39.58%]

New Zealand
12,000 [4.43%]

Australia
8,330 [3.08%]

MENA
2,850 [1.05%]

Pacific Island
2,560 [0.95%]

DESTINATION WISE FOR 2020

Vietnam
118,780 tonnes

43.89%

Taiwan
5,230 tonnes

1.93%

Pakistan
6,000 tonnes

2.22%

Singapore
16,680 tonnes

6.16%

Philippine
2,300 tonnes

0.85%

Bangladesh
5,340 tonnes

1.97%

South Korea
22,650 tonnes

8.37%

Aussie
8,330 tonnes

3.08%

MENA
2,850 tonnes

1.05%

China
63,358 tonnes

23.41%

Hong Kong
4,550 tonnes

1.68%

Pacific Island
2,560 tonnes

0.95%

New Zealand
12,000 tonnes

4.43%

MARKET LANDSCAPE

MARKET OVERVIEW 2020

Global sugar production is expected to increase by 6.2 million tonnes for the 2020/2021 season from the 179.7 million tonnes produced last season. This is due to the increase in production in Brazil from 26.6 million tonnes last season to 38 million tonnes expected currently, offsetting the reduced production in Thailand, which has suffered dry-weather in key-planting areas. Thailand's production is estimated to be around 7 million tonnes, down by 1.6 million tonnes from last season, and almost half of its normal annual sugar production of 14 million tonnes.

Raw sugar prices (NY11) reached the peak of USD15.89 cents/lbs early part of the year and slumped to USD9.21 cents/lbs mirroring the drop in crude oil prices in April 2020. Raw sugar prices are expected to trade with an upward bias in 2021 as the correlation with the crude oil pricing remains strong, prompting millers in Brazil to produce more ethanol instead of sugar. This, in-turn is expected to reduce the availability of Brazilian sugar for the next season.

2020/2021 SUGAR OVERVIEW

COUNTRY	OVERVIEW
UNITED STATES	US's sugar production is estimated to be around 9 million tonnes this season (5 million tonnes from Beet, and 4 million tonnes from Cane), an increase by about 1 million tonnes from last season. US is expected to import another 3.4 million tonnes with 1.16 million tonnes coming from Mexico to meet its 12.3 million tonnes consumption.
BRAZIL	Brazil is expected to produce about 38 million tonnes for the 2020/2021 season, an increase from 26.6 million tonnes last season, helped by good weather conditions in key planting areas. Sugar production in Brazil is heavily influenced by ethanol and crude oil prices as millers can choose to switch to Ethanol production from the same sugarcane. Ethanol is a substitute for Petrol in Brazil.
INDIA	India is expected to produce about 31.5 million tonnes for this season, an increase by about 5 million tonnes from last season. However, exports are targeted to high-premium paying countries such as Indonesia due to the lower-than-expected quantum of exports subsidies by its government last year.
THAILAND	Thailand's cane crops are expected to recover in the 2021/2022 season provided that rainfall and plantings are consistent. Production has been severely affected by the prolonged dry weather and increased competition from Cassava which saw the production numbers drop by half from its normal annual production. With the current higher prices of sugar globally, farmers will be incentivised to plant more cane.

GROUP FINANCIAL REVIEW

FY2020 was a challenging year for the global sugar industry in general and MSM in particular as Malaysia implemented an official movement control order (MCO) from March 2020 causing a major shut down of the local food and beverage industry for several months. Export supply chains were also disrupted, leading to the lowest point of the global sugar industry cycle. Thus financial performance was pressured and impacted by the prolonged lower sugar consumption in the domestic wholesale segment and industry segment.

Despite these pandemic-related impacts, MSM stayed steadfastly on track of strategies to record a revenue increase of 9% from RM2.01 billion to RM2.18 billion mainly contributed from the overall growth of export sales.

By staying on course of hedging strategies, MSM gained a foothold of assurance within an uncertain environment. FOREX movements were volatile with the value of ringgit (RM) against the US dollar (USD) peaking in May and then trading lower till December. The NY#11 price of raw sugar in 2020 was generally favourable to the Group as prices weakened in March when consumption slumped due to the sudden global lock down and shutting down of food manufacturing industries during the first major wave of the COVID-19 pandemic. Then prices stabilised between USD11.00 – 15.00 cents per pound as a result of high production in India and Brazil which balanced out the shortage caused by Thailand's extreme drought. MSM managed to hedge its raw sugar price at USD12.70 cents per pound and trade on USD/MYR at 4.196.

Other strategies towards maximising profitability for the year include the discontinuation of non-strategic operations, optimisation of the utilisation factor between our refineries, focus on growth in export sales, expansion into new value-added products, and the successful continuation of our raw sugar procurement agreement with a reputable sugar trader through the Just-In-Time method.

As a result, year-on-year loss after tax (LAT) narrowed by 76% from a LAT of RM299.78 million in 2019 to a smaller LAT of RM71.23 million in 2020. The losses, however, were mainly due to one-off impairment of the bearer plant on plantation land in Chuping, Perlis. Excluding discontinuing operations, MSM registered a profit before tax (PBT) of RM35.85 million, a 112% improvement from 2019. The improvements were mainly contributed from our key strategic initiative to streamline our operations by ceasing the sugar refinery operations in MSM Perlis and consolidating production volume between MSM Prai and MSM Johor to optimise overall refining costs.

FINANCIAL SCORECARDS

For ease of comparisons and to reflect continuity in reporting framework, our FY2020 financial scorecards are outlined below:

Production Costs:

Total cost of goods sold for 2020 reduced by 1.24% due to lower raw sugar cost and the strengthening Ringgit. This was complemented by the reduction of average refining cost per tonne by 2.65% which was due to lower gas tariff which reduced from RM35.20 per MMBtu to RM33.99 per MMBtu; and the improved utilisation factor of our refineries as a result of the consolidation of production volume from MSM Perlis to MSM Prai and MSM Johor.

Assets:

Total assets of the Group reduced by 7.06% as a result of impairment of bearer plant assets. However, total cash and bank balance improved to RM195.29 million from RM170.54 million in 2019 mainly from better net cash generated from operation activities and lower inventory levels.

Liabilities:

Payables increased by 20.87% compared to 2019 because of the Just-In-Time arrangement with suppliers.

Capital Resources:

MSM's gearing ratio stood lower at 33% in 2020 compared to 36% the previous year. The lower gearing was primarily due to overall repayment of bank borrowings and higher cash balances within the year.

FORTIFYING FINANCIAL SUSTAINABILITY

Raw sugar procurement through the Just-In-Time method was set towards improving the Group's cash position through savings from minimal paid raw sugar stockholding, lowering interest cost and reducing external warehouse rental expenses.

Agility in ensuring that the production volume from MSM Perlis was swiftly and successfully consolidated to MSM Johor and MSM Prai, when MSM Perlis refinery operations was discontinued on 30 June 2020, brought about improvements in refining cost. Group wide, MSM's yield has improved to 94.62% in 2020 compared to 94.39% in 2019 primarily as a result of yield improvements in MSM Johor.

Another breakthrough towards future sustainability is in the expansion of the Group's business into the export of value-added products. The growth of value-added sugar sales improves the overall profitability and utilisation factor of the refineries.

In 2020, capacity expansion for fine syrup was completed and MSM escalated its export of premix, liquid sugar and fine syrup to China. Capacity expansion of liquid sugar and premix facilities in MSM Johor is set to be fully completed in 2021 to cater for the increasing demand from China and other Asian markets.

2021 FINANCIAL PRIORITIES

Management's main focus for the year towards enhancing financial resilience will be to:

a) Optimise production levels and reduce refining cost

Initiatives towards this end entails a continued focus on improving the overall yield in all our refineries supported by additional capital investment. We aim to improve MSM Johor's production capabilities and efficiency with introduction of new stockholding units (SKUs) to meet domestic demand especially for coarse grain sugar. Concurrently, we target to penetrate new markets via direct engagements with reputable players abroad having regional distribution networks, towards increasing sales and utilisation factor of our refineries.

b) Increase sales of value-added sugar products

Work to complete expansion plans for the value-added facilities in MSM Johor is on-going and steadfast. In addition, the Group commits to further explore downstream into sugar related business to unlock more value-added income streams.

c) Improve distribution cost

Further cost improvements are being sought by streamlining the logistics and supply chain operations for smooth delivery at lower cost. This is to be achieved via strategic delivery planning taking advantage of the location of MSM Johor and MSM Prai in order to optimise the last mile delivery savings on distance traveled and cost of delivery.

d) Capital restructuring and fund raising

The Group is looking into strategic capital management and fund-raising programmes to improve liquidity and to meet strategic investment requirements.

e) Monetise non-core assets

Monetisation of all the non-strategic and non-productive assets will continue to be identified in order to streamline operations and improve overall profitability.

BUSINESS REVIEW

RAW SUGAR SOURCING & PROCUREMENT



“Despite the pandemic, NY11 prices in 2020 has been generally favourable for the Group, trending between USD11.00 – 15.00 cents/lb. The stable prices were contributed from high production in Brazil which balanced out shortages from Thailand due to extreme drought. The drought in Thailand is expected to prolong whilst the situation in Brazil remains encouraging for raw sugar production. However, the price outlook is bullish mainly due to the projected post-pandemic economic recovery, improvements in crude oil price and weather risks in Brazil.”

Performance	2020	2019
Procurement of Raw Sugar (tonnes)	1,092,869	923,895
Physical Trading of White Sugar (tonnes)	225,779	88,500



2021 PRIORITIES:

- ✓ Secure our raw sugar for the year below the market average, to help the Group in achieving the lowest possible production cost

MAINTAINING MARKET LEADERSHIP

The year's focus was directed towards minimising the Group's production cost by securing the lowest possible price of raw sugar amid global supply tightness due to production shortages from Thailand and the increased trend of Crude Oil prices.

Through sustained hedging practices, MSM was able to secure Raw Sugar prices at USD12.70 cents/lb which was below both the market average of USD12.89 cents/lb, and the budgeted USD13.00 cents/lb. Towards better and more informed decision making, weekly Trading Committee meetings commenced during the year to keep the Group's top management updated and informed on the current global sugar situation.



Another key contributor to enhance margins in strategic raw sugar sourcing was MSM's established Just-In-Time mechanism. This is set to meet its primary objectives towards improving the Group's cash position from minimal raw sugar stockholding, lowering Bankers Acceptance (BA) interest cost and reducing external warehouse rental expenses.

ACHIEVING OPERATIONAL EXCELLENCE

The main challenge remains in managing the volatile global raw sugar prices to procure the lowest possible price of raw sugar for the company. 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 prices of raw sugar (NY11).

BUSINESS REVIEW

OPERATIONAL & REFINING



“Production volume year-on-year fell 6% in FY2020. In June 2020, MSM Perlis ceased its refining activities after being in operations since 1971. This reduction in capacity is expected to be filled by the newer MSM Johor refinery. However, disruption in local demands and challenges in international deliveries following movement and travel restrictions put in place to curb the spread of COVID-19 for the most part of 2020 have resulted in lower than planned production output across MSM Group.

Performance	2020	2019
Production Volume (tonnes)	1,010,215	1,073,888
Raw Melted (tonnes)	1,061,158	1,101,708
Capacity Utilisation (%)	47	48
Cost Saving Initiatives (RM million)	1.8	9.3
Customer Complaint Rate (%)	0.18	0.08



2021 PRIORITIES:

- ✓ Improve Utilisation Factor (UF), Yield and Refining Cost of MSM Johor
- ✓ Complete planned asset transfers from MSM Perlis to MSM Johor
- ✓ Ensure scheduled maintenance, certifications and plant upgrades for higher plant reliability and efficiency
- ✓ Maintain good rapport between management and union members through collective bargaining with Union in June 2021
- ✓ Migrate MSM Prai from OHSAS 18001 to ISO 45001
- ✓ Expand MSM Johor's production capabilities in Liquid Sugar and Flavoured Syrups

MAINTAINING MARKET LEADERSHIP

In 2020, MSM's production output for the first half of 2020 was hampered by the contraction in local demand due to the Movement Control Order (MCO) imposed as a result of the COVID-19 pandemic. Following the opening up of local economy in June to September 2020, output started to increase in line with sales demands. Factory operation was stretched without shutdown since May 2020 to meet this sudden surge in domestic sales.

As a result, MSM closed the year strongly, recording record high production output of 295,646 tonnes in the final quarter, 7% higher than the same quarter in the previous year. Group UF for the final quarter also improved to 57.7%, compared to 49.42% in the last quarter of 2019, with higher yield of 95.43%, compared to 94.63% the previous year.

Analysing year-on-year yield, overall Group yield has improved from 94.39% in FY2019 to 94.62%, showing more efficient sugar refining and lower loss.

Moving forward within a more competitive landscape, MSM is committed to act proactively in order to maintain market leadership. On the Wholesales front, a consolidation of wholesalers for efficient fulfilment of demand, better focus and improved segmental mix is in the pipeline. This strategic partnership, and possible OEM with major wholesalers will allow MSM to leverage on their strength and logistic assets. In addition, marketing strategies that offer flexible price mechanisms through rebates, bundling and door to door offers will be more intensively explored.

For the Industry segment, MSM's focus is to ensure premium product and service quality, as well as heighten direct engagements with selected small medium industries (SMIs) and global players in fast moving consumer goods (FMCGs). Through this we intend to expand our current SMI market share and increase collaborations to widen our distribution network especially in Singapore and Vietnam. Efforts are also ongoing to improve stockholding units (SKUs) of our popular variants such as coarse grain sugar to ensure reliable delivery.

ENSURING CONTINUOUS GROWTH

In ensuring continuous growth, new marketing studies revealed the growing trend among select groups of choosing sugar free products that contain less calories. Within the new normal of 2020, when work from home became a common occurrence, there was increasing public awareness on staying fit and healthy by consuming less sugar. In testing

out the market, MSM introduced two new product variants to support this lifestyle choice – namely, GoNatura & Go1/2. These are sugar mixes which provide intense sweetness with less use of pure sugar. MSM is hopeful that these new variants will find a niche market among health conscious Malaysians with a sweet tooth.

The momentum to step up creation of value added products also continues to build to optimise on MSM Johor's capacity and capability. MSM has been producing premix, Liquid sugar (LS) and Fine Syrup (FS) for export markets such as Indonesia and Philippines since March 2020. Liquid sugar production capacity is targeted to increase from 3,500 tonnes/month to 20,000 tonnes/month; while the premix product capacity is targeted to grow from 180 tonnes/month to 1,200 tonnes/month. Plans to venture into flavoured syrup are underway and the required installation of machine is in progress. Several variations of flavoured syrup are being studied.

Operational focus continues to be directed towards optimising refining cost as per budget, achieving production targets with quality products and on time delivery to end customers. A planned consolidation of group production facilities took off in FY2020 with the cessation of MSM Perlis in June 2020. This was towards optimising on refining cost, with MSM Johor benefitting from the additional uptake of MSM Perlis's quota. The consolidation benefits should be more evident next year once market demand stabilises to normal rates again.

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 consultation on the refinery's steam and conveyor system.

ACHIEVING OPERATIONAL EXCELLENCE

For MSM, operational excellence is defined by both business and sustainability aspects.

Given the pandemic, a key priority for business continuity was to ensure the workplace remained free from COVID-19 cases. To this end, the Group swiftly put in place action plans to implement SOPs, weekly disinfections of common areas, sanitisation activities, facial scanner temperature checks of all personnel plus keeping records, providing masks, partitioning dining tables at canteens for social distancing and carrying out COVID-19 desktop drills.

BUSINESS REVIEW



On the business front there were small wins within a challenging environment. These included achievement of higher UF of 87% for the last three months of 2020 and reduction of contract manpower for MSM Prai. Meanwhile, MSM Johor recorded UF of 27%. Moving forward, MSM is focused on continuing to identify green energy alternatives and better waste management towards increasing sustainability and enabling cost savings.

The Group's safety report is bittersweet. There was a 26% reduction of accident cases in 2020, but this was marred by an unfortunate fatality case reported in MSM Prai in January 2020. Management ensured immediate safeguards and heightened awareness was established site-wide following the incident. Detailed investigations was conducted in close collaboration with the FGV Group Safety, Health & Environment Department and the Department of Safety and Health Malaysia (DOSH). Compliance to DOSH, DOE and Fire Department regulatory requirements continue to be maintained with the completed reviewing of 183 HIRARC, submission of online report to DOE every three days during MCO and CMCO period without fail, and confirmation of Standard Operating Procedure (SOP) compliance weekly report to MITI.

Putting our employees first remains a key priority going forward. MSM is committed to maintain industrial harmony by curbing grievances or disputes. To this end, a collective agreement was prepared on June 2021.

UPDATE ON CEASED OPERATIONS

MSM Perlis Sdn Bhd:

MSM Perlis's focus for 2020 was on ramping down processes, planning asset transfers and ensuring employee welfare prior to cessation of operations on 30 June 2020. MSM Perlis was the main provider for 1kg coarse grain sugar packs for East Malaysia. After the switch off, this production portion was handed over to MSM Prai, together with four units of packing machines. In 2021, the remaining nine machines of 1kg packing machines will be installed in MSM Johor.

Employees were offered opportunities to pursue their career either at MSM Prai or MSM Johor. Some workers decided to take the path of retirement and some were still contributing as a temporary skeletal staff to monitor, maintain and take care of the transfer and sales of remaining company assets, land and facilities.

Plantation:

The entire plantation land under MSM Perlis, planted with rubber, oil palm and Harumanis mango, had ceased operations since 15 September 2019. The decision on the next use of the land is still ongoing, in line with recommendations to sell the land to interested parties.

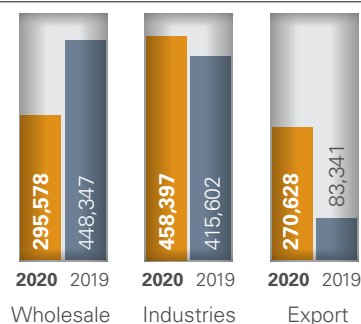
COMMERCIAL & DOWNSTREAM

“As challenges continue to abound in the domestic market, MSM focused on expanding export opportunities for refined sugar and the new value added segment offerings of liquid sugar, fine syrup and premix to China, the world largest importer. The recent production shortage in Thailand, the largest exporter to China, due to drought has helped ease the penetration of MSM’s value added offerings to China, though prices continue to be dependent on the movement of white premium sugar and Thailand’s premium for liquid sugar.”



Performance	2020	2019	2018
Sales Volume (tonnes)	1,024,603	947,290	935,223
Revenue (RM)	2.2 billion	2.0 billion	2.2 billion
Debt Collection (Days)	38 days	50 days	37 days

Total Sales
(tonnes)



2021 PRIORITIES:

- ☒ Domestic and export growth through penetration and collaboration
- ☒ Strategic partnership with major wholesalers to leverage on their strength and logistic assets
- ☒ Mitigate single-country export risk by making in-roads and developing new markets for value added products in Indonesia and Philippines
- ☒ Further increase MSM Johor’s liquid sugar, fine syrup and premix capacity to cater for increased export demand

BUSINESS REVIEW

MAINTAINING MARKET LEADERSHIP

Maintaining leadership on the domestic front proved challenging in FY2020 as intense competition from imported refined sugars pressured margins and reduced average selling price.

Wholesale volume dropped by 34% due to low demand and reduced operating hours in food and beverage outlets as well as less social and public gatherings, following movement restriction orders and travel bans to curb the COVID-19 pandemic. However, Industry volume increased by 10% as our customers were mostly essential services with uninterrupted operations. Sales and marketing activities centered on increasing demand from this sector by minimising service failures, delivering with reliability to all of our customers, and enhanced engagements to build customer loyalty.

To take on the additional production from MSM Johor, export was a core strategy that took off in 2020. Committed focus and sustained efforts were directed towards securing regional market opportunities. This proved to be an equally competitive arena in which MSM had to contend with low market prices of integrated sugar producers such as India and Thailand. MSM's strategy in winning export market share was to package the market price with sustainable product quality, various types of packaging selections and enhanced after-sales service.

As a result, the Group's export achievements were the highlight of the year as the total volume for export sales increased over 225% in FY2020. In addition, the export premium increased as well from an average of USD124/tonnes in 2019 to USD134/tonnes in 2020.

ENSURING CONTINUOUS GROWTH

The current highly price sensitive market calls for delicate strategies going forward which requires MSM to address the constrained supply of premium sugar and stockholding units (SKUs) limitation from MSM Johor which currently restricts our capabilities to support domestic requirements. More time and capital investments are required in forging our strengths on these fronts.

To buffer Wholesale demand, we are seeking a consolidation of wholesalers for efficient fulfilment of demand. This will be facilitated by flexible price mechanism through rebates, bundling and 'door to door' offers. Strategic partnerships and OEM arrangements with major wholesalers will also be our way forward as these allow us to maximise margins by leveraging on their strengths and logistic assets. On the Industry front, we target to capture more small medium industries (SMI) with better price offerings and an assured supply of premium quality sugar.

Towards export growth, the key priorities for 2021 is to maintain resilient in the existing market especially SEA country with main focus in Vietnam, Singapore, Philippines and Indonesia. In addition, MSM is planning for the new market explorations not only for refined sugar but other sugar related product such as Liquid Sugar and Fine Syrup.

ACHIEVING OPERATIONAL EXCELLENCE

During the year, in achieving operational excellence, sales and marketing teams are working closer with customers to realise further improvements in service levels. Sales teams have buckled down to assure "On Time In Full" services for every order. Greater engagement has also been forged to communicate raw sugar price movements via regular customer updates on NY11 terminal tagging.

In securing more opportunities for value added products, ongoing investments are being made to increase MSM Johor's production capacity. For refined sugar exports, the strategy is to enhance operational efficiency in order to compete with Thailand's leading position as the export leader. Close monitoring and fast response to Thailand premium prices is key as any major hike in Thailand's production will make our pricing uncompetitive.

We are also engaging in a multi-pronged penetration strategy to make new in-roads and develop potential markets in Asia to mitigate the risk of dependence on just one country. These include direct negotiations with state owned enterprises and companies, as well as collaborations with local agents in targeted markets and international trade houses.

SUPPLY CHAIN MANAGEMENT



“During a year of business disruptions due to the COVID-19 pandemic, MSM’s reliable Supply Chain Management operations ensured that the Group continue to fulfil domestic demand nationwide and live up to our customers’ expectations. The Group was also successful in keeping the workplace a safe zone where the health and welfare of all employees working across the supply chain, remained a top priority throughout the year.”

PERFORMANCE AT A GLANCE

Performance	2020	2019	2018
Sales & Distribution (RM)	26 million	25 million	20 million



2021 PRIORITIES:

- ✓ Enhance Demand & Supply process to flatten peak and dip within Group
- ✓ Sweating assets at MSM Johor by increasing domestic volume and ease complexity at MSM Prai
- ✓ Logistics streamline from source points for efficient cost to serve
- ✓ Product rationalisation

BUSINESS REVIEW

MAINTAINING MARKET LEADERSHIP

The core objectives for Supply Chain Management in 2020 was to improve on delivery timeframes, reduce downtime, heighten cost savings through Just-in-Time arrival of Raw Sugar stock and optimise stock holding for refined sugar.

There was continued focus on optimum warehouse management which ensured improvements on stocks in hand. More enhancement initiatives for warehousing are in the pipeline for 2021 to enhance operation issues. These include installation of an open shade to the loading-unloading area of MSM's main distribution centre, the Sungai Buloh Warehouse (SBW), for continued operations even during raining season; and the upgrade of the railing siding for wagon deliveries under KTM Berhad (KTMB). This shall increase present daily deliveries of about 1,000 tonnes or an average 37 wagons per day to 45 wagons per day. Plans are also underway to enhance SBW's accessibility by having two access ways for better handling of incoming and outgoing deliveries. This will improve traffic management and control at this main Distribution Centre.

Towards increasing warehousing capacity, MSM intends to build a new warehouse at the present Sungai Buloh premise to increase storing capacity by up to 25,000 tonnes. The Group has also engaged an external warehouse managed by Pos Logistics Berhad (Pos Logistics) to handle 24 hour delivery operations.

Non deliveries during the year were reduced by maintaining effective communication within business divisions and collaborations with external supply chain partners such as KTMB, Pos Logistics and co-packers. Strategies are in place to maximise deliveries window time to gain more deliveries to the customer and enhance integrated supply chain support for train transfer from Prai and Pasir Gudang to SBW in the future. These external collaborations are essential in reducing the current delivery window time as they directly impact for more efficient and professional transport management as well as production quality.

ENSURING CONTINUOUS GROWTH

Towards ensuring continuous growth, in 2021 MSM will focus on heightening customer satisfaction by ensuring quality products are delivered at precise times. For warehousing, the goal is to have 30 days' stock at hand to be able to readily respond to customers' needs.

Mindful that emerging lifestyle trends towards reducing sugar consumption will impact the Wholesale market, the Group is also consciously diversifying into more products choices and expand its share in the Industrial market. This is because within the Industrial sector, the consumption of sugar is still required for the processing of food and beverage items. New developments are in store for supply chain management as the Group begins to handle logistics for liquid sugar from Tanjung Langsat and export of cordial and sugar syrup. For the domestic market, the delivery of liquid sugar has commenced on March 2021.

ACHIEVING OPERATIONAL EXCELLENCE

In 2020, the Group replaced wooden pallets to plastic pallets after doing a thorough study on customer preferences and long term viability. Even though wooden pallets are cheaper to rent, the overhaul led to some cost savings as hidden costs were identified and eliminated.

Another improvement identified was the switching of product transfers from Prai to SBW from road to rail. Railway transport costs have proven to be more competitive for long distant transfers. Henceforth in managing supply chains, road transport shall focus on domestic areas with smaller amounts of capacity transfer.

On the packaging front, the Group has also noted that OEM co-packers are more cost effective in terms of human resource and welfare, and maintenance of the machineries. Greater efficiency is being realised by having more than one OEM co-packers to pack our products and through contracts with wholesalers like TESCO to pack under their brand.

Another avenue for cost savings going forward is to enhance current weighing and data systems to reduce human manipulation and eliminate product variances. By installing more reliable weighing systems that interface with MSM's M3 systems, cost savings can be recorded on a monthly basis.

5-YEAR FINANCIAL SUMMARY

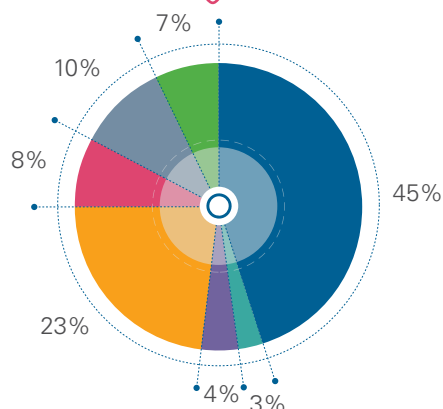
	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Revenue	2,184,463	2,006,911	2,214,376	2,641,529	2,658,446
Cost of Sales	(2,016,920)	(1,992,260)	(2,016,022)	(2,563,490)	(2,327,896)
Gross Profit	167,543	14,651	198,354	78,039	330,550
Other Operating Income	1,566	1,843	1,401	8,685	6,500
Selling and Distribution Expenses	(26,101)	(25,272)	(19,762)	(19,741)	(98,406)
Administrative Expenses	(62,374)	(73,561)	(71,817)	(61,122)	(80,081)
(Impairment of Receivables)	(6,565)	(4,583)	(3,018)	-	-
Reversal of Impairment/(Impairment) of Assets	11,775	(138,784)	(1,390)	-	-
Other Operating Expenses	(14,232)	(747)	(44)	(7,005)	(5,570)
Other (Losses)/Gains – Net	(2,816)	4,999	(2,887)	(1,223)	3,428
Profit/(Loss) from Operations	68,796	(221,454)	100,837	(2,367)	156,421
Finance Income	3,835	4,032	4,057	5,293	5,511
Finance Costs	(36,784)	(82,128)	(38,508)	(22,500)	(13,417)
Profit/(Loss) Before Zakat and Taxation	35,847	(299,550)	66,386	(19,574)	148,515
Zakat	(1,486)	(14)	(1,500)	-	(2,000)
Taxation	(30,498)	11,074	(27,509)	(16,767)	(25,793)
Profit/(Loss) for the Financial Year from Continuing Operation	3,863	(288,490)	37,377	(36,341)	120,722
Discontinuing Operations					
Loss from Discontinuing Operation, Net of Tax	(75,091)	(11,279)	(1,717)	-	-
(Loss)/Profit for the Financial Year	(71,228)	(299,769)	35,660	(36,341)	120,722

FINANCIAL RATIOS

	2020 RM'000	2019 RM'000	Restated 2018 RM'000	2017 RM'000	2016 RM'000
Return on Shareholder's Equity	(4.50%)	(18.10%)	1.82%	(1.90%)	6.10%
Return on Total Assets	(2.6%)	(10.1%)	1.0%	(1.1%)	3.7%
Debt Equity Ratio	0.8	0.8	0.9	0.8	0.6
Dividend Cover	-	-	-	(1.3)	0.7
Total Assets	2,770,280	2,980,766	3,655,342	3,404,782	3,225,428
Net Assets Per Share	2.25	2.36	2.79	2.74	2.83
(Loss)/Earnings Per Share (Sen)	(10.13)	(42.64)	5.08	(5.17)	17.17

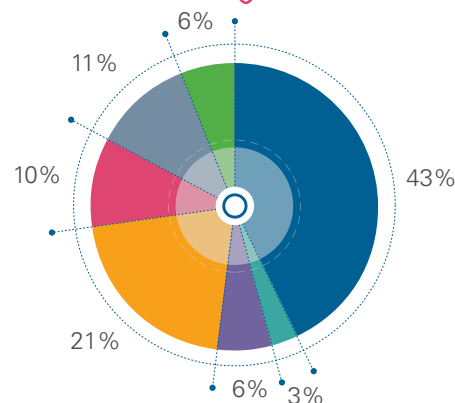
STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS 2020



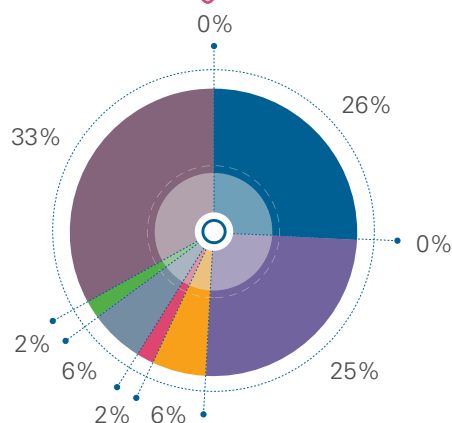
Assets Type	Amount (RM'000)
Property, Plant & Equipment	1,255,235
Right-of-use Assets	92,642
Other Assets	99,708
Intangible Assets	625,112
Receivables	227,177
Inventories	274,485
Cash and Cash Equivalents	195,921

TOTAL ASSETS 2019



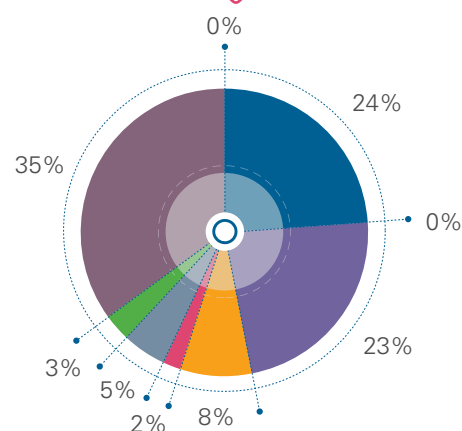
Assets Type	Amount (RM'000)
Property, Plant & Equipment	1,295,432
Right-of-use Assets	96,174
Other Assets	178,040
Intangible Assets	630,759
Receivables	290,573
Inventories	319,252
Cash and Cash Equivalents	170,536

TOTAL LIABILITIES 2020



Liabilities Type	Amount (RM'000)
Share Capital	718,255
Lease Liabilities	4,942
Other Reserves	686,397
Retained Earnings	176,874
Deferred Tax Liabilities	47,010
Payables and Other Liabilities	171,458
Loan Due to a Related Company	47,152
Borrowings	907,100
Derivative Financial Liabilities	11,092

TOTAL LIABILITIES 2019



Liabilities Type	Amount (RM'000)
Share Capital	718,255
Lease Liabilities	5,656
Other Reserves	691,174
Retained Earnings	248,102
Deferred Tax Liabilities	51,062
Payables and Other Liabilities	146,324
Loan Due to a Related Company	70,431
Borrowings	1,044,784
Derivative Financial Liabilities	4,978

QUARTERLY FINANCIAL PERFORMANCE

2020	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Continuing Operations				
Revenue	510,844	448,735	594,553	630,331
(Loss)/Profit from Operations	(14,509)	(13,192)	26,789	69,708
(Loss)/Profit Before Taxation and Zakat	(27,253)	(25,271)	14,768	73,603
(Loss)/Profit from Continuing Operations	(34,291)	(19,417)	920	56,651
Discontinuing Operations				
Loss from Discontinuing 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

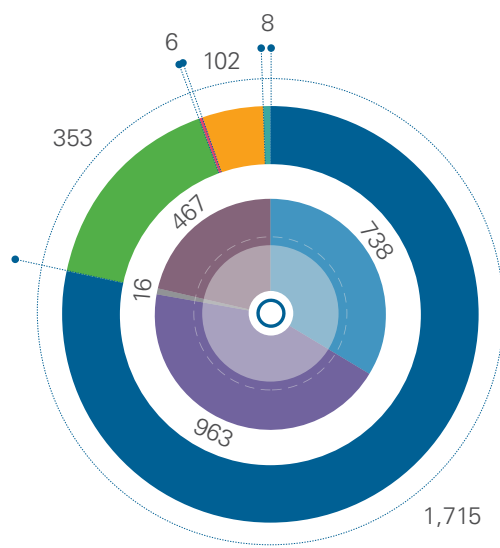
2019	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Continuing Operations				
Revenue	485,435	474,022	531,415	516,039
Profit/(Loss) from Operations	3,971	(20,433)	(189,264)	(15,728)
Loss Before Taxation and Zakat	(1,134)	(62,382)	(204,980)	(31,054)
Loss from Continuing Operations	(4,818)	(65,403)	(180,988)	(37,281)
Discontinuing Operations				
Loss from Discontinuing Operations	(2,243)	(1,927)	(4,113)	(2,996)
Loss Attributable to Equity Holders of the Company	(7,061)	(67,330)	(185,101)	(40,277)
Basic (Loss)/Earnings Per Share (Sen)	(1.00)	(9.58)	(26.33)	(5.73)

STATEMENT OF VALUE ADDED

	2020 RM'000	2019 RM'000
VALUE ADDED		
Revenue	2,184,463	2,007,795
Purchase of Goods and Services	(2,028,902)	(1,934,508)
Value Added by the Group	155,561	73,287
Other Operating Income	2,185	1,952
Other (Losses)/Gains – Net	(2,816)	4,999
Reversal of Impairment/(Impairment) of Asset	13,537	(140,546)
Impairment of Receivables	(6,565)	(4,583)
Finance Income	3,835	4,032
Finance Cost	(36,784)	(82,128)
Value Added Available for Distribution	128,953	(142,987)
DISTRIBUTION		
To Employees		
Employment Cost	79,769	81,214
To Government/Approved Agencies		
Taxation and Zakat	31,984	(18,905)
To Shareholders		
Dividends	-	-
Retained for Reinvestment and Future Growth		
Depreciation and Amortisation	88,428	94,473
Retained Profits	(71,228)	(299,769)
Total Distributed	128,953	(142,987)

SEGMENTAL ANALYSIS

REVENUE 2020 (RM MILLION)

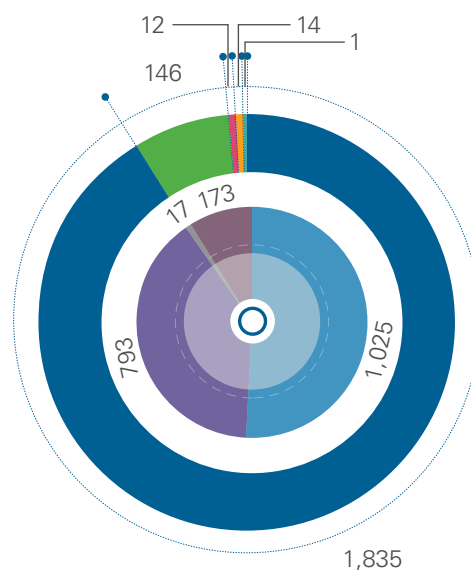


Malaysia
Wholesale

Asia
Industries

Australia
Molasses
(Domestic
& Export)

REVENUE 2019 (RM MILLION)

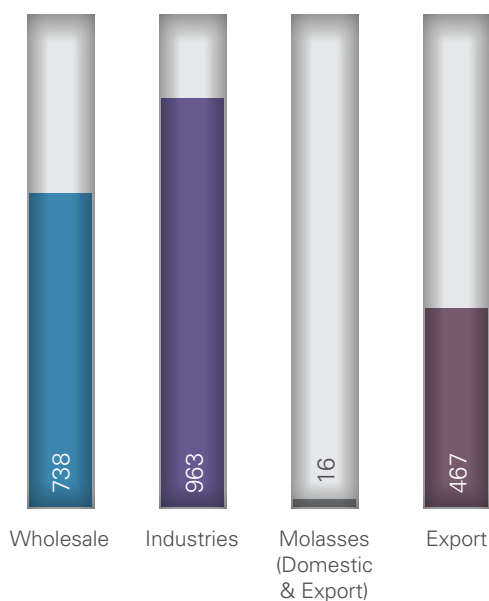


Australia
Molasses
(Domestic
& Export)

Europe
Export

Others

REVENUE 2020 (RM MILLION)



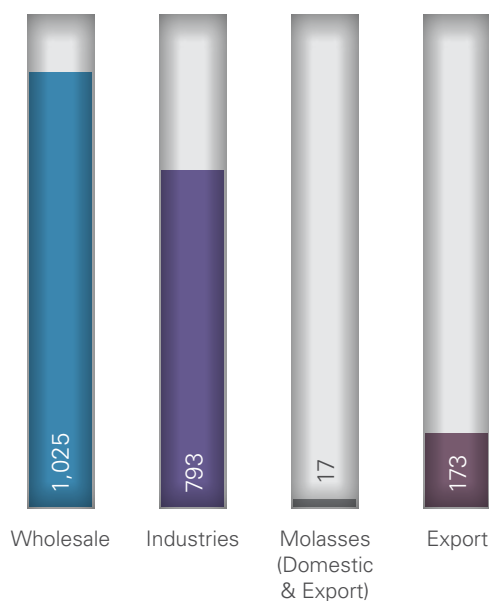
Wholesale

Industries

Molasses
(Domestic
& Export)

Export

REVENUE 2019 (RM MILLION)



Wholesale

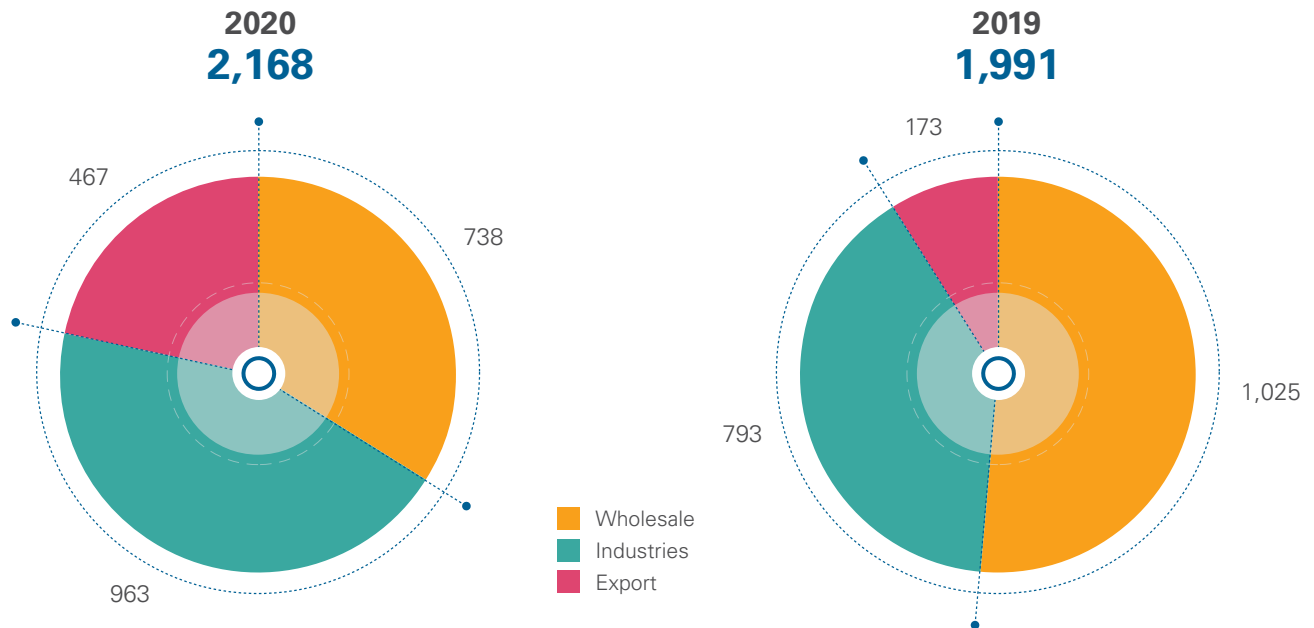
Industries

Molasses
(Domestic
& Export)

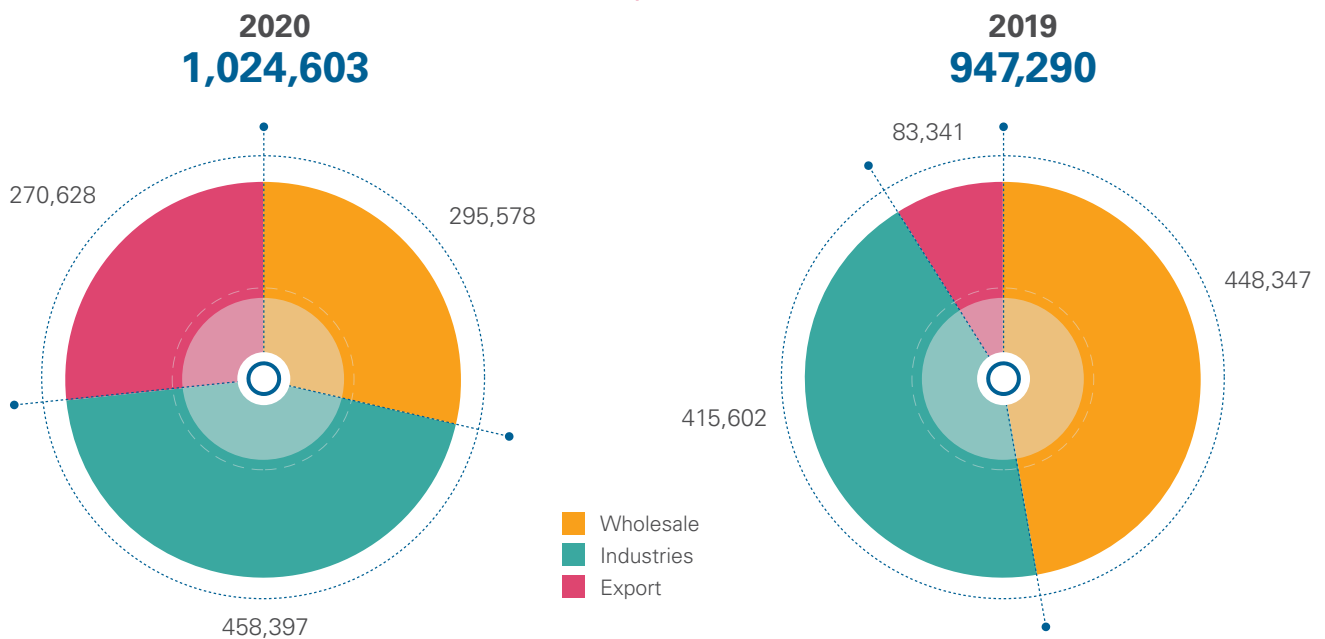
Export

SALES ANALYSIS

SALES REVENUE (RM MILLION)



TOTAL SALES (TONNES)



Notes:

1. Sales figure is AFTER consolidation adjustment
2. The sales figure excludes the sales of molasses & raw sugar

INVESTOR INFORMATION

The Investor Relations (IR) function falls under the purview of Corporate Communications Department (CCD) and acts as a focal point with the global investment community throughout the year to communicate the Company's financial and operational performance, growth strategies and outlook, amongst other things. In MSM, the IR activities are spearheaded by the GCEO and CFO supported by the CCD team and selected senior Management.

We maintain active dialogues with our stakeholders via a planned IR programme, providing them access to the Management wherever possible via analyst days, quarterly analyst briefings or direct one-on-one meetings. As part of our commitment to maintain corporate credibility and instil investor confidence, the IR team ensures queries from shareholders and analysts are addressed in a timely, open and comprehensive manner.

Our Investor Relations website is frequently maintained to provide up-to-date and historical investor-related information.

2020 INVESTOR RELATIONS ACTIVITIES

During 2020, MSM proactively communicate with investors and analysts via the following activities:

Analyst Briefing on quarterly results:

No	Briefing Type	Briefing Date
1.	4 th quarter for the financial year ended 31.12.2019	25 February 2020
2.	1 st quarter for the financial year ended 31.12.2020	27 May 2020
3.	2 nd quarter for the financial year ended 31.12.2020	19 August 2020
4.	3 rd quarter for the financial year ended 31.12.2020	16 November 2020

One-on-one Meeting and Courtesy Visit:

No	Meeting/Visit	Date
1.	One-on-one briefing session with Special Officer to Deputy Minister of KPLB	13 January 2020
2.	Courtesy visit by MIRA to MSM's HQ	31 January 2020
3.	Analyst Briefing Session – direction and future plans	4 February 2020
4.	One-on-one meeting with analyst and fund manager – UOB and Principal Asset Management	27 February 2020
5.	Briefing session (virtual) – PNB	21 May 2020
6.	Engagement session with analysts, fund managers and institutional shareholders (virtual)	17 July 2020
7.	Meeting with fund manager (virtual) – HAMCO Financial S.L.	26 November 2020

MSM AGM 2020 (Virtual):

Meeting/Visit	Date	Venue
9 th Annual General Meeting	17 June 2020	Alpha Meeting Room, Level 21, Wisma FGV

ANALYST COVERAGE

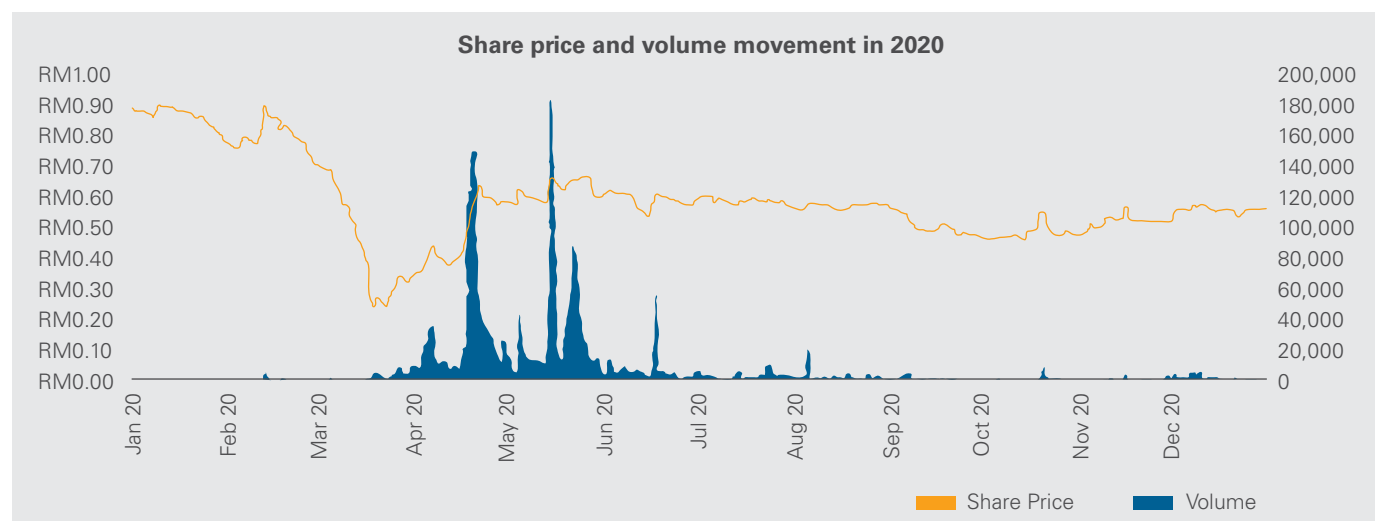
As the largest sugar producer in Malaysia and the only sugar company listed on Bursa Malaysia, as at end of 2020, MSM garnered a fair share of coverage by the investment community. A total of 12 analysts and research houses have core coverage on the stock in 2020.

Summary of Investor Discussion

In the various engagement sessions with the investment community, key topics of interest included:

- Raw sugar price movements
- Foreign exchange rates
- Domestic and export sales
- Operational expenditure
- Growth opportunity and outlook
- Earnings and dividend prospects
- Government regulation and sugar import permits (AP)
- Debt structure
- Operational efficiencies in new refinery
- Impairments and accounting impact

SHARE PRICE MOVEMENT



1Q20	2Q20	3Q20	4Q20
High : RM0.985	High : RM0.735	High : RM0.62	High : RM0.595
Low : RM0.23	Low : RM0.33	Low : RM0.47	Low : RM0.455
Volume : 85 million	Volume : 1,506 million	Volume : 200 million	Volume : 101 million

FINANCIAL CALENDAR

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Announcement on unaudited consolidated results

2019

- 4th quarter ended 31 December 2019 : 25 February 2020
- 1st quarter ended 31 March 2020 : 27 May 2020
- 2nd quarter ended 30 June 2020 : 19 August 2020
- 3rd quarter ended 30 September 2020 : 16 November 2020

2020

- 4th quarter ended 31 December 2020 : 25 February 2021



Dividends

2020

- No dividend was declared and paid for the financial year ended 31 December 2019.

2021

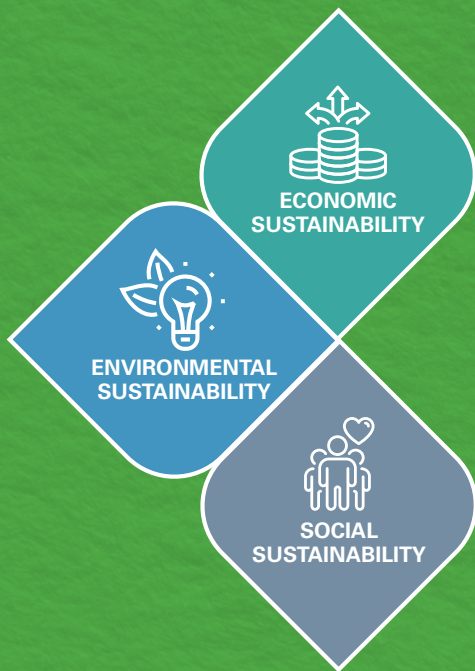
- No dividend was declared and paid for the financial year ended 31 December 2020.



Annual General Meeting

- 9th Annual General Meeting
 - Notice of meeting : 22 May 2020
 - Issuance of Annual Report : 27 April 2020
 - Meeting date : 17 June 2020
- 10th Annual General Meeting
 - Notice of meeting : 27 April 2021
 - Issuance of Annual Report : 27 April 2021
 - Meeting date : 17 June 2021

SUSTAINABILITY REPORT



Water usage
decreased by
22.9%

Reduction in CO₂
emissions from
Air Travel by
86%

Recorded
1
fatal accident

Number of
accident cases
narrowed by
26%
since 2018

Maintained
2,000
volunteer hours
every year since
2013

Reduction of
0.8%
in total purchased
electricity

Increase in total Malaysian registered
companies for procurement by
1.34%

OUR SWEET EES JOURNEY

OUR SUSTAINABILITY COMMITMENT

We have been steadfast and committed to our progress in the journey to sustainability. Our journey began when we started becoming more accountable as a manufacturing entity, and sought to mitigate our impact on the community and environment. It has progressed since as an integral part of MSM's business philosophy and corporate culture. Today, 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 business activity in line with the Group's vision and core values.

This year, we highlight the strides we have made towards achieving sustainable development, even as we face the challenges brought upon by the COVID-19 pandemic head-on.

MSM Group's Sustainability Policy serves to facilitate our commitment and achievement to conduct business responsibly through the integration of Economic, Environmental, and Social ("EES") considerations throughout our business process. Our sustainability leadership is spearheaded by the Audit, Governance & Risk Committee and driven by our Group Chief Operating Officer ("CEO").

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.

Audit, Governance & Risk Committee

Group Chief Operating Officer

Corporate Communications Department

Head of Operations

Subsidiaries

This statement summarises the key highlights of our efforts towards achieving sustainable development through our Economic, Environmental and Social ("EES") initiatives for the reporting period from January 2021 to December 2021.

SUSTAINABILITY REPORT

ECONOMIC
SUSTAINABILITY

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MSM MALAYSIA HOLDINGS BERHAD Annual Report 2020

MSM PERLIS

Plantation

8 employees



Factory

67 employees



MSM PRAI

536 employees

(including staff from refinery,
warehouse & HQ)

MSM LOGISTICS

49 employees



MSM HOLDINGS

66 employees



MSM JOHOR

323 employees

(data shown as at 31st December 2019)

Since our establishment in 1964, 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 of shaping a progressive and sustainable economic landscape by strongly committing to ethical business practices, adhering to good governance, ensuring accountability and transparency in procurement activities, and complying with relevant laws and policies.

GRI-203: Indirect Economic Impacts

Currently, MSM provides job opportunities for 1,049 employees within the Group. We employ a diverse workforce from different backgrounds and professional expertise in operations and business support

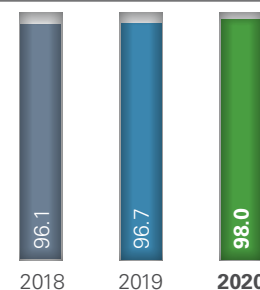
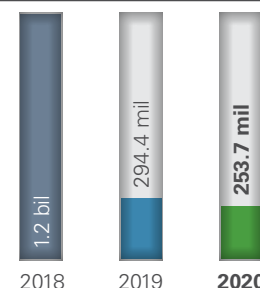
In 2020, the number of employees reduced due to the cessation of operation in MSM Perlis, following the Group's rationalisation plan of relocating the Group's refining operations in MSM Perlis to the new refinery in Johor. The exercise involved redeployment of manpower and resources, and priority was placed on ensuring that qualified employees from Perlis were offered first choice opportunities to relocate to the Group's facilities in Prai, Penang, Sungai Buloh, Selangor and Tanjung Langsat, Johor.

A small percentage of the employees were retained at MSM Perlis to assist in completing the paperwork for remaining assets transfer exercise.

GRI-204: Procurement Practices

MSM continues to ensure its ethical procurement practices whilst giving fair opportunity throughout its value chain by:

- Ensuring timely, efficient and impartial corporate procurement functions to obtain the required items at reasonable and competitive prices with attention given to merit, quality and other relevant factors.
- Providing guidelines and strategies on ethical buying with mandated justification to assure transparency and optimise on profitability.
- Committing to transparent and visible procurement activities within MSM Group.
- Obtaining the best in class and fair value for money for every item and service procured thus ensuring equitable returns to MSM Group.

Total of Malaysian
Registered Companies
(%)Local Procurement Expenses
(RM)



ENVIRONMENTAL SUSTAINABILITY

MSM has 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. We continue to monitor key environmental aspects such as energy optimisation, water usage, waste management and inventory of greenhouse gases.

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

OUTCOME

Total water optimisation of **2.55m³**, a decreased of 18% compared to 3.11m³ in the previous year.

Energy consumption of **0.45 GJ**, a reduction of 2.2% compared to 0.46 GJ in the previous year.

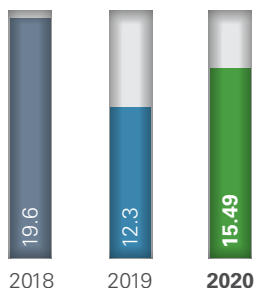
WASTE MANAGEMENT

GRI-306: Effluents & Waste

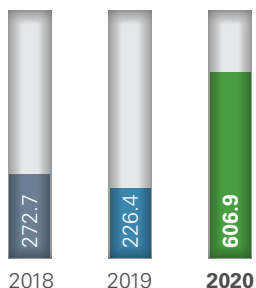
Cutting-edge nano-filtration waste treatment systems enable us to process the discharge produced in our refineries. The resulting salt residue can be reused for resin regeneration, while the rest of the residue is filtered and cleaned before being discharged. Waste stream management is outsourced to 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

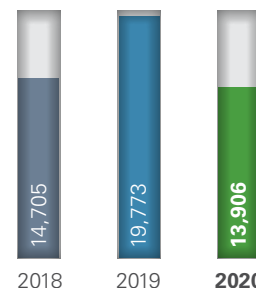
**Hazardous Waste Collected
by Licensed Contractor for
Recovery**
(tonnes)



**Non-Hazardous Recycled
Waste**
(tonnes)



**Non-Hazardous Waste
Landfilled**
(tonnes)



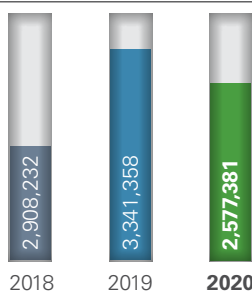
SUSTAINABILITY REPORT

WATER USAGE

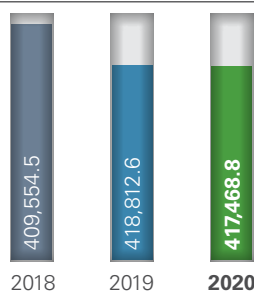
GRI-303: Water & Effluents

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.

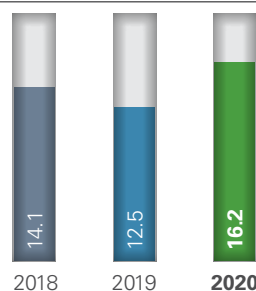
Total Water Withdrawal by Source
(cubic metre (m³)/year)



Recycled and Reused Water Volume
(m³/year)



Recycled and Reused (%)



Water consumption in MSM Johor was lower for FY2020 due to a process improvement activity. Meanwhile in MSM Prai, higher water consumption was recorded due to the plant's lowest ever melting efficiency in April and May 2020 as a result of the significant drop in demand during the MCO period.

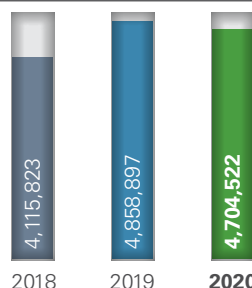
ENERGY OPTIMISATION

GRI-302: Energy

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.

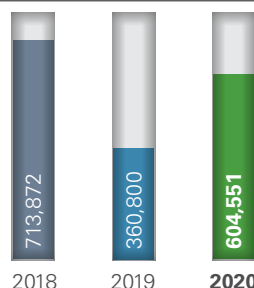
Natural Gas

Natural Gas Usage
(mmBTU)



Diesel

Diesel Consumed
(litres)



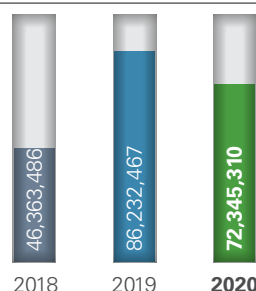
Electricity

Electricity generated in-house by the Steam Turbine Generator at MSM refineries continue to reduce our dependency towards Tenaga Nasional Berhad's (TNB) supply of electricity.

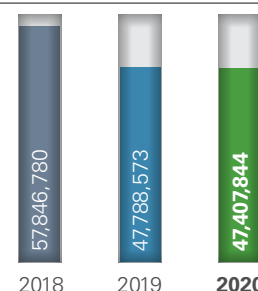
In FY2020, MSM used more of our own generated electricity compared to electricity purchased from TNB. TNB supply is only required when the generator trips or during plant shutdowns.

We continue to pave the way for further reduction in electricity consumption.

Own Generated Electricity
(kWh)



Total Purchased Electricity
(kWh)



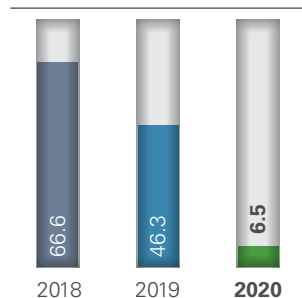
GREENHOUSE GAS (GHG)

GRI-305: Emissions

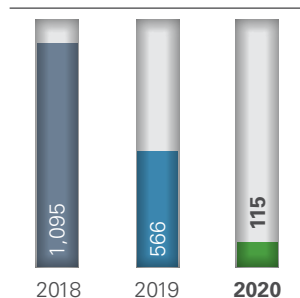
Business Air Travel

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.

CO₂ Emissions from Air Travels (tonnes)



Total Flights



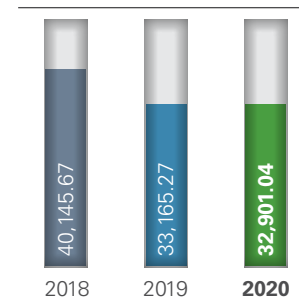
Note: Our calculation method for GHG emissions mainly for business air travel is based on the International Civil Aviation Organisation (ICAO) Carbon Emissions Calculator, whereas carbon footprint is computed for each man-trip made.

Given the nature of our operations and presence across Malaysia, air travel for business meetings and operational site visits have seen us contributing significant emissions that has gradually been reduced through initiatives such as adoption of teleconferencing alternatives, car pooling and a centralised process booking system.

However, emissions plunged by 86% in FY2020 due to the restrictions in air travel during the COVID-19 pandemic.

Electricity

CO₂ Emissions from Electricity (tonnes)



Note: Our calculation method for GHG emission mainly for electricity is based on the GreenTech Malaysia Carbon Calculator.

The emissions figures are different from the one reported in the previous annual report because these are calculated based on Total Purchased Electricity only.

SUSTAINABILITY REPORT



SOCIAL SUSTAINABILITY

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MSM MALAYSIA HOLDINGS BERHAD Annual Report 2020

EMPLOYEE RELATIONS GRI-405: DIVERSITY AND EQUAL OPPORTUNITY

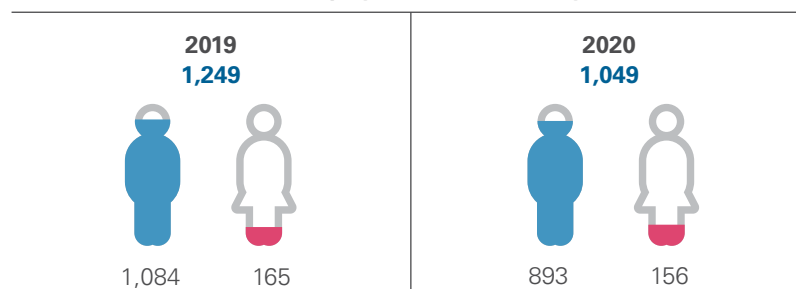
MSM is committed to a safe and inclusive workplace that embraces and promotes diversity and equal opportunity, and is free from discrimination and harassment. We recognise workforce diversity as an organisational strength and competitive advantage in retaining and attracting the best people to improve 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.

To 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. 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.

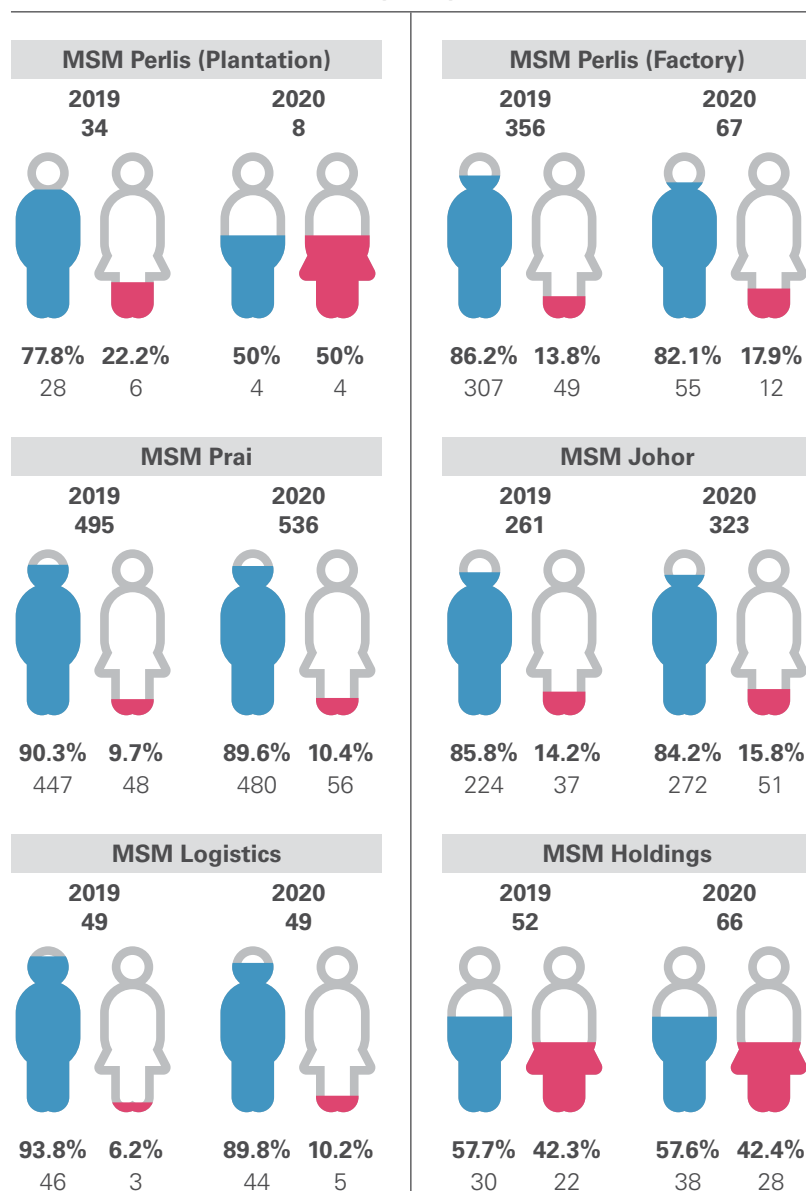
Our Employee Work Policy ("Policy"), communicated in the employee handbook, outlines clear guidelines towards nurturing a workforce that is fair and inclusive. This policy protects the rights of all employees against unlawful acts of discrimination.

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. In 2020, we recorded a 4.4:1 male to female ratio at manager level compared to 4.3:1 in 2019. More effort will be directed towards coming closer to the recommended target of 30% female representation at all levels.

Total Employees Gender Diversity

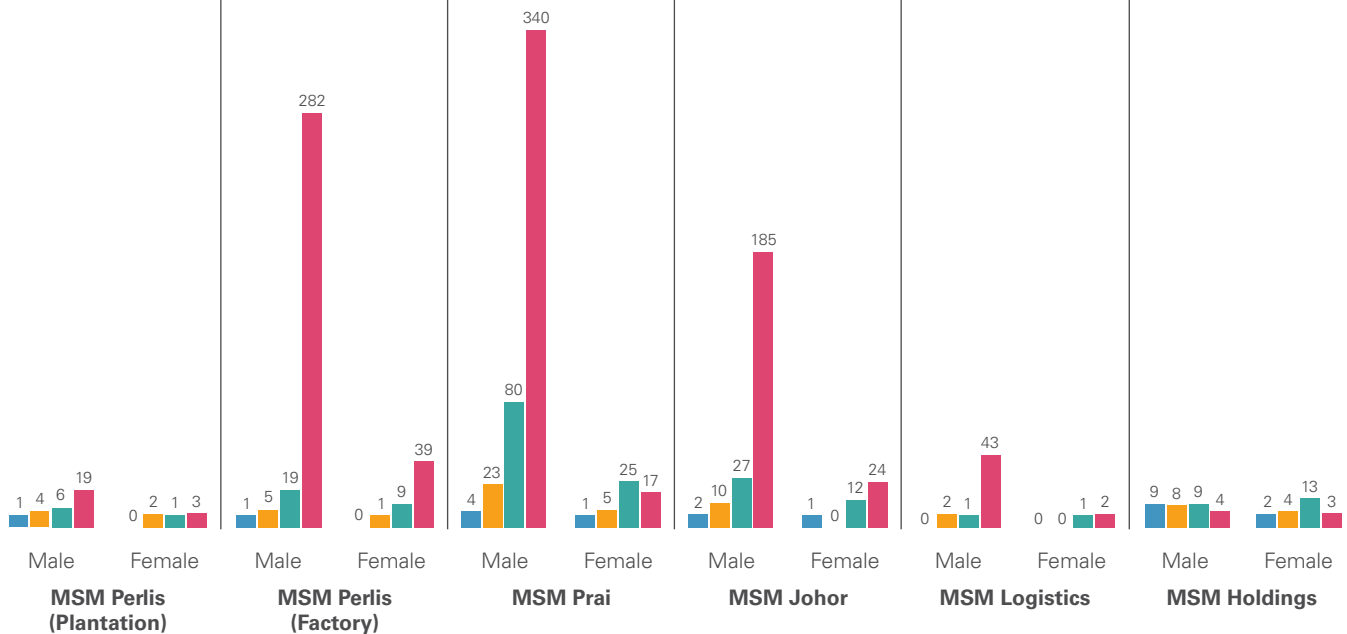


By Entity

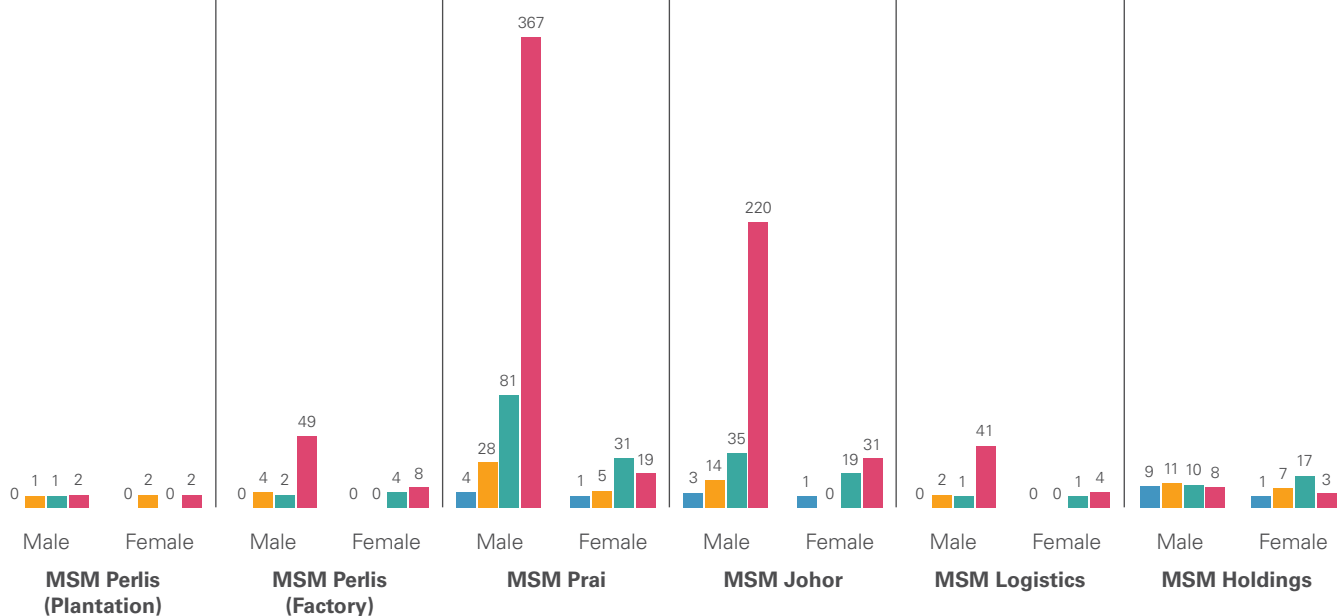


By Category

2019



2020



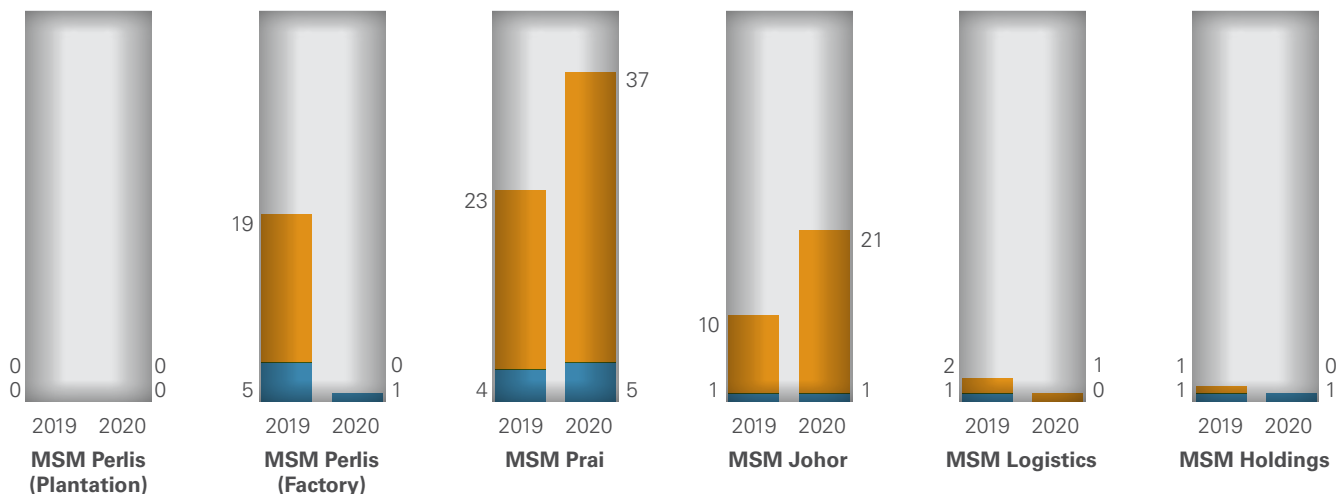
■ Top & Senior Management ■ Managers ■ Executives ■ Non-Executives

SUSTAINABILITY REPORT

GRI-401: Employment

Number of Employees Returning to Work after Maternity/Paternity

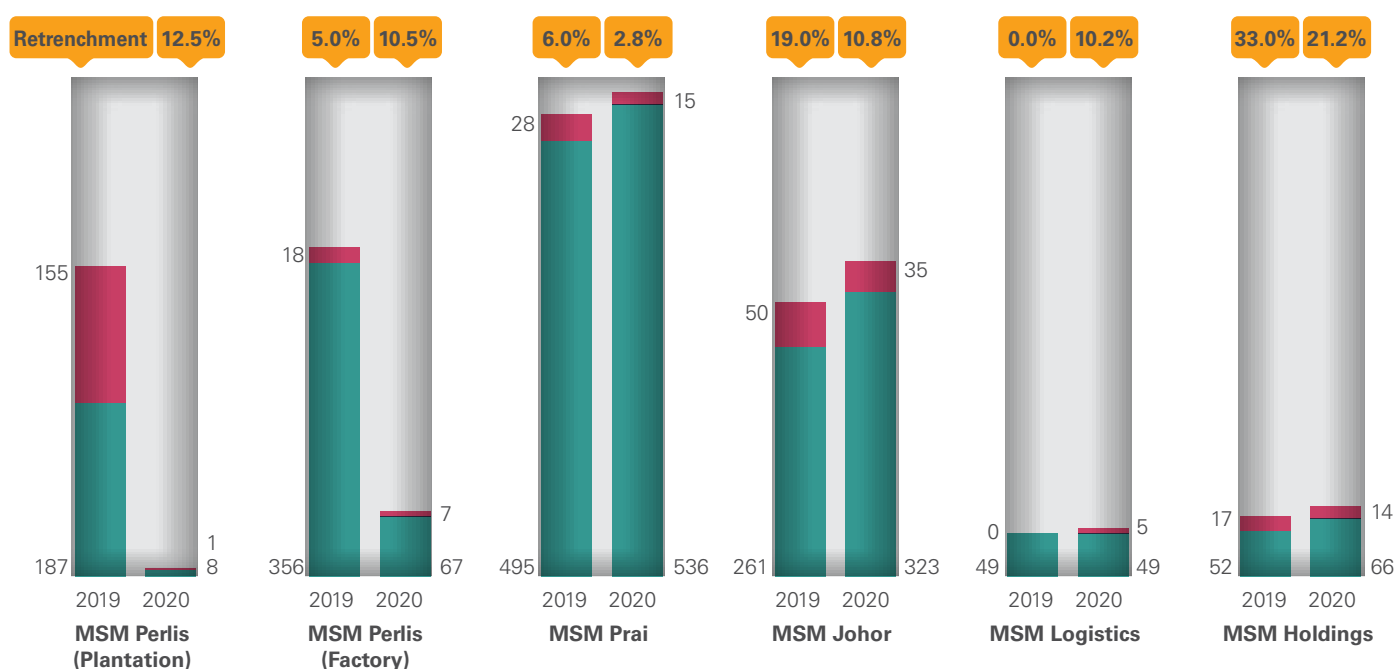
■ Maternity ■ Paternity



In 2020 we continued to offer maternity and paternity leave as part of our employee welfare benefits. Meanwhile, there was a reduction in the number of employees following the cessation of MSM Perlis operations. However, the turnover rate does not include retrenched employees and retirees.

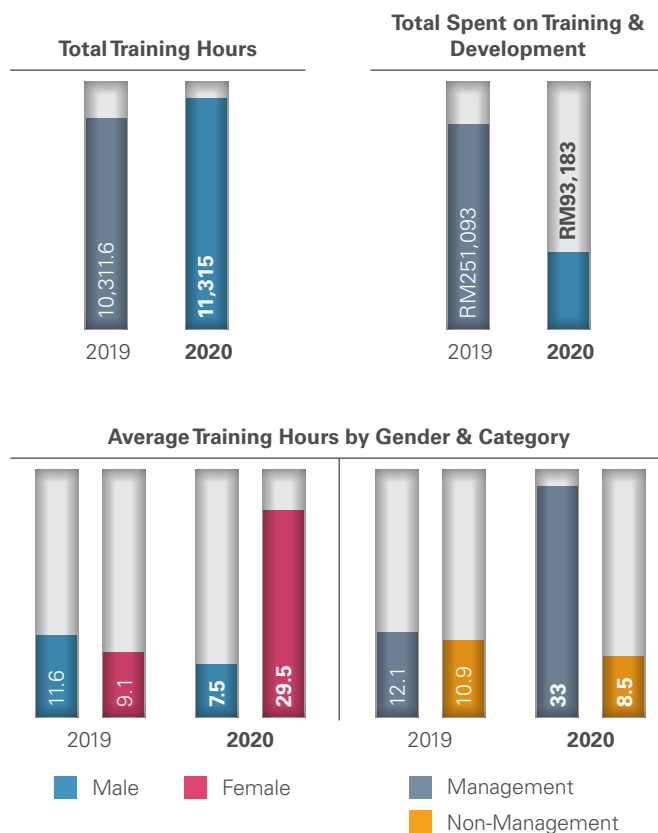
Employees Turnover Rate

■ Total Employees ■ Resigned Employees ■ Percent



GRI-404: Training and Education

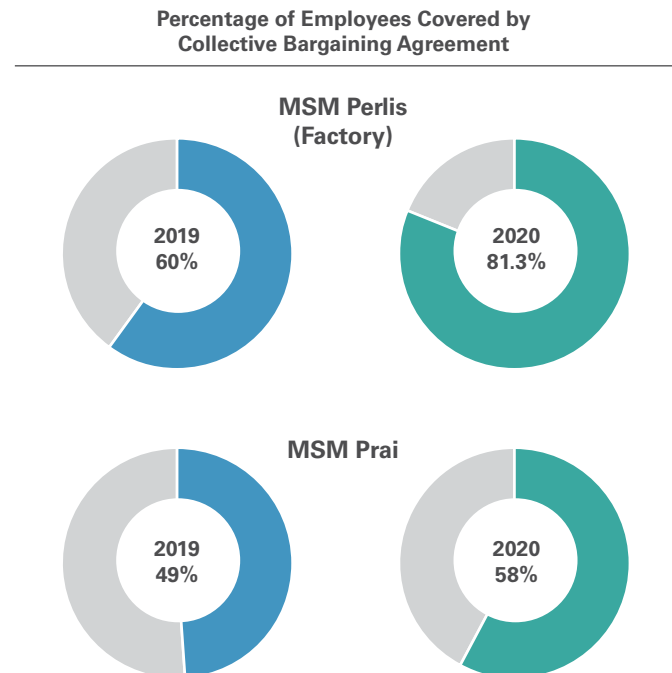
A talent pool of loyal and skilled employees is vital to our future expansion plans. In building loyalty and workforce strength, we have established a Staff Mobility programme anchored on staff training and development for career progression. This enables accelerated learning curves for new employees. 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.



GRI-407: Freedom of Association and Collective Bargaining

Loyalty, trust and communication are catalysts in forming long lasting and meaningful relationships with our employees. We continue to focus on promotion of employee rights and welfare by allowing for freedom of association with unions and have established a **collective bargaining agreement (CBA)** with the **union** 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.

In 2020, some of the employees from MSM Perlis who transferred to MSM Prai have also become eligible for coverage. However, the increase in percentage of employees covered by the CBA is mainly due to the overall reduction in total number of employees due to the cessation of MSM Perlis' operations.



SUSTAINABILITY REPORT



CORPORATE SOCIAL RESPONSIBILITY (CSR)

GRI-413: Local Communities

MSM Berhad 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).

In 2020, MSM contributed a total of 51,237 kg of sugar products to aid communities impacted by COVID-19 pandemic and through other corporate responsibility programmes. This amounted to over RM100,000 worth of contributions for the community.

COVID-19 Pandemic Aid

The impact of the global pandemic in the first quarter of 2020 had an unprecedented and startling effect to many segments of society globally, and in Malaysia. The disruptions caused by the Movement Control Order (MCO) have led to company closures and many people losing their jobs and source of income as a result.

During this time of uncertainty and loss, MSM participated in various social responsibility and humanitarian aid programmes in collaboration with Yayasan Foodbank Malaysia, NADMA, Felda and FGV in which we donated over 46,000 kg worth of sugar products as part of basic necessities care packages to help ease day to day living expenses. These programmes were held between March to April 2020 across Malaysia.

Other CSR Programmes

MSM also contributed over RM10,000 in cash and in-kind to various CSR programmes in collaboration with local government agencies and NGOs; providing support and assistance for the underprivileged segments such as senior citizens, *Orang Asli*, B40 families and people with disabilities (OKU).

Zakat & Alms Giving

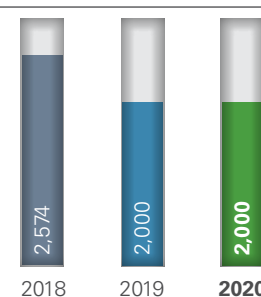
At MSM, we view our zakat contributions as a fundamental way in which we can contribute towards a more just and equitable society. Zakat or alms giving is based on the Islamic principle that Muslims should ease the economic burden of the less fortunate by sharing our earnings and wealth.

In 2020, MSM continued with our zakat contributions of more than RM1.0 million.

Assistance & Volunteerism

MSM encourages employees to engage in volunteer programmes and activities to help uplift marginalised groups and provide avenues of engagement on how our employees can assist communities. However, our progress on this front in 2020 has been quite restricted due to the lockdown/MCO. Despite that, MSM Prai employees continued to chalk up 2,000 man-hours performing volunteer services based on our ongoing Community Programme with Seberang Prai Municipal Council, which has been 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.

Volunteer Hours
(Man-Hours)



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.

Within our workplaces and plants, 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).

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.

Most importantly, 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.

Quality Assurance

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

- Food Safety System Certification (FSSC 22000 – Manufacturing)
- Food Safety Management System (ISO22000)
- Good Manufacturing Practice (GMP)
- 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 MSM 1500:2009
- Kosher-certified by the London Beth Din Kashrut Division

OCCUPATIONAL HEALTH & SAFETY (OSH)

GRI-403: Occupational Health & Safety

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.

Our Occupational Health and Safety Standards adhere to international and local health and safety industry standards by fulfilling the requirements by the Occupational Health and Safety Advisory Services (OHSAS18001) and the Malaysian Occupational Health and Safety Management Systems (MS1722).

Safety and Health Committee (SHC)

Our occupational health and safety performance is managed by the Safety and Health Committee which maintains a continuous monitoring, measurement and reporting cycle of Health Safety and Environment (HSE) performance to create an ecosystem of health and safety awareness.

SUSTAINABILITY REPORT

Roles and responsibilities	Frequency of meeting
(a) Assist in the development of safety and health rules and safe systems of work;	Quarterly
(b) Review the effectiveness of safety and health programmes;	
(c) Carry out studies on the trends of accidents, near-miss incidents, dangerous occurrence, occupational poisoning or occupational disease which occurs at the workplace;	
(d) Report any unsafe or unhealthy condition or practices at the workplace, together with recommendations for corrective actions, to the employer;	
(e) Review safety and health policies at the workplace and make recommendations to the employer for any revision of such policies;	
(f) Inspection of the work sites;	
(g) Conduct investigations into any accident or worrying incidents.	

Hazard identification, risk assessment and incident investigation

In MSM plants 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. MSM ensures the quality of these services and facilitates workers' access to them.

To register all chemicals used (Chemical Register) – SHE Department and area owner.

Conduct Chemical Health Risk Assessment (CHRA) – conducted by DOSH registered assessor.

Conduct Chemical Exposure Assessment – conducted by DOSH registered assessor.

Conduct Medical Surveillance – conducted by Occupational Health Doctor (OHD).

Noise Hazard Identification Checklist (Self-Assessment) – conducted by SHE Department.

Noise Risk Assessment (NRA) – conducted by DOSH Registered NRA Competent Person.

Audiometric Test – conducted by DOSH registered assessor.

Ear Medical Examination – conducted by Occupational Health Doctor (OHD).

Monthly general inspection – conducted by SHE team.

Quarterly meetings – Conducted by Safety committee team.

Near miss record keeping – by EAR card programme.

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:

Safety and Health Officer (SHO) Monthly Report – Head of Operation (HOO) will review the report before submitting to the top management.

Safety & Health Committee Workplace Inspection conducted bi-monthly – HOD of the related department to join the SHC Workplace Inspection.

Conduct Hazard Identification, Risk Assessment & Risk Control (HIRARC) – with HOD of the related process.

Hazard Hunt Form – to be submitted by staff when finding any unsafe act, unsafe condition or near miss accident.

Safety Toolbox Talk – one of the platforms to highlight any safety issues to staff by HOD.

The following lists the processes for workers to report work-related hazards and hazardous situations:

Submission of Hazard Hunt Form to SHE Department upon any finding of unsafe act, condition or near miss incident.

Highlight during Safety and Health Committee Meeting.

Directly or verbally reported to SHE Department.

During Safety and Health Committee Workplace Inspections.

HOD to highlight any new risks, new hazards or any safety issues during Safety Toolbox Session.

Worker can raise any issue regarding safety by using the EAR card. All the cards will be recorded and action taken will be channelled to the related department with details of issuer.

The results of these processes are used to evaluate and continually improve the occupational health and safety management system.

Submitted to the top management by Head of Operation (HOO) on monthly basis.

The inspection findings will be communicated verbally to the area owner and through share drive for the area owner to rectify the findings and the outcome will be discussed during Safety and Health Committee Meeting.

Conduct Hazard Identification, Risk Assessment & Risk Control (HIRARC) with area owner or process owner and HOD to brief to their staff.

All the PTW will be recorded and shared to all HOD and PIC for better monitoring.

SUSTAINABILITY REPORT

Workers are protected against reprisals by ACT 514 OCCUPATIONAL SAFETY AND HEALTH ACT 1994 Under PART VI – GENERAL DUTIES OF EMPLOYEES

Section 27. Discrimination against employee, etc.

No employer shall dismiss an employee, injure him in his employment, or alter his position to his detriment by reason only that the employee;

- (1) Makes a complaint about a matter which he considers is not safe or is a risk to health;
- (2) An employer who, or a trade union which, contravenes the provisions of this section shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding ten thousand ringgit or to a term of imprisonment not exceeding one year or to both.

Monitoring our Accident Statistics

As a whole, MSM Group had shown improvement in reducing accidents at the workplace. Cases due to accidents during work hours reduced 26% from 39 cases in 2018 to 29 cases in 2020. Unfortunately, we regret to report that there was a fatality case reported in MSM Prai in January 2020 due to contact with hot substance. The most common injury reported for 2020 mostly involved employees being hit by falling or moving objects and being caught in between objects. MSM's management takes a very serious view of all incidents and after each incident, immediate efforts were taken to improve the relevant standard operating procedure (SOP), policy and safeguards. Detailed investigations of every accident is conducted in close collaboration with the FGV Group Safety, Health & Environment Department and the Department of Safety and Health Malaysia (DOSH).






The fatality recorded in 2020 was a critical call to action for heightened safety awareness and training within the refinery. MSM's management deeply regrets the loss of life of our employee and the incident was fully investigated internally and also by DOSH Penang, using Kelvin Top Set Analysis. Following the report, an additional SOP was registered as an immediate corrective action, and the following preventive actions have been identified:

- Training for all position levels
- Installation of a big digital thermometer
- Installation of a locking system at inspection
- Lock Out Tag Out (LOTO) system
- Safety signages
- Follow supervisor's instruction according to SOP

	2018	2019	2020
Cases	39	36	29
Days Lost to Injury	149	176	6,202
Incident Rate	33.60%	29.46%	18.23%

NO OF FATAL ACCIDENTS: 1

Activities, Awards & Recognition

Areas of Training		Training Programmes	
	Emergency Preparedness Trainings	<ul style="list-style-type: none"> Analysis of potential non conformity in scheduled waste management and its counter measures Authorised Entrants/Standby by Person for Confined Space Refresher (AESP) Authorised Gas Tester and Entry Supervisor for Confined Space Refresher (AGT) – Refresher 	
	HSE Awareness & Trainings	<ul style="list-style-type: none"> 12th NRG SHE OSH Conference & workshop OSH Conference – Northern Region (NRG) – Safety Chemical Awareness Training HSE Induction 	<ul style="list-style-type: none"> Kempen Keselamatan dan Kesihatan Pekerjaan 2020. “Keselamatan Jalan Raya” Bersama Jabatan Pengangkutan Jalan (JPJ) Malaysia
	Competency Trainings	<ul style="list-style-type: none"> Electrical Safety & efficient Energy management of electrical & heating, ventilation, and air conditioning (HVAC) equipment in the workplace Forklift safety Handling Technique & Operation 	<ul style="list-style-type: none"> Analysis of Potential Non-Conformity – Environment Basic Chemical Handling Training Hazard Identification, Risk Assessment and Risk Control (HIRARC) OSH Coordinator
	Emergency Response Team (ERT)	<ul style="list-style-type: none"> Accident investigation – Root Cause Analysis (RCAT) 	
	Noise Pollution Control	<ul style="list-style-type: none"> Noise Risk Assessment (NRA) Result Presentation 	

Certification/Award/Recognition	Aspect	Evaluator/Provider
MSM Sg Buloh Warehouse: Level of Compliance – GRED B Level of Achievement – 89.33%	Workplace Inspection (PTK)	Department of Occupational Safety & Health (DOSH), Selangor

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.

PROFILE OF DIRECTORS

AS AT 25 MARCH 2021



DATUK SYED HISHAM SYED WAZIR

Chairman, Independent Non-Executive Director

66



Appointment to the Board:
8 May 2020

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
17 June 2020

Board Meeting Attendance:
BOD: 12/12

**Directorship of Public Companies
(if any):**

- Bermaz Auto Berhad



Qualification(s):

- Professional Qualification in Automotive, Institute of Motor Industry (FIMI), United Kingdom
- Master in Business Administration, Ohio State University, US
- Bachelor of Science in Mechanical Engineering, Plymouth University, UK
- Ordinary National Diploma in Engineering, Hastings College of Further Education, UK



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)



DATO' MUTHANNA ABDULLAH

Independent Non-Executive Director

60



Appointment to the Board:
8 May 2020

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
17 June 2020

Board Meeting Attendance:
BOD: 12/12 NRC: 4/4 AGRC: 3/3

**Directorship of Public Companies
(if any):**

- Digital Nasional Berhad
- IHH Healthcare Berhad
- Sapura Resources Berhad
- Mitsui Insurance Group Berhad (MSIG)
- Malaysian Rating Corporation Berhad (MARC)
- Malaysian Life Reinsurance Group Berhad (MLRe)



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



Board Committee Membership:

- Chairman of the Nomination and Remuneration Committee
- Member of the Audit, Governance and Risk Committee

**CHOY KHAI CHOON**

Independent Non-Executive Director

63

**Appointment to the Board:**

8 May 2020

Length of Tenure as Director:

< 3 years

Date of Last Re-election:

17 June 2020

Board Meeting Attendance:**BOD:** 12/12 **AGRC:** 3/3 **ITC:** 3/3**Directorship of Public Companies (if any):**

- Deutsche Bank Malaysia Berhad
- Zurich Life Insurance Malaysia Berhad
- Zurich General Insurance Malaysia Berhad
- Malaysia Marine and Heavy Engineering Berhad
- Hap Seng Plantations Holdings Berhad

**Qualification(s):**

- Professional Qualification in Accounting, Australian CPA
- Professional Qualification in Accounting, the Malaysian Institute of Accountants
- Master in Business Administration, Oklahoma University, USA
- Bachelor Degree in Commerce, University of New South Wales, Australia

**Working Experience and Occupation:**

- Chairman, Zurich General Insurance Malaysia Berhad (January 2021 - present)
- Member, Labuan Financial Services Authority (Labuan FSA) (November 2020 - present)
- Independent Director, Hap Seng Plantations Holdings Berhad (November 2017 - present)
- Senior Independent Director and Risk & Audit Committee Chairman, Malaysia Marine and Heavy Engineering Berhad (February 2013 - present)
- Chairman, Zurich Life Insurance Malaysia Berhad (September 2013 - present)
- Deputy Chairman, Member of Audit Committee and Nomination & Remuneration Committee, Deutsche Bank Malaysia Berhad (June 2012 - present)
- 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)
- Nomination & Remuneration Committee Chairman, Zurich General Insurance Malaysia Berhad (August 2019 - December 2020)
- Audit Committee Chairman, RAM Rating Services Malaysia Berhad (August 2013 - June 2020)
- 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)

**Board Committee Membership:**

- Chairman of the Audit, Governance and Risk Committee
- Member of the Investment and Tender Committee

**DATUK DR ABD HAPIZ****ABDULLAH**

Independent Non-Executive Director

62

**Appointment to the Board:**

8 May 2020

Length of Tenure as Director:

< 3 years

Date of Last Re-election:

17 June 2020

Board Meeting Attendance:**BOD:** 12/12 **ITC:** 3/3 **NRC:** 4/4**Directorship of Public Companies (if any):**

- Perdana Petroleum Berhad
- Ancom Berhad

**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 (Jan 1985 - April 1995)
- Chemistry Lecturer, University Malaya (1984)

**Board Committee Membership:**

- Chairman of the Investment and Tender Committee
- Member of the Nomination and Remuneration Committee

PROFILE OF DIRECTORS



DATUK LIM THEAN SHIANG

Independent Non-Executive Director

49



Appointment to the Board:
23 August 2013

Length of Tenure as Director:
7 - 9 years

Date of Last Re-election:
17 June 2020

Board Meeting Attendance:
BOD: 13/14 AGRC: 3/3 ITC: 3/3

Directorship of Public Companies (if any):

- Daya Materials Berhad



DATO' ROSINI ABD SAMAD

Independent Non-Executive Director

66



Appointment to the Board:
7 January 2015

Length of Tenure as Director:
4 - 6 years

Date of Last Re-election:
17 June 2020

Board Meeting Attendance:
BOD: 14/14 AGRC: 3/3 NRC: 4/4

Directorship of Public Companies (if any):

Nil



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)
- Chairman, Tropicana SJII Education Management Sdn Bhd (2018 - present)
- Executive Vice Chairman/Group Chief Executive Officer, Daya Materials Berhad (2015 - present)
- 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, El 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)



Board Committee Membership:

- Member of the Audit, Governance and Risk Committee
- Member of the Investment and Tender 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, UK
- 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 - present)
- Audit Committee Chairman, IIUM Holdings Sdn Bhd (2016 - present)
- Member of the Nomination and Remuneration Committee, IIUM Holdings Sdn Bhd (2016 - present)
- Remedial Grievances and Disciplinary Committee, IIUM Holdings Sdn Bhd (2016 - present)
- Member of the Disciplinary Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Member of the Tender Committee, Percetakan Nasional Malaysia Berhad (2010 - 2014)
- Member of the Nomination and Remuneration Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Chairman, Audit Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Board Member, Percetakan Nasional Malaysia Berhad (2007 - 2014)
- Accountant General's nominee, Council of Malaysian Institute of Accountant (MIA) (2011 - 2014)
- Deputy Accountant General (Corporate), the Accountant General's Department Malaysia (2010 - 2014)



Board Committee Membership:

- Member of the Audit, Governance and Risk Committee
- Member of the Nomination and Remuneration Committee



DATO' AMIR HAMDAN HJ YUSOF

Non-Independent Non-Executive Director

59



Appointment to the Board:
12 January 2021

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
-

Board Meeting Attendance:
BOD: - NRC: -

**Directorship of Public Companies
(if any):**
Nil



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)
- Deputy Director General FELDA (Plantation and Settler Development) (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)
- Director (Jusa C/UU7), Plantation Department FELDA (2019)
- Director (Jusa C/UU7), Entrepreneur Development Department FELDA (2015)
- Director (Jusa C/UU7), Higher Education & New Generation Development Department FELDA (2013 - 2015)
- Director (Jusa C/UU7), 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)



Board Committee Membership:

- Member of the Nomination and Remuneration Committee



DATO' HARIS FADZILAH HASSAN

Non-Independent Non-Executive Director

53



Appointment to the Board:
11 February 2019

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
19 June 2019

Board Meeting Attendance:
BOD: 14/14 ITC: 3/3

**Directorship of Public Companies
(if any):**
Nil



Qualification(s):

- Advanced Management Programme (AMP), Columbia Business School, Columbia University, New York
- Senior Management Development Programme (SMDP), Harvard Business School Alumni of Malaysia
- Master of Business Administration (MBA), University of Miami, Coral Gables, Miami, Florida, USA
- Bachelor of Business Administration (BBA), University of Miami, Coral Gables, Florida, Miami, USA



Working Experience and Occupation:

- Group Chief Executive Officer, FGV Holdings Berhad (January 2019 - present)
- Director, Commercial & Land Management of Mass Rapid Transit Corporation Sdn Bhd (January 2016 - January 2019)
- Acting Chief Executive Officer of Mass Rapid Transit Corporation Sdn Bhd (December 2013 - February 2014)
- Director, Stakeholder Relations & Land Management of Mass Rapid Transit Corporation Sdn Bhd (April 2012 - January 2016)
- Senior Vice President 1, Downstream Operations of Sime Darby Plantation Sdn Bhd (August 2008 - April 2012)
- Senior Vice President 2, Strategy & Business Development of Sime Darby Plantation Sdn Bhd (November 2007 - August 2008)
- Head, Project Management Office (PMO) Plantation of Synergy Drive (November 2006 - November 2007)
- General Manager, Corporate Strategy & Business Development of Golden Hope Plantations Berhad (May 2006 - November 2007)
- Head, Strategy Development & Corporate Planning of Proton Holdings Berhad (May 2005 - May 2006)
- Head of Iran Project, International Business Division of Proton Marketing Sdn Bhd (November 2003 - May 2005)
- Concurrently acting as Head, Domestic Operation and Head, Public Relations Department of Perusahaan Otomobil Nasional Berhad (PROTON) (December 2000 - May 2002)
- Head, Corporate Planning Division of PROTON (December 2000 - November 2003)
- Head, Strategic Investment Unit, International Business Division of PROTON (November 1999 - May 2002)
- Market Strategist, International Business Division of PROTON (August 1998 - November 1999)
- Senior Consultant, Waterfield-Portola (May 1997 - August 1998)
- Senior Executive, Corporate Planning & Business Development of Petrolim Nasional Berhad (PETRONAS) (March 1994 - May 1997)
- Executive, Systems Development, Information Resources Division of PETRONAS (September 1992 - March 1994)
- Systems Engineer, Information Technology of Matsushita Television Co. (M) Sdn Bhd (1990 - 1992)



Board Committee Membership:

- Member of the Investment and Tender Committee

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. The details of Directors' attendance at Board Meetings held in the financial year ended 31 December 2020 are set out in the Corporate Governance Overview Statement on page 75 of MSM Annual Report 2020.

PROFILE OF COMPANY SECRETARY



KOO SHUANG YEN

Company Secretary

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Appointed:
20 May 2011

Directorship in other public companies:
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, UK
- 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 Berhad and its Group of Companies (1995 - 2012)
- Senior General Manager, Group Finance, Felda Holdings Berhad (2011 - 2012)
- Group Accountant, Downstream Division, Felda Holdings Berhad (2009 - 2010)
- Head of Finance, Felda Enterprises Sdn Bhd (2007 - 2008)
- Head of Finance, Felda Engineering Services Sdn Bhd (1991 - 2006)

PROFILE OF SENIOR MANAGEMENT



Appointment to the position:
1 February 2021

Details of any interest in the securities of the listed issuer or its subsidiaries:
Nil

Directorship in MSM Group of Companies:

All MSM subsidiaries

Directorship of Public Companies/ Listed Issuers:

Nil



Qualification(s):

- Masters in Business Administration (Executive), Charles Sturt University, Australia
- Bachelor of Science in Electrical Engineering, University of Nebraska, Lincoln, U.S.A.
- Member of Institute of Corporate Directors Malaysia



Working Experience and Occupation:

- Non-Executive Director, Borneo United Consortium Sdn Bhd (June 2020 - February 2021)
- Executive Director, IBC Industrials Co Ltd, Thailand (July 2020 - January 2021)
- Asia Special Representative, Fleet Energy Inc (February 2019 - January 2021)
- Chief Executive Officer, BIV Commodities Sdn Bhd (2016 - September 2018)
- Board Member, BIV Commodities Pte Ltd (2016 - September 2016)
- Chief Executive Officer and Board Member, MMC Engineering Group Bhd (2016 - September 2018)
- Sr. Vice President, Malaysia (CEO), TechnipFMC (formerly known as Technip Malaysia) ("TechnipFMC") (2013 - 2015)
- Executive Committee Member Asia Pacific, TechnipFMC (2013 - 2015)
- Board Member of various entities, TechnipFMC (2013 - 2015)
- Sr. Vice President Business Development Asia Pacific & EXCO Member, TechnipFMC (2005 - 2012)
- Vice President, Business Development Asia Pacific & EXCO Member, Technip FMC (1996 - 2004)
- Business Development Manager, TechnipFMC (1995 - 1996)
- Senior Engineer Business Development, TechnipFMC (1993 - 1995)
- Procurement Engineer, TechnipFMC (1990 - 1993)
- Project Management Control Engineer, TechnipFMC (1988 - 1990)
- Development Engineer, Shell Sarawak (1986 - 1987)



Appointment to the position:
9 October 2020

Details of any interest in the securities of the listed issuer or its subsidiaries:
Nil

Directorship in MSM Group of Companies:

All MSM subsidiaries

Directorship of Public Companies/Listed Issuers:

Nil



Qualification(s):

- Bachelor in Chemical Engineering (with distinction) Clarkson University, New York



Working Experience and Occupation:

- Head of Operations Downstream, Downstream Division, Plantation Sector, FGV Holdings Berhad (2019 - 2020)
- CEO FGV Refineries Sdn Bhd, Downstream Division, Plantation Sector, FGV Holdings Berhad (2020)
- CEO Delima Oil Products Sdn Bhd, Downstream Division, Plantation Sector, FGV Holdings Berhad (2020)
- Board Member FGV Green Energy Sdn Bhd
- Various post in Malaysian Biodiesel Association – MBA (an FMM affiliate) (2016 - 2021) – Secretary/Treasurer & Exco Member.
- Head of Downstream, Downstream Cluster, FGV Holdings Berhad (2019 - 2020)
- Interim Caretaker, Palm Downstream Cluster, FGV Holdings Berhad (2019)
- CEO FGV Biotechnologies Sdn Bhd, Downstream Cluster, FGV Holdings Berhad (2014 - 2019)
- Vice President, Downstream Cluster, Twin River Technologies US Inc (2013)
- Vice President (Acting), Downstream Cluster, Twin River Technologies US Inc (2013)
- Senior General Manager, Downstream Cluster, Twin River Technologies US Inc (2011 - 2012)
- General Manager (seconded to TRT US Inc), Downstream Cluster, Felda Holdings Berhad (2010)
- Senior QA Manager, FPG Oleochemicals Sdn Bhd, Kuantan (FPG Kuantan), (2008 - 2010)
- Kuantan Site QA Manager (Kuantan Chemicals + Kuantan Consumer Goods – KCG), FPG Kuantan
- Technical Systems Manager (QA + Lab + Plant MPO-Process), FPG Kuantan (2006)
- Site Quality Assurance (QA) Manager, FPG Kuantan Plant (2005)
- Project Manager, New Wastewater Treatment Plant Project (US\$5MM), FPG Kuantan (1999)
- Project Engineering/Capital Management Leader, FPG Kuantan (1997)
- Product Development Leader, FPG Kuantan (1992)

PROFILE OF SENIOR MANAGEMENT



AB AZIZ ISMAIL

Chief Financial Officer

Appointment to the position:
1 June 2019

Details of any interest in the securities of the listed issuer or its subsidiaries:
Nil

Directorship in MSM Group of Companies:
All MSM subsidiaries

Directorship of Public Companies/ Listed Issuers:
Nil



Qualification(s):

- Fellow Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom
- Chartered Accountant with Malaysian Institute Accountants



Working Experience and Occupation:

- Chief Financial Officer, MSM Malaysia Holdings Berhad (2019 - present)
- Deputy Chief Financial Officer, MSM Malaysia Holdings Berhad (April 2019 - May 2019)
- Group Financial Controller (Plantation Sector), Group Finance Division, FGV Holdings Berhad (Jan 2018 - Mac 2019)
- Senior General Manager (Support Services), FGV Trading Sdn Bhd (2015 - 2017)
- Chief Financial Officer, Felda Iffco Sdn Bhd (2007 - 2015)
- General Manager, Felda Trading Bhd (2004 - 2007)
- Senior Audit Manager, Internal Audit Department, Felda Holdings Bhd (1994 - 2004)
- Auditor in a Chartered Accountant Firm, London, United Kingdom (1991 - 1994)



CHEAH POH LYE

Head of Operations, MSM Prai Berhad

Appointment to the position:
1 December 2018

Details of any interest in the securities of the listed issuer or its subsidiaries:
None

Directorship in MSM Group of Companies:
None

Directorship of Public Companies/ Listed Issuers:
None



Qualification(s):

- Bachelor's Degree in Engineering (Mechanical) 1992 from Universiti Teknologi Malaysia
- Registered Electrical Energy Manager with Energy Commission 2017
- Steam Engineer Grade 2, Competency Number 074/98



Working Experience and Occupation:

- Senior General Manager Operations (Jan 2019 - present)
- Acting Head of Operations (Dec 2018)
- Assistant General Manager/General Manager, Engineering (Dec 2009 - Nov 2018)
- Manager Mechanical (Sep 2004 - Nov 2009)
- Assistant Manager Mechanical (Feb 2000 - Aug 2004)
- Mechanical Engineer, MSM Prai (Jul 1993 - Jun 2000)
- Mechanical Production Engineer, Sony Electronic Malaysia (Jul 1992 - Jun 1993)



JAFRI ZAINAL

Acting Head of Operations,
MSM Sugar Refinery (Johor) Sdn Bhd

Appointment to the position:
30 November 2020

Details of any interest in the securities of the listed issuer or its subsidiaries:
None

Directorship in MSM Group of Companies:
None

Directorship of Public Companies/ Listed Issuers:
None



Qualification(s):

- Diploma in Industrial Chemistry, UiTM 1994



Working Experience and Occupation:

- FGV Oleochemicals Sdn Bhd from 1994 - 2015 in various functions. Last position was Initiative Manager
- FGV Biotechnologies Sdn Bhd, Downstream Cluster, FGV Holdings Berhad (2016 - 2020) as Plant Manager (final few months as acting CEO)

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
 - (i) been convicted of any offence (other than traffic offences) within the pass five (5) years; and
 - (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

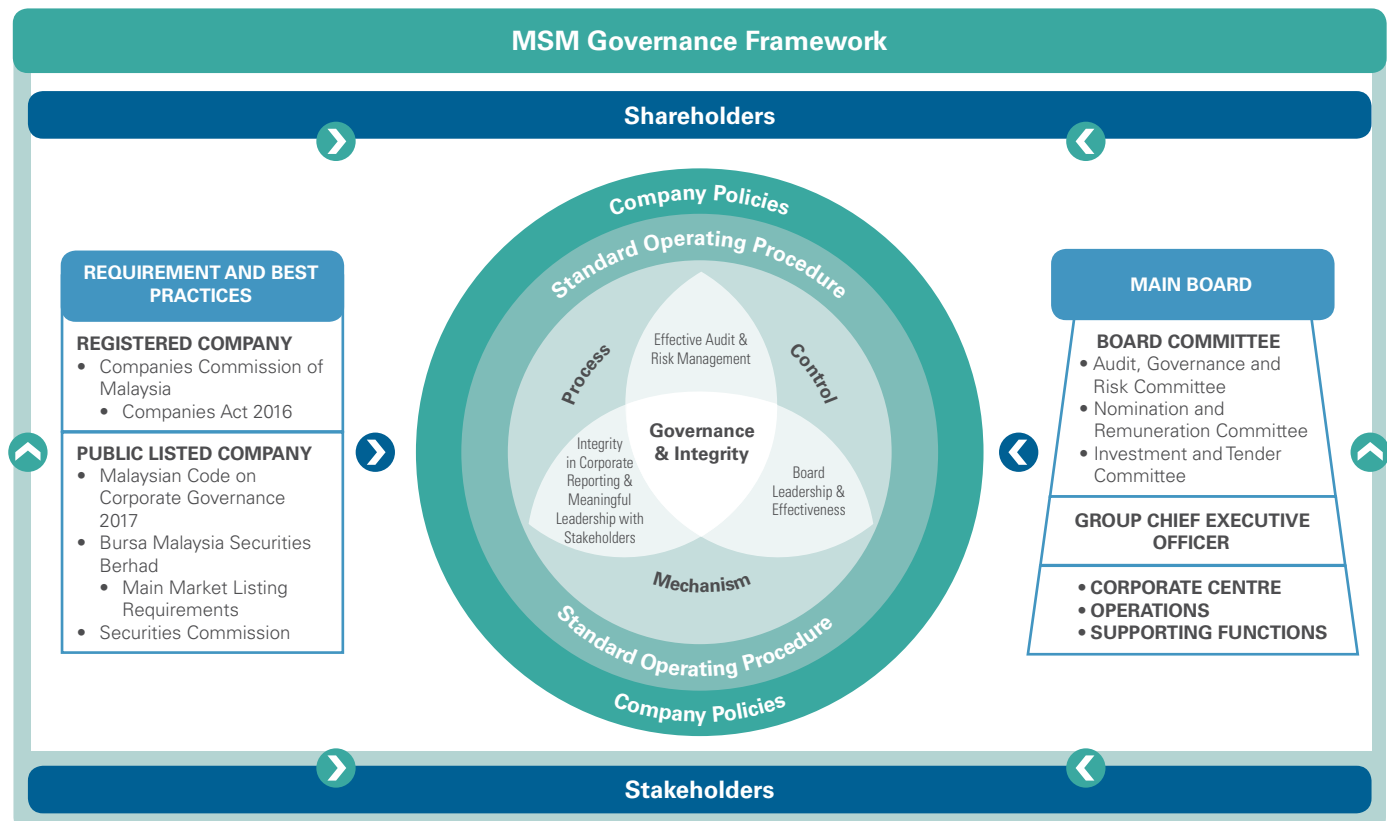
The Board of MSM Malaysia Holdings Berhad ("MSM" or "Company") is pleased to present the Corporate Governance Overview Statement ("Statement or CGOS") highlighting MSM's compliance with the principles and best practices recommended under the Malaysian Code on Corporate Governance 2017 during the financial year ended 31 December 2020 ("FYE 2020"). This Statement is also prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements and is to be read together with the Corporate Governance Report FYE 2020 ("CG Report 2020") of MSM.

Good governance principles and practices are adhered to and are embedded throughout the Company. Our Board is committed in ensuring effective leadership and promotes a culture of uncompromising ethical standards based on honesty and integrity.

MSM's Corporate Governance Framework complies with regulatory requirements and consistency with best practices and guidelines:

- Companies Act, 2016
- Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities")
- Malaysian Code of Corporate Governance 2017 ("MCCG 2017") published by the Securities Commission
- Corporate Governance Guide – 3rd Edition 2017 ("3rd CG Guide") published by Bursa Securities

MSM Governance framework is depicted below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

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:

- (a) Board leadership and effectiveness
- (b) Effective audit and risk management
- (c) Integrity in corporate reporting and meaningful relationship with stakeholders.

MSM's application of the practices in relation to the MCCG 2017 are provided in the Corporate Governance Report ("CG Report 2020") as available on the Company's corporate website at <http://www.msmsugar.com/investor-relations/annual-reports>.

Focus on Strong Governance

We are focused on ensuring that integrity remains paramount in the conduct of our business across the MSM Group. We would like to emphasise that the Board does not tolerate failure to comply with either our legal obligations or internally mandated high standards of behaviour. With this in mind, the MSM Group is well positioned to continue to improve its performance in future years. We believe that we have an experienced and committed Board who continue to focus on promoting the success and long-term sustainable value of the Group. We will continue to monitor the balance of skills, experience and knowledge on the Board and ensure that it remains appropriate and relevant to drive the Group's strategy forward over the coming years.

Commitment to Anti-Bribery and Anti-Corruption

We have put in place our adequate procedures such as, Anti-Bribery Policy Statement and Whistleblowing Policy at MSM website in compliance with Paragraph 15.29 (1) and (2) of MMLR guided by the Guidelines on Adequate Procedures, Section 17A (5) of the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amendment Act 2018). Three (3) key focus areas were examined – Corruption, Fraud and Abuse of power.

Anti-Bribery Policy Statement and Whistleblowing Policy are available on the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.

A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of Directors

The Board's oversees the MSM Group 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 composition of the Board is in compliance with Paragraph 15.02 of the MMLR. As at the date of this statement, there are eight (8) members on the Board, comprising:

- Six (6) Independent Non-Executive Directors; and
- Two (2) 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 68 to 71 of this Annual 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.

Four (4) Independent Non-Executive Directors (“INED”) and one (1) Non-Independent Non-Executive Director, who have diversified skill-set and experience and broader commercial exposure were appointed on 8 May 2020 and 12 January 2021 respectively, to strengthen the overall Board and Board Committees’ effectiveness. The appointment of new directors has improved the Board dynamics and raised the level of debate and challenge at the Board and Board Committees meetings.

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.

On 10 June 2020, the Audit Committee and Board Governance & Risk Management Committee was merged as one committee and renamed as Audit, Governance and Risk Committee (“AGRC”). AGRC will be the platform to bring internal audit observations, governance initiatives and risks

matters together for MSM to move forward efficiently and effectively in key risk areas.

The Board has also established a new Board Committee known as Investment and Tender Committee (“ITC”) effective on the same date. ITC was established to undertake responsibilities, amongst others, for review of Business Plans progress and performance of MSM’s existing and new significant investments as well as to assist the Board in fulfilling the Board’s statutory and fiduciary responsibilities in relation to the review of significant procurements based on the limits set out in MSM Group Limits of Authority.

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 (“GCEO”), 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.

Board Committee

Audit, Governance and Risk Committee (merged with effect from 10 June 2020)	Responsibilities & Duties
<p>Chairman</p> <ul style="list-style-type: none"> • Choy Khai Choon (appointed as Chairman with effect from 10 June 2020) <p>Member</p> <ul style="list-style-type: none"> • Dato’ Muthanna Abdullah • Datuk Lim Thean Shiang • Dato’ Rosini Abd Samad (All members were appointed with effect from 10 June 2020) 	<ul style="list-style-type: none"> • 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: <ol style="list-style-type: none"> AGRC Report Statement on Risk Management and Internal Control Corporate Governance Overview Statement Sustainability Reporting on Economic, Environmental and Social Corporate Governance Report • Undertake any such other functions as may be determined by the Board from time to time <p>Details of the AGRC Report is set out on pages 92 to 98 of this Annual Report</p>

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Nomination and Remuneration Committee	Responsibilities & Duties
<p>Chairman</p> <ul style="list-style-type: none"> Dato' Muthanna Abdullah <i>(appointed as Chairman with effect from 10 June 2020)</i> <p>Member</p> <ul style="list-style-type: none"> Datuk Dr Abd Hapiz Abdullah <i>(appointed as Member with effect from 10 June 2020)</i> Dato' Rosini Abd Samad <i>(appointed as Member with effect from 10 June 2020)</i> Dato' Amir Hamdan Hj Yusof <i>(appointed as Member with effect from 12 January 2021)</i> 	<ul style="list-style-type: none"> Review the composition of the Board, the Board Committees, the directorship in Group and the Group Top Management Review the processes for nomination and election, appointment, reappointment and re-election 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, GCEO and Top Management <p>Details of the NRC Report is set out on pages 99 to 106 of this Annual Report</p>
Investment and Tender Committee	Responsibilities & Duties
<p>Chairman</p> <ul style="list-style-type: none"> Datuk Dr Abd Hapiz Abdullah <i>(appointed as Chairman with effect from 10 June 2020)</i> <p>Member</p> <ul style="list-style-type: none"> Choy Khai Choon Datuk Lim Thean Shiang Dato' Haris Fadzil Hassan <i>(All members were appointed with effect from 10 June 2020)</i> 	<ul style="list-style-type: none"> 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 To make its recommendations on the abovementioned to the Board <p>The Group's Investment and Divestment Matters</p> <ul style="list-style-type: none"> Review and recommend to the Board the Group Investment Policy Review and recommend to the Board, the specific initiatives, projects and potential investments and divestments proposed by Management 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 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 Review and recommend to the Board, any proposed investments and divestments, including their funding requirements including any proposed acquisition/divestment/cessation of overseas offices <p>The Group's Procurement Matters</p> <ul style="list-style-type: none"> Review the Group Procurement Policies & Procedure ("GPPP"), including its framework to adopt best and transparent practices in procurement and any changes to the framework and policies, for subsequent Board approval Review and recommend procurement related items as listed in the MSM's Limit of Authority ("LoA") and the GPPP for subsequent Board approval Review the efficiency and effectiveness of the Group's centralised procurement initiatives

Investment and Tender Committee	Responsibilities & Duties
	<ul style="list-style-type: none"> • Review and endorse any procurement not covered in or vary from the GPPP or vary from any standard contract term for subsequent Board approval • Review and recommend and/or approve tender awards under the GPPP for capital expenditures ("CAPEX") and operating expenses ("OPEX") • Review and approve any variation order for awarded contracts and the limit of such variation order as set out in the Group LoA and GPPP • Review and recommend and/or approve the terminations of procurements within limits set out in the GPPP • Review status reports on procurement transactional efficiency and effectiveness, including amongst others, completion and delivery, spending against budget annually • Undertake any other necessary duties, as mutually agreed by the Investment and Tender Committee and the Board or any other authority • Review the Investment and Tender Committee Report in the Annual Report and recommend to the Board for approval <p>Since its establishment, the Committee had three (3) meetings during 2020 and the key matters discussed are on the Ramping Up Plan on MSM Sugar Refinery (Johor) Sdn Bhd and related matters.</p>

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 and has unrestricted direct access to the advice services of the Company Secretary to facilitate them 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 2020 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. Performance evaluation was conducted by the appointed Independent Facilitator for the Board as a whole, its Committees and contributions from each individual Board member.

Further details on the Board Evaluation Assessment carried out is disclosed in the NRC Report on page 103 of this Annual Report.

Our Board and Board Committee Meetings and Attendance

The Board meetings conducted in 2020 were scheduled ahead and approved by the Board on 20 November 2019. 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 fifteen Board meetings held during FYE 2020. Out of the numbers, ten were unscheduled meetings held on 30 April 2020, 15 June 2020, 24 July 2020, 7 August 2020, 28 August 2020, 7 September 2020, 23 September 2020, 28 September 2020, 23 November 2020 and 14 December 2020. Board agendas were set by the Chairman in consultation with the GCEO and assisted by the Company Secretary. Among the important issues discussed at the unscheduled meetings are:

- The appointment of Independent Non-Executive Directors of MSM
- Test After Completion ("TAC") Status of the Tanjung Langsat Refinery
- MSM Perlis Manpower Mobilisation Status

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- Mid-Year Review and Forecast 2020 to discuss the following:
 - Status of Key Strategic Initiatives under MSM BP21 (V2);
 - Performance review of MSM Group for the First Half 2020 (1H 2020);
 - Action Plans to achieve Forecast 2020.
- Group Internal Audit Investigation Report on MSM Johor Refinery Project
- Due Inquiry process arising from Group Internal Audit Reports on the Inventory Adjustment in November 2019 by MSM Sugar Refinery (Johor) Sdn Bhd
- Appointment of Officer-in-Charge and establishment of a Board Executive Committee following leave of absence of Group Chief Executive Officer
- Misrepresentation by the former GCEO and former Group COO in the Justification Report presented to the Board to justify the RM36.6 million of Inventory Adjustment of MSM Sugar Refinery (Johor) Sdn Bhd and their failure to act in the best interest of the Company
- The cessation of GCEO and Group COO and appointment of Acting GCEO and Acting Group COO
- Proposed rental of an External Warehouse for Refined Sugar Storage at Bukit Jelutong for MSM Prai Berhad

PRIORITIES IN 2021

1. Optimising production levels
2. Reducing refining cost
3. Improving distribution cost
4. Monetise non-core assets
5. Increase sales of value-added sugar products

Details of the Priorities can be found on pages 28 to 29, Management Discussion & Analysis of this Annual Report.

ESTABLISHMENT OF BOARD EXECUTIVE COMMITTEE

On 8 September 2020, the Board has appointed Fakhrunniam Othman as the Officer-In-Charge to perform the functions of the GCEO following the leave of absence of GCEO. The Board also established of Board Executive Committee ("BEC"), comprising three (3) MSM Directors, Datuk Syed Hisham Syed Wazir, Datuk Dr Abd Hapiz Abdullah and Dato' Haris Fadzilah Hassan to guide and assist Officer-In-Charge during this interim period.

On 5 October 2020, GCEO ceased office. On 8 October 2020, Fakhrunniam Othman was appointed as the Acting GCEO. The BEC was dissolved on 3 November 2020 following the appointment of the Acting GCEO.

On 1 February 2021, Syed Feizal Syed Mohammad ("Syed Feizal") has been appointed as the GCEO and Fakhrunniam Othman ceased to be the Acting GCEO on the same day.

Number of meetings convened by each Board Committee:

	Number of Meetings in 2020
Audit Committee	3
Audit, Governance and Risk Committee	3
Nomination and Remuneration Committee	9
Board Governance & Risk Management Committee	3
Investment and Tender Committee	3
Board Executive Committee	7

The agenda and supporting papers were distributed at least five (5) business days prior to Board and Board Committee meetings to allow sufficient time for review to facilitate discussion at the meetings.

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 Board and Board Committee meetings along with clear actions to be taken by responsible parties. The completed minutes of the Board and Board Committee meetings were then circulated to the Board members including the Chairman of the Board and the GCEO in a timely manner. This has allowed the Board 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 Committee meetings held in FYE 2020 together with the attendance are set out below:

BOARD AND BOARD COMMITTEE MEETINGS AND ATTENDANCE IN 2020 (as at 31 December 2020)								
Directors	Board		Board Committee					
	%	No.	AC ¹⁰	NRC	BGRMC ¹⁰	AGRC ¹⁰	ITC ¹¹	BEC ¹²
Datuk Syed Hisham Syed Wazir ¹	100	12/12	-	-	-	-	-	7/7
Datuk Dr Abd Hapiz Abdullah ²	100	12/12	-	4/4	-	-	3/3	6/7
Dato' Muthanna Abdullah ³	100	12/12	-	4/4	-	3/3	-	-
Choy Khai Choon ⁴	100	12/12	-	-	-	3/3	3/3	-
Dato' Rosini Abd Samad ⁵	100	14/14	3/3	4/4	3/3	3/3	-	-
Datuk Lim Thean Shiang ⁶	92.85	13/14	3/3	-	3/3	3/3	3/3	-
Dato' Haris Fadzilah Hassan ⁷	100	14/14	-	3/3	-	-	3/3	7/7
Datuk Wira Azhar Abdul Hamid ⁸	100	3/3	-	-	-	-	-	-
Anuar Malek ⁹	100	3/3	-	1/1	3/3	-	-	-

Notes:

- (1) Appointed as Board member and Chairman of MSM with effect from 8 May 2020 and 1 June 2020 respectively.
- (2) (a) Appointed as Board member on 8 May 2020.
(b) Appointed as Chairman of Investment and Tender Committee ("ITC") and member of NRC with effect from 10 June 2020.
- (3) (a) Appointed as Board member on 8 May 2020.
(b) Appointed as Chairman of NRC and member of AGRC with effect from 10 June 2020.
- (4) (a) Appointed as Board member on 8 May 2020.
(b) Appointed as Chairman of AGRC and member of ITC with effect from 10 June 2020.
- (5) Changed membership from Audit Committee ("AC") and Board Governance & Risk Management Committee ("BGRMC") to AGRC and NRC with effect from 10 June 2020.
- (6) Changed membership from BGRMC and AC to AGRC and ITC with effect from 10 June 2020.
- (7) Changed membership from NRC to ITC with effect from 10 June 2020.
- (8) Resigned as Chairman of MSM on 31 May 2020.
- (9) (a) Changed membership from Board Governance & Risk Management Committee ("BGRMC") to NRC with effect from 10 June 2020.
(b) Demised on 11 July 2020.
- (10) AC and BGRMC was merged into one Board Committee and renamed as AGRC effective from 10 June 2020.
- (11) ITC was established effective from 10 June 2020.
- (12) BEC was established on 8 September 2020 and has been dissolved on 3 November 2020.

Based on the above, all Directors have complied with the minimum requirement of 50% attendance at Board meetings as stipulated in the MMLR, Paragraph 15.05(3)(c).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Summary of Board Key Activities in FYE 2020

Below are among the key matters considered by the Board throughout the 15 meetings held during FYE 2020:

Board Structure

- Approved for re-appointment/re-election of Directors retiring at the 2020 Annual General Meeting ("AGM"), appointment of new director, revised the composition of MSM Board of Directors.
- Approved the appointment of new INEDs and revised the composition of Board Committees of MSM.

Remuneration and Human Resource

- Considered and approved several matters pertaining to remuneration and human resource including employees' bonus and yearly increment, remuneration package and Key Performance Indicator (KPI) of Top Management.

Company and Group Operation

- Reviewed and deliberated on the progress on the disposal of plantation land by MSM Perlis Sdn Bhd to ensure effectiveness of the operations.
- Reviewed and approved the cessation of MSM Perlis Sdn Bhd's production and on MSM Perlis manpower mobilisation status.
- Reviewed and renewed the contract of Pay-Per-Use Mechanism between MSM Prai Berhad and MSM Sugar Refinery (Johor) Sdn Bhd with Wilmar Sugar Pte Ltd.
- Emphasised onto the Ramping Up Plan of Johor refinery plant and status of Test after Completion ("TAC") with Sharkara.

Financial

- Reviewed and approved the 2020 quarterly results and the Financial Statements for the financial year 2019.
- Assessed and approved the re-appointment of external auditors in accordance with MSM External Auditor Policy.
- Reviewed the Quarterly report on:
 - MSM Group Recurrent Related Party Transactions
 - MSM Group's Capital Expenditure
 - Recoverability and Trade Receivables
 - Financial Covenants
 - Cashflow Projection
- Approved the implementation of MSM Group Long Term Strategic Initiatives under Strategic Plan 2019-2021.
- Reviewed and approved the Voluntary Partial Early Settlement to CIMB Islamic Bank Berhad.
- Approved the 3-Year Business Plan (2021-2023) and budget for MSM Malaysia Holdings Berhad Group for FYE 2021.

Other Key Matters

- Reviewed, deliberated and approved among others, reports for disclosure in Annual Report 2019, policies and procedures and matters related to the 2020 AGM.
- Reviewed, revised and approved the Board Nomination and Election Policy and Procedures. The new TOR for AGRC and ITC has been established.
- Approved the TORs for AGRC and ITC. The revised policy and the new TORs are made available in the Company's corporate website at www.msmsugar.com.

Board Composition

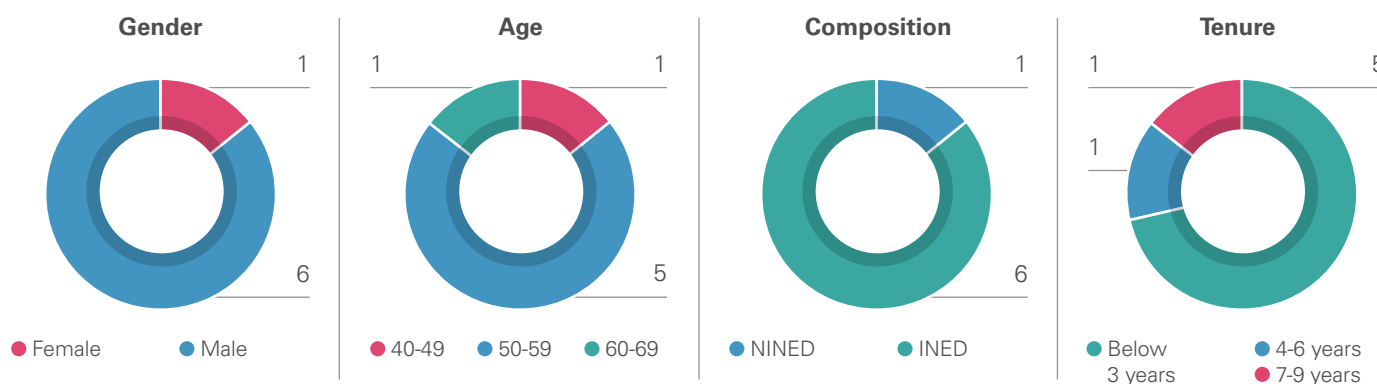
The following were the changes in the Board Composition during FYE 2020:

- Appointment of the following Independent Non-Executive Directors on 8 May 2020:
 - Datuk Syed Hisham Syed Wazir
 - Choy Khai Choon
 - Dato' Muthanna Abdullah
 - Datuk Dr Abd Hapiz Abdullah
- Resignation of Datuk Wira Azhar Abdul Hamid on 31 May 2020; and
- The demise of the late Anuar Malek on 11 July 2020.

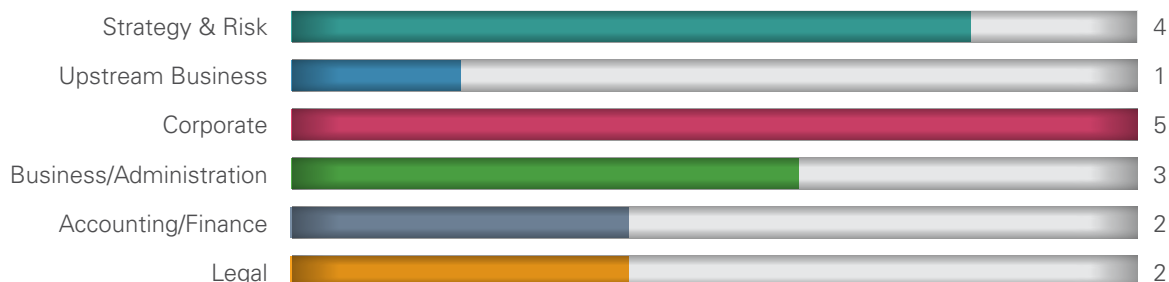
With the above changes, the Board composition under the financial review, comprised of seven (7) members, with six (6) Independent Non-Executive Directors ("INED") and one (1) Non-Independent Non-Executive Directors ("NINED"). This complied with the Paragraph 3.04 of MMLR and Practice 4.1 of MCCG 2017.

Board Diversity for FYE 2020

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 MMLR. The background of each Director can be found on pages 68 to 71, demonstrating the Board's diversity policy.



Skills & Experiences



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.

The details on the said appointments are disclosed in the NRC Report on pages 99 in this Annual Report.

All Directors have attended trainings, seminars and briefings during the financial year ended 31 December 2020.

No.	Director	List of Training & Organiser	Date
1.	Datuk Syed Hisham Syed Wazir	• On-boarding Session for Newly Appointed Director by Management	15 May 2020
		• Malaysian Financial Reporting Standards (MFRS) Training by PricewaterhouseCoopers PLT	1 December 2020
		• The Quiet Transformation of Corporate Governance (ICDM)	3 December 2020
2.	Datuk Lim Thean Shiang	• Advance Risk Management (ICDM)	7 February 2020
3.	Datuk Dr Abd Hapiz Abdullah	• On-boarding Session for Newly Appointed Director by Management	15 May 2020
		• Corporate Liability Under Section 17A of MACC Act 2009 (Sreenevasan & Associates)	5 June 2020
		• Malaysian Financial Reporting Standards (MFRS) Training by PricewaterhouseCoopers PLT	1 December 2020
4.	Dato' Muthanna Abdullah	• On-boarding Session for Newly Appointed Director by Management	15 May 2020
		• Webinar – "Risks: A Fresh Look from the Board's Perspective" (FIDE Forum)	8 July 2020
		• Webinar – Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses (FIDE Forum)	21 July 2020
		• Webinar – A Special Presentation of "Banking Governance, Insuring Sustainability" (FIDE Forum)	4 August 2020
		• Webinar – FORUM Annual Dialogue with the Governor of BNM (FIDE Forum)	3 September 2020
		• Virtual – How to be an Effective NED in a Disruptive World (ICDM)	21 September 2020
		• KPMG CEO webinar series Captains' Forum: Transformation towards recovery Session 1: Financial Resilience (KPMG)	25 September 2020
		• Malaysian Financial Reporting Standards (MFRS) Training by PricewaterhouseCoopers PLT	1 December 2020

No.	Director	List of Training & Organiser	Date
5.	Choy Khai Choon	• COVID-19 & Current Economic Reality and Implications for Financial Stability (FIDE Forum)	14 April 2020
		• On-boarding Session for Newly Appointed Director by Management	15 May 2020
		• COVID-19: A Wake Up Call for Technology Led Transformation and Leadership (Korn Ferry Webinar)	14 June 2020
		• Risk & the Board at a time of crisis by Sir Howard Davies (FIDE Webinar)	8 July 2020
		• Webinar on IFRS 17 (EY)	24 August 2020
		• Macro Economic Updates – Green Shoots by Senior Economists Julia Goh (UOB)	26 August 2020
		• Cyber Security Talk (Zurich)	8 October 2020
		• Webinar on Risk Fraud (PwC)	4 November 2020
		• Malaysian Financial Reporting Standards (MFRS) Training by PricewaterhouseCoopers PLT	1 December 2020
6.	Dato' Rosini Abd Samad	• Seminar on the New Inclusion of Corporate Liability Provision Provided in the Malaysian Anti-Corruption Commission Act 2009 – “Do We have Enough Measures to Prevent Bribery and Corruption?” (IIUM Holdings Group)	21 April 2020
		• How to be an Effective NED in a Disruptive World (ICDM)	21 September 2020
		• Malaysian Financial Reporting Standards (MFRS) Training by PricewaterhouseCoopers PLT	1 December 2020
7.	Dato' Amir Hamdan Hj Yusof	• Kursus Neuro Linguistic Programme (FELDA)	13 January 2020
		• Bengkel Semakan Semula Pelan Strategik Felda Dan Penetapan KPI Korporat 2020 (FELDA)	2 March 2020
		• Bengkel Stream 4 Initiatives 90 Days Milestone (FELDA)	22 September 2020
		• Kursus Profiling (FELDA)	1 October 2020
		• Bengkel Resolusi Jawatankuasa Perunding Peneroka (FELDA)	22 December 2020 – 24 December 2020
8.	Dato' Haris Fadzilah Hassan	• Advance Risk Management (ICDM)	7 February 2020
		• Malaysian Financial Reporting Standards (MFRS) Training by PricewaterhouseCoopers PLT	1 December 2020

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Details of Directors' Remuneration and aggregate remuneration of Directors in respective bands of RM50,000 for FYE 2020 are as follows:

	Salary, Bonus & Allowances (RM)	Directors' Annual Fees			Meeting Allowance (RM)	Benefits ⁽¹⁾ (RM)	Total (RM)	Range of Remunerations ⁽²⁾ (RM'000)
		MSM Board (RM)	MSM Board Committee (RM)	MSM Subsidiaries (RM)				
Non-Executive Directors								
Datuk Syed Hisham Syed Wazir <i>(appointed with effect from 8 May 2020)</i>	Not applicable	191,491.94	-	-	24,000.00	9,701.44	225,193.38	200 - 250
Choy Khai Choon <i>(appointed with effect from 8 May 2020)</i>		77,741.94	17,923.50	-	36,000.00	21,119.69	152,785.13	150 - 200
Dato' Muthanna Abdullah <i>(appointed with effect from 8 May 2020)</i>		77,741.94	12,322.40	-	38,000.00	21,119.69	149,184.03	100 - 150
Datuk Dr Abd Hapiz Abdullah <i>(appointed with effect from 8 May 2020)</i>		77,741.94	10,081.97	-	38,000.00	21,119.69	146,943.60	100 - 150
Dato' Rosini Abd Samad		120,000.00	25,278.69	-	54,000.00	32,590.00	231,868.69	200 - 250
Datuk Lim Thean Shiang		120,000.00	20,879.78	-	50,000.00	32,590.00	223,469.78	200 - 250
Dato' Haris Fadzilah Hassan		120,000.00*	11,519.13*	-	40,000.00*	-	171,519.13	150 - 200
Datuk Wira Azhar Abdul Hamid <i>(resigned on 31 May 2020)</i>		131,250.00	-	-	6,000.00	-	137,250.00	100 - 150
Dato' Zainal Haji Ismail <i>(cessation of office on 25 March 2020)</i>		28,064.52	4,180.33	-	8,000.00	4,349.24	44,594.09	0 - 50
Dato' Hajjah Rosni Haji Zahari <i>(cessation of office on 25 March 2020)</i>		28,064.52	6,967.21	-	12,000.00	7,617.63	54,649.36	50 - 100
Anuar Malek <i>(deceased on 11 July 2020)</i>		63,548.39	4,218.58	-	16,000.00	17,766.31	101,533.28	100 - 150
Total	-	1,035,645.19	113,371.58	-	322,000.00	167,973.69	1,638,990.46	1,500 - 2,000

Figures exclude GST

* Directors' Annual Fees paid/will be paid to FGV Holdings Berhad

(1) Benefits comprises of:

- (a) benefits-in-kind (ii) driver's allowance (ii) security services allowance; and
- (b) other benefits i.e. medical expenses, insurance coverage, travelling and other claimable benefits

(2) The following successive range of remuneration bands of RM50,000.00 is not applicable:

- RM250,001 – RM300,000
- RM350,001 – RM500,000
- RM550,001 – RM2,200,000

Non-Executive Directors

The Non-Executive Directors' remuneration package reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Directors.

Details of the Non-Executive Directors' remuneration as members of the Board and Board Committees in the form of fees FYE 2020 are as follows:

Board/Board Committees	Fees per annum (RM)	
	Chairman	Member
Board of Directors	315,000.00 (RM26,250/month)	120,000.00 (RM10,000/month)
Board Committees		
- Audit, Governance and Risk Committee	24,000.00	12,000.00
- Nomination and Remuneration Committee	10,000.00	8,000.00
- Investment and Tender Committee	10,000.00	8,000.00

Details of the Non-Executive Directors' benefits in accordance with the remuneration structure (excluding Directors' annual fees) are set out below:

Meeting Allowance	<ul style="list-style-type: none"> Board and Board Committee meeting: RM2,000 per attendance
Benefits	<ul style="list-style-type: none"> Company car (Chairman only): <ul style="list-style-type: none"> one (1) Company car of at least 2000cc Driver allowance or Security service allowance <ul style="list-style-type: none"> not more than RM2,500 per month (reimbursable) Medical expenses, insurance coverage, travelling expenses and other claimable benefits

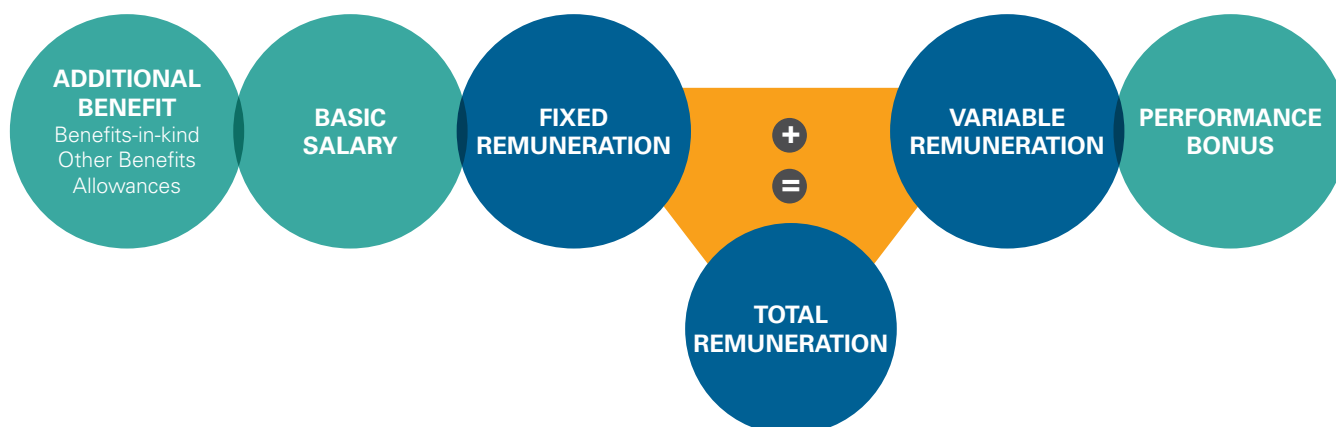
In July 2020, the NRC had engaged an external consultant, KPMG Management & Risk Consulting Sdn Bhd to conduct an independent review of the remuneration framework for Non-Executive Directors of MSM, with a view of ascertaining its competitiveness and alignment with the long-term interests of the Company.

The details on the review carried out is disclosed in the NRC Report, page 105 of this Annual Report.

Summary of Group Chief Executive Officer's Remuneration Policy

The GCEO 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 GCEO is not entitled to annual fees nor any meeting allowances for the Board and Board Committee meetings. GCEO is also not entitled to any annual fees in MSM Group.

The summary of the GCEO's remuneration package is as follows:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 the 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 auditors. 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 Statement and the Management Discussion and Analysis ("MD&A") on page 122, page 47, page 4 and page 34 in this Annual Report as well as corporate announcements on significant developments affecting the Company in accordance with the MMLR. 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 93 of this Annual 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 Group's Limit of Authorities.
- Revision of Financial Closing and Reporting Requirement Policy, Investment Policy and Property, Plant and Equipment Policy.
- **Whistleblowing Policy**

The Board, in promoting healthy corporate culture encourages employees to report genuine concerns in relation to breach of a legal obligation, miscarriage of justice, danger to health and safety, has put in place a Whistleblowing Policy ("Policy") that provides clarity of oversight and responsibilities of the whistleblowing process, the reporting process and protection to whistleblowing process, the reporting process and protection to whistleblowing and confidentiality afforded to the whistleblowing.

The Policy 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 Policy can be found in the CG Report 2020 and published in the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.

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:

- Roadshow and training programmes have been conducted in MSM headquarter and subsidiaries that focus on:
 - Understanding on Corporate Liability (MACC Amendment Act Section 17A)
 - Understanding Guidelines on Adequate Procedures
 - Whistleblowing
 - ISO 37001 Anti-Bribery Management System
- Email blast related to Governance & Integrity:

Title	English Version	Malay Version
Section 17 A Offence by Commercial Organisation	✓	✓
New Section 17A MACC Act	✓	✓
T.R.U.S.T Principles	✓	✓
Anti-Bribery Policy Statement	✓	✓

- On-going education programmes:
 - Launching of Governance & Integrity E-Learning Module in 2021
 - Establishment of Centralised Depository System (CDS) for Policies and Procedures in 2021

Risk Management, BCM 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 yearly. 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 113 of this Annual Report.

Business Continuity Management

In normal operation activities and in reaction to current pandemic COVID-19, Business Continuity Management ("BCM") sets a strategic to actively increase corporate resilience. The objective is clear: to prevent suspension of operations or services. MSM Group take an initiative created a COVID-19 group via "WhatsApp" just to update the urgent matters related to COVID-19.

- The MSM Group call tree structure was reviewed and enhanced as part of the Business Continuity Plan ("BCP"). The structure review is to ensure the effectiveness of the BCP designed for MSM Group.
 - The important of the call tree structure:
 - Broadcasting the management decision to specific designated parties (internal and/or external) of an incident
 - Confirmation of facts/information by employees
 - Headcount confirmation and employee condition identification in the incident
- Most businesses are likely to experience significant disruption to their business-as-usual operations and will face business underperformance throughout the duration of the COVID-19 crisis. To help address these challenges, MSM Group come out with the COVID-19 Response Plan.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 Malaysia as well as through the Company's 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 proactive 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

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 Malaysia Securities Berhad via Bursalink. The list of quarterly result announcement are as follows:

2020	
4 th quarter ended 31 December 2019	25 February 2020
1 st quarter ended 31 March 2020	27 May 2020
2 nd quarter ended 30 June 2020	19 August 2020
3 rd quarter ended 30 September 2020	16 November 2020
2021	
4 th quarter ended 31 December 2020	25 February 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 to 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 annual Financial Statements and Quarterly Reports are also reviewed by the Audit Committee/AGRC to ensure a fair representation of the Group and the Company.

- **Annual Report**

This is MSM's 10th Annual Report produced since its listing on Bursa Malaysia 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.

- **Conduct of General Meeting**

The Company's Annual General Meeting ("AGM"), is the primary platform for communication with the widest range of shareholders.

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 9th AGM of the Company held on 17 June 2020 was conducted virtually via LUMI platform. The Chairman of the Board chaired the meeting in an orderly manner and the Shareholders/Proxies are allowed to pose their questions in the LUMI platform. All Directors were present to the 9th AGM to respond to the questions raised by the Shareholders/Proxies.

The GCEO 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 9th AGM virtually by the Chairman, GCEO 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 9th 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 25 March 2021.

On behalf of the Board

DATUK SYED HISHAM SYED WAZIR
Chairman

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

Audit, Governance and Risk Committee's ("AGRC" or "the Committee") principal role is 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 transaction. The AGRC also plays a crucial role in ensuring appropriate challenges and governance in matters relating to internal control, financial reporting as well as governance, risk management and ethics programmes of the Group.

OVERVIEW

The AGRC was established on 10 June 2020 through a merger of the Audit Committee ("AC") and Board Governance & Risk Management Committee ("BGRMC").

The merging of the AC and BGRMC was based on the following rationale and advantages:

- a) To provide consolidation of audit, governance and risk matters in a single committee that will ensure:
 - Internal audits are focused on high risk matters;
 - Governance improvements are undertaken on gaps identified by internal audit through initiatives to inculcate good working culture using the right processes and systems;
 - Risk assessment takes into account or are reviewed based on the internal audit observations; and
 - Mitigation of risks are validated from the internal audit observations to provide assessment of effectiveness of the mitigation.
- b) The combined committee will be able to remove redundancies of both internal audit and risk management reporting on matters of the past by providing guidance for risk management to apply past data to anticipate risks for MSM.
- c) AGRC will be the platform to bring internal audit observations and governance initiatives together for MSM to move forward more efficiently and effectively in key risk areas.

This report also covers the activities of the AC during the year prior to merger of the Committees on 10 June 2020.

COMPOSITION OF AGRC

The membership and meeting attendance of the AC and AGRC members for 2020 are as follows:

Members	Type of membership	No. of meetings attended during 2020			
		AC		AGRC	
		Held	Attended	Held	Attended
Choy Khai Choon (appointed as Chairman w.e.f. 10 June 2020)	Chairman/Independent Non-Executive Director	-	-	3	3
Dato' Rosini Abd Samad (re-designated as Member w.e.f. 10 June 2020)	Member/Independent Non-Executive Director	3	3	3	3
Dato' Muthanna Abdullah (appointed as Member w.e.f. 10 June 2020)	Member/Independent Non-Executive Director	-	-	3	3
Datuk Lim Thean Shiang (appointed as Member w.e.f. 10 June 2020)	Member/Independent Non-Executive Director	3	3	3	3

The current AGRC comprises of four (4) members, all of whom are Independent Non-Executive Directors. The composition of the AGRC complies with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("MMLR") pertaining to AC that stipulates a minimum of a three-member committee with majority being Independent Directors. None of the AGRC member is a former key audit partner of the Group.

Choy Khai Choon was appointed as the Chairman of AGRC on 10 June 2020, thus satisfying the requirement of a separation of power between the Chairman of the Board and the Chairman of AGRC as prescribed by the Malaysian Code of Corporate Governance 2017 ("MCCG 2017"). He is a member of the Malaysia 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 MMLR.

Before the establishment of AGRC, the AC was chaired by Dato' Rosini Abd Samad who is a member of the MIA. She is also an Honorary Fellow of CPA Australia and a professional member of the Institute of Internal Auditors Malaysia.

The Committee discharges its responsibilities through a series of scheduled meetings during the year. The AGRC meetings were continued from the previous approved schedule meetings for the AC.

There were three (3) AC meetings held in February, March and May 2020. Upon the establishment of AGRC, two (2) scheduled meetings were conducted in August 2020 and November 2020 and one (1) unscheduled meeting was held in September 2020.

The Company Secretary and Chief Internal Auditor of FGV Holdings Berhad act as the Committee's Secretaries in all the meetings. The meetings were also attended by Acting/Group Chief Executive Officer ("Acting/GCEO"), Chief Financial Officer ("CFO"), Acting/Group Chief Operating Officer ("Acting/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 issues.

All AGRC and AC meeting minutes, including meeting papers on matters deliberated by the Committee in the discharge of its functions were properly documented. Reports on the proceedings of the Committee's meeting were tabled to the Board and minutes of AGRC and AC are circulated to the Members for confirmation.

ROLES OF THE COMMITTEE

Key areas under the purview of AGRC include the financial reporting and performance oversight, internal audit, risk, managing risk and governance oversight. Further details on the functions and duties of the AGRC are provided in Terms of Reference ("TOR") which are available at the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.

The AGRC's TOR has been established pursuant to the MMLR and was approved by the Board to guide the Committee in the discharge of its functions and duties. In addition, the TOR also recognised and adopted related best practices and guidance from the MCCG 2017 and the Corporate Governance Guide. The AGRC's TOR was approved by the Board on 24 July 2020.

The existence of the Committee does not diminish the Board's ultimate statutory and fiduciary responsibility for decision-making relating to the functions and duties of the Committee.

SUMMARY OF WORKS OF THE AC AND AGRC IN 2020

The summary of works below highlighted both AC and AGRC principal activities in discharging its responsibilities through the six (6) meetings held and various private sessions with the external auditors and internal auditors:

Financial Reporting

- Reviewed unaudited quarterly financial results, any change in accounting policies, the going concern assumptions and compliance with accounting standards and regulatory requirements for recommendation to the Board for approval.
- Considered and reviewed the draft of the audited financial statements for the year ended 31 December 2019 in March 2020 together with the Directors' and Auditor's Statement and concluded that the financial report presented a true and a fair view of the Company's financial performance for the year and was in compliance with regulatory requirements.

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

- Reviewed the significant matters highlighted by the external auditors in the financial statements and significant judgment made by Management.
- Reviewed matters related to loan facilities of MSM Malaysia Holdings Berhad ("MSM") before recommending to the Board for approval.
- Reviewed the Group's Consolidated Cashflow Projections.
- Reviewed the status of construction of the Johor Refinery and position on the financial covenants.
- Reviewed the proposed rental arrangement between MSM Perlis Sdn Bhd and FGV Integrated Farming Holdings Sdn Bhd.
- Reviewed the closure of MSM Perlis Sdn Bhd's factory operation.

Assessing the Risks and Control Environment

- 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 at each Committee meeting.
- Reviewed all internal audit reports issued by the Group Internal Audit which detailed the observations from all the internal audits undertaken.
- Received assurances from the GCEO 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.
- Monitored the implementation of corrective actions taken by Management. Management provided justification and improvement for the key matters highlighted by internal and external auditors.
- Provided relevant guidance for the improvement of the risks and internal control of the Group, in particular 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.

Internal Audit Process

- Reviewed and approved MSM Group Annual Internal Audit Plan for the year 2021 by assessing the priority ranking of the audit universe to provide sufficient audit coverage.

- Assessed the adequacy of resources of the internal audit function to execute the MSM Group Annual Internal Audit Plan after taking into consideration the number of planned assignments and competencies required.
- Presented and reviewed quarterly reports summarising the following at every quarterly meeting during the financial year 2020:
 - The observations from the internal audit reports issued during the quarter. The Committee gave direction to the Management on key matters requiring the 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.
- Considered 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.
- Assessed the performance of the Chief Internal Auditor basing on the delivery of the internal audit function. This include assessment whether the internal audit function has the required expertise and professionalism in discharge its duties.

Reviewing the External Audit Process

- Held two (2) private discussion sessions with the external auditor, Messrs PricewaterhouseCoopers PLT ("PwC") without Management on 13 February 2020 and 11 August 2020.

In these sessions, the matters discussed include the following:

- The performance of the finance function.
- The impact of transfer of MSM Perlis's refinery operation to Johor and closure of the MSM Perlis's Refinery.

- (iii) Performance of the Johor refinery and the impact of the loan covenants.
- (iv) Sales of plantation land in Perlis.
- (v) CIMB Islamic loan modification impact.
- Held four (4) meetings with PwC in February, May, August and November 2020 to review the financial results and areas of concern identified from review of the financial results prior to the approval by the Board. During the year, amongst matters discussed are the following:
 - (i) Assessment of onerous contracts provision in respect of forward sales export contracts.
 - (ii) Impairment assessment on goodwill from Sugar Cluster.
 - (iii) Status and performance of the Johor Refinery.
 - (iv) Assessment of the Group's plantation operations in accordance with MFRS 5.
 - (v) Recoverability of trade receivables above credit terms and credit limit assessment.
 - (vi) Inventory management.
- Reviewed and approved the External Auditor's Audit Plan and scope of work on 11 August 2020, which covered:
 - 1) The focus areas planned for the 2020 financial audit by PwC as follows:
 - i. Risk of Management override of controls (in line with International Standard of Auditing requirement).
 - ii. Recoverability of non-current assets (including Goodwill).
 - iii. Recoverability of inventories and adequacy provision of onerous contracts.
 - iv. Ensuring revenue is recognised in the correct accounting period and that transaction price is appropriately supported.
 - v. Rationalisation plan by Management – closure of MSM Perlis Sdn Bhd's factory operations.
 - vi. Risk on non-compliance of financial covenants attached to the construction of new sugar refinery.

- 2) Recent developments in laws and regulations covering the following:
 - i. New Accounting and Auditing Standards.
 - ii. Recent Tax Developments.
 - iii. Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

- 3) Declaration of PwC's independence as external auditor.

- Analysed the external audit fees proposed in respect of the scope of work required for the financial year and recommended the same for approval by the Board.
- Reviewed the assessment of PwC as the external auditor for financial year 2019 for reappointment based on input from Management and recommended the same for approval by the Board.

Related Party Transactions

- Analysed the quarterly report on Recurrent Related Party Transactions for monitoring of the transactions against the shareholders' mandate from the 9th AGM held on 17 June 2020.
- Reviewed the Circular to the shareholders to seek mandate on the existing and new Recurrent Related Party Transactions of the Group and recommended the same for approval of the Board.
- Reviewed the internal audit report on review of the Recurrent Related Party Transactions procedures.

Integrity, Governance & Risk Management

- Reviewed the quarterly Progress Report on Corporate Governance Activities, Group Risk Register Report and Business Continuity Management ("BCM").
- Reviewed the Limit of Authority ("LOA") for MSM Group of Companies.
- Reviewed the Anti-Bribery Policy Statement and Whistleblowing Policy for MSM Group pursuant to the Paragraph 15.29 of MMLR and Section 17A of the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amended 2018) which came into force on 1 June 2020.

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

- Reviewed the following reports and recommended them for the Board's approval for inclusion in the Annual Report for the financial year 2019:

- Corporate Governance Overview Statement.
- Audit Committee Report.
- Statement on Risk Management and Internal Control.
- Sustainability Reporting on Economic, Environmental and Social.

The Committee reviewed the reports with focus on meeting the MMLR and reporting best practises based on the guidance from the MCCG 2017, Guidance to Directors of Public Listed Companies on the Statement on Risk Management and Internal Control and other best practise references.

- Reviewed and approved the schedule of Audit Committee meetings for year 2021.

EXTERNAL AUDITOR POLICY

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.

The Policy covers appointment and re-appointment of external auditors, assessment of external auditors' 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 2020, other than the assurance service for review of Quarterly Bursa announcement, there was no other non-audit services rendered by the external auditors.

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.

A training on the Malaysian Financial Reporting Standards ("MFRS") was conducted by PwC on 1 December 2020, which provided update to the Committee on MFRS impacting MSM Group.

Further details on the training attended by the Committee members during the financial year 2020 are detailed out in the Corporate Governance Overview Statement under Directors' Training on page 84 of this Annual Report.

COMMITTEE EVALUATION

For year of assessment 2020, Board Evaluation Assessment was carried out in 2021 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 2020.

INTERNAL AUDIT FUNCTION

The Internal Audit function for MSM Group is outsourced to the holding company, FGV Holdings Berhad ("FGV") Group Internal Audit ("GIA") Division. 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 five (5) years with the most recent review in 2020.

The Chief Internal Auditor, Zailly 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 team of two (2) persons are specifically assigned for audits of MSM Group throughout the financial year. The team is supplemented with personnel from other segments of FGV's GIA's Division where it is deemed required. This includes the IT audit, investigation and consulting support.

The total number of internal auditors is appropriate and sufficient in terms of the mix of knowledge, skills and other competencies in line with the scope of the audit and size of MSM Group. Composition of the internal auditors and the corresponding professional status are as follows:

Professional Status	No. of Auditors
Professional accounting (ACCA, CA) or Certified Internal Auditor (CIA) or post graduate (MBA or Masters)	2
Graduate	2
TOTAL	4

The above includes two (2) internal auditors who are members of the Institute of Internal Auditors Malaysia. The total cost incurred for the financial year ended 31 December 2020 was RM1,380,064 (2019: RM1,175,579).

ROLES AND FUNCTIONS

The Internal Audit function provides assurance services for the Group locally and overseas covering all operations where the Group has management control.

In addition to the assurance role, the internal audit function also undertakes a consulting role and investigative role. In its consulting role, the internal audit function undertakes advisory on governance, risk and control, policy and procedures review and participates in working groups to provide input on policy development, systems development and several initiatives of the Group. Investigative audits are undertaken upon any allegation of improper, illegal and dishonest acts based on the request of the Management or Board.

DEVELOPMENT OF AUDIT PLAN

The Audit Plan is developed after considering the following factors and inputs:

- Key risks highlighted in the latest risk register and MSM's KPI.
- 2019-2021 Business Plan which essentially revolves around increasing yields, cost competitiveness, divestment of non-core investments, rehabilitate and rationalise poor performing investments and rationalise corporate spending.

- GIA's analysis of the current situation of MSM including feedback from the AGRC and Management (e.g. GCEO, Group COO and CFO).

Once the key audit areas are developed, the staff and resource allocation plan, budget estimates and staff development progress are established.

The Annual Internal Audit Plan is presented to the AGRC. The AGRC reviews and challenges the adequacy of the audit scope, the resources allocated, the capability skill sets and makes recommendations before approving the Annual Internal Audit Plan. Any recommendation of the AGRC is taken into the Annual Internal Audit Plan.

Once the Annual Internal Audit Plan is rolled out, the AGRC ensures that the coverage is responsive and robust to satisfy the changing level of risk and emerging areas of concern. Any deviation to the Annual Internal Audit Plan is discussed and endorsed by the AGRC quarterly.

INTERNAL AUDIT REPORTING

All Internal Audit reports are issued directly to the AGRC with copies to the relevant Management for their action. Recommendations in the Internal Audit reports are derived through root cause analysis.

On a quarterly basis, the AGRC is presented with the summary of the audit results performed during the quarter and the progress reporting of the audit findings, recommendations and implementation of Management's corrective actions.

Any concerns raised by the AGRC were addressed by the internal audit function. The AGRC followed through on any unresolved matters as part of the agenda in the next meeting.

OBJECTIVITY AND INDEPENDENCE

The Chief Internal Auditor states the internal audit function's declaration of objectivity and independence to the AGRC in its Annual Internal Audit Plan. A survey of the relationship of the internal auditors is undertaken once a year and any rotation of the internal auditors does not result in any compromise of objectivity and independence.

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Internal Audit function provides independent and objective assurance of the adequacy and effectiveness of risk management, controls and governance processes covering all operations of the Group. In conducting their independent audits, the Internal Audit function adopted a risk based internal audit approach by focusing on the assessment of significant risk areas. During the financial year under review, the Internal Audit function has undertaken the following main activities:

- a) Developed the Annual Internal Audit Plan of MSM Group for year 2021 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
 - Financial Management including treasury function
 - Trading Processes
 - Supply Chain
 - Project Management
 - Sales and Marketing
 - Procurement
 - Human Resource

In 2020, the internal audit function performed six (6) internal audit assignments (i.e. five (5) assurance audits and one (1) investigation) which consumed 1,085 mandays in comparison to 460 budgeted mandays during the year.

- c) Presented to the AGRC at its quarterly meetings, key findings from the internal audit reports issued.
- d) Prepared and presented to the AGRC, a report on the progress of the findings, recommendation and Management's corrective action implementation from internal audit reports issued.
- 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.
- f) In addition, the following were delivered:
 - a) Undertook investigations and reported the outcome of such investigations to the AGRC and Management.
 - b) Provided feedback on the Statement on Risk Management and Internal Control 2019, Audit Committee Report 2019 and the Corporate Governance Overview Statement 2019.

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 25 March 2021.

NOMINATION AND REMUNERATION COMMITTEE REPORT

The Nomination and Remuneration Committee is pleased to present its report on for the financial year ended 31 December 2020 ("FYE 2020").

COMPOSITION

The Nomination and Remuneration ("NRC" or "the Committee") members comprises of all Non-Executive Directors with majority being Independent Directors.

On 25 March 2020, Dato' Zainal Haji Ismail and Dato' Hajjah Rosni Haji Zahari ceased as Independent Non-Executive Directors upon conclusion of their nine (9) years tenure in accordance with Clause 6.2.4(v) of MSM Board Charter and Clause 6.2.4 of MSM Board Nomination and Election Policy and Procedures.

On 10 June 2020, the Board approved the changes in the composition of the NRC as follows:

1. Dato' Muthanna Abdullah
2. Datuk Dr Abd Hapiz Abdullah
3. Dato' Rosini Abd Samad
4. Anuar Malek (deceased on 11 July 2020)

On 12 January 2021, Dato' Amir Hamdan Hj Yusof was appointed as Non-Independent Non-Executive Director replace Anuar Malek who deceased on 11 July 2020 as a nominee director from Koperasi Permodalan Felda Malaysia Berhad ("KPF") and a member of the NRC of MSM Malaysia Holdings Berhad ("MSM").

Members	Type of membership	No. of meetings attended
Dato' Muthanna Abdullah (appointed as Chairman w.e.f. 10 June 2020)	Chairman/Independent Non-Executive Director	4/4
Datuk Dr Abd Hapiz Abdullah (appointed as Member w.e.f. 10 June 2020)	Member/Independent Non-Executive Director	4/4
Dato' Rosini Abd Samad (appointed as Member w.e.f. 10 June 2020)	Member/Independent Non-Executive Director	4/4
Dato' Amir Hamdan Hj Yusof (appointed as Member w.e.f. 12 January 2021)	Member/Non-Independent Non-Executive Director	-
Dato' Haris Fadzilah Hassan (appointed as Member w.e.f. 11 February 2019 and ceased from Committee on 10 June 2020)	Member/Non-Independent Non-Executive Director	3/3
Anuar Malek (appointed as Member w.e.f. 10 June 2020 and deceased on 11 July 2020)	Member/Non-Independent Non-Executive Director	1/1
Dato' Zainal Haji Ismail (cessation of office on 25 March 2020)	Chairman/Independent Non-Executive Director	3/3
Dato' Hajjah Rosni Haji Zahari (cessation of office on 25 March 2020)	Member/Independent Non-Executive Director	3/3

NOMINATION AND REMUNERATION COMMITTEE REPORT

The current composition is in compliance with the requirement of Paragraph 15.08A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), which provides that the NRC must comprise exclusively of Non-Executive Directors, the majority of whom are independent directors. This is also in line with Practice 4.7 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") which recommends the NRC to be chaired by a Senior Independent Director or an 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 the MSM Group
- to lead the process for the appointment of new Directors and make appropriate recommendation to the Board

Further details of the roles of NRC are provided in the Term of Reference which is available at Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.

TERMS OF REFERENCE

NRC is governed by its own Term of Reference ("TOR") which was established pursuant to the MMLR 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 MMLR and MCCG 2017. The latest TOR was reviewed and revised in 20 November 2019.

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 FYE 2020 were scheduled and approved in November 2019. In addition to the scheduled meetings, the Chairman may call for meetings as and when required.

During the FYE 2020, NRC held a total of seven (7) meetings. Out of the total, three (3) meetings were unscheduled meetings to discuss on the following:

1. MSM Group Chief Executive Officer Scorecard/KPI
2. Proposed list of candidates for positions as Independent Non-Executive Directors of MSM Malaysia Holdings Berhad
3. Selection and appointment of Search Firm for the purpose of Talent Sourcing for the post of Group Chief Executive Officer and Group Chief Operating Officer of MSM Malaysia Holdings Berhad
4. Proposed changes of the Board of Directors of MSM Malaysia Holdings Berhad's Subsidiaries
5. Proposal for a one-time Ex-Gratia payment to the eligible staff of MSM Group
6. Proposed schedule of NRC meetings for year 2021

MSM Company Secretary is the Secretary of NRC and shall be 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 ("Policy"), 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 are obtained from the Directors for the purposes of meeting statutory obligations including obligations arising from MMLR or other regulatory requirements.

During the FYE 2020, the following changes had taken place:

Board of Directors

Director	Changes	
	Type	Effective Date
Dato' Hajjah Rosni Haji Zahari Independent Non-Executive Director	Cessation of office	25 March 2020
Dato' Zainal Haji Ismail Independent Non-Executive Director	Cessation of office	25 March 2020
Datuk Syed Hisham Syed Wazir Independent Non-Executive Director	Appointed	8 May 2020
Dato' Muthanna Abdullah Independent Non-Executive Director	Appointed	8 May 2020
Choy Khai Choon Independent Non-Executive Director	Appointed	8 May 2020
Datuk Dr Abd Hapiz Abdullah Independent Non-Executive Director	Appointed	8 May 2020
Datuk Wira Azhar Abdul Hamid Non-Independent Non-Executive Director	Resigned	31 May 2020
Anuar Malek Non-Independent Non-Executive Director	Deceased	11 July 2020
Dato' Amir Hamdan Hj Yusof Non-Independent Non-Executive Director	Appointed	12 January 2021

On 25 February 2020, the Board had accepted the resignation of Datuk Wira Azhar Abdul Hamid as the Chairman and Director of MSM Malaysia Holdings Berhad ("MSM") effective on 31 May 2020. In May 2020, the Board has gone through a rigorous assessment process including interview sessions on the appointment of new Independent Directors. Datuk Syed Hisham Syed Wazir ("Datuk Syed"), Choy Khai Choon, Dato' Muthanna Abdullah and Datuk Dr Abd Hapiz Abdullah ("Datuk Hapiz") were appointed as Independent Non-Executive Directors of MSM effective from 8 May 2020. Subsequently, Datuk Syed was appointed as the Chairman of MSM with effect from 1 June 2020 to replace Datuk Wira Azhar Abdul Hamid.

In December 2020, KPF nominated Dato' Amir Hamdan Hj Yusof ("Dato' Amir") to be appointed as Non-Independent Non-Executive Director of MSM to replace the late Anuar Malek who passed away on 11 July 2020. The nomination was duly tabled to NRC for evaluation and assessment in accordance with the NRC TOR. Based on NRC's recommendation, Dato' Amir was appointed to MSM Board and also a member of NRC effective 12 January 2021.

Each of the newly appointed Directors 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.

NOMINATION AND REMUNERATION COMMITTEE REPORT

Senior Management

Changes to the Senior Management personnel took place during the FYE 2020 until the date of this report:

Senior Management	Changes	
	Type	Effective Date
Syed Feizal Syed Mohammad Group Chief Executive Officer	Appointed	1 February 2021
Hasni Ahmad Group Chief Operating Officer	Redesignated/ Appointed	1 February 2021
Fakhrunniam Othman Acting Group Chief Executive Officer	Resigned	1 February 2021
Dato' Khairil Anuar Aziz Group Chief Executive Officer	Cessation of office	5 October 2020
Mohd Shaffie Said Group Chief Operating Officer	Cessation of office	5 October 2020

In September 2020, the former Group Chief Executive Officer ("GCEO"), Dato' Khairil Anuar Aziz ("Dato' Khairil") and former Group Chief Operating Officer ("GCOO"), Mohd Shaffie Said ("Mohd Shaffie") have been required to explain on certain irregularities relating to inventories pertaining to an adjustment to write-off inventories amounting to RM36.6 million in MSM Sugar Refinery (Johor) Sdn Bhd's ("MSM Johor") 2019 Financial Statements.

In the interim, the Board appointed Fakhrunniam Othman ("Fakhrunniam") and Hasni Ahmad ("Hasni") as Officer-In-Charge to perform the functions of the MSM GCEO and GCOO. During the interim, the Board also established a Board Executive Committee, comprising of Datuk Syed, Datuk Hapiz and Dato' Haris Fadzilah Hassan to guide and assist Fakhrunniam and Hasni accordingly.

In October 2020, the Board had undertaken due process to allow the former GCEO and GCOO to clarify on the irregularities pertaining to the adjustment to write-off inventories amounting to RM36.6 million in MSM Johor in the 2019 Financial Statements and has assessed the clarification provided by both parties and finds them unacceptable. With that, Dato' Khairil and Mohd Shaffie ceased office with effect from 5 October 2020. Due to the cessation, Fakhrunniam and Hasni were appointed as the Acting GCEO and Acting GCOO of the Company, respectively with effect from 8 October 2020.

Consequently, in November 2020, the Board Executive Committee which was established earlier in September 2020 to guide and assist Fakhrunniam and Hasni was dissolved.

The search firm selection for the purpose of talent sourcing for the posts of GCEO and GCOO presented seven (7) candidates for the position of GCEO and six (6) candidates for the position of GCOO. NRC shortlisted five (5) candidates for the GCEO position including the Acting GCEO and four (4) candidates for the GCOO position including the Acting GCOO for interview. All the NRC members conducted interviews over three (3) days in December 2020 and recommended to the Board for the appointments.

In February 2021, Syed Feizal Syed Mohammad ("Syed Feizal") and Hasni were appointed as the GCEO and GCOO respectively. With the appointment of Syed Feizal, Fakhrunniam ceased to be the Acting GCEO on the same day.

RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Constitution of the Company, 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 (3) 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 close of the general meeting at which he retires.

The performance of those Directors who are subject to re-appointment and re-election of Directors at the AGM are assessed by NRC whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-election of the Director concerned for Shareholders' approval at the next AGM.

As evaluated by NRC and recommended by the Board, the following are to be re-elected at the forthcoming 10th AGM:

Director	Designation	Provision
a) Dato' Haris Fadzilah Hassan	Non-Independent Non-Executive Director	Re-election pursuant to Clause 99
b) Datuk Lim Thean Shiang	Independent Non-Executive Director	Re-election pursuant to Clause 99
c) Dato' Amir Hamdan Hj Yusof	Non Independent Non-Executive Director	Re-election pursuant to Clause 105

The election of each director will be conducted separately.

The Directors who are standing for re-election have met the Board's expectations, have continued to perform in an exemplary manner and have contributed to the Board's deliberations.

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 are furnished in this Annual Report.

Apart from the evaluation carried out on the Directors above who are standing for re-election at the forthcoming AGM, NRC also has carried out evaluation process for two (2) Independent Directors, namely Datuk Lim Thean Shiang ("Datuk Lim") and Dato' Rosini Abd Samad ("Dato' Rosini"), who are approaching the expiration of the three (3) years tenure as Independent Directors of which the re-appointment is the Board reserve matters in accordance with the provision of Clause 108 of MSM Constitution. Based on the evaluation result, the Board has agreed to re-appoint both Datuk Lim and Dato' Rosini who have not exceeded the maximum cumulative of nine (9) years since their appointment dates, in accordance with the provisions under the MSM Constitution, Board Nomination and Re-election Policy and Board Charter.

BOARD EFFECTIVENESS ASSESSMENT

CG Board Asia Pacific Sdn Bhd ("CG Board") was engaged in May 2020 as the Independent Facilitator to facilitate the Board effectiveness assessment process for year assessment 2019/2020 ("BEA 2019/2020") in line with Practice 5.1 of the MCCG 2017. This is the second external Board effectiveness assessment done and it is in line with good Board governance practices.

The scope of the BEA 2019/2020 was extensive and covered the core drivers or 10 domains influencing the effective functioning of the Board, the Board Committees and the performance of the individual directors. It also covered the organisational performance as part of the Board's role to drive long term sustainable value.

NOMINATION AND REMUNERATION COMMITTEE REPORT

The assessment and analytical process involved the following:

- a. Document review by CG Board mainly, Board and Board Committees minutes of meetings, Board Charter and TOR of Board Committees;
- b. Online high level survey which involved seven (7) Directors and five (5) key Senior Management staff;
- c. One-to-one interview with all Directors, selected key Senior Management staff who regularly interacts with the Board and Board Committees and additional three (3) Management staff to get a better insight into the operational challenges on the ground, notably the Johor Plant and people as well as cultural integration.

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The project planning started in August 2020 and fieldwork was completed between 2 to 23 December 2020. Prior to the commencement of field work, CG Board debriefed the Chairman and the NRC Chairman of the project objectives, scope, methodology, deliverables and the core findings of the previous year BEA. Their expectations and requirements were logged into the scope of the review.

The scope and coverage of this BEA 2019/2020 encompasses the ten (10) and the overall rating core drivers as detailed below:



In summary, there are improvements in eight of the ten core drivers evaluated compared to the BEA carried out in 2019 (rated as Moderate Effective) and overall, the Board is rated as Effective.

The outcome of the BEA 2019/2020 concluded that:

- There are promising signs of improved Board dynamics, quality of the discourse, oversight and direction following the Board refreshment exercise in May 2020. There is a general consensus that the better mix of skills and capabilities have enhanced the Board effectiveness and would ultimately lead to improved MSM's performance with a capable, experienced and well-respected Chair helming the Board.
- The relationship and level of trust with Management has improved and could further improve over time with more engagement and physical interactions.
- The leadership of the Board Committees have been strengthened and the recently appointed Independent Directors have exhibited a capacity for objectivity and impartiality which augurs well for MSM. They also bring with them with a high level of integrity and professionalism on their subject matter domain and knowledge.

The BEA 2020 final report was presented to the Chairman of the Board and Chairman of the NRC in April 2021. The final report contains several observations and key recommendations centered mainly on improving strategic focus of Board agendas and meetings time management, Board processes and quality of Board information which the Board has approved for implementation to enhance Board's effectiveness. The MSM Chairman had also completed the one-to-one sessions with each Director separately to discuss their respective Individual Directors Performance Report and development plans.

To ensure Board performance is sustainable, the Board has agreed that actions and recommendations from this Board effectiveness assessment is implemented and monitored closely in order for the Board to move to the next stage of the Board maturity framework.

Pursuant to Paragraph 15.20 of MMLR, the NRC also reviewed the performance of Audit, Governance and Risk Committee and concluded that the Audit, Governance and Risk Committee and its members have discharged their functions, duties and responsibilities in accordance with its TOR.

REMUNERATION REVIEW FOR NON-EXECUTIVE DIRECTORS

On 20 July 2020, Messrs. KPMG Management & Risk Consulting Sdn Bhd ("KPMG MRC") was engaged to undertake a high level review and perform an in-depth benchmarking on MSM Non-Executive Directors' ("NED") remuneration structure ("Review") which is timely as the revision of the remuneration policy has been overdue. The Directors Remuneration Policy was last reviewed and revised on 23 August 2016.

The objective of the engagement is to assist the Board in establishing a transparent and robust remuneration framework for Non-Executive Directors that takes into account the demands and complexities of MSM as well as the skills and experience required of the Non-Executive Directors.

The kick-off meeting was held with the Company Secretary on 21 July 2020 and KPMG MRC has completed the fieldwork for the Review approximately within four weeks from the date of the appointment. In undertaking this Review exercise, KPMG MRC performed macro/market analysis, sectorial analysis and comparator analysis for which the identified comparators have been determined by KPMG MRC in consultation with MSM. The said analyses were performed with a view of understanding the quantum and composition of remuneration that can serve as a benchmark for MSM in making enhancements to the prevailing remuneration framework of its Non-Executive Directors.

KPMG MRC presented the final report to NRC on 2 September 2020 and subsequently to the Board on 23 November 2020 where at this Board meeting, KPMG was requested to undertake an extended scope of work to review additional recommendations highlighted by the Board on the remuneration review whilst taking into account the initial findings which have surfaced from the native remuneration review analysis that was presented. The extended work commenced in late January 2021 and completed in mid-February 2021.

The final report was presented to the NRC on 15 March 2021 and subsequently approved by the Board. The revised remuneration structure will be tabled at MSM's 10th AGM for Shareholders' approval, and if approved, it will be implemented accordingly based on the details of the remuneration disclosed in the AGM notice.

NOMINATION AND REMUNERATION COMMITTEE REPORT

STATEMENT OF SUMMARY OF NRC'S ACTIVITIES DURING 2020

During the FYE 2020, NRC considered and recommended the following to the Board for approval:

Nomination and Election Process

- a. Re-election of retiring Directors at the 2020 Annual General Meeting
- b. Assessment of the Audit Committee pursuant to Paragraph 15.20 of Bursa Malaysia Securities Berhad Main Market Listing Requirements
- c. Board Annual Assessment on Independent Directors
- d. List of candidates for positions as Independent Non-Executive Directors of MSM Malaysia Holdings Berhad
- e. Appointment of Nominee Director of KPF to the Board of MSM
- f. Selection and appointment of Search Firm for the Purpose of Talent Sourcing for the Post of Group Chief Executive Officer and Group Chief Operating Officer
- g. Appointment and resignation of the Board of Directors of MSM Malaysia Holdings Berhad's Subsidiaries

Remuneration Matters

- a. 2020 Increment for MSM Group of Companies
- b. Directors' Remuneration for the Financial Year Ended 31 December 2019
- c. Revised Board Remuneration Policy for MSM
- d. One-time Ex-Gratia payment to the eligible staff of MSM Group
- e. Financial assistance during Pandemic period to the eligible staff of MSM Group of Companies

Other Matters

- a. Contract worker requirement for MSM Prai and MSM Johor
- b. Update on the Perlis Rationalisation Status
- c. Report on Nomination and Remuneration Committee for inclusion in 2019 Annual Report
- d. MSM GCEO Scorecard/KPI
- e. Review of Non-Executive Directors of MSM by Messrs. KPMG Management & Risk Consulting Sdn Bhd
- f. Changes on the Organisational Structure for MSM
- g. Directors and Officers Liability Policies
- h. Schedule of Nomination and Remuneration Committee Meetings for Year 2021

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 25 March 2021.

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 2020 (FYE 2020).

On 10 June 2020, the Board approved the establishment of Investment and Tender Committee (“ITC” or “the Committee”) to undertake the responsibilities, amongst others, to review the business plans progress and performance of MSM’s existing and new significant investments as well as to assist the Board in fulfilling the Board’s statutory and fiduciary responsibilities in relation to the review of significant procurements in accordance with the limits set out in MSM Group’s Limits of Authority.

COMPOSITION

Members*	Type of membership	No. of meetings attended
Datuk Dr Abd Hapiz Abdullah (appointed as Chairman and Member with effect from 10 June 2020)	Chairman/Independent Non-Executive Director	3/3
Choy Khai Choon (appointed as Member with effect from 10 June 2020)	Member/Independent Non-Executive Director	3/3
Datuk Lim Thean Shiang (appointed as Member with effect from 10 June 2020)	Member/Independent Non-Executive Director	3/3
Dato’ Haris Fadzilah Hassan (appointed as Member with effect from 10 June 2020)	Member/Non-Independent Non-Executive Director	3/3

Notes:

* For Members’ profiles see pages 68 to 71

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 new 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 <http://www.msmsugar.com/our-company/corporate-governance>.

INVESTMENT AND TENDER COMMITTEE REPORT

MEETINGS IN 2020

Since its establishment, the Committee held three (3) meetings during 2020 and the matters discussed were primarily on the 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 by relevant team members who presented their proposals. Decisions/recommendations of these meetings were then tabled to the Board for further deliberation and decision.

KEY ACTIVITIES

The Committee has undertaken the following key activities in the FYE 2020:

- Approved Terms of Reference for ITC for implementation
- Reviewed the proposal on Condensed Milk Project in MSM Johor
- Reviewed the Biomass Boiler Project in MSM Sugar Refinery (Johor) Sdn Bhd
- Evaluated the transfer of critical assets from MSM Perlis Sdn Bhd Refinery to MSM Sugar Refinery (Johor) Sdn Bhd Refinery
- Reviewed the proposed sale of 81 units of tractor by MSM Perlis Sdn Bhd (Plantation Division)
- Assessed the appointment of an Engineering Consultants for Conveyor Study and Study on Steam Supply and Distribution System in MSM Sugar Refinery (Johor) Sdn Bhd
- Reviewed the status update on the capital expenditure of MSM Sugar Refinery (Johor) Sdn Bhd
- Approved the proposed schedule of ITC Meetings for year 2021

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 25 March 2021.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following information is provided:

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2020.

2. SHARE BUY-BACKS

During the financial year ended 31 December 2020, there were no share buy-backs by the Company.

3. OPTION, WARRANTS OR CONVERTIBLE

There were no option, warrant or convertible securities issued by the Company during the financial year ended 31 December 2020.

4. AMERICANS DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2020.

5. MATERIAL SANCTIONS AND/OR PENALTIES

During the financial year ended 31 December 2020, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

10. DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE (RRPT)

At the 9th Annual General Meeting (AGM) held on 17 June 2020, 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 10th AGM of the Company.

The Company proposes to seek a renewal of the RRPT Shareholders' Mandate at its forthcoming 10th AGM. The renewal of the RRPT Shareholders' Mandate, if approved by the Shareholders, will be valid until the conclusion of the Company's next 11th 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 10th 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 2020 are as follows:

Transacting Parties	Nature of Relationship			Nature of Transaction	Transaction Value for the year ended 31 December	
					2020 (estimate) RM'000	2020 (actual) RM'000
MSM Malaysia Holdings Berhad Group (MSM) and FGV Group	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Provision of management services	9,000	2,819
MSM Malaysia Holdings Berhad Group (MSM) and FGV Prodata	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Provision of information technology (IT) services	1,000	2
MSM Malaysia Holdings Berhad Group (MSM) and FGV Security	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Provision of security services	3,000	1,138
MSM Malaysia Holdings Berhad Group (MSM) and FELDA	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Office rental Address Level 44, Menara FELDA Platinum Park No 11 Persiaran KLCC 50088 Kuala Lumpur Malaysia	Area 15,631 sq ft Duration 23 November 2019 to 22 November 2022 Rental payment Monthly	2,000 409

6. NON-AUDIT FEES

During the financial year ended 31 December 2020 there was no non-audit fee services rendered to the Company by its external auditors.

7. VARIATION IN RESULTS

There were no profit estimation, forecasts or projections made or released by the Company during the financial year ended 31 December 2020.

8. PROFIT GUARANTEE

No profit guarantee was given by the Company in respect of the financial year ended 31 December 2020.

9. 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 2020 or entered into since the end of the previous financial year ended 31 December 2019:

Sale and purchase agreement dated 8 October 2019 between MSM Perlis Sdn Bhd (MSM Perlis) and F&N Agrivalley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd) (F&N) for the disposal of 9 parcels of leasehold agricultural lands known as "Ladang Chuping" totalling approximately 4,453.92 hectares registered under MSM Perlis to F&N for a total cash consideration of RM156,000,000.00 only, subject to the terms and conditions therein. However, on 9 April 2020, MSM Perlis had issued a letter to F&N to exercise its rights to rescind the sale and purchase agreement.

ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Nature of Relationship			Nature of Transaction	Transaction Value for the year ended 31 December	
					2020 (estimate) RM'000	2020 (actual) RM'000
KPF Trading and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Sale of refined sugar	40,000	1,376
MSM Malaysia Holdings Berhad Group (MSM) and KPF Niaga	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Provision of motor vehicle insurance	1,000	279
MSM Malaysia Holdings Berhad Group (MSM) and Felda Travel	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Provision of travel and accommodation services	1,000	40
MSM Malaysia Holdings Berhad Group (MSM) and Felda D'Saji	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Provision of refreshments	1,000	7
MSM Malaysia Holdings Berhad Group (MSM) and FGV Transport	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Provision of freight forwarder and transportation services	17,500	8,523
MSM Malaysia Holdings Berhad Group (MSM) and FGV Transport	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Supply of courier services	500	-
FGV Kernel and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Supply of molasses and other sugar products	500	7
FGV Integrated Farming and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Supply of molasses and other sugar products	1,000	-
Delima Oil Products and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders: • FGV Sugar • KPF	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • FAHC	Supply of refined sugar	4,500	1
MSM Malaysia Holdings Berhad Group (MSM) and Felda Engineering	Interested Major Shareholders: • FGV Sugar • KPF • FGV	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • Nil	Provision of project management and construction services	2,500	865
MSM Malaysia Holdings Berhad Group (MSM) and KPF Trading	Interested Major Shareholders: • FGV Sugar • KPF • FGV	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • Nil	Sale of fertilisers and agro-chemicals	500	-
MSM Malaysia Holdings Berhad Group (MSM) and FGV Fertiliser	Interested Major Shareholders: • FGV Sugar • KPF • FGV	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • Nil	Sale of fertilisers	500	-
FGV Rubber Industries and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders: • FGV Sugar • KPF • FGV	Interested Directors: • Dato' Haris • Dato' Amir	Interested person connected: • Nil	Sale of raw material (rubber)	2,500	-
TOTAL					88,000	15,466

CORPORATE INTEGRITY

MSM Group has over the years built a strong corporate reputation based not only on the products and services that we provide, but also on sound principles of ethics and integrity.

Recognising that it required constant effort to maintain the highest level of integrity, in 2020 we further enhanced our ethical work environment via the following initiatives:

ETHICS AND INTEGRITY

MSM is committed to conducting business in an open, honest and ethical manner. The Group's commitment to upholding integrity in carrying out its duties is evidenced by:

Integrity Initiatives

- Our Anti-Bribery Policy Statement has been approved on 15 June 2020 (revised on 05 March 2021) as a part of our effort and commitment to Anti-Bribery and Anti-Corruption. This is also to ensure we put in place our adequate procedures and to be compliance with 15.29 (1), and (2) of Main Market Listing Requirements (MMLR) guided by the Guidelines on Adequate Procedures, section 17A (5) of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment Act 2018).
- Roadshow and training programmes were held for MSM Employees covered the following:
 - Understanding on Corporate Liability (MACC Amendment Act Section 17A)
 - Understanding Guidelines on Adequate Procedures
 - Whistleblowing
 - ISO 37001 Anti-Bribery Management System

The objective is to ensure that MSM Employees have in depth knowledge and understanding of the latest and current law and its impact on MSM Group.

- Email blast related to Governance & Integrity:

Title	English Version	Malay Version
Section 17A Offence by Commercial Organisation	✓	✓
New Section 17A MACC Act	✓	✓
T.R.U.S.T Principles	✓	✓
Anti-Bribery Policy Statement	✓	✓

Whistle-Blowing Policy

MSM Group also adopted the Whistleblowing Policy (WBP) – guided by FGV Whistleblowing Policy to further strengthen and uphold the high standards of ethics, integrity and professionalism expected from all employees. The WBP allows all employees and third parties to disclose any potential or actual unethical, illegal, irregular and questionable practices in confidence and without risk of reprisal.

CORPORATE INTEGRITY

The objectives of the policy are:

- Provide an avenue and designated channels of escalation for employees and third parties (e.g. interns, contractors, consultants, vendors, suppliers and/or customers) to direct their disclosures on any irregularities or suspected irregularities for the timely attention of Management.
- Set out the protection accorded to whistle blowers to enable them to disclose such irregularities in confidence without any risk of reprisal.

AUTHORITY & RESPONSIBILITY

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Group Limits of Authority (LOA)

Newly approved Group Limits of Authority (LOA) on 23 November 2020, sets out the authorised limits for various levels of MSM's Group Management and staff. This guide ensures accountability, segregation of duties and control over the Group's financial commitments. The LOA is reviewed and updated periodically to align with business, operational and structural changes. The LOA also has included the revised Legal authority limit and signing protocol (LAL) as part of the gist. The LOA is the migration from Discretionary Authority Limits (DAL) version 5.0.

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 is key for clarity of responsibilities and the relationship between functions which will enhance collaboration across the Group moves towards operational efficiency besides supporting the succession planning. It helps retain and motivate the best talents by ensuring employees' engagement and drive towards high performance culture.

COMPETENCY

MSM Group has established a structured competency baseline to assess existing human capital development needs across various engagement levels. This is to ensure the Group's key assets, namely its people, and their skills and abilities are competitive and remain so in the future. With the clarity of responsibilities and relationship between functions, collaboration across the Group is enhanced to move the Group towards operational efficiency.

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 2017 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 to implementing and maintaining a robust risk management and internal control environment and is responsible for the system of risk management and internal control. The Board acknowledges that the risk management and internal control systems are designed to manage and minimise risks as it may not be possible to totally eliminate the occurrence of unforeseeable circumstances or losses.

Audit, Governance and Risk Committee

Audit, Governance and Risk Committee at Board level that 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.

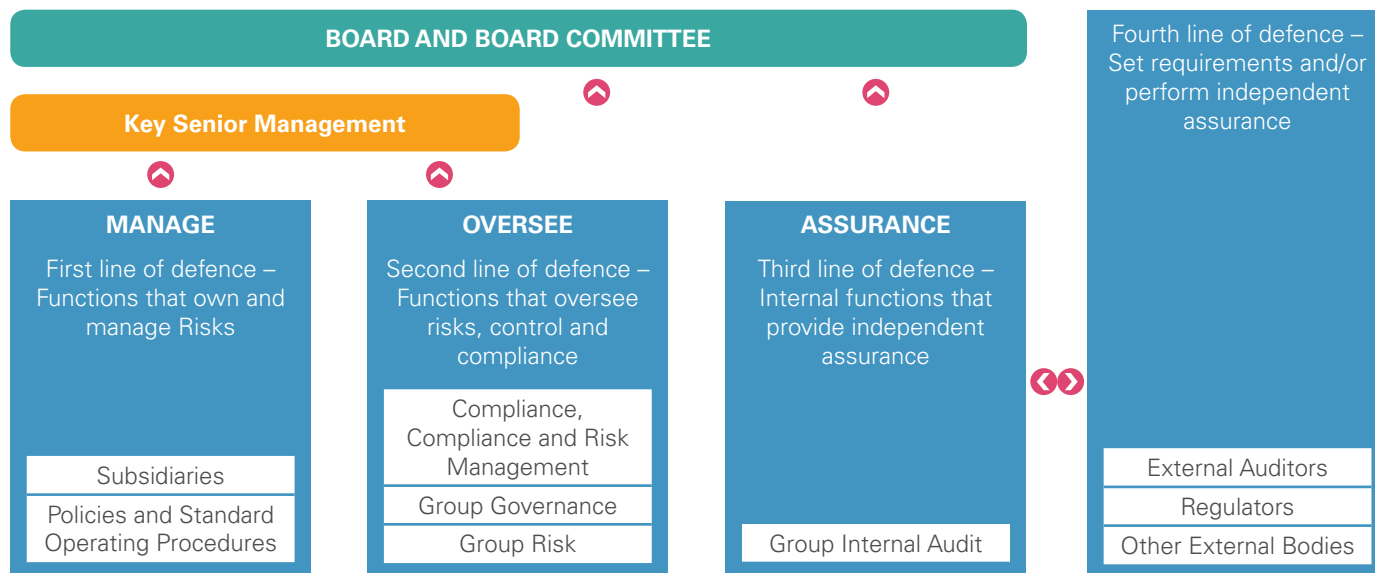
The Group's Risk Management function; undertaken by Corporate Governance & Risk Management (CGRM) adopts an effective and progressive Enterprise Risk Management System (ERMS) to identify, evaluate and monitor the risks faced by the Group, and to take specific measures to mitigate these risks including the following responsibilities:

- Reviewing, assessing, enhancing and monitoring the Group's Risk Management Framework including risk management policies and procedures; and in alignment with FGV Group Risk Management framework;
- Providing guidance to all MSM Group's operations in identifying and assessing risks, developing relevant and effective mitigation strategies to manage risks;
- Maintaining the Risk Register for the MSM Group;
- Preparing risk reports to the Audit, Governance and Risk Committee ("AGRC") and Board; and
- Overseeing MSM Group's Business Continuity Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Framework and Process

An effective risk management framework seeks to protect an organisation's capital base and earnings without hindering growth. An overview of the Group's Risk Management Framework is depicted below:



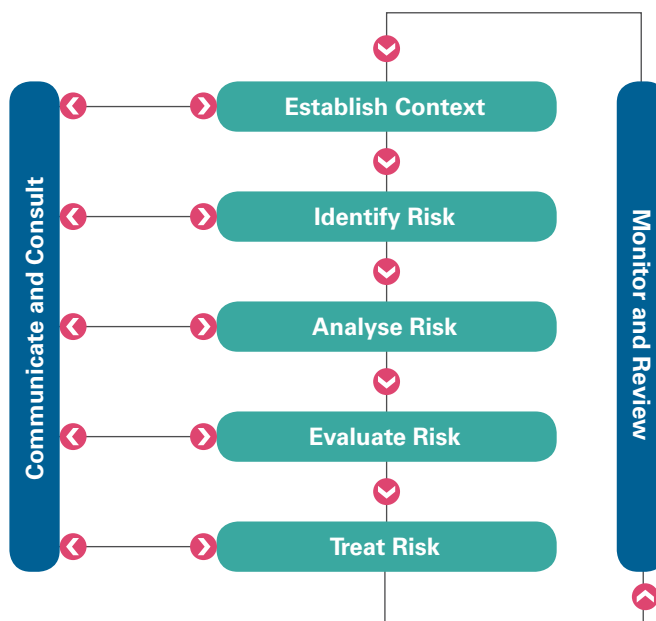
The Risk Management Framework:

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:

- Understand the risk environment, and assess the specific risks and potential exposure.
- Determine how best to deal with these risks to manage overall potential exposure.
- Manage the identified risks in appropriate ways.
- Monitor and seek assurance on the effectiveness of the management of these risks and intervene for improvement where necessary.
- Escalate to the Management and Board on a periodic basis on how significant risks are being managed, monitored, assured and improved.

The process of risk management adopted by the Group is illustrated below:

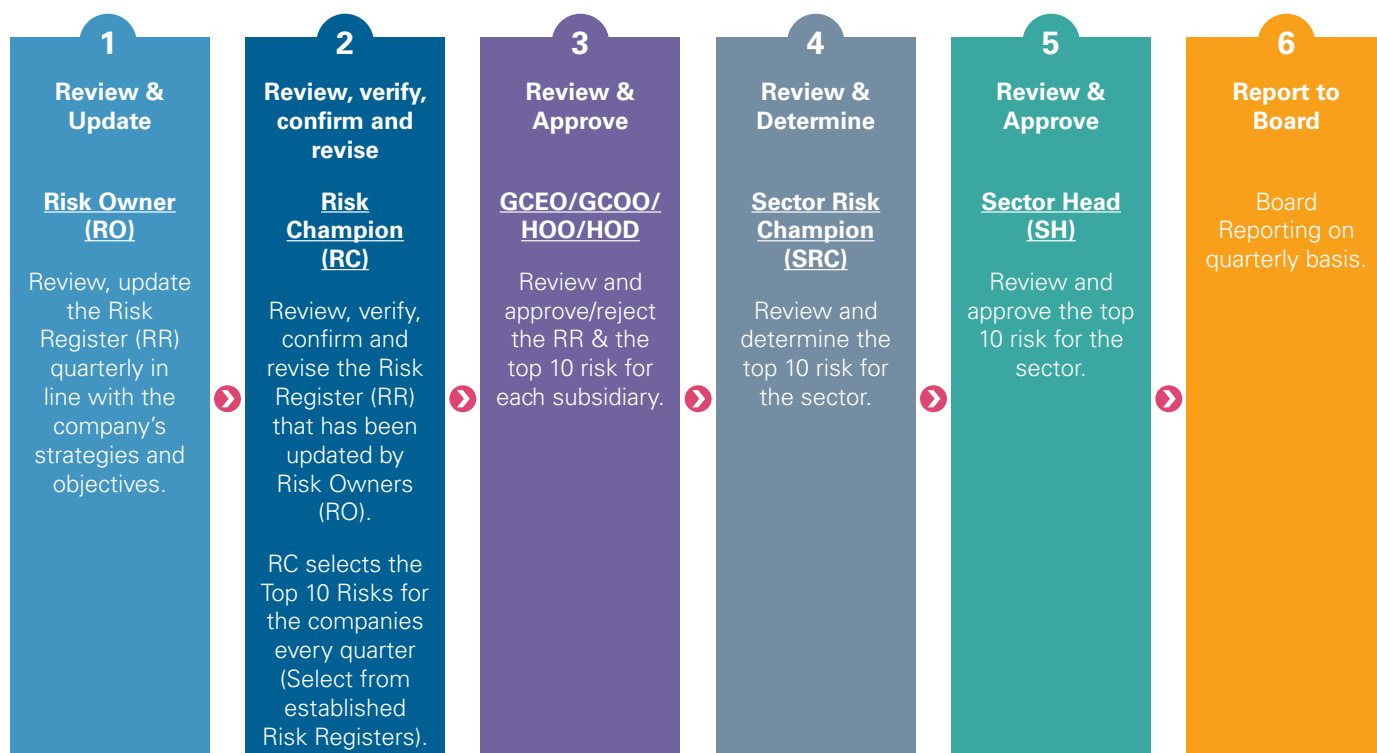


Enterprise Risk Management (ERM) System

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:



Principally, in the ERM System, the Group's key risk factors are categorised as follows:

Main Category	Secondary Risks
Geopolitical Risks	Socio-Politics
	Legal
	Infrastructure
Catastrophic Risks	Environmental Extremes
	Man-made Disasters
	Violent Acts
Market Risks	Macro-Economic Development
	Sales-Market Development
	Procurement-Market Development

Main Category	Secondary Risks
Strategic Risks	General Strategy
	Supply Chain Structure and Cooperation
	Large Scale Strategic Project
	Reputational
Financial Risks	Profitability
	Funding
	Liquidity
Operational Risks	Technology, Process and Organisation
	Organisation Capability and Human Resource
	Compliance

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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:

Activities	Description
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.
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.
Call Tree Structure	The MSM Group call tree structure was reviewed and enhanced as part of the Business Continuity Plan (BCP). The structure review is to ensure the effectiveness of the BCP designed for MSM Group.

COVID-19 Pandemic

In 2020, a significant Pandemic that threat to public health emerged. Giving an alarm on the risk: COVID-19 pandemic. MSM Group has been taken an action to manage the COVID-19. Action taken as follow:

Action Taken	Description
COVID-19 Committee	In view of the rapidly evolving situation surrounding the COVID-19 pandemic, the Board and the Group's Management are closely monitoring and pro-actively managing this situation and its corresponding impact to business and operations. The Top Management has set up the COVID-19 Committee via WhatsApp Group and has been chaired by GCEO. The Committee has been updated on the information from each respective Subsidiary on the Positive case that may affected the Employees on daily basis. This will give the Top Management enough time to take an action. The guidance and directive through the Committee facilitate MSM in handling the COVID-19 situation.
COVID-19 Response Plan	Most businesses are likely to experience significant disruption to their business-as-usual operations and will face business underperformance throughout the duration of the COVID-19 crisis. To help address these challenges, MSM Group came up with a COVID-19 Response Plan. The COVID-19 Response Plan provide guidance when dealing with COVID-19. The steps taken is to help prevent employees' risk of exposure to COVID-19.
COVID-19 Risk Assessment	In quarter 2 2020, the COVID-19 Pandemic has been addressed in the risk assessment by the representative. 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 Environment & Moving Forward

Challenges	Moving Forward
COVID-19 Pandemic	Monitor closely the positive case and keep on improving the COVID-19 Response Plan and strictly follow the Government Restrictive Orders.
High dependency on imported raw materials	Monitor constantly global prices for raw materials and obtain industry feedback for a favourable pricing on back-to-back basis for domestic sales or forward buying.
Foreign exchange fluctuations on MYR against USD	Actively monitor the foreign exchange market to capture the downward trend of MYR/USD, hence gradually averaging down the cost of buying USD to ease in the Group's hedging strategies.
Cyber threat on company IT infrastructure	Ensuring business continuity plan is in place to reduce downtime due to cyber-attack.
Excess supply of refined sugar in the local market	Continuously improve marketing plan and strategy to penetrate export markets.
Operational and service reliability due to machinery failure in the refineries	Establish consistent maintenance and servicing schedule for refining machinery.

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 Initiatives

Training and Awareness programmes were held for MSM Employees covered the following:

- Understanding on Corporate Liability (MACC Amendment Act Section 17A)
- Understanding Guidelines on Adequate Procedures
- Whistleblowing
- ISO 37001 Anti-Bribery Management System

The objective is to ensure that MSM Employees has an in-depth knowledge and understanding of the latest and current law and its impact on MSM Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 approved on 15 June 2020 (revised on 05 March 2021) and been uploaded in the web (<http://www.msmsugar.com/our-company/corporate-governance>)

Whistleblowing Policy

MSM Group also adopted a whistle blowing policy (leveraging on FGV Whistleblowing Policy), providing an avenue for employees and external parties to report actual or suspected malpractice, misconduct or violations of the Group's policies and regulations in a safe and confidential manner.

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.

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 23rd 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.

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 BGRMC and approved by the Board in 2020:

Policy Owner	Title	Date Approved
Strategy	Investment Policy	31 March 2020
Finance	Financial Closing & Reporting Requirement Policy	31 March 2020
	Property, Plant & Equipment Policy	31 March 2020

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 MSM Group.

The Group Chief Executive Officer, Group Chief Operating Officer and Chief Financial Officer present the MSM Group Quarterly Financial Information and the Operational Performance analysis to the Audit, Governance and Risk Committee prior to Board 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 plans are in line with the Board approved MSM Strategic Plan.

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.

The Group has also developed several programmes, in sync with its continual improvement culture, to ensure adequate supply of skilled and knowledgeable workforce who are then groomed to take on leadership positions. 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. The audit assignments are conducted in accordance with the internal audit plan approved by the AGRC.

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. APPG3 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 25 March 2021.

INTERNAL POLICIES, PROCEDURES AND GUIDELINES

- a) Establishment of MSM Group's Limit of Authorities (LOA).
- b) Revision of Financial Closing and Reporting Requirement Policy, Investment Policy and Property, Plant and Equipment Policy
- c) Establishment of Anti-Bribery Policy Statement
 - The Anti-Bribery Policy Statement has been approved on 15 June 2020 (revised on 05 March 2021) and been uploaded in the web (<http://www.msmsugar.com/our-company/corporate-governance>).
 - The policies involved as follows:
 - Whistleblowing Policy (WB)
 - Asset/Personal Declaration Interest Policy (APID)
 - External Gift, Entertainment and Hospitality Policy (External GEH)
 - Sponsorship and Donation Policy
 - Code of Business Conduct Ethics for Employees (COBCE)
- d) Adequate procedure

Education and awareness programme

The education and awareness programme has been conducted starting March, 2020 until July, 2020 in which the scope of training covered the following:

- Understanding on Corporate Liability (Latest MACC (Amendment) Act 2018 Section 17A)
- Understanding Guidelines on Adequate Procedures
- Whistleblowing
- ISO 37001 Anti-Bribery Management System

BUSINESS CONTINUITY MANAGEMENT

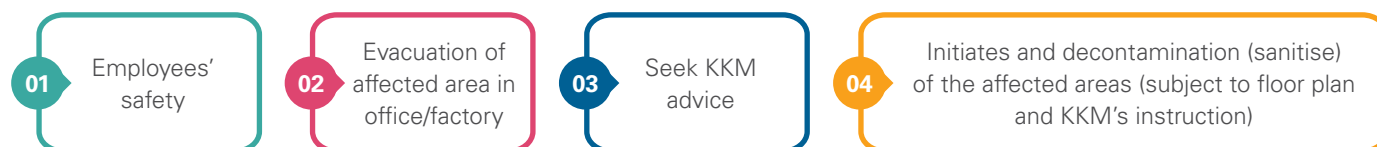
MSM Group fully recognises the importance of maintaining a comprehensive Business Continuity Management for its integrated sugar processes and sugar trading environment.

The objectives of the Business Continuity Management are as follows:

- To sustain organisational survival during a crisis by protecting human life and facilitating the resumption of critical business processes in a timely manner;
- To minimise losses during disaster or business disruption;
- To ensure that the provisioning of key products continues to be maintained at an acceptable level; and
- To safeguard the reputation and image of the Group.

Most businesses are likely to experience significant disruption to their business-as-usual operations and will face business underperformance throughout the duration of the COVID-19 crisis. To help address these challenges, MSM Group come out with the COVID-19 Response Plan.

The COVID-19 Response Plan has taken into consideration the following:



Action taken by MSM Group:

Put People Safety first	<ul style="list-style-type: none"> • Initiate or expand flexible work arrangement • Initiate Work from Home • Provide infection protection • Issue regular, transparent communications that reassure employees and align with current government policy
Reshape strategy to maintain business continuity	<ul style="list-style-type: none"> • Determine how the crisis affects budgets and business plans • Monitor domestic and foreign government initiative or support
Build resilience and prepare for recovery	<ul style="list-style-type: none"> • Execute revised strategies and continue to monitor the situations • Make decisions and take actions during the crisis with recovery in mind

The MSM Group call tree structure was reviewed and enhanced as part of the Business Continuity Plan (BCP). The structure review is to ensure the effectiveness of the BCP designed for MSM Group.

The importance of the call tree structure:

- Broadcasting the management decision to specific designated parties (internal and/or external) of an incident
- Confirmation of facts/information by employees
- Headcount confirmation and employee condition identification in the incident

The call tree structure:

