



MSM MALAYSIA HOLDINGS BERHAD

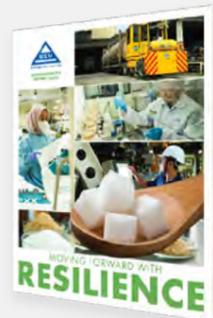
SUSTAINABILITY
REPORT 2022



MOVING FORWARD WITH

RESILIENCE

INSIDE THIS REPORT



MOVING FORWARD WITH RESILIENCE

COVER RATIONALE

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



Scan the QR code
to visit our website.



Traceability, Responsible Sourcing
and Supply Chain Management

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Diversity, Equity
and Inclusion

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Basis of This Report

Welcome to MSM Group's first stand alone Sustainability Report (SR), which communicates the Group's sustainability journey and impacts on the economy, environment and people. The purpose of this report is to provide clear and comprehensive information about our non-financial performance in the context of Environmental, Social and Governance (ESG).

MSM is guided by our vision of becoming a **World Class and Cost-Efficient Organisation Driven by Sustainability with a Diversified Portfolio in Food-Related Business.**

We are committed to our sustainable promise of **Sweet Sustenance in a Responsible, Sustainable and Mindful Way.** To achieve this goal, we are dedicated to enhancing shareholder value, optimising growth and achieving a sustainable, balanced and integrated ESG performance. We plan to accomplish this by transforming our business model and capitalising on opportunities throughout the global food value chain.

This report demonstrates the significant enhancements we have made in our sustainability journey. This includes adopting the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in our climate risks and opportunities disclosure.

This report also reflects our commitment to meeting the national reporting requirements and international ESG indices such as FTSE4Good Bursa Malaysia Index. We also strive to improve our disclosures against the Global Reporting Initiative (GRI) Standards and incorporate the selected United Nations Sustainable Development Goals (UN SDGs) that are relevant to our business goals and strategy.

We remain dedicated to strengthening the sustainability of our business by reviewing our ESG issues holistically from time to time across our business and operations. We will continue to enhance and improve our sustainability reporting to demonstrate transparency and enable our stakeholders make informed decisions.

Reporting Scope and Boundary

The scope of this report is from 1 January 2022 to 31 December 2022. It includes all significant developments relating to MSM up until the approval of the annual financial statements. The contents in this report cover MSM Group and its operating subsidiaries:

- MSM Prai Berhad
- MSM Sugar Refinery (Johor) Sdn Bhd
- MSM Logistics Sdn Bhd
- MSM Trading & Distribution Sdn Bhd
- MSM Trading International DMCC (Liquidated on 16 September 2022)

All data in this report relates to the principal activities of MSM Group and its subsidiaries unless stated otherwise.



NAVIGATE OUR REPORT

In this report, the following navigation icons are designed to connect our six capitals, key stakeholders, strategic themes and enablers to material matters, risks and performance.

Navigation Icons

- Find relevant information in this report
- Find relevant information in website

Six Capitals

- Financial Capital
- Intellectual Capital
- Manufactured Capital
- Human Capital
- Social & Relationship Capital
- Natural Capital

Materiality Matters

- M1 Governance, Ethics and Integrity
- M2 Financial Management
- M3 Occupational Health and Safety
- M4 Traceability, Responsible Sourcing and Supply Chain Management
- M5 Data Security and Protection
- M6 Waste Management
- M7 Operational Performance
- M8 Employee Engagement
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- M10 Upholding Human Rights and Labour Standards
- M11 Sustainable Raw Sugar
- M12 Business Development and Product Quality
- M13 Talent Management
- M14 Water Management
- M15 Diversity, Equity and Inclusion

Basis of This Report

Reporting Frameworks

This report has been prepared with reference to:

- Bursa Malaysia's Main Market Listing Requirements on Sustainability Reporting
- Securities Commission Malaysia's Malaysian Code on Corporate Governance
- Bursa Malaysia Sustainability Reporting Guide (3rd Edition)
- GRI Universal Standards 2021

This report meets the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad. This report is accessible online on our corporate website at www.msmsugar.com.

Materiality

The information and data in this report have been prepared based on our identified ESG material matters, which were determined in a materiality assessment in FY2022. This report provides an overview of the material matters that are significant to MSM's business and stakeholders. The contents outline our management approach, initiatives and aspirations for each material matter going forward.

Reporting Integrity and Assurance

This report has been externally and independently assured by SIRIM QAS International Sdn Bhd, which has verified that the policies, initiatives and data disclosed here are accurate and acceptable.

This report has also been reviewed by MSM's Executive Committee and Audit Committee before it was submitted.

Endorsement

The contents of this report have been endorsed by the Board of Directors and Senior Management of MSM, in accordance with the requirements of Bursa Malaysia's Main Market Listing Requirements and Sustainability Guidelines.

Forward-Looking Statements

Our forward-looking statements reflect our current views with respect to future events and are subject to various risks, uncertainties and other factors, including international, national and local economic conditions and government policies, interest rate movements and changes in the credit markets and other risks outside of our control that may cause actual results to differ materially from those contemplated. These statements can be recognised by keywords such as "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "plans", "outlook", and other similar expressions used in the context of discussing future operating or financial performance. These statements are founded on multiple assumptions and are exposed to various risks, uncertainties and contingencies, many of which MSM has no control over. Unexpected events and actual future developments may deviate significantly from current expectations due to new business opportunities, changes in the Group's priorities and other factors.

Feedback

We welcome feedback and suggestions in order to improve our sustainability reporting. Please forward your comments and opinions to esg@msmsugar.com

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

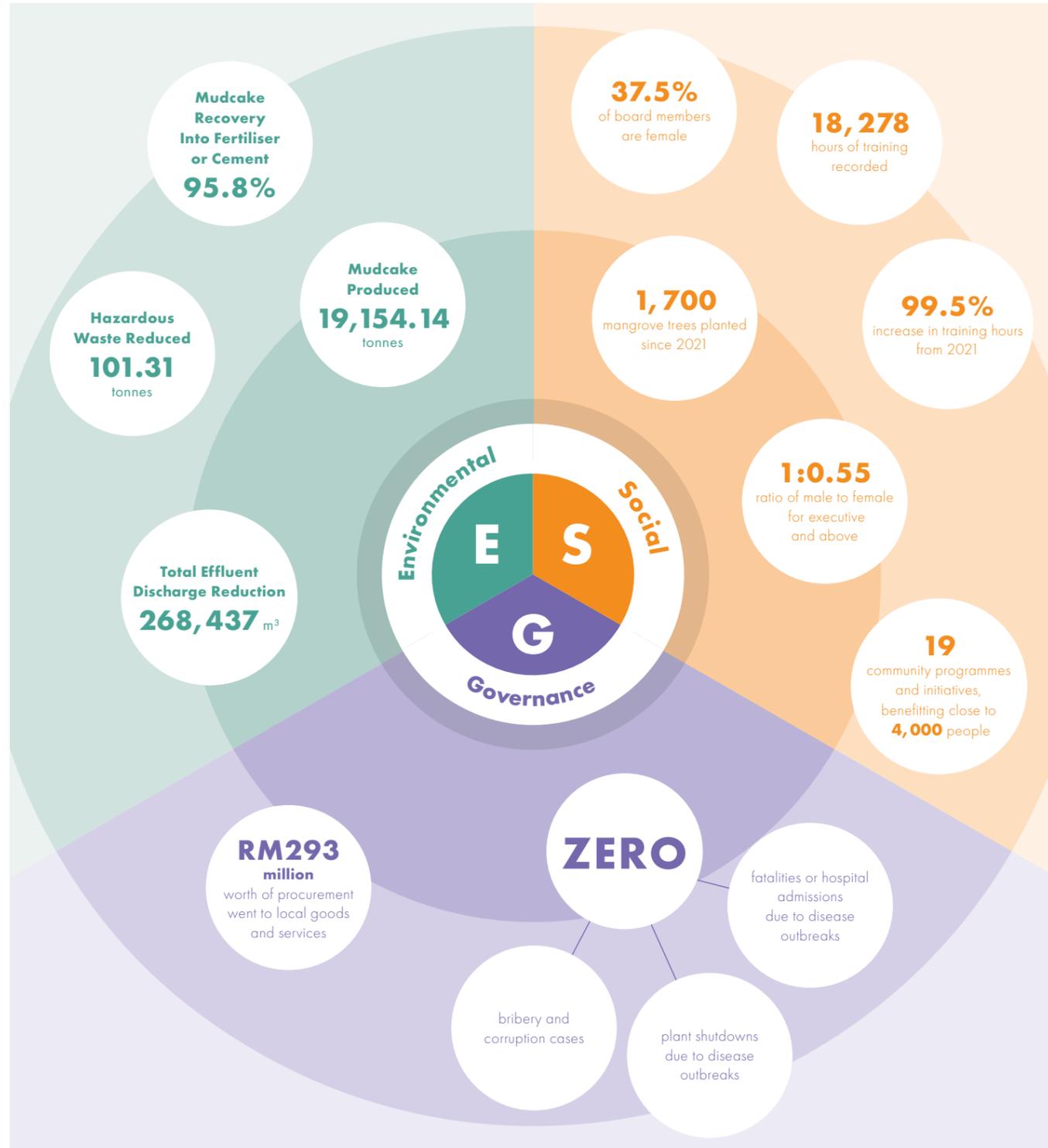
www.msmsugar.com/investor-relations/reports



Scan the QR code to access the Annual Integrated Report 2022.



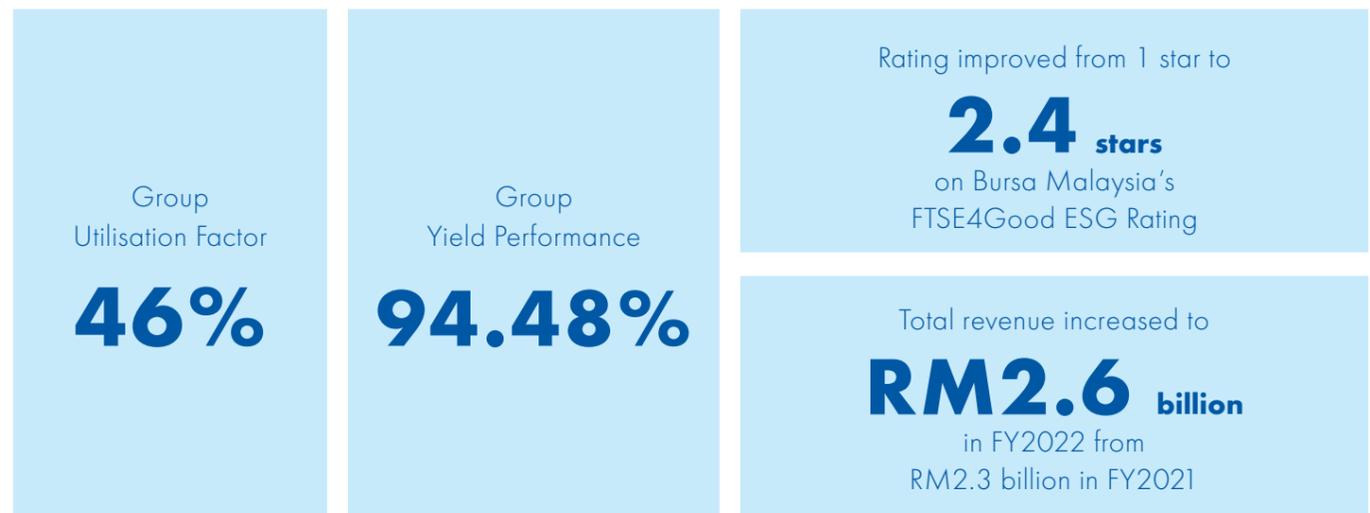
Our Value Impact



Our Value Impact



Business Highlights





Q&A with Our Group Chief Executive Officer on Sustainability

MSM Group Chief Executive Officer Syed Feizal Syed Mohammad shares his views on the Group's sustainability performance for 2022.



MSM continued to deliver on its sustainability agenda amid a challenging operating environment in 2022

Living by its promise of Sweet Sustenance in a Responsible, Sustainable and Mindful Way, the Group took several significant steps to advance its sustainability journey and create value for people and the planet. The Group stepped up its climate action, reached out to the communities in need and strengthened its relationship with its employees through bolstered employee engagement.

SYED FEIZAL SYED MOHAMMAD
Group Chief Executive Officer

Q CAN YOU SHARE MSM'S DEFINITION OF SUSTAINABILITY AND WHY IT IS IMPORTANT TO THE BUSINESS?

A In MSM, we embrace the concept of sustainability in all our business activities and even in our workplace. This means operating without negatively impacting the environment and society, and strengthening good governance. We understand that sustainability has now become a necessity for most companies, but at MSM, we go beyond regulatory compliance to embed sustainability in our corporate DNA. This includes taking strategic measures, such as ensuring ethical sourcing, which will safeguard our ethics, integrity and reputation to protect the longevity of the business.

Sustainability, however, is a journey and making sustainability business as usual in an organisation cannot be achieved in one day. For instance, we track and monitor our ESG metrics closely and improve on the transparency of our disclosures from time to time. A good example is that we embarked on implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) this year to better disclose our climate-related risks and opportunities, which aims to enable our stakeholders to make informed decisions. We will continue to improve our data collection and disclosures to strengthen our sustainability performance and create value for our business and stakeholders.

Q&A with Our Group Chief Executive Officer on Sustainability

Q 2022 WAS A YEAR OF TRANSITION TO THE ENDEMIC PHASE OF THE COVID-19. HOW DID THE BUSINESS ENVIRONMENT IMPACT MSM'S SUSTAINABILITY JOURNEY IN 2022?

A During the COVID-19 pandemic, we faced many challenges, but at the same time, it provided us with opportunities to effect changes and stay agile to adapt to the changing business landscape. The pandemic had in fact made us resilient in navigating obstacles and hurdles to emerge stronger. While there were external factors such as macroeconomics which were beyond our control, we took internal steps such as implementing cost saving measures and introducing remote work-from-home arrangements to ensure business continuity. Due to our agility, we were able to quickly adapt to the endemic phase by implementing and restarting ESG projects and initiatives that were disrupted during the pandemic. Some of these included engaging with the local communities and our employees to meet their needs, build trust and safeguard our reputation.

Q REPORTING ON SUSTAINABILITY PERFORMANCE IS A METHOD OF ENGAGING WITH STAKEHOLDERS TO COMMUNICATE THE PROGRESS OF MSM'S SUSTAINABILITY JOURNEY. WHAT WAS DONE IN 2022 TO STEP UP MSM'S SUSTAINABILITY REPORTING DISCLOSURES THIS YEAR?

A In 2022, the Group continued its commitment to upholding the highest standards of sustainability reporting by adhering to the relevant frameworks and guidelines. We align ourselves with global reporting initiatives and the relevant Sustainable Development Goals (SDGs) that are in line with our business. This allows us to stay informed and accountable for our actions while making a positive impact on our stakeholders. This year also marks the voluntary publishing of our first standalone Sustainability report, despite it not being a regulatory requirement. The objective is for the Report to serve as a valuable engagement tool for our stakeholders to make informed decisions and understand our commitment to sustainability.

Q WHAT DID MSM DO IN 2022 TO BOLSTER ITS SUSTAINABILITY JOURNEY?

A Improving the sustainability strategy from time to time to ensure the longevity of a business is part of any company's sustainability journey. In 2022, we took several bold steps to not only deepen our commitment to sustainability but to also contribute to the global efforts of combatting climate change and creating a sustainable future. We became the second food-based company in Malaysia to commit to the Science Based Targets initiative (SBTi), a collaborative effort involving the United Nations Global Compact (UNGC) and the Net-Zero Ambition initiative. We are aiming for our science-based emission reduction targets to be ready by next year. Our contribution to mitigating climate change was further strengthened by my nomination as a main member of the CEO Action Network (CAN), which will allow us to actively participate in climate change and green initiatives. This also reflects MSM's top management's commitment in shaping a favourable ecosystem for sustainable business and sustainable development in Malaysia.

In terms of embedding sustainability into our operations, we believe stakeholder engagement is key to bridging gaps and establishing our concrete goals for our sustainability programmes. To this end, we continued engaging with our people, who are the backbone of our organisation, to identify and meet their needs. Ensuring the well-being of our people is crucial for our daily operations, productivity and the sustainable growth of our business. For instance, we began hosting quarterly townhall meetings with our employees to share the Company's direction and allow them to share their feedback. We also successfully concluded the negotiations of Collective Agreement terms with trade union members in MSM Johor. Looking at the bigger picture, we have started drafting a Diversity, Equity and Inclusivity (DEI) Policy, which is expected to take effect next year.

As an organisation committed to achieving measurable results, we understand the importance of diligently investing time in tracking progress and target metrics. By doing so, we can take the necessary task-specific actions and perform the activities that will help us meet our goals. We also recognise the importance of establishing data capture mechanisms that will assist us in making accurate and strategic decisions. In ensuring that we are aligned with the actual social and ecological thresholds, we are able to choose our goals and metrics contextually for sustainable actions.



Q&A with Our Group Chief Executive Officer on Sustainability

Q WHAT WERE MSM'S BIGGEST ACHIEVEMENTS IN ITS EFFORT TO BOLSTER ITS ESG IMPACTS?

A The Group believes that the key to materialising and achieving our ESG goals is by staying consistent and progressive. These practices will enable us to show the results of our approaches and execution. At the same time, we are updated on new and improved execution methods.

In terms of environmental impact, we have contributed towards MSM Johor's improvement in environmental performance. This is materialised through collecting and quantifying GHG emissions in Scope 1, Scope 2 and identifying emission reduction opportunities.

Alongside our climate action, we deepened our commitment to sustainable sourcing by concluding our agreement with Wilmar on the No Deforestation and No People Exploitation (NDPE) policy for 100% sustainable raw sugar sourcing. We also collaborated with our suppliers and ensured that they adhere to our policies as part of a collective effort for a sustainable value supply chain.

The practice of 3R remained our focus throughout the year in achieving operational excellence and improving efficiency as this guided us in our efforts of reducing waste. We played our part in waste reduction by reusing and recovering by-products, such as turning mudcake into fertiliser and molasses into bioethanol.

We have instilled a paperless culture in our operations, moving towards the usage of digital tools such as cloud-based software that provides a platform to virtually share documents,

which led to the decrease in printing of physical copies. The Group's employees were also involved in several environmental initiatives, including the mangrove tree planting activity to promote carbon sequestration.

We acknowledge that protecting the planet is not an effort that can be done alone, but rather collectively by all parties. To this end, we regularly engage with the Department of Environment (DOE) to resolve any effluent issues and we remain steadfast in complying with environmental policies in our continuous endeavour to progressively minimise environmental impacts.

As a responsible corporate citizen, we continue to engage with our communities and upgrade their socio-economic status. We have improved our occupational health and safety from one fatality in the previous year to zero this year, while our injury rate saw significant improvements as well. The improved performance was attributable to the corrective actions we have taken and we will strive to maintain high safety standards at the workplace going forward. This will include intensifying awareness and training on health, safety, environment, security and quality across our operations.

We highly regard our people as one of the Group's biggest assets and continue to inculcate a culture of learning and development. This year, our training hours increased by almost 100%, and while this is partly due to the return to post-pandemic normalcy, we have also increased our investment in training and development by more than 20%. This is to future-proof our people and ensure that they remain agile and are capable of overcoming challenges with positive mindsets.

In our pursuit to embrace a diverse, equitable and inclusive work environment, it is worthy to note that we have adopted the United Nations

Women's Empowerment Principles (WEPs) in December 2022. MSM is now among the 100 signatories of Malaysian companies that are committed to providing a safe and inclusive workplace that embrace and promote women empowerment, diversity and equal opportunity. This reflects our consistent support for a workplace culture that is diverse and inclusive to enable us to harness unique opinions and perspectives to build resilience.

We also adopted digital sustainability practices and transformations by incorporating new software in human capital management and automated Smart Contracts to improve contract generation, resulting in speedy, transparent, secure and digitalised transactions. In assisting our employees to reduce commute time, we conducted online meetings for higher productivity.

In the aspect of governance, we are resolute in our zero-tolerance approach to bribery and corruption and encourage our stakeholders to whistleblow any incidents related to bribery. To this end, we provided an additional reporting channel which is an e-form on our website to facilitate seamless reporting.

The Group also held Corruption Risk Management workshops across departments and operations, which also helped us in assessing and identifying potential corruption risks in the MSM Group, on top of reinforcing awareness. This process will assist us in our preparation for the establishment of the Organisational Anti-Corruption Plan and raise our standards in preventing bribery and corruption.

Q WHAT ARE MSM'S SUSTAINABILITY ASPIRATIONS GOING FORWARD?

A We are guided by our ESG practices that are embedded in our corporate DNA to enhance shareholder value and unlock higher growth potential. This will be balanced with achieving sustainable and integrated economic, social and environmental performance throughout the food value chain.

As a responsible corporate citizen, MSM is committed to meeting all applicable legislation and adhering to best practices and sustainability commitments that we subscribe to. We recognise that we can play a role by minimising our impact on the planet while meeting the needs of consumers and communities.

One of our significant milestones towards our climate change ambition is the validation of SBTi to achieve an absolute reduction in carbon emissions for all our operations and supply chain partners. With our goal to further achieve this milestone, we are committed to invest in climate-smart solutions in our facilities and conducting a feasibility study of renewable energy sources.

With our agreement with Wilmar, we are tied to industry-leading commitments to no deforestation and no people exploitation with upstream suppliers. Furthermore, we are integrating ESG practices within our operating entities to consider the social impacts of our work within our company and the communities where we operate. The Group's current development of a DEI Policy proves our commitment to advancing equity and gender diversity across the organisation's hierarchy.

By taking these dedicated and sustainable steps, we believe that we can continue to drive meaningful change and make a positive impact on society. We will continue to review and bolster our sustainability progress to further entrench sustainability in our value chain to contribute to a sustainable future for all.



On 12 December 2022, Chief Executive Officer (CEO) of Food Aid Foundation (FAF), Dr Dalphine Ong, and Bursa Malaysia's Director of Group Sustainability, Emilia Tee Yoke Hoong, welcomed MSM Group CEO Syed Feizal Syed Mohammad for MSM's support and donation to FAF.



Our Value Chain

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

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

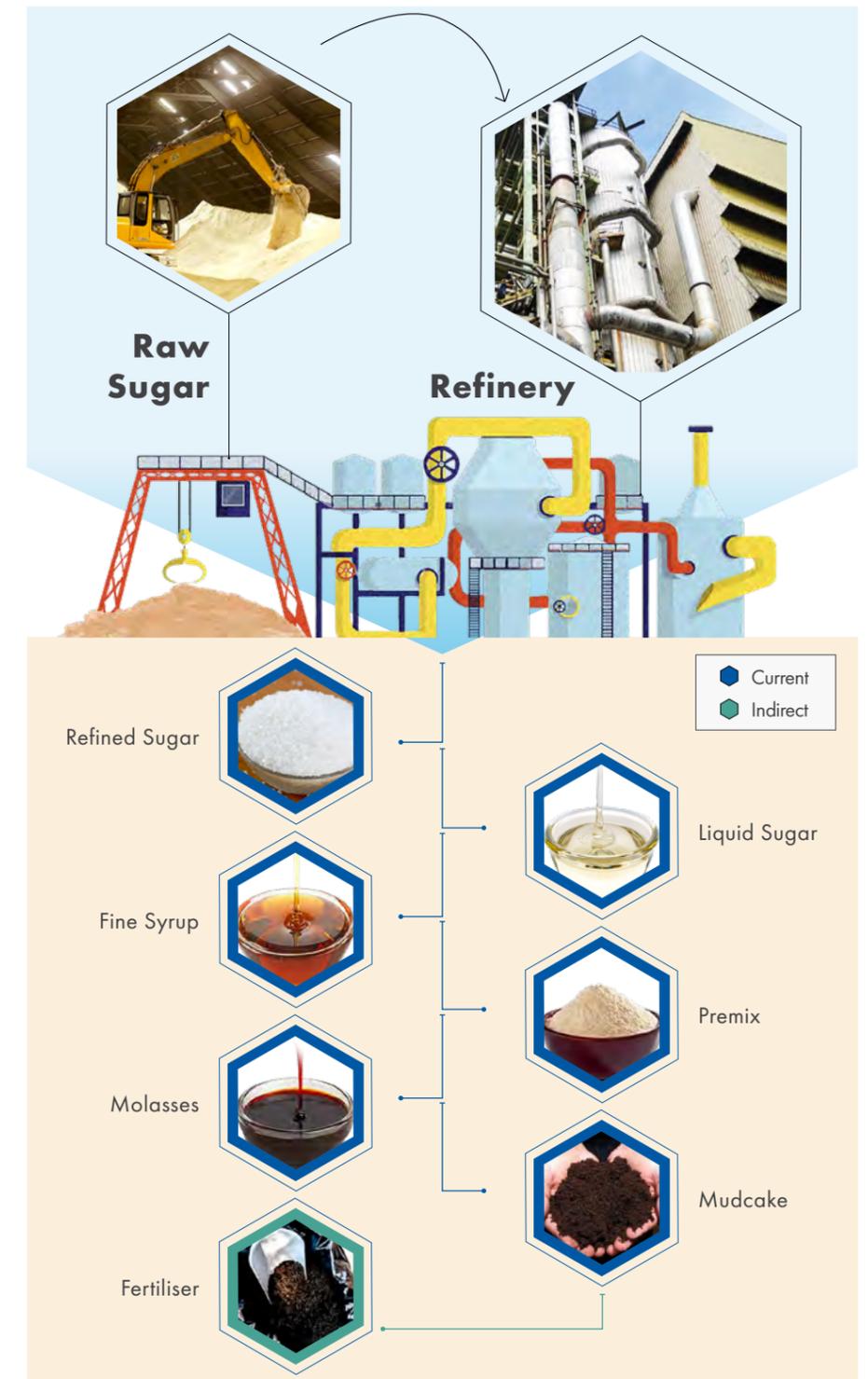
MSM has ventured into producing value added sugar products such as liquid sugar, fine syrup and premixes by leveraging its expanded production capacities.

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

PRODUCING HIGH QUALITY PRODUCTS



Our Value Chain





The Leading Refined Sugar Producer



SWEETENING LIVES SINCE 1964

MSM Malaysia Holdings Berhad (MSM) is Malaysia's leading refined sugar producer, listed on the Main Market of Bursa Malaysia Securities Berhad on 28 June 2011. It is one of the top 50 prominent companies on Bursa Malaysia with a market capitalisation of RM598 million as at 30 December 2022. MSM produces, markets and sells refined sugar products. It consists of two operating subsidiaries, MSM Prai Berhad and MSM Sugar Refinery (Johor) Sdn Bhd, which were established in 1959 and 2018 respectively.

Incorporated on 10 March 2011, MSM is listed on the Main Market of Bursa Malaysia and its year-on-year market capitalisation has grown to RM598 million as at 30 December 2022. A 58-year-old iconic home-grown business which carries an approximate brand value of RM617.8 million, MSM's continued success is a testament that its repute and brand values are being passed down from one generation of Malaysians to the next.

The current production capacity for MSM Group is 2.05 million tonnes, reduced from 2.14 million tonnes capacity in FY2020 due to the disposal of MSM Perlis Sdn Bhd following the Group's consolidation to maximise utilisation factor in our two refineries, MSM Prai Berhad and MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor). Shareholders have approved the sale of wholly-owned MSM Perlis Sdn Bhd to FGV Integrated Farming Holdings Sdn Bhd for total proceeds of RM181.11 million. The Group will be optimising MSM Johor's capacity in stages via a ramp-up program to improve the Group's economies of scale reducing the production cost per unit.

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



The Leading Refined Sugar Producer

Largest Standalone Sugar Refinery in Malaysia

One of the largest sugar refiners in the global sugar industry

Production Capacity: **2.05** million tonnes

Produces **>947** thousand MT of refined sugar products

Ranked **3rd** most chosen FMCG brand in FY2021

Premium Quality Sugar
Polarisation of **99.6%** | ICUMSA **45**

Total Manpower: **1,038** employees

Serving **>300** customers

>50% GLC's equity ownership

Our Sustainability Approach

Sustainability remains the cornerstone of our decision-making and business management to ensure resilient business growth and longevity. Our sustainability approach is guided by the sustainability strategy and framework of our parent company, FGV Holdings Berhad. The strategy focuses on integrating sustainable practices into business management and operations while creating value for stakeholders and minimising adverse impacts on society and the environment.

Anchored on three key pillars, Environmental, Social and Governance (ESG), the sustainability framework covers five focus areas which address the key elements of sustainability. They include topics related to economic growth, good governance, social and human rights, environmental impacts and sustainable production, together with innovation and transformation.



Our Sustainability Approach

GROUP SUSTAINABILITY POLICY

MSM is guided by the principles outlined in its Group Sustainability Policy (GSP). This policy serves as the foundation for our commitment to balancing our economic aspects with positive environmental and social outcomes, while maintaining our strong standards of governance and ethics. The GSP was established in 2018 and is subject to biennial reviews and updates to ensure that we remain aligned with the ever-evolving ESG landscape and stakeholder demands, as well as ESG indices. The scope of the GSP covers 18 areas that address MSM's commitment to:

-  **Meeting the requirements of all applicable legislation and regulatory rules**
-  **Engaging with stakeholders to promote sustainability practices**
-  **Assisting external suppliers in complying with the GSP**

 For more information on the GSP, please refer to https://www.msmsugar.com/sites/default/files/group_sustainability_policy.pdf





Stakeholder Engagement

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

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

Read more about how we leverage our six capitals to create value in Our Business Model on pages 50-51 of the Annual Integrated Report 2022.

Note: Refer to What Matters to You (and Us) on page 26 for our list of material matters.

CONSUMERS AND CUSTOMERS

Description

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

Stakeholder Expectations

- Convenient, continuous and safe access to products and services during unprecedented conditions
- Excellent customer service
- Long-term security of supply
- Consistent supply and quality of products
- Competitive pricing
- Improved manufacturing capability

Response to These Expectations

- Ensured ample supply of sugar is readily available for local consumers
- Developed new products
- Increased customer satisfaction by improving physical or digital touchpoints
- Enhanced processes to achieve operational excellence
- Consistently followed Standard Operating Procedures (SOPs) during the pandemic
- Key customer site visits by and engagement with GCEO

Engagement Platforms

- Online communications (emails, corporate website, social media)
- Sales representatives
- Branding campaigns
- Customer complaint response form
- Event and engagement sessions

Relevant Material Matters

- M1
- M4
- M5
- M11
- M12

Impact to Capitals



EMPLOYEES

Description

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

Stakeholder Expectations

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

Response to These Expectations

- Improved delegation of tasks and supported the needs of employees to enhance their performance
- Benchmarked pay structure against industry standards
- Continued to invest in employees' training and development
- Prioritised health and safety programmes
- Renewed and signed the 17th Collective Bargaining Agreement with a trade union in MSM Prai
- Engaged with employees via townhalls, the intranet and newsletters
- Conducted management dialogues with employees and union representatives
- Organised recreational events and sports activities
- Supported the employment of youths through the Prodigy Programme
- Provided support and financial aid for employees in need

Engagement Platforms

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

Relevant Material Matters

- M1
- M3
- M8
- M10
- M13
- M15

Impact to Capitals





Stakeholder Engagement

SHAREHOLDERS AND INVESTMENT COMMUNITY

Description
Provide constant communication and a platform for investors and the public to receive a balanced view of MSM Group's performance and the challenges faced.

Stakeholder Expectations

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

Response to These Expectations

- Implemented MSM BP23 to establish a long-term plan and sustainable growth
- Realigned strategies to adapt to the uncertain market landscape due to the pandemic
- Activated a business continuity plan to provide continuous service
- Ensured transparency in corporate reporting and disclosures through various platforms
- Appointed Directors and senior management with extensive experience and knowledge
- Improved our commitment to Group-wide ESG practices
- Ensured operational compliance through audits and certifications
- Elevated our financial performance
- Refined our framework to improve governance, compliance and transparency
- Updated our progress through quarterly briefings and annual reports
- Identified opportunities to enhance value
- Organised promotional, diversity and unity campaigns to enhance media presence

Engagement Platforms

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

Relevant Material Matters

M1 M2 M4 M5
M9 M11 M12

Impact to Capitals

Stakeholder Engagement

REGULATORY AGENCIES AND STATUTORY BODIES

Description
The government's regulatory framework allows us to operate within a supportive environment and infrastructure in addition to providing other means of support to sustain our growth.

Stakeholder Expectations

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

Response to These Expectations

- Updated our systems, internal controls and processes consistently to meet compliance and risk requirements
- Ensured effective compliance, risk management and governance to meet regulatory requirements
- Provided timely and transparent disclosures and reporting to regulatory agencies and statutory bodies
- Discussed issues such as issuance of Approved Permit (AP) and sugar smuggling
- Ensured continuous engagement, dialogue and briefings to improve best practices
- Optimised business framework to meet regulatory requirements
- Executed initiatives that promote the United Nations Sustainable Development Goals (UN SDGs)
- Enhanced governance, compliance and transparency framework

Engagement Platforms

- Regular updates, disclosures and reporting to regulators
- Regulatory forums, briefings, meetings, conferences and consultation papers

Relevant Material Matters

M1 M2 M3 M4
M5 M6 M11 M12
M14

Impact to Capitals



Stakeholder Engagement

VENDORS, SUPPLIERS AND INDUSTRY PARTNERS

Description

Vendors, suppliers and industry partners provide the materials to produce the products and services needed for MSM's sustainable growth.

Stakeholder Expectations

Convenient access to procurement systems

Fair and equal evaluation of vendors and their proposals

Communicate fair conditions that satisfy both suppliers and MSM's needs

Communicate new policies, guidelines or strategies to ensure optimal performance

Transparent reporting and disclosures to ensure smooth collaboration with potential partners

Response to These Expectations

Established honest and open contract/tender negotiations

Supported the business of local vendors

Visited vendors' sites to ensure their compliance with responsible practices

Actively engaged with vendors to improve their understanding on procedures, processes, guidelines, expectations of deliverables and quality

Conducted integrity assessments

Engagement Platforms

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

Relevant Material Matters



Impact to Capitals



Stakeholder Engagement

MEDIA, NON-GOVERNMENTAL ORGANISATIONS AND COMMUNITIES

Description

Building and nurturing existing relationships with the communities where we operate allow us to contribute to the transformation of these communities through development and various corporate responsibility programmes.

Stakeholder Expectations

Responsive and viable contribution to community interest and needs

Support for key community developments and activities

Sponsorship and donations

Employment opportunities

Socio-economic operational impact and initiatives

Response to These Expectations

Provided opportunities for volunteerism through community activities

Collaborated in a mangrove tree planting initiative in October with Penang's Department of Environment (DOE) and the fishermen community

Maintained our commitment to Corporate Social Responsibilities (CSR) programmes

Provided financial assistance through zakat and giving of alms

Engagement Platforms

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

Relevant Material Matters



Impact to Capitals



Sustainability Governance

Sustainability at MSM is driven from the top and cascaded down to the working level, where sustainability strategy, initiatives and programmes are rolled out and implemented to deliver on our ESG goals and targets.

Our sustainability governance is led by the Board of Directors, which has oversight on sustainability-related matters including climate change risk. The Board of Directors is supported by the Audit, Governance and Risk Committee (AGRC), which receives updates from the Group Chief Executive Officer (GCEO), Group Chief Operating Officer (GCOO) and Management Steering Committee. Our sustainability governance structure and the role of each level are shown in the following illustration:



Sustainability Governance

Board of Directors

MSM's Board Charter sets out the Board's responsibility to review, approve and include ESG considerations for the sustainability of the business in the strategic plans. The Board of Directors formulates the sustainability policy and ensures that it takes account of material matters that impact business goals and ascertains MSM's sustainability practices. In addition, the Board is responsible for approving MSM's sustainability disclosures.

Audit, Governance and Risk Committee (AGRC)

The AGRC receives periodic updates on ESG issues and risks including the plans, actions to be taken and the progress of key ESG initiatives. The AGRC is the Board committee with oversight for the formulation of the sustainability policy and strategies. It reviews the Sustainability Report and any other related information that has a major financial and/or reputational impact on the Group.

GCEO, GCOO and Management Steering Committee

The GCEO and GCOO provide leadership and direction for sustainability initiatives and are the conduit between the Board (that includes the AGRC) and MSM's operational units on sustainability and corporate governance related matters. Members of the Management Steering Committee discuss ESG-related matters such as GHG emissions and reduction, identifying ESG opportunities and mitigating ESG risks.

ESG Department

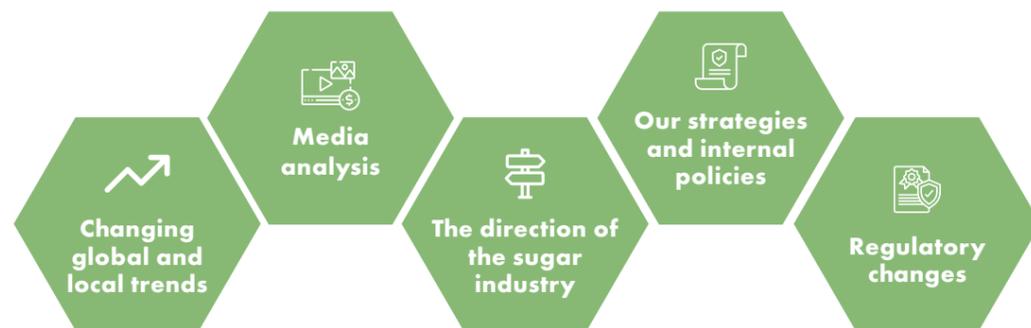
The ESG Department reports directly to the GCEO and advises all Heads of Operations and Department Heads at subsidiaries on matters pertaining to the Group's sustainability strategy. The ESG Department also works closely with MSM's Health, Safety, Environment, Security & Quality (HSES&Q) Department, the department that spearheads the implementation of sustainability-led strategies and programmes within the Group.

What Matters to You (and Us)

Materiality assessment is an important part of our sustainability strategy. It helps us to identify the key sustainability issues that matter most to us and our stakeholders in order for us to grow responsibly. In 2022, we conducted a thorough materiality assessment to engage with our stakeholders and determine the issues that would impact them and our business. The process included an online survey and an internal review, as elaborated in the infographics below:

Identify

To identify our material matters, we first assessed our existing material matters against a set of factors that would impact our business organisation and stakeholders:



Based on the assessment, 20 material matters were identified as relevant to us and our stakeholders. An online survey was then sent out to both internal and external stakeholders to gather their insights and opinions. The stakeholders were asked to rate the importance of each material issue. They were also asked to share their thoughts on the issues that are most important to them and to MSM.

Review

The results of the survey and the feedback received were reviewed internally to enable us to further understand the key concerns of our stakeholders.

Verify

Most material impacts on MSM were identified on a materiality matrix which was reviewed by our Board of Directors (BOD), Audit, Governance and Risk Committee (AGRC) and Group Chief Executive Officer (GCEO). They have validated these issues as carrying notable impacts and of high concern to our stakeholders.

Prioritise

Based on the findings, 15 material matters were prioritised and plotted on a materiality matrix. The material matters were also aligned with the relevant United Nation Sustainable Development Goals (UN SDGs). While these material matters are considered significant to our business and our stakeholders, the remaining material matters are considered emerging material issues, which could impact us and our stakeholders in the future.

What Matters to You (and Us)





Our Contributions to the UN SDGs

The United Nations Sustainable Development Goals (UN SDGs) are a set of 17 global goals agreed by 193 UN Member States to end poverty, ensure prosperity and protect the planet.

At MSM, we strive to contribute to these goals by aligning our prioritised material matters with the relevant SDGs. Going forward, we intend to focus on selected goals that are relevant to our business strategy and sustainability direction to enable us to deliver on our targets, as well as those set by the SDGs.



Our Contributions to the UN SDGs

What It Means to MSM

<p>M1 GOVERNANCE, ETHICS AND INTEGRITY</p> <p>Complying with regulatory requirements and good corporate governance principles to uphold integrity and ethical business conduct in the industry</p>	<p>M6 WASTE MANAGEMENT</p> <p>Managing and reducing waste generated across our operations to minimise negative environmental impact while promoting a circular economy</p>	<p>M11 SUSTAINABLE RAW SUGAR</p> <p>Demonstrating MSM's commitment to protecting the environment, labour and communities while promoting progress in operational efficiencies and best practices</p>
<p>M2 FINANCIAL MANAGEMENT</p> <p>Ensuring resilience in business growth to create sustainable value for stakeholders, contributing to healthy economic growth</p>	<p>M7 OPERATIONAL PERFORMANCE</p> <p>Adopting efficient systems to ensure smooth operational performance and contribute to sustainable business growth</p>	<p>M12 BUSINESS DEVELOPMENT AND PRODUCT QUALITY</p> <p>Promoting sustainable, inclusive economic growth and responsible business practices through the development of high quality, innovative and sustainable products and services</p>
<p>M3 OCCUPATIONAL HEALTH AND SAFETY</p> <p>Providing a safe and healthy working environment for our workforce, including suppliers, vendors, service providers and migrant workers</p>	<p>M8 EMPLOYEE ENGAGEMENT</p> <p>Listening to employees and meeting their needs without discrimination to develop an inclusive workforce and promote job satisfaction and loyalty</p> 	<p>M13 TALENT MANAGEMENT</p> <p>Investing in the learning and development of our employees to shape a high-performing workforce that is agile and future proof</p>
<p>M4 TRACEABILITY, RESPONSIBLE SOURCING AND SUPPLY CHAIN MANAGEMENT</p> <p>Ensuring traceability and a responsible supply chain to demonstrate responsible consumption and production</p> 	<p>M9 ECONOMIC IMPACT</p> <p>Ensuring sustainable business growth to contribute to decent work and economic growth</p>	<p>M14 WATER MANAGEMENT</p> <p>Conserving water resources and minimising water consumption at our operations to reduce MSM's environmental footprint</p>
<p>M5 DATA SECURITY AND PROTECTION</p> <p>Prioritising the privacy and security of all data entrusted to us to uphold strong governance</p>	<p>M10 UPHOLDING HUMAN RIGHTS AND LABOUR STANDARDS</p> <p>Upholding the human rights of our workforce, including the right to development, participation, a healthy environment, equal opportunities and equality</p>	<p>M15 DIVERSITY, EQUITY AND INCLUSION</p> <p>Having zero tolerance for all forms of discrimination at the workplace by championing diversity, equity and inclusion</p>

Upholding Good Governance and Economic Sustainability

Good governance promotes accountability, transparency, efficiency and regulatory compliance and enables us to effectively manage our resources to achieve our sustainability goals.



Governance, Ethics and Integrity



Financial Performance



Traceability, Responsible Sourcing and Supply Chain Management



Sustainable Raw Sugar



Data Security and Protection



Operational Performance



Economic Impact



Business Development and Product Quality



Community Engagement and Development

 This interactive PDF allows you to access information easily, search for a specific item or navigate between sections and links.

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Governance, Ethics and Integrity



GOVERNANCE, ETHICS AND INTEGRITY

OUR APPROACH

Good governance, ethics and integrity are the cornerstones of our business management and operations, including our business activities in our supply chain. We are guided by MSM's Sustainability Policy, which merges holistic approaches with our business strategies. Our decision-making processes are guided by the Malaysian Code on Corporate Governance 2021 (MCCG 2021), in compliance with Bursa Malaysia's provisions of sustainability disclosures and reporting.

To instil a culture of integrity in our workforce, we constantly organise workshops, integrity talks, townhalls and roadshows, including periodic communication reminders which centre around good governance, integrity and anti-corruption.

Our governance culture is aligned with our Constitution, Board Charter, MSM Governance Framework, Code of Business Conduct and Ethics (CoBCE) and our SWIIT Core Values. Our value chain is also required to adopt our policies, practices and procedures to further embed ethical business conduct throughout our supply chain network. To ensure that we practise good governance, our Corporate Governance and Risk Management (CGRM) division oversees the ethics and compliance function. The CGRM division also plays the main role of promoting a culture that is cognisant of and committed to ethical business conduct.

We have in place a set of robust policies that outline our principles on bribery, gifting, corruption and code of business conduct. These policies are communicated to our employees via MSM's internal portal.

	Anti-Bribery Policy Statement		Whistleblowing Policy		External Gift, Entertainment and Hospitality Policy (GEH)
	Governance of Policies and Procedures Policy		Conflict of Interest Policy		Sponsorships and Donations Policy
	Code of Business Conduct and Ethics		Referral Policy		Asset/Personal Interest Declaration Policy (APID)

The Governance of Policies and Procedures Policy establishes a framework for efficient formulation, standardisation and administration of all MSM Group policies and procedures. The Board is responsible for approving all policies, which are stored in a central depository system (CDS) managed by the CGRM division. These processes are formed to ensure an appropriate internal control system by implementing adequate policies and procedures to guide and manage our business operations.

We are committed to good governance and upholding ethics and integrity in all that we do. We will continue to inculcate our workforce and operations with strong governance, ethics and integrity, which will safeguard our journey to long-term value creation.

Governance, Ethics and Integrity

OUR INITIATIVES

Upholding Good Governance

We highly prioritise our efforts in ensuring that good governance and a culture of high integrity is instilled Group-wide, in line with our objectives of fulfilling the UN SDG 16 of Peace, Justice and Strong Institutions. The Group's turnaround plans also include a high performing culture that takes governance and integrity into serious account. The success of our business is determined by our people, who are empowered to practise proper governance, maintain integrity and adopt best practices that will enhance our operations. We understand that stringent controls applied to manage all aspects of our business gives guidance to our employees to execute their responsibilities with ease.

MSM's Board of Directors play an instrumental role in inculcating a strong corporate governance culture that will support our strategies and operations sustainably. This will in turn gain the loyalty and confidence of our stakeholders, especially investors. Our Board is supported by the Audit Governance and Risk Committee (AGRC) in ensuring that we fulfil our statutory and fiduciary responsibilities, particularly in areas of financial reporting, governance, risk management and sustainability practices.

In 2022, we established a Risk Committee which oversees and reviews our risk-related matters in MSM Group and is led by our C-suite team and various Heads of Department, including the Head of Operations. We also established and approved new governance policies in the year under review, which includes:

- > **Credit Control and Sales Payment Terms Policy**
- > **External Auditor Policy**
- > **Group Inventory Policy**
- > **Whistleblowing Policy**
- > **Group Inventory Reporting Policy**
- > **Limit of Authorities**

Ensuring High Standards of Business Ethics

We focus on ensuring the highest standards of business ethics across our operations and supply chain to maintain trust and safeguard our reputation. As such, all our employees are expected to comply with our policies that emphasise law and regulatory compliance as well as with our CoBCE. Our business conduct is guided by various policies and procedures including the MMLR, MCCG and the Malaysian Financial Reporting Standards (MFRS) framework.

In 2021, we launched an updated version of CoBCE that outlines the expected compliance standards for employees with regards to the organisation's policies and applicable laws and regulations. The refreshed CoBCE promotes a culture of transparency, integrity and trust, and holds employees accountable for their conduct. It also assists employees in identifying when to seek guidance.

The CoBCE is relevant and applies to all employees of the Group, and new hires are required to undergo an onboarding programme that includes familiarisation with the CoBCE. Furthermore, they are expected to sign and acknowledge the CoBCE for the Group People & Culture's records.

Our six universal principles on business practices are in line with the Malaysian Business Code of Ethics (Rukun Niaga):

1 Honesty in Business Dealings	2 Responsible Towards Customers, Society and the Environment	3 Geniality Towards Fellow Humans
4 Moderation in Business Conduct	5 Fair Treatment of Suppliers and Customers	6 Zeal in Making the Business a Success



Governance, Ethics and Integrity

Whistleblowing

We have put in place a Whistleblowing Policy to promote and facilitate the reporting of any wrongdoing, such as corruption, fraud or improper conduct, without fear of reprisal or mistreatment. The policy safeguards the identity of whistleblowers to ensure that they are not subjected to harassment or retaliation. This system offers a confidential outlet for both employees and members of the public to raise concerns about any irregularities in business conduct. While the policy encourages whistleblowers to disclose their identity to receive the full protection of the policy, it also accepts anonymous reports of misconduct. MSM's Whistleblowing Policy Statement is available on our Company's website.

The whistleblowing channel is governed and managed by the Whistleblowing Secretariat. All complaints that are reported through any whistleblowing channel available, including a dedicated email address, helpline, letter or the Whistleblowing Secretariat, are received by Secretariat and tabled to Whistleblowing Committee (WBC).

In our effort to continuously improve our interaction with our stakeholders, we have opened an additional channel for whistleblowers to effectively reach out to us via our e-form at <https://msmwhistleblowing-form.msmsugar.com>.

IF YOU SEE ANY WRONGDOING OR MALPRACTICE, SPEAK UP SO WE CAN ALL CHANGE IT.

INFORMATION AND IDENTITY OF WHISTLEBLOWERS WILL BE **PROTECTED**

WHO can whistleblow?

- Employees
- Board of Directors
- Shareholders
- Members of the public
- Any party involved in a business relationship with MSM Group

HOW to report?

- Email your concerns to MSMWB@msmsugar.com
- Fill in the e-form: <https://msmwhistleblowing-form.msmsugar.com>
- Call the hotline at 03-21816827
- Send a letter to:
MSM WB Secretariat
Level 44, Menara Felda, Platinum Park, No. 11
Persiaran KLCC 50088, Kuala Lumpur, Malaysia

WHAT to whistleblow?

- Breach of Company's policies or code of conduct
- Improper conduct
- Unethical behaviour
- Actual/suspected fraud
- Abuse of power



Governance, Ethics and Integrity

Conflict of Interest

All whistleblowing cases are investigated according to the following steps, as mapped out in the MSM Whistleblowing Policy 2.0:

- 1 WBC assigns any of the following appointed parties to conduct an investigation:
 - a) CGRM – on matters related to fraud, bribery and abuse of power
 - b) Group People & Culture (GPC) – on matters related to misconduct issues
 - c) Group Internal Audit (GIA) – on any matter as directed by the Board/Group Chief Executive Officer
- 2 Upon completion of an investigation, a written report with findings and recommendations is submitted to the Secretariat.
- 3 WBC deliberates over the investigation report for allegations against employees at the Senior Management level and below to determine next appropriate course of action.
- 4 WBC's Chairman refers any investigation report for allegations against Vice President(s) and above, Members of the Board and Government Appointed Director(s) to the AGRC to determine the next course of action.
- 5 The Authorised Officer receiving the report of Detrimental Action commences investigation and submits the report to AGRC.
- 6 The whistleblower will be notified of the outcome of the investigation of Detrimental Action.

In 2022, we received one case of whistleblowing, which was assigned to the WBC. The case was presented, reported and thoroughly investigated according to steps dictated by the Policy.

Our Conflict of Interest Policy assists us in avoiding any potential conflict of interest situations. This can be prevented through the provision of timely disclosures and declarations on any conflict of interest events. Our employees are not permitted to place themselves in a conflict of interest situation nor allowed to let personal interest to be prioritised over their work commitments, deterring their performance at MSM, as stated in the CoBCE. In 2022, we launched our Conflict of Interest Disclosure, which was extended to new joiners, achieving an overall 100% response rate in the first phase which covers employees with email addresses.

CONFLICT OF INTEREST POLICY

- ✓ It is the responsibility of an employee to disclose and declare their potential conflict of interest.
- ✓ It is the responsibility of every employee to report any conflict of interest when they come to know about it.
- ✓ Failure to comply with this requirement is subject to disciplinary action as prescribed in the CoBCE.

Location	Session	Participants
Group-wide email users	Email blasts	429
MSMP	7	232
MSMJ	6	117
MSM SBW & MSM Logistics	4	50

Note: The decision of when to hold the actual session was made by the person in charge of the particular subsidiary to prevent the disruptions to daily operations.



Governance, Ethics and Integrity

Safeguarding Integrity

MSM remains focused on combatting bribery and corruption within the Group and throughout its supply chain. Our anti-bribery and anti-corruption initiatives are governed by the Board and uphold our zero tolerance for corruption and bribery, and they mitigate the risks in these areas within the Group. Our initiatives are also in line with Bursa Malaysia's Main Market Listing Requirements (MMLR) and Guidelines on Adequate Procedures for Corporate Liabilities as provided under the Malaysian Anti-Corruption Commission Act 2009.

Our Anti-Bribery Policy Statement addresses seven specific policies and codes including the CoBCE, the Asset/Personal Interest Declaration Policy (APID), the Whistleblowing Policy, the Referral Policy, the Conflict of Interest Policy, the Sponsorships and Donations Policy and the External Gift, Entertainment and Hospitality Policy (GEH). The GEH seeks to eliminate solicitation and bribery that may potentially take place from gift receiving, provision of entertainment or other hospitable acts. In addressing and evaluating corporate sponsorships and donations, we are guided by our Sponsorships and Donations Policy in the decision-making process.

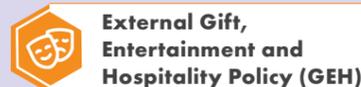
7 Policies in the Anti-Bribery Policy Statement



Whistleblowing Policy



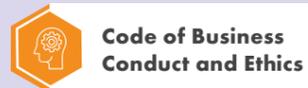
Asset/Personal Interest Declaration Policy (APID)



External Gift, Entertainment and Hospitality Policy (GEH)



Sponsorships and Donations Policy



Code of Business Conduct and Ethics



Conflict of Interest Policy



Referral Policy

Communication and Training on Anti-Bribery and Anti-Corruption

We provide access to knowledge and information sharing to constantly heighten awareness in these areas. Our employees and our external stakeholders are informed of our anti-bribery and anti-corruption policies and practices through various ways:

- 1** Email Blasts
- 2** The Anti-Bribery Policy Statement – accessible via the MSM corporate website for internal, external and the Board of Directors' reference
- 3** The Anti-Bribery Policy Statement stated in the Vendor Integrity Pledge – all MSM vendors must agree to follow this policy statement and our Group Procurement is responsible for its implementation. In 2022, 97% of our vendors signed and submitted the pledge
- 4** MSM Integrity Talks conducted by MACC, which involved both employees and vendors. In 2022, four sessions of the talks were held and attended by all MSM Senior Management, employees, vendors and relevant stakeholders. Topics discussed included:
 - Section 17A of the Malaysian Anti-Corruption Commission Act 2009
 - Adequate Procedures Guidelines
 - Anti-Money Laundering
 - Whistleblowing
- 5** MSM Roadshow – for Whistleblowing, Conflicts of Interest and Anti-Corruption

In addition to the various platforms, our staff and suppliers are trained to be aware of and equipped with capacities in identifying and countering relevant forms of bribery and corruption activities in our business transactions. Employees are responsible for understanding new business counterparties by conducting due diligence on their background, origins and destination of assets, services and money as stated in the CoBCE.

Governance, Ethics and Integrity

Zero Tolerance

In our commitment to maintaining the highest level of integrity, we will not hesitate to investigate any reported violations of business conduct. If any allegations were found to be true, the Management will take strict action without any bias. Moreover, MSM will not hesitate to utilise the full extent of the country's laws, which includes involving the MACC and the Royal Malaysian Police (PDRM), to address any misconduct related to business conduct, and those who facilitate such misconduct.

MSM Group's policies and procedures are in place to protect the integrity of the company's business, its reputation and the Gula Prai brand. Any behaviour that conflicts with MSM Group's values or policies, or that could potentially jeopardise the company's reputation or image, will not be tolerated.

Corruption Risk Management

We hold ongoing Corruption Risk Management (CRM) workshops, which aim to identify potential corruption risks in MSM Group. The workshops will help prepare for the establishment of the Organisational Anti-Corruption Plan and attain the Anti-Bribery Management Systems certification. In 2022, 100% of MSM's departments and operations were assessed for risks related to corruption.



To find out more about our governance, ethics and integrity, please refer to the Corporate Governance Overview Statement in the MSM AIR 2022 and the Corporate Governance Report 2022 (CG Report 2022), which are available on our corporate website at www.msmsugar.com/investor-relations/reports.



GOING FORWARD

In 2023, we will continue to enhance our best practices by upholding our business ethics and integrity as well as strengthening governance. We have undertaken the following key activities, reflecting our commitment as an organisation that is anchored to ethics, integrity and accountability:

- Corruption Risk Management Review
- Governance, Integrity and Risk Periodic Communications
- Establishment of New and Revised Policies
- Integrity Compliance Assessment
- Central Depository System
- Vendor Integrity Attestation
- Corporate Governance and Risk Management Update
- MSM Integrity Talk
- Virtual Prodigy Induction
- MSM Integrity Pledge for New Joiners
- Whistleblowing and Conflict of Interest Roadshow
- Governance and Integrity E-Learning

We will also ensure that our employees continue to attend training programmes as a constant refresher and reminder of the importance of strong governance as part of our corporate culture. We are also looking to push all our vendors, who are part of our sustainable value chain, to sign the Vendor Integrity Pledge.

Financial Performance



FINANCIAL PERFORMANCE

OUR APPROACH

We strive to generate long-term value for our shareholders and stakeholders by increasing our efforts to optimise growth to create positive sustainable economic, social and environmental outcomes, taking advantage of opportunities throughout the food value chain.

As such, our financial performance is critical to our performance and success as it provides our investors with greater insights to our financial health and demonstrates our ability to generate profits and cash flow, as well as our potential for growth and expansion. Additionally, our financial performance enables us to measure the efficacy of our management, while allowing us to establish plans and budgets to make informed decisions on investments, recruitment and other business activities.

MSM remains committed towards adhering to the mandated financial regulations, laws and accounting standards and will ensure that its financial performance meets these regulations to prevent penalties and legal ramifications.

OUR INITIATIVES

The Group continues to face prevailing challenges such as the persistent high input costs in raw sugar, freight, natural gas and the weakening of the Malaysian Ringgit, which indicates that we have to invest more to procure goods and services. Other input costs such as packaging materials, wages and inland logistics have also increased significantly.

Although there has been greater demand for our products from our local and export markets, these high input costs hinder the progress of the Group's financial performance. As such, we will remain focused on improving our average selling prices, minimising our costs and improving domestic sales volume through the expansion of new channels and increasing Consumer Reach Points.



The Group recorded Loss Before Tax of RM179 million for the 12 months ended 31 December 2022, compared to Profit Before Tax of RM81 million in the corresponding period the year before, due to prolonged margin compression stemming from the controlled price of sugar in the domestic retail segment, without any subsidy.

GOING FORWARD

We aim to execute further measures to improve the Group's overall financial performance by increasing our revenue, implementing cost-saving measures, improving cash flow, optimising capital structure through balancing debt and equity financing, focusing on profitability and investing in R&D to continuously improve our products and operational performance.

Traceability, Responsible Sourcing and Supply Chain Management



TRACEABILITY, RESPONSIBLE SOURCING AND SUPPLY CHAIN MANAGEMENT

OUR APPROACH

At MSM, our practice of ethical procurement and creating a sustainable supply chain enables us to refine the traceability of how raw materials are sourced, utilised and distributed. Our Group Procurement Policy outlines the procurement principles based on efficiency, effectiveness and transparency and accountability. Our procurement principles also took into account best value, quality vendor performance, open and fair competition and smart collaborations.

Our vendors are registered through a central system managed by the Group Procurement of our parent company, FGV, based on their commitment to responsible practices and employment rights, safety, quality and sustainability.

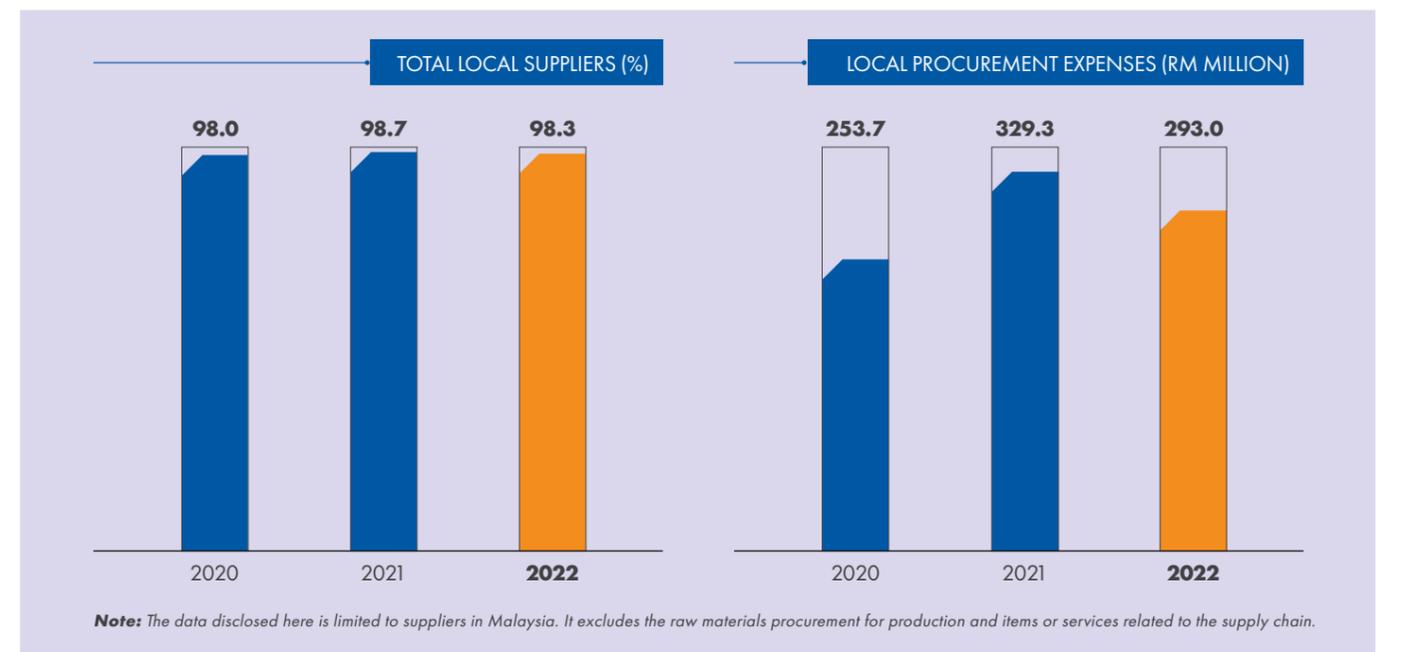
In ensuring a sustainable supply chain, we monitor and assess our vendors and business partners through the vendor evaluation process at a standard level. This allows us to maintain a strong vendor base with competitive pricing rates and quality services. This excludes the purchase of raw materials or commodities for production of goods sold such as raw sugar as they are not managed in the vendor registration system.

We ensure that our supply chain is sustainable by fostering relationships based on good governance without conflict of interest and our zero tolerance for bribery and corruption. We are in support of fair and equal treatment towards all suppliers and business partners, as we are highly aware of the separation of technical and commercial assessments. Our vendors and business partners are in full knowledge of any new guidelines, policies or disclosures that we enforce, to enhance our partnerships.

OUR INITIATIVES

Supporting the Local Supply Chain Network

In contributing to nation building, MSM supports local industries by engaging local vendors and suppliers. In 2022, our procurement expenses from local vendors were RM293 million, a decrease from FY2021.



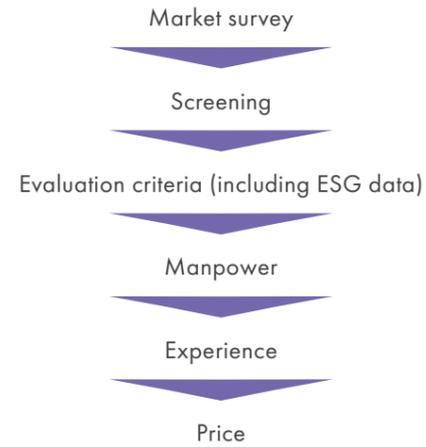


Traceability, Responsible Sourcing and Supply Chain Management

Sustainable Raw Sugar

Supplier Management Process

Supplier Selection Process



Contracting Process



Managing Our Core Commodity Responsibly

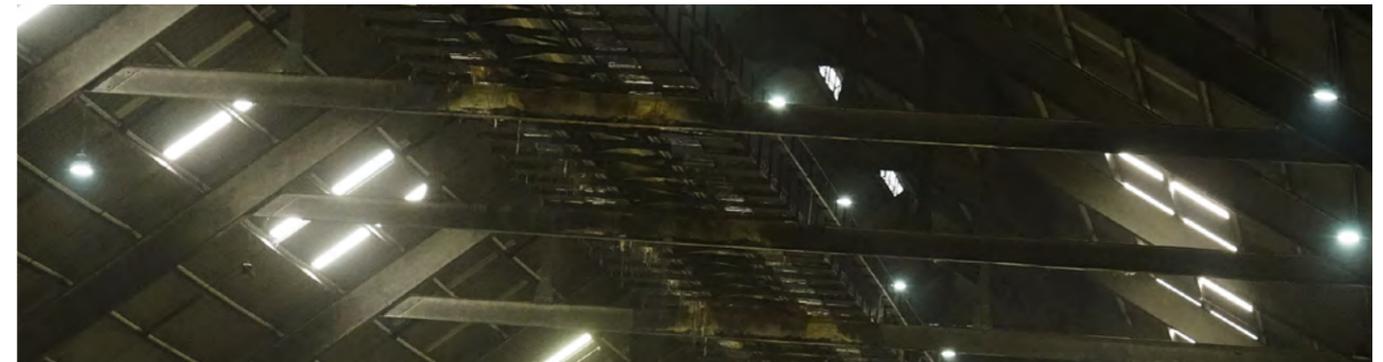
Raw sugar is essentially the biggest cost for MSM, with an estimated 80% of our refining cost (RC). Therefore, our raw sugar is imported and then processed in our plant to produce refined sugar. In sourcing for raw sugar, we are bound by the Group Trading Policy and SOP under the Raw Sugar Frame Supply Contract. We acknowledge the importance of sourcing responsibly and are committed to sustainable sourcing.



Read more about MSM's sustainable sourcing in Sustainable Raw Sugar on page 41.



SUSTAINABLE RAW SUGAR



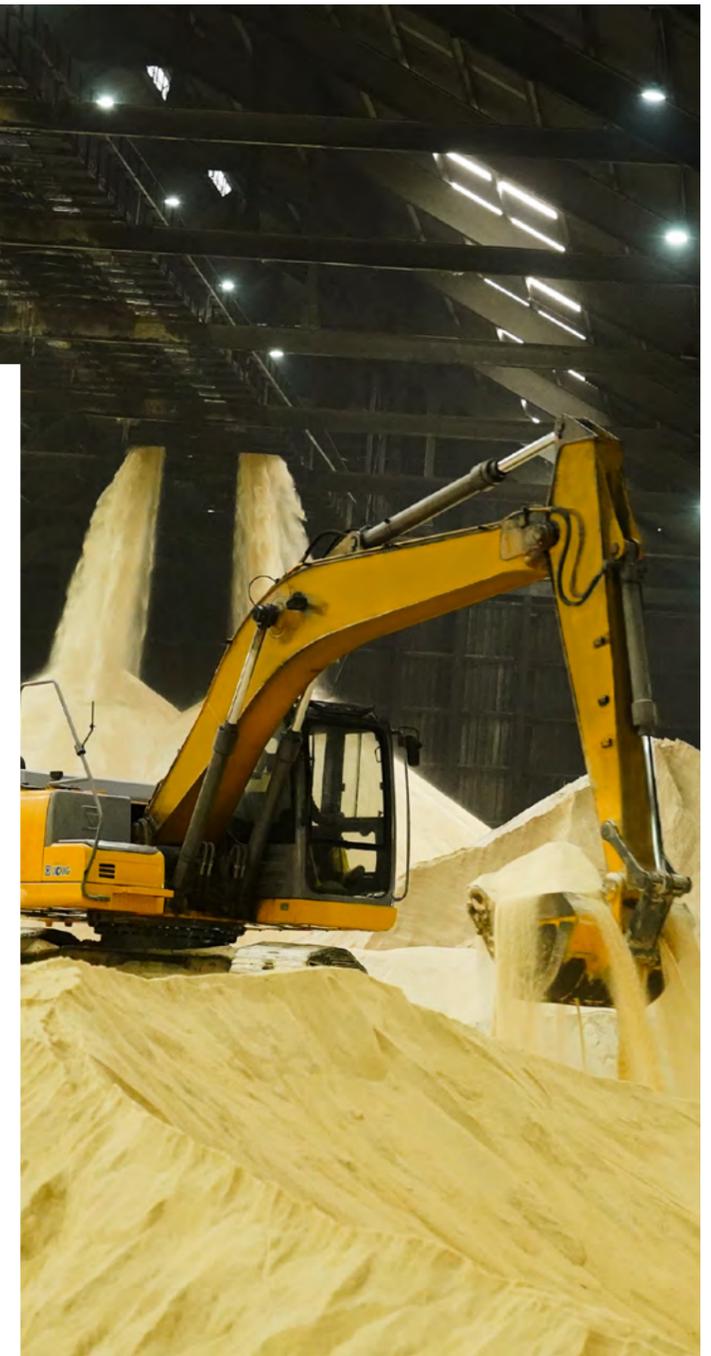
OUR APPROACH

We acknowledge the importance of responsible sourcing and will always champion sustainable sourcing. We comply with our Group Trading Policy and Standard Operating Procedure under the Raw Sugar Frame Supply Contract. We also uphold human rights in our operations and ensure that our suppliers and vendors comply with MSM's Group Procurement Policy.

OUR INITIATIVES

In December 2021, we entered into an agreement with Wilmar Sugar Pte Ltd to advocate for a sustainable supply chain. The agreement allows MSM to be part of Wilmar Sugar's No Deforestation and No People Exploitation (NDPE) Policy's sustainable sugar programme. This will enable MSM to establish concrete raw sugar traceability and sustainable practices, in line with MSM's ESG framework commitment. The collaboration will enhance MSM's presence in the global market as a sustainable refiner of premium sugar and strengthen its position as a top eight integrated sugar refiner in the world.

The joint effort demonstrates the MSM and Wilmar Sugar's commitment to protecting the environment, labour and communities while promoting progress in operational efficiencies and best practices. It will allow both parties to support each other in piloting an approach to enable sustainable raw sugar sourcing within their joint supply chain. The two companies will focus on traceability reporting of sugar supplies and monitoring of sustainability performance based on the NDPE Sugar Policy. Additionally, the collaboration will enable both organisations to respond to customers' demand for sustainably sourced products.



GOING FORWARD

In 2023, our plans to further improve our sustainable supply chain is through procurement initiatives. The Group aspires to increase our collaboration with local suppliers in line with our goal to contribute to the country's economy while ensuring that they comply with our strict quality and sustainability standards.

On top of that, we are prudent when it comes to managing our raw sugar supply as MSM's profitability is affected by the high cost of NY11. Hence, we will be strategically hedge the NY11 contract to ensure that raw sugar price for MSM will be below market average.



Sustainable Raw Sugar



Through the NDPE Sugar programme and the collaboration, MSM and Wilmar Sugar will be able to develop a supply chain that is more inclusive for smallholder sugarcane growers. Currently, sustainability within the industry focuses on third-party certification, making it challenging for smallholders to be part of any sustainable supply chains.

Under the NDPE agreement with Wilmar, MSM will ensure that its suppliers protect and respect people and communities in the following aspects:

-  Respect and support internationally recognised human rights
-  Respect and recognise the rights of all workers
-  Respect the rights of indigenous and local communities to give or withhold their free, prior and informed consent (FPIC) to operations on lands to which they hold proven legal, communal or customary rights
-  Respect land tenure rights
-  Respect and protect the rights of children and their welfare
-  Identify measures to provide remediation where the company has caused or contributed to negative human rights impacts

GOING FORWARD

We will continue to develop a sustainable supply chain by incorporating ESG practices in our procurement and operations. As building a sustainable supply chain requires collaborative efforts, we will strengthen partnerships with our peers, stakeholders and strategic partners to advance ESG in the sugar sector and meet the demand for sustainably sourced products.

Data Security and Protection



DATA SECURITY AND PROTECTION

OUR APPROACH

We are committed to data security and protection to build trust with our stakeholders and maintain good business conduct. The Group complies with the Personal Data Protection Act (PDPA) 2010, which guides us in collecting, processing, storing and disposing of data in a responsible and secure manner.

We have in place sound practices to ensure unauthorised access to use, disclosure, modification or destruction of our data is prevented. Stringent control is exercised in managing the integrity and confidentiality of available data, which helps minimise our exposure to legal and reputational risks.

OUR INITIATIVES

We have implemented robust processes to mitigate various cybersecurity risks, such as failure of data migration, cyber threats and exposure to threats classified under cybersecurity. Our mitigation measures include:

-  Incorporating network protection and security into our IT systems, such as firewalls, antivirus software, security updates and, intrusion detection and prevention
-  Rolling out Cybersecurity Assessment as part of IT communication resources
-  Implementing cybersecurity awareness through training programmes to all employees



In 2022, there were zero breaches of data security and protection in the Group.



For more information, please refer to the Statement on Risk Management and Internal Control in MSM's Annual Integrated Report 2022.

GOING FORWARD

Moving forward, we will continue to strengthen our cybersecurity systems to further enhance best practices in this area. This will include regular monitoring and reviewing of our systems, keeping up to date with software upgrades and raising awareness on cybersecurity among employees, as well as suppliers and vendors.

Operational Performance

Economic Impact



OPERATIONAL PERFORMANCE

OUR APPROACH

At MSM, our operational performance excellence is determined by our commitment to continuously maintaining our production plants at an optimum level to fulfil the needs of our customers locally and the demands of the international markets. We are constantly exploring ways to ensure that our plants are reliable, safe and produce quality products. To accomplish our aim, we emphasise the importance of our plants' maintenance processes in order for us to achieve large-scale production, uniform quality standards and high plant utilisation. Additionally, we prioritise sustainability through precise management and control mechanisms as well as the integration of digitalisation to increase our plant efficiencies and stay competitive.

OUR INITIATIVES

Optimising Performance through Plant Efficiencies

Our plants' utilisation factor (UF) assesses the efficiencies attained during the year, which can be affected by scheduled maintenance to enhance operational efficiency or unforeseen interruptions caused by equipment malfunctions or plant closures. To enhance plant reliability and efficiency, we strive for timely execution of scheduled maintenance and upgrades when necessary, throughout the year.

In FY2022, MSM Johor continue its ramp-up programme while MSM Prai initiated its rejuvenation life extension programme which will extend the plant's lifespan for an additional 20 to 30 years. Yield performance is a crucial metric that determines both the quantity of raw sugar utilised to produce the final product and the amount of raw sugar lost during the production process.



GOING FORWARD

In optimising our plants' potential, we will be optimising the utilisation factor of MSM Johor plant as the facility completed most of its ramp-up programme in 2023 which includes two boilers availability for full operation by May 2023. MSM Johor plant's utilisation factor can be increased beyond 50% by operating with two boilers at full capacity. However the decision to operate MSM Johor plant at high utilisation factor will be subjected to sugar demand, gas price and profitability.

In embracing digitalisation, our operational excellence is expected to improve with our commitment to IR4.0. In the pipeline is our Smart Manufacturing initiative, which will enable us to optimise the entire manufacturing process through integrated systems and collaborative manufacturing systems that respond in real time.



ECONOMIC IMPACT

OUR APPROACH

The well-being of a nation can be directly impacted by business activities that increase economic growth. From creating job opportunities and improving livelihoods to constructing public infrastructure and providing services, communities can benefit from our ability to generate long-term value.

As the leading sugar producer in Malaysia, we are fully aware that we play an instrumental role in developing the economy and benefitting our stakeholders. The Group aims to expand our market share domestically and ensures that the quality of our products and services is maintained to the highest standards for our overseas market. One of our topmost priorities is to achieve sustainable economic excellence where our operations are safely conducted while the environment is preserved and the integrity of our business practices is maintained amid a challenging industry.

OUR INITIATIVES

For FY2022, we recorded an increase in total revenue of RM2.6 billion in comparison to FY2021's RM2.3 billion. This was attributable to our dynamic Business Plan 2021-2023 (BP23) blueprint's Resilient strategy for 2022, which yielded achievements including the revision of our ASPs, improved sales drive and new partnerships. We also penetrated new markets, including our foray into the HoReCa segment and partnerships with retail chains such as 99 Speedmart, 7-Eleven Malaysia and the Sheng Siong supermarket chain in Singapore.

GOING FORWARD

2023 will mark the final year of our BP23, which will see us entering the Integration phase of the strategy. In this phase, we will focus on strengthening our domestic position and regional presence, as well as optimising our assets' potential. We will also invest to improve our capital structures. These key focus areas will be supported by the efficiency of our manufacturing plants, the expansion in sales channels and digitalisation to ensure higher operational efficiency.



Direct Economic Value Generated

Sales Revenue
RM2,565,985 thousand



Economic Value Distributed

Operating Costs (e.g. materials, product components, facilities purchased)
RM2,541,563 thousand

Employee Wages and Benefits
RM98,037 thousand

Payments to Providers of Capital
RM31,984 thousand

Payments to Governments by Country
RM173 thousand

Community Investments (e.g. donations and investment of funds)
RM134 thousand



Economic Value Retained

Direct Economic Value Generated minus Economic Value Distributed
(RM105,906) thousand

Business Development and Product Quality



BUSINESS DEVELOPMENT AND PRODUCT QUALITY

OUR APPROACH

MSM remains competitive in the market it operates in, which is attributed to our consistent delivery of the highest-quality sugar products to our domestic and international customers. In striving to adhere to the safest and highest-quality standards for our customers, we strictly comply with our Food Safety Policy and all relevant laws and regulations. We also adhere to our Halal Policy to ensure that our halal sugar products are in accordance with all the relevant statutory and regulatory requirements. To maintain our established quality objectives, our Management team periodically reviews and assesses our policies for adequacy, suitability and potential improvements where applicable.

Our strong dedication to business development and product quality control has earned our Gula Prai brand the reputation as the market leader. Gula Prai is the best-selling sugar brand in Malaysia and the third brand listed among the nation's top FMCG products, based on Kantar's Brand Footprint 2021. Our key suppliers are also part of our network of stringent quality inspection standards as they are certified to supply the quality materials which we require. We advocate transparency and accountability by publishing our certifications on various consumer touchpoints, including our sugar packaging for easy reference.

OUR INITIATIVES

Our product quality processes and controls are certified by relevant bodies, audited annually and regularly monitored through performance indicators to enable improvements to take place.

MSM's refineries are constantly audited for full compliance and are certified with the following:

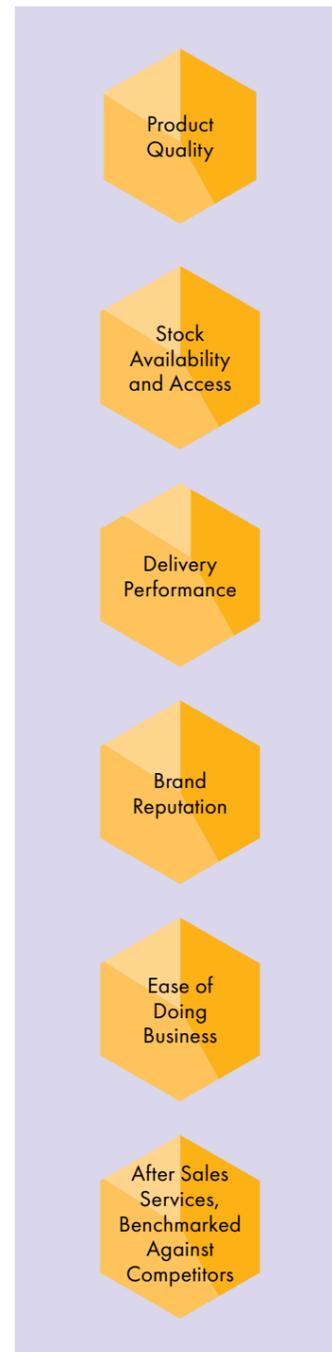
- > **Quality Management System**
(ISO 9001:2015)
- > **Food Safety System Certification**
(FSSC 22000 - Manufacturing)
- > **Food Safety Management System**
(ISO 22000)
- > **Good Manufacturing Practice (GMP)**
- > **Hazard Analysis and Critical Control Point (HACCP) Certification from the Ministry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

In addressing our markets overseas, all our products are halal-certified by Jabatan Kemajuan Islam Malaysia (JAKIM) and Kosher-certified by the London Beth Din Kashrut Division.

Note: Our full list of certifications can be referred to on pages 98-101.

In 2022, according to the audits conducted in accordance with the relevant certifications, we had zero non-compliances with the regulations and standards on the health and safety of our products.

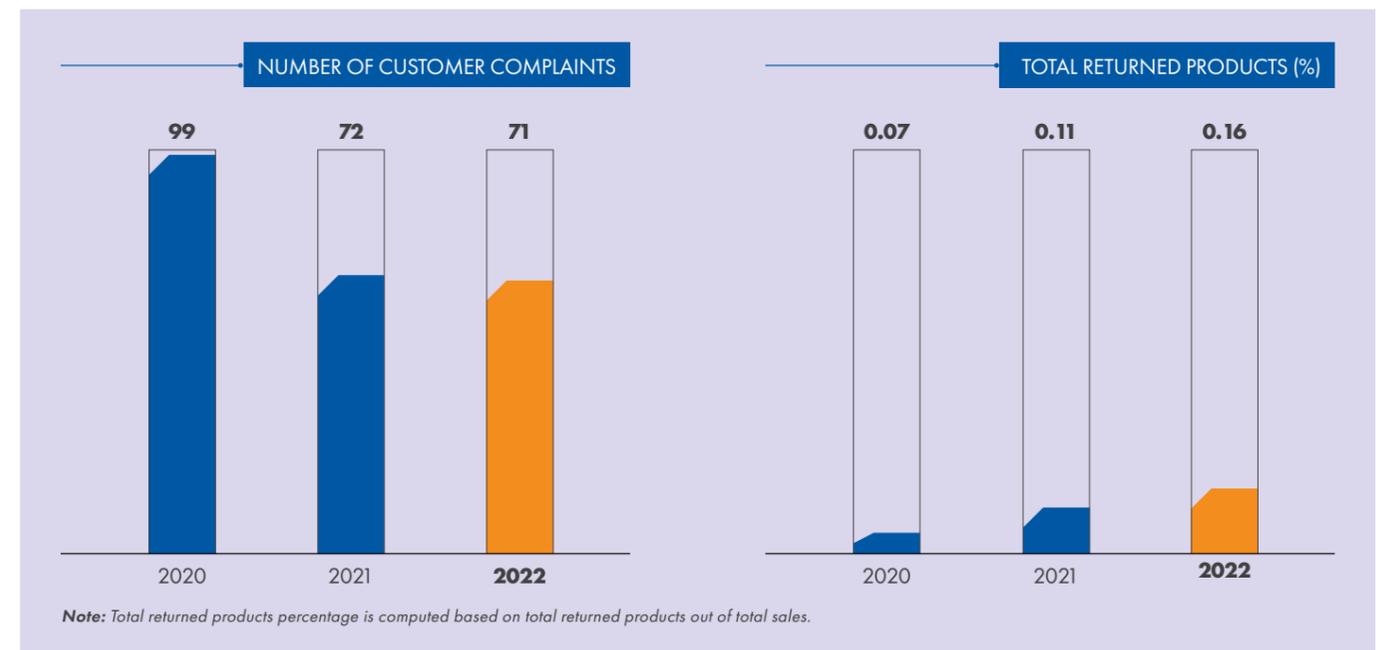
Stakeholders are welcome to contact us via various feedback channels, including our corporate website, official phone line, email and social media channels. Additionally, our sales representatives engage with our consumers through customer survey forms, which is an effective way for us to gather feedback based on:



Our total number of customer complaints recorded in 2022 was

71

a slight reduction from 2021



GOING FORWARD

In 2023, we are looking to further improve our product quality and increase efficiencies in our sales services, and customer experience through our Smart Applications. The Salesforce CRM application digitalises customer and consumer complaints into one single platform, which will enable us to better manage customers.

We will continue to work towards lowering the number of total returned products, which will reflect overall improvements in our processes. We also target to reduce customer complaints by 50% from the 71 cases received in 2022.

MSM is committed to assessing and responding to all customer feedback, be it product- or service-related. Upon receiving complaints, we will investigate cases based on details such as batch code, sugar grade and, quantity affected and will proceed to request for a sample for further steps. In demonstrating our commitment, our GCEO upholds MSM's integrity in product quality by visiting key customers to personally obtain feedback, which enables us to foster and maintain strong relationships with our consumers.

In general, our records indicate that complaints stem from packaging or process-related issues which are attended to immediately. In 2022 we received 0.16% of returned goods as compared to 0.11% in 2021.

Community Engagement and Development



COMMUNITY ENGAGEMENT AND DEVELOPMENT

OUR APPROACH

Giving back to communities is an important aspect of our business as we seek to make a positive impact on individuals, communities and the environment. Engaging with and investing in the local community in areas where we operate will propel our brand name and build trust and relationships with the communities surrounding us. It will also help us to identify their needs and create long-term value, such as providing job opportunities and empowering communities in need.

Our community development efforts are focused on uplifting the underprivileged, especially the community from the Bottom 40 (B40) income segment. We also strive to preserve the environment through collaborations with strategic partners. Our programmes and initiatives, which include providing sugar as an essential item and contributing cash and in kind, are mostly carried out by our employees on a voluntary basis.

Our contributions are guided by MSM's Sponsorship and Donations Policy, which focuses on humanity, economy, environment and people. The policy sets out six categories of programmes and events that MSM can contribute to:



OUR INITIATIVES

MSM's Contributions in 2022



Sponsorship and Donations
RM134,341.55



Zakat and Wakalah Contributions
RM509,042.00

Community Engagement and Development



WARGA MSM JOHOR VOLUNTEERS AT THE BEACH CLEANING PROGRAMME

MSM's employees volunteer in various corporate social responsibility programmes to engage with local communities. On 7 August 2022, MSM Johor organised a beach clean-up at the Tanjung Balau beach in Kota Tinggi, Johor. The event saw the participation of 30 Warga MSM Johor and eight officials from the Johor State Fisheries Department and the Kota Tinggi Selatan District Fisheries Office (Pengerang). The participants collected 186 kg of garbage from the beach.



JANJI GULA PEKET HIJAU CAMPAIGN

In promoting brand awareness together with community well-being, MSM launched a 'Janji Gula Peket Hijau' campaign that flooded public media channels and social media with advertisement during Ramadan and Hari Raya.

Ramadan greetings promoting the sweetness of our Gula Prai products were showcased and celebrated across Malaysia.



CONSERVING MANGROVE FORESTS AND SUPPORTING ECO-TOURISM IN PENANG

While conserving the environment and our biodiversity is vital for the future, it requires the contributions of all stakeholders. To this end, MSM Prai conserved the biodiversity of the river near the refinery by planting 1,700 mangrove trees by the end of 2022. This was done through a collaboration with the Penang Environment Department and the Penang Inshore Fishermen Welfare Association.

Mangrove tree planting does not only conserve the eco-system, but also protects the quality of the water and strengthens the river bank. The trees will also foster healthy fish and marine life habitat, eventually improving the livelihood of the local communities, who are mostly in the fishery sector. Most importantly, mangrove trees can store up to five times more carbon per area, due to its soil, compared to tropical land forests*.

In addition, the dense network of roots from the mangrove trees and surrounding vegetation serves as a natural barrier that trap and filter sediments, heavy metals and other pollutants from entering the injection of water pump at MSM Prai's refiner.

The tree planting initiative began in 2021, which saw MSM Prai planting 700 mangrove trees. In 2022, MSM Prai planted 200 mangrove trees at the Mangrove Small Education Centre and others planted in stages at dedicated area, in conjunction with World Environment Day 2022. To further support environmental conservation, MSM Prai made a donation to the Mangrove Forest Education Centre for the repair and restoration of its entrance's arch and boardwalk.

Going forward, MSM's ESG practices will include a holistic approach of investing in green technology, waste elimination, energy conservation and carbon footprint reduction. It will also encompass enhancing social well-being and governance in ensuring greater corporate and financial performance outcomes.

*Source: <https://www.macaranga.org/mangrove-carbon-stores/>



Community Engagement and Development

APRIL 2022

MSM IFTAR WITH RUMAH AMAL ASNAF AL BARAKH



MSM ORGANISED IFTAR WITH YAYASAN CHOW KIT



JUNE 2022

MSM SPONSORED MY ZOO VOLUNTOURISM 5.0 PROGRAMME



FOOD DISTRIBUTION TO THE HOMELESS AT PUSAT TRANSIT GELANDANGAN KUALA LUMPUR



AUGUST 2022

MSM CONTRIBUTED SMART TVs TO EMPOWER EDUCATION TRANSFORMATION



SEPTEMBER 2022

CONTRIBUTED FOOD BASKET TO B40 COMMUNITY AT KPG PERIGI ACHEH AND TANJUNG LANGSAT



Community Engagement and Development

OCTOBER 2022

MSM PRAI BLOOD DONATION CAMPAIGN



NOVEMBER 2022

MSM JOHOR WAS THE MAIN SPONSOR FOR UNIVERSITI TEKNOLOGI MALAYSIA JOHOR'S 66TH FESTIVAL KONVOKESYEN (FESKO)



DECEMBER 2022

SUGAR DONATION IN SUPPORT OF THE FOOD AID FOUNDATION (FAF)



GOING FORWARD

MSM is committed to giving back to the communities in areas where we operate through various CSR and ESG initiatives. We strive to work closely with the local communities to identify and address their needs while generating positive community impacts. This includes conserving the environment and implementing educational programmes. We will continue to encourage our employees to actively volunteer in our CSR programmes to foster a sense of responsibility and pride among our people.

Putting Our People First

In our aspiration to put our people first, our efforts to support our employees are vital to increase productivity, retention and the recruitment of top talent while strengthening our reputation, ensuring regulatory compliance and fulfilling our social duty as a corporate citizen.



Occupational Health and Safety



Employee Engagement



Upholding Human Rights and Labour Standards



Talent Management



Diversity, Equity and Inclusion

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Occupational Health and Safety

OCCUPATIONAL HEALTH AND SAFETY

OUR APPROACH

The Group is committed to providing a safe and healthy workplace to prevent accidents, work-related injuries and illnesses across all our operations, while embedding a culture of health and safety to enhance our operational performance. We strive to implement best practices in occupational health and safety to ensure smooth daily operations, in compliance with rules and regulations to minimise any risk of loss of life or injury to our workers. We acknowledge that the lack of workplace safety management will result in reputational and financial repercussions for the Group.

We remain guided by our Occupational Health and Safety Policy, which is aligned with international and local health and safety industry standards and requirements, such as the Occupational Safety and Health Act 1994 and Factory and Machinery Act 1967. We regularly conduct safety audits to identify safety risks and to improve our management of safety throughout our operations. Currently, our operations at MSM Prai, MSM Johor and SBW are certified with ISO 45001:2018.

We monitor our safety indicators on a daily basis and implement initiatives aimed at proactively preventing risks, accidents and injuries. We recognise our responsibility for identifying, managing and mitigating risks, besides actively encouraging our workers to promptly report any unsafe conditions or acts observed in their work environment.

We also believe that safety is a personal responsibility. Our efforts are reinforced by formal committees that collaborate to communicate information regarding health, accident prevention and emergency preparedness. We enforce safety practices as outlined in our HSE Policy and promote the use of personal protective equipment (PPE).

Apart from that, we have implemented risk management tools to identify, eliminate and mitigate occupational risks, in addition to providing numerous training programmes to uphold health and safety. We believe that these efforts will enhance our existing procedures, practices and safe behaviours, thereby fostering a robust health and safety culture.



Occupational Health and Safety

OUR INITIATIVES

HSES & Quality (HSES&Q)

At MSM, we have established a Health, Safety, Environment and Security Department to oversee safety and health matters across all of our locations. Each site department is led by a dedicated HSES Lead who monitors all HSES procedures and implement strategies to prevent accidents, mitigate safety hazards and execute health and safety action plans. All the sites HSES Departments report directly to the Head of Group Health, Safety, Environment & Security and Quality (Group HSES&Q).

The Group HSES&Q is responsible for MSM's occupational health and safety strategies, supports and performance. The Group HSES&Q enforces ongoing monitoring, measuring and reporting of HSES&Q performance to ensure a standardised framework of health and safety awareness is consistently implemented across our operations. This will further strengthen the safety culture and systems throughout our operations, encouraging our employees and contractors to prioritise incident prevention and safety.

Our risk mitigation is further bolstered through the sharing of information of incidents that occur across the Group, including corrective and preventive actions taken as well as investigative techniques employed to address cases/incidents.

Further to that, each MSM subsidiary has its own HSE and Safety & Health Committee, led by a chairman, at their respective sites. These committees facilitate collaborations between departments, managers and employees to identify, address and resolve health and safety matters. Employees from various departments, trade union representatives and contractors also participate in Safety and Health Committee meetings at the operational level.

Each location will submit a monthly safety performance report through the HSES dashboard directed to the Group HSES&Q, to be presented to the Top Management and EXCO members during monthly EXCO meetings.

We make it a priority to cultivate a safety-conscious workforce by continuously promoting safety awareness to ensure that employees remain vigilant about their working conditions and potential hazards, which is integral to mitigating safety-related risks. We communicate the importance of safety awareness through various initiatives, including monthly newsletters, safety inductions, daily toolbox talks, HSE meetings, Townhall Event and via our various WhatsApp platforms.

Reporting, Identification & Elimination of Work-Related Hazards

MSM has in place a comprehensive framework to manage occupational health services that aid in the identification and elimination of hazards and minimisation of risks at our refineries. Workers are given direct access to these quality services. The following is an overview of the measures we have implemented to minimise work-related hazards and risks in our operations:

Workplace Conditions

Workplace conditions such as noise, dust and temperature are monitored and improved to facilitate the overall health and comfort of our workers. Our new investments take into account strict standards with regards to all new working conditions.

Management of Chemicals

We give special attention to the safe handling and storage of chemicals throughout our operations. The chemicals that are used in our plants are recorded in our database and we ensure that our employees strictly adhere to health and safety guidelines. We also conduct annual medical assessments for employees who are exposed to potentially hazardous materials. To further strengthen our advocacy for health and safety, we have put in place processes and controls that will potentially enable us to reduce our reliance on hazardous chemicals.

Environmental Compliance

MSM has a Group-wide process for the management of life cycle (3R), which is aligned with the requirements of ISO 14001. This process identifies potentially significant environmental impacts in the entire supply chain and considers all the stages of the life cycles of our completed products, and also provides guidelines to address these impacts. Additionally, we have placed 3R bins in all operational sites. As part of our effort to reduce the impacts of our operations to the environment, our customer will return the plastic or wooden pallet to us after receiving their products from MSM.

Occupational Health and Safety

We rely on systemised processes to determine work-related hazards and the assessment of risks on a routine and non-routine basis. This is followed by applying a hierarchy of controls to eliminate hazards and minimise risks, which includes measures to ensure the efficacy of these processes and the competence of those who are tasked with carrying them out:

- Safety and Health Officer's (SHO) Monthly Report**
Records details of onsite activities to enable safety teams, engineers and the Management to keep track of the progress and make decisions on areas that can be improved
- Conducting HIRARC**
A process to identify potential hazards in the Company and to assess the probability of an accident or financial loss
- Safety & Health Committee Workplace Inspection**
An inspection of the workplace conducted by the Committee to identify potential hazards
- Safety Toolbox Talk**
An informal safety meeting that is part of the organisation-wide safety programme

The following is the process for workers to report work-related hazards and hazardous situations:

- Submit 'U SEE U ACT' to HSES&Q Department immediately after identifying any unsafe acts or conditions or near-miss accidents**
- Highlight any new risks, new hazards or safety issues during Safety Toolbox Sessions**
- Highlight concerns during Safety and Health Committee Meetings**
- Employees to directly or verbally raise any issues to the HSES&Q team**

Meanwhile, findings and results from these measures are used to evaluate and continually improve occupational health and safety management practices through the following methods:

- Present and discuss the results with the Group Chief Operating Officer (GCOO) during weekly and Leadership Team Meetings on biweekly basis**
- Conduct HIRARC to identify potential hazards and to assess the probability of an accident or a financial loss**
- Submit findings to the person in charge via email for corrective measures to be taken to mitigate the risk**
- All Permits to Work (PTWs) are to be recorded and shared with persons in charge for better monitoring**

Occupational Health and Safety

Raising Employees' Awareness on Occupational Health & Safety

At the workplace level, our workers have first-hand knowledge of issues at the workplace, such as practices and procedures. They provide greater insights on faulty machinery or difficulties caused by the design or layout of work equipment, frequency or severity of incidents or near misses as well as the impact of OSH management programmes.

As such, we have established various ways to communicate the importance of occupational health and safety, as well as suitable platforms for our workers to provide feedback and solutions. These platforms include HSE Committee meetings, Toolbox Talks, HSE induction sessions, HSE Briefings, the Employee Engagement Safety Survey, HSE Week and HSE Day. MSM workers are encouraged to participate in and contribute to joint OHS Committee meetings such as the HSE SC meetings conducted every quarter.

Our Health & Safety Performance

Our OHS management system covers all 1,628 of our workers and contractors has been internally audited and certified by an external party. Moreover, we strive to protect the safety of those we conduct business with by conducting audiometric tests and health screenings for our workers and contractors.

Throughout our operations, we make every effort to prevent hazards to reduce injuries and safeguard our employees and workers. However, unforeseen accidents or incidents leading to injuries or fatalities may still occur. To this end, measures are taken to immediately investigate and disclose the following:

- Investigations and findings of reported incidents**
- Actions taken following reported incidents**

During the reporting period, we continued to show good progress in our safety performance. In FY2022, MSM achieved a lower Lost-Time Incident Frequency Rate (LTIFR) of 1.55, which reduced to 60.6% as compared to FY2021's LTIFR score. However, MSM Prai recorded one fatality that was classified as a road traffic accident.

Occupational Health & Safety Statistics			
	2020	2021	2022
Total Number of Man-hours	4,182,100	5,593,309	5,810,583
Total Number of Work-Related Fatalities	0	0	0
Number of Work-Related Contractor Fatalities	0	1	0
Lost-Time Incident Rate (LTIR)*	4.3	3.93	1.55
ILL Health	0	0	0

*Note: LTIR is calculated as the number of lost time injuries x 1,000,000 divided by employees' total hours worked.

	2020	2021	2022
Cases	29	22	9
Days Lost to Injury	6,202	409	138
Incident Rate (%)	18.23	13.65	5.53

Occupational Health and Safety

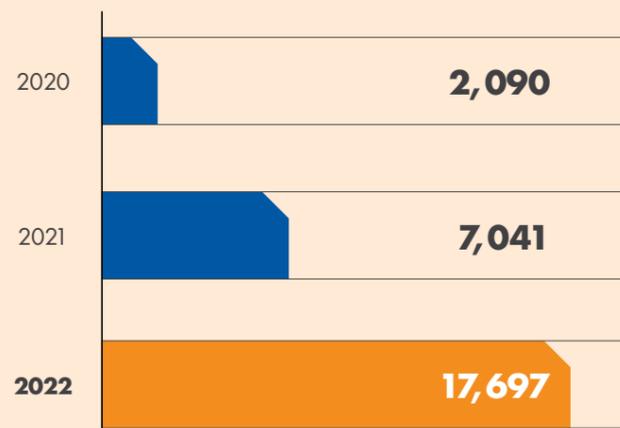
Occupational Health and Safety

Inculcating Safety Culture through HSE Training & Awareness

Our employees and contractors participate in various organised training programmes to ensure that they can conduct their work safely and effectively. These programmes are in line with regulatory requirements and also serve as a constant update of new skills for our employees.



TOTAL NUMBER OF HSE TRAINING HOURS



Employees and contractors attended our training modules and programmes which were conducted Group-wide in 2022. A total of 17,697 training hours were completed, including BOFA, ERP, ERT Training, LOTO, HIRARC, Safe & Defensive Driving, Oil Spill Handling and Ergonomics.



Proactively Organising HSE Initiatives

We advocate for the prevention of workplace injuries by providing a safe and healthy working environment for our employees and contractors. The Group proactively promotes and organises activities to emphasise these matters:

2022 HSE Activities

- UCUA Programme
- Introduction and Implementation of Life Saving Rules (LSR)
- Enhancement of Contractor Management
- Safe & Defensive Driving
- Safety Day
- ERT with BOMBA Wet Marching
- Safety Operations on Overhead Travelling Crane
- Permit-to-Work Tracing System
- HIRARC & RISK Review
- Counter Khidmat Pelanggan Implementation
- Safety and Health Week
- World Day of Safety Event
- Safety Gemba By HOD



Occupational Health and Safety

Employee Engagement

Emergency Preparedness & Response

- Building close working relationships with surrounding local agencies, the fire department and nearby hospital facilities.
- MSM Prai has an onsite clinic at Prai with a full-time nurse available.
- MSM Johor has an established in-house medical support facility with medical assistance during normal operation hours.
- Defibrillator provided onsite.
- Training is provided for the ERP team to ensure that they are First Aid certified.

Note: The list of training programmes is provided on the previous page.

Promoting Employee Health & Healthy Lifestyles

- MSM provides medical services to all employees and contractors via its in-house clinic.
- All employees are given medical insurance coverage for inpatient/outpatient treatment.
- Mental Health Talks on topics such as Managing Stress.
- Audiometric Test and Health Screening provided for employees and contractors.
- As part of the DOSH requirements, pre-employment and annual eye and ear exams are conducted by an OHD (Occupational Health Doctor).
- Stress Relief Tips are published in HSES&Q newsletters to promote mental health and well-being.

Key Activities in 2022

17,697 hours

of HSE awareness programmes and training were conducted across the Group



Up-to-date awareness programmes and training have raised awareness and instilled a culture of safety in our organisation

GOING FORWARD

MSM will continue to make improvements to our OHS management system and performance by conducting internal and external audits, management reviews and HSE committee meetings. We will also explore more initiatives to raise safety awareness among our employees and contractors. Additionally, we will strengthen our efforts to minimise work-related risks and hazards in our operations, including actions such as isolating hazards, providing warning signs and enforcing the use of PPE among our workers and employees.



EMPLOYEE ENGAGEMENT

OUR APPROACH

At MSM, we recognise the significance of keeping our employees engaged, as it this enables us to identify and meet their needs. Engaging regularly with our employees will also allow us to retain our talent and ensure the well-being of our employees, which underlines our commitment to putting our people first. We acknowledge that a highly engaged workforce will boost the morale of our people, which will lead to higher productivity.

We engage with our employees on a regular basis through various initiatives such as town hall meetings, yearly performance reviews, gatherings and sports and health activities. By fostering a sense of shared purpose and camaraderie, we believe that we can create a work environment that is both supportive and fulfilling for all members of Keluarga MSM.

OUR INITIATIVES

During the pandemic, employee engagement was more important than ever to keep our people physically safe and mentally healthy due to work-from-home arrangements amid the lockdown periods. In 2022, employee engagement was an important aspect of human capital management in MSM as we transitioned to the endemic phase. As such, we focused on employee welfare and benefits to ensure that they received all the support they needed to navigate the unprecedented impacts of the pandemic. As of the end of 2022, about 30% of our administrative employees have continued with work-from-home arrangements.

Our focus on employee welfare and benefits included upgrading medical insurance benefits to provide better coverage, delivering food baskets to employees undergoing home quarantine and providing various assistance such as back-to-school aid for low-income employees and family care for families of deceased employees. These initiatives were in addition to the comprehensive welfare and benefits package offered by the Company to all full-time employees:

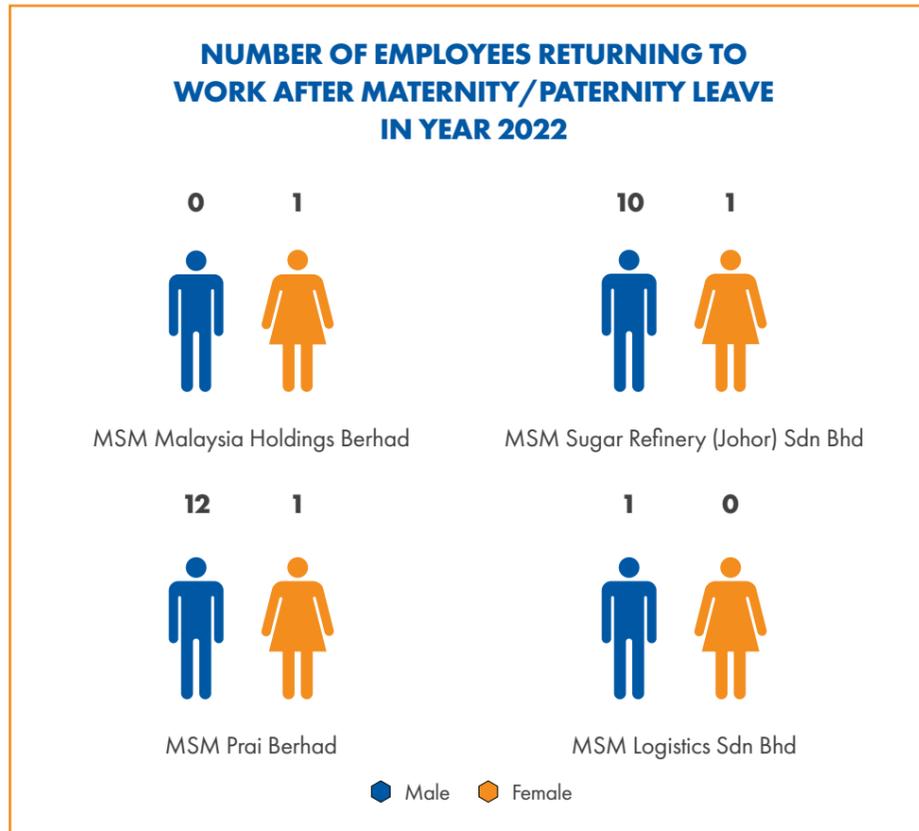
- Maternity and Paternity Leave
- Medical Care Insurance
- Back-to-School Financial Assistance
- Emergency Relief Aid
- Provision for Work-Life Balance

Employee Engagements in 2022

- ✓ Food and PPE subsidy to employees undergoing COVID-19 quarantine
- ✓ Mandarin oranges for Warga MSM (CNY 2022)
- ✓ MSM Group Hari Raya Celebration at Menara Felda
- ✓ MSM Long Service Awards 2022
- ✓ MSM Integrity Talk
- ✓ MSM Strategic Management Retreat 2022
- ✓ MSM Johor Leadership Engagement
- ✓ Back-to-school financial assistance
- ✓ Zakat Wakalah Financial Assistance
- ✓ Flood Victims Financial Aid
- ✓ Kurma for Warga MSM (Raya 2022)
- ✓ Free Sugar Distribution to Warga MSM

Employee Engagement

We engage with our employees on a regular basis through various initiatives such as town hall meetings, yearly performance reviews, gatherings and sports and health activities.



People Happiness Survey

In 2022, we conducted a People Happiness Index Survey throughout the Group and scored 70.2%. The result showed that a significant portion of our employees were happy, although there were gaps to address. We will continue to engage with our employees to meet their needs and increase job satisfaction to retain the best talent and boost overall productivity.



70.2%

MSM Group Happiness Index

GOING FORWARD

We are committed to continuously improving our employee engagement efforts, recognising that an engaged workforce is critical to achieving our business goals. We will continue to implement various initiatives that foster a culture of collaboration, growth and well-being, apart from providing fair and comprehensive benefits to improve our employees' well-being. Our leadership team will also continue to engage with our employees and ensure that their voices are heard.

Upholding Human Rights and Labour Standards



UPHOLDING HUMAN RIGHTS AND LABOUR STANDARDS

OUR APPROACH

We understand the significance of respecting human rights as a fundamental principle that guides our business conduct. We are committed to respecting and protecting human rights in MSM and across our supply chain. To this end, we have consciously embedded this commitment in every aspect of our business and operations, acknowledging that it is essential to continuously practise and uphold this principle.

Our diverse workforce consists of individuals from multiple nationalities and cultures, who interact with a broad range of communities. As such, we strive to uphold human rights in all our business activities and stakeholder engagements, ensuring that the key concerns of all affected parties and the relevant authorities are met.

We are guided by the principles enshrined in international human rights principles, such as the Universal Declaration of Human Rights (UDHR) and the United Nations Guiding Principles UNGPs on Business and Human Rights. We also comply with labour standards established by the national laws in the countries where we operate and the applicable international treaties. Through these guidelines, we aim to build a culture of accountability and transparency, reflecting our unwavering commitment to upholding human rights and labour standards.



OUR INITIATIVES

Labour Standards and Best Practices

In fulfilling our commitment to upholding human rights, MSM has integrated human rights concerns into our manuals, policies and practices. This encompasses vital areas including social performance, safety, human resources, contracting and procurement. The Group Sustainability Policy addresses human rights by recognising our responsibility to respect and meet the requirements of human rights as stated in the UDHR, the UNGPs on Business and Human Rights and International Labour Organization (ILO) Conventions.

As a responsible organisation, we adhere to Malaysian employment laws, which, among other requirements, ensure fair minimum wages and fair working hours. The Group Sustainability Policy mandates MSM to continuously monitor its recruitment process to ensure no incidents of forced, bonded, compulsory labour or child labour occur in its operating units.

Upholding Human Rights and Labour Standards



The Group does not tolerate any irregularities in this aspect and is exploring ways to strengthen its labour standards.

Trade Unions

At MSM, we support the rights of employees and workers to form associations of their own choice independently, as expressed in our Group Sustainability Policy. The Group also supports employees' participation in decision-making and remains committed to ensuring that all employees are provided with adequate information about their rights under applicable regional or national laws. MSM Prai employees have established an in-house union since 1973, while MSM Johor employees are members of a national union, which was formed in 2021.

In 2021, MSM Prai established a Collective Agreement (CA) with the union representing its employees. The CA was the result of extensive collective bargaining negotiations between our Company and the union, covering

various topics such as wages, working hours and terms, benefits and conditions of employment. There were no significant grievances raised in the year under review.

As a trade union was only recently formed at MSM Johor, we began the process of negotiating acceptable terms for a fresh CA with it. After five sessions of collective bargaining, both MSM Johor and the trade union agreed to conclude the negotiations. The CA between MSMJ and the trade union was signed on 9 January 2023.

We constantly strive to adopt a mature and constructive approach to our interactions with the unions that represent our employees, and we intend to evaluate our collective bargaining agreements periodically. Employees who are not covered by the CAs have their working conditions and terms of employment determined by current Company regulations and the employee handbook.

Employees Covered by a CA in 2022

74% (MSM Prai only)

GOING FORWARD

Going forward, we are committed to upholding human rights and labour standards by implementing policies and procedures that protect the dignity, health and safety of all employees, regardless of their background or position. We will prioritise fair and equitable treatment, provide a safe and healthy work environment and adhere to all applicable laws and regulations related to human rights and labour standards. Through this commitment, we will build a culture of respect, inclusion and social responsibility that benefits our employees, customers and communities.

Talent Management



TALENT MANAGEMENT

OUR APPROACH

Talent management is crucial for our organisation to help attract, retain and develop the best employees. We believe that a well-managed talent pool will lead to increased productivity, better decision-making and higher employee satisfaction. Investing in talent can also improve the Company's reputation and brand as a desirable place to work, which can attract top talent and increase customer loyalty.

At MSM, we regularly evaluate our recruitment, promotion and compensation guidelines to ensure that they are consistent with industry norms, local laws and regulations. When making employment offers, we aim to provide competitive salary and compensation packages that are commensurate with market rates.

Our Recruitment Policy provides a robust structure to attract top talent and utilises effective methods for identifying, hiring and assigning the most suitable candidates for each role. The recruitment process begins with careful manpower planning and extends to candidate sourcing and selection. This policy is applicable to permanent employees as well as full-time or contractual senior positions.

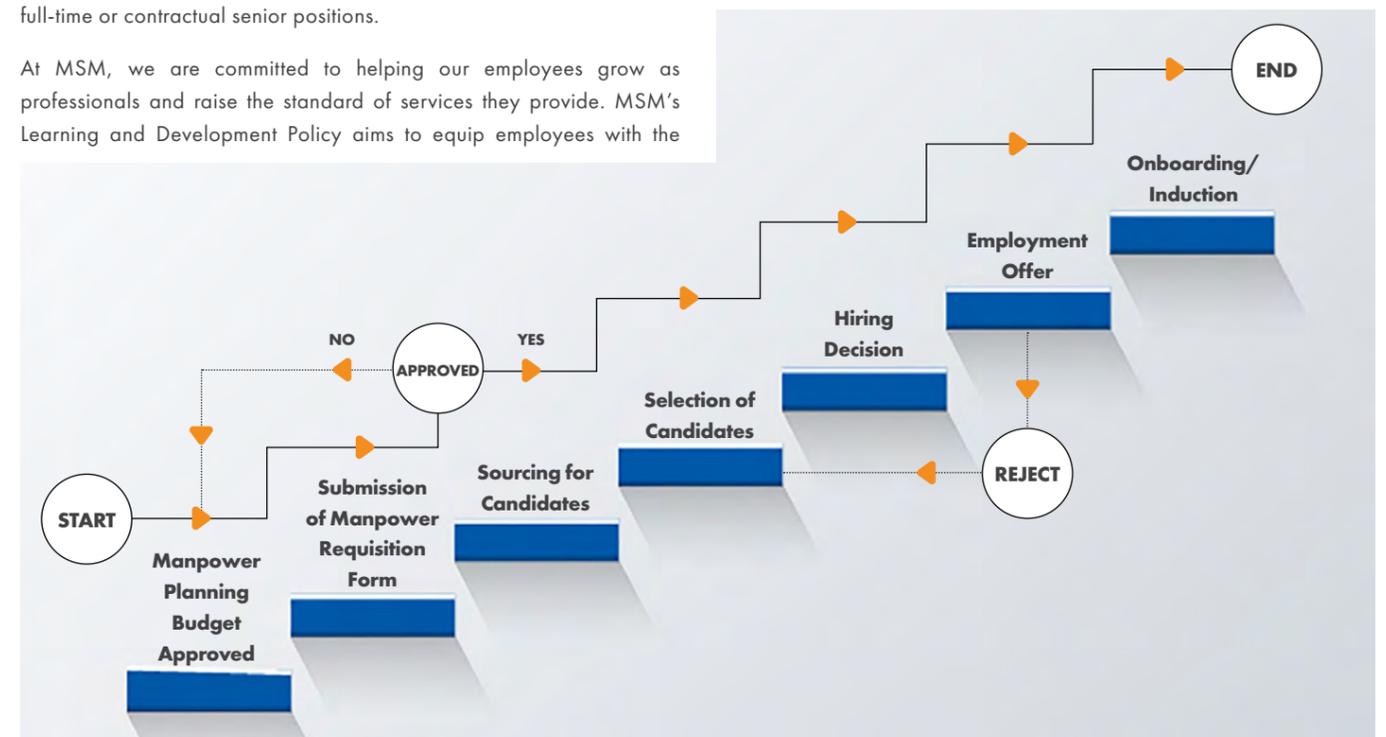
At MSM, we are committed to helping our employees grow as professionals and raise the standard of services they provide. MSM's Learning and Development Policy aims to equip employees with the

requisite skills, knowledge and competencies needed to perform effectively within the Company. The objective is for MSM employees to develop into future leaders within their respective departments by continuously enhancing their knowledge and skills through training and development activities.

OUR INITIATIVES

We have a well-established talent management function that uses a wide range of training opportunities to identify and develop the skills of employees so they can grow professionally. In addition to courses in specific technical areas, there are various platforms available to meet individual training needs, such as online learning using the Viva Learning platform which was available from July 2022 onwards. Training also includes sessions on increasing productivity and efficiency in job tasks through the utilisation of more effective planning and execution to deliver results.

We create a commitment-minded workforce by taking a holistic approach to our talent management. To foster loyalty and bolster our workforce,



Talent Management

We have introduced a Staff Mobility programme focused on employee training and development, which contributes to both career progression and organisational efficacy. This programme facilitates rapid learning for new employees, allowing a more efficient learning curve.

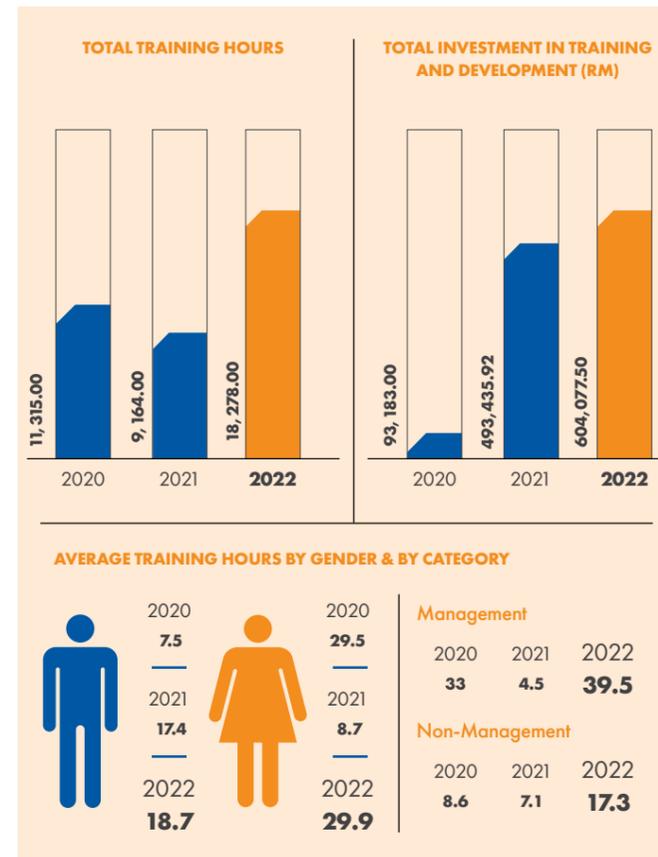
Additionally, we introduced the Graduate Management Trainee Programme, which entails recruiting local graduates and providing them with on-the-job training in engineering and management. This training enables our graduate trainees to acquire skills quickly, allowing them to benefit from a coherent career path with defined learning pathways that lead them towards rewarding careers and opportunities in the industry.

Onboarding training is a critical component of new-employee orientation and helps ensure employees are productive and familiar with our working environment. Employees are given an overview of the organisation, including our philosophy, vision, guiding principles, culture, policies, procedures and focus on safety.

MSM employees also undergo regular performance reviews to evaluate their performance and determine any necessary training that can improve their personal development and skill sets.

NURTURING FUTURE LEADERS

We are committed to fostering the next generation of leaders who will shape Malaysia's future. The Prodigy programme is an MSM initiative to give back to the community' via a structured multifaceted discipline training programme equipping young graduates with relevant skillset required by industries, enhancing employability of young graduates to fill future talent demand in Malaysia as well as to create home-grown MSM Group young talent pool.



GOING FORWARD

Going forward, we will prioritise talent management by investing in employee development programmes and creating a positive and inclusive workplace culture. We will focus on identifying and sourcing top talent, fostering a learning culture that encourages continuous growth and development and regularly assessing our talent management strategies to ensure they align with our business goals and the needs of our employees. By prioritising talent management, we will build a strong and diverse workforce that drives our Company's success and growth.

Diversity, Equity and Inclusion

DIVERSITY, EQUITY AND INCLUSION

OUR APPROACH

Diversity is vital to our organisation as it brings various perspectives, experiences and skills that can help to generate creativity and foster innovation. A diverse workforce also reflects the community that our business serves, enabling us to better understand our customers' needs and preferences, which can lead to better customer service and stronger relationships. We also understand that an inclusive workplace that values diversity is vital for our organisation's success in terms of employee morale, job satisfaction and retention.

At MSM, we are committed to creating a safe and inclusive workplace that embraces and celebrates diversity. Our Employee Handbook gives an overview of our HR policies which include clear guidelines on fostering an environment free from discrimination and sexual harassment. Additionally, we offer maternity and paternity leave as part of our employee welfare benefits.

Our commitment to diversity, equity and inclusion enables us to attract and retain the best people, who contribute unique perspectives and insights to better meet the needs of our customers. We value the contributions of our diverse workforce highly, as they offer varied experiences and perspectives that enable us to comprehend our customers' needs.

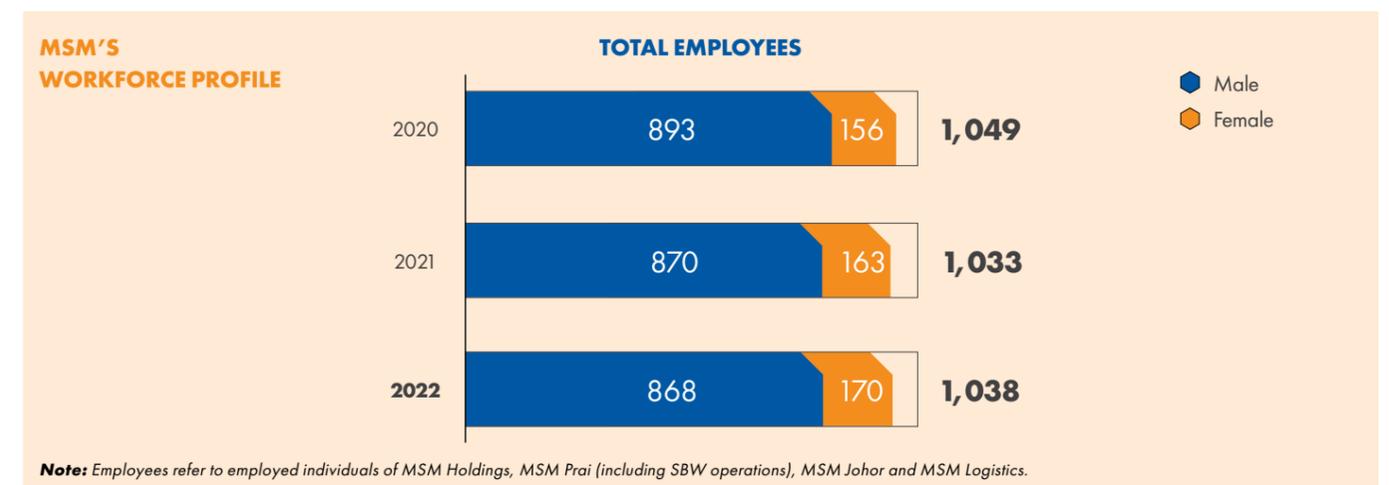
OUR INITIATIVES

In 2022, we started drafting a Diversity, Equity & Inclusion (DEI) Policy as part of our strong commitment to fostering a work environment that values individuals of various races, ethnicities, religions, genders and sexual orientations. We are committed to maintaining a work environment that is free from sexual harassment and we will take prompt action to investigate and address any reported incidents. In the year under review, there were zero cases reported with regards to sexual harassment in the organisation.

We have established channels for our employees to provide feedback, express concerns, propose solutions and report any instances in which they feel violated, disrespected or treated unfairly. These channels operate through a grievance mechanism, which is part of the Employee Handbook. Additionally, we have implemented a structured framework for employees to report potential violations without fear of retaliation, as part of our Whistleblowing Policy.

Gender Ratio

As a refinery, our workforce is predominantly male due to factory, machinery and work shift demands. However, we are committed to gender diversity from the executive level onwards as part of our commitment to promoting diversity and inclusivity in our workforce.



Diversity, Equity and Inclusion

Diversity, Equity and Inclusion

TOTAL EMPLOYEES BY GENDER & BY CATEGORY

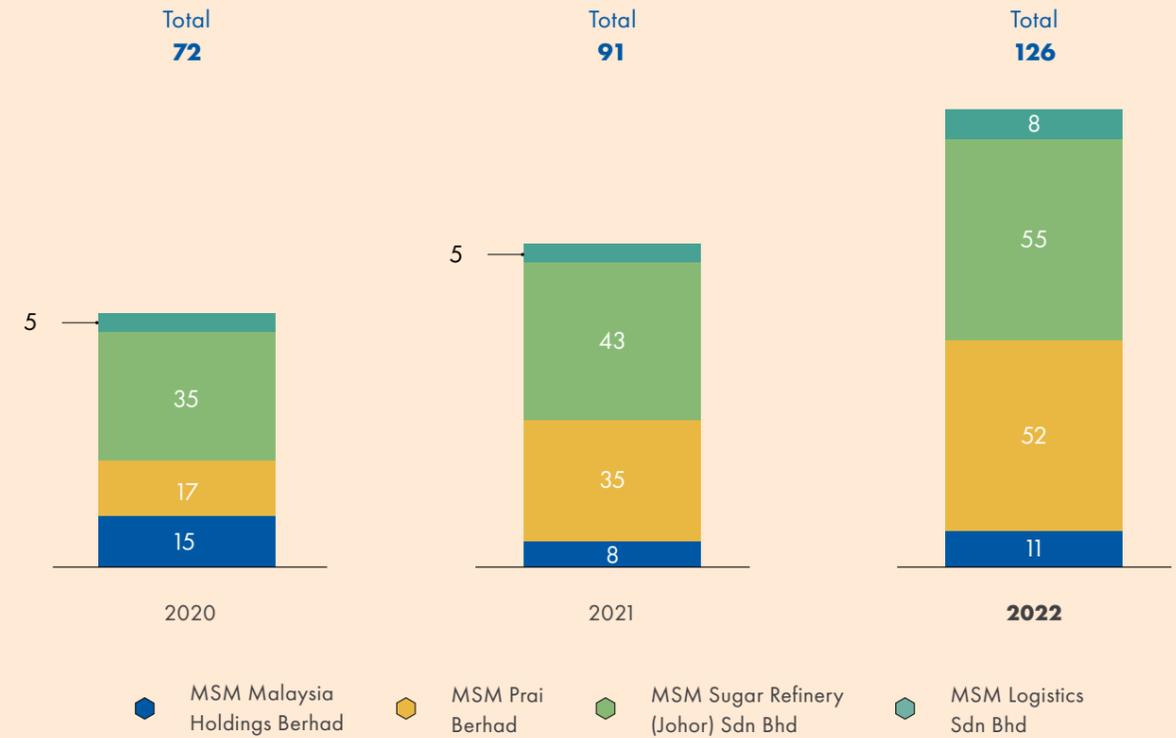


New Employee Hires	2020	2021	2022
Permanent	117	115	119
Contractual	1	18	10
Temporary	2	8	0

NEW EMPLOYEE HIRES



EMPLOYEE TURNOVER



Note: The data in the table represents the number and percentage of employees who resigned.

GOING FORWARD

At MSM, we are committed to fostering a diverse, equitable and inclusive workplace where everyone feels valued, respected and supported. We recognise the importance of having a diverse team and strive to recruit and retain employees from a variety of backgrounds and experiences. We believe that by embracing diversity, equity and inclusion, we will foster a more innovative and productive workplace culture that benefits our employees and our business.

Optimising Environmental Performance

Our commitment to Optimising Environmental Performance includes adapting to climate change and minimising the consumption of natural resources. It is our priority to reduce the negative environmental impacts of our operations and contribute to a sustainable future.



Waste Management



Task Force on Climate-Related Financial Disclosures (TCFD)



Climate Action



Water Management



Renewable Energy & Energy Management

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Waste Management

WASTE MANAGEMENT

OUR APPROACH

MSM continues to persist in its waste management efforts to ensure that the environment and communities are not impacted by its operations and the detrimental effects of hazardous waste. We are committed to managing our waste through initiatives to reduce waste as well as regulating the process flow of inputs, activities and outputs. We remain guided by the Group Sustainability Policy, the Environmental Policy and various waste management practices that have been established under each of the MSM operations to comply with the Environmental Quality (Scheduled Waste) Regulations 2005 (Scheduled Waste Regulations 2005).

OUR INITIATIVES

We continue to consistently record the hazardous waste generated in our operations. Our scheduled waste is hazardous waste generated in our operations, while non-hazardous waste, including by-products, is categorised as non-scheduled waste. This determines how the waste is stored, managed and disposed of, from production to packaging and distribution. The scheduled waste generated from our operational activities includes waste that contains materials such as mercury and, metal with copper, zinc and chromium, as well as containers, bags and equipment that have been contaminated with chemicals or pesticides.

Additionally, our scheduled waste is closely monitored across our operations by competent and certified persons, with pertinent details recorded in our database and the DOE's website, as per the Scheduled Waste Regulations 2005. We outsource our scheduled waste to licensed suppliers who are authorised by the DOE to collect, transport, process and dispose of waste in accordance with local regulations and standards.

Our non-scheduled waste includes general and office waste with materials such as plastic and paper boxes, as well as spillage and refining by-products such as mudcake and molasses. MSM continues to look into more efficient ways to minimise disposal and divert non-scheduled waste from landfills through recycling and reselling opportunities with third parties.

During the reporting year, MSM Johor continued to engage with R&D and other third parties to explore opportunities to turn waste into valuable by-products. The plant also initiated a small-scale trial for animal feed.

In FY2022, MSM Group generated a total of 21,524.33 metric tonnes of scheduled waste (hazardous) and non-scheduled waste (non-hazardous). From this amount, a total of 199.62 tonnes of hazardous waste was generated from our operations.

MUDCAKE:

Repurposing Our Waste

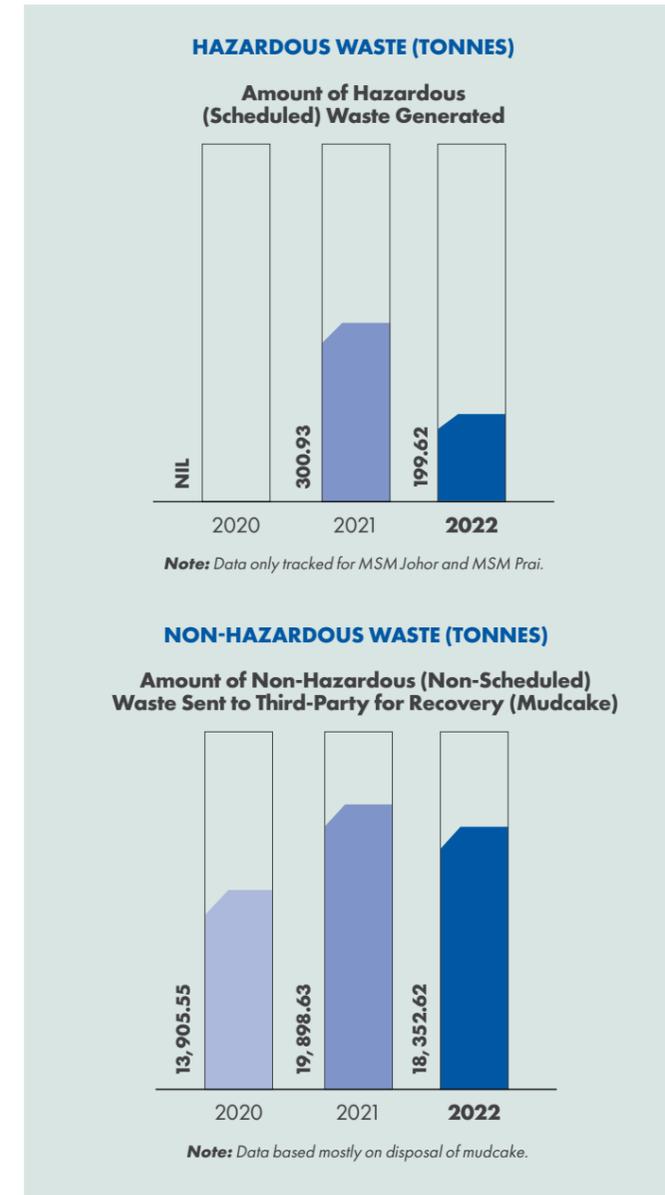
An initiative that began in 2021, mudcake is a compressed sugar refining waste by-product that is produced in MSM refineries. The DOE has categorised mudcake generated by refineries as a by-product of scheduled waste.

Our venture into mudcake stemmed from extensive research conducted on MSM's mudcake waste in 2021, which revealed that it had acid-reducing properties in soil, making it an ideal fertiliser. This led to a collaboration between MSM Johor and FGV Fertiliser in October 2021 to determine if the mudcake generated by MSM Prai and MSM Johor could be taken up by FGV Fertiliser, providing mutual benefits for both parties.

We will continue to take advantage of this opportunity by exploring further collaborations with other industries and environmental authorities. MSM is also working to collaborate with higher educational institutions to conduct further research on other potential uses and benefits of mudcake.

Waste Management

The following diagrams provide an overview of our waste management and our progress over the last three years:



In the year under review, we observed a decrease of 33.8% in the amount of hazardous waste generated. All hazardous (scheduled) waste generated in MSM is managed in a responsible manner in terms of generation, storage, transportation and disposal.



Hazardous (scheduled) waste from our operations was handled through the methods below:

- Landfill
- Incineration
- Recycling
- Physical / Chemical treatment
- Recovery

Aside from that, our non-hazardous waste, which is waste disposal of mudcake, recorded a slight decrease of 8% compared to our recorded data in the previous year.

Empowering the Community to Reduce Waste

As we strive to accelerate our sustainability journey and meet the objectives of our ESG framework to create a better future for all and to cultivate a thriving environment, MSM took the initiative to launch the 3R: Reduce, Reuse and Recycle Programme in January 2022 to reduce our environmental and operational impacts. We organised a broad range of activities and efforts, including mangrove tree planting with the local communities.

For more information on our community programmes, please refer to Community Engagement & Development on pages 48-51.

GOING FORWARD

We will continue to improve our data analysis and tracking methods for better consistency and also explore other initiatives to further reduce our waste from being diverted to landfills. As for our mudcake initiative, we hope to explore potential collaborations and opportunities and conduct more research to create more value for our organisation, the environment and our industry.



Task Force on Climate-Related Financial Disclosures (TCFD)



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Sustainability Board to develop recommendations that promote transparent disclosures to help stakeholders make informed decisions. The TCFD framework is anchored on four pillars, namely Governance, Strategy, Risk Management and Metrics & Targets. In 2022, MSM began work on aligning its climate-related disclosures with the TCFD recommendations. Going forward, MSM aspires to continue to improve the transparency of its reporting by fully adopting the TCFD framework.

GOVERNANCE

Disclose the organisation's governance around climate-related risks and opportunities.

Describe the board's oversight of climate-related risks and opportunities	Our Board of Directors is ultimately the key decision-making authority on all sustainability-related matters, including climate risks and opportunities. The Board strives to ensure climate-related considerations, where appropriate, are integrated into business plans and departmental performance scorecards of relevant departments.	
	Our GCEO updates the Board on a quarterly basis on the progress and key milestones with respect to our climate aspirations and plans. To ensure sufficient focus on climate-related and other sustainability issues, we expanded the mandate of two dedicated Management-level committees to support our Board. The committees meet on a quarterly basis.	
	Focus Areas	
	Risk Management Committee	Reviews, monitors and assesses the effectiveness of the Group's implementation of risk treatment(s) or mitigation action plan(s) for the management and control of the key risks, including cyber risk and resilience as well as sustainability and climate-related risks. The committee also reviews and is kept updated on any new or emerging sustainability trends, climate-related risks and other threats.
	Management Steering Committee	Reviews and guides sustainability-related strategies, programmes and plans, including climate-related efforts. The committee meets on a timely basis.
	Audit, Governance and Risk Committee	Manages risks and assesses the risk management framework and internal control environment, reviewing conflict of interest situations and Related Party Transactions (including Recurrent Related Party Transactions), enhancing governance, ethics and integrity and overseeing sustainable practices.
Describe management's role in assessing and managing climate-related risks and opportunities	Our EXCO meeting, chaired by the GCEO, oversees the implementation efforts of sustainability and climate-related strategies and plans.	
	On a quarterly basis, the ESG Department updates the EXCO on the progress made with respect to strategies identified under the Sustainability Roadmap, which includes climate-related plans and programmes. Our Management Steering Committee, also chaired by the GCEO, monitors the progress and achievements of all strategic projects on a quarterly basis. In 2022, climate-related projects tracked by the ESGMC included: a. Energy audit to reduce energy consumption and carbon emissions b. Resource Efficiency and Industrial Symbiosis Opportunities (REISO) programme by SIRIM under MITI – a comprehensive assessment for businesses to identify, assess and present opportunities for cost optimisation and minimise environmental impacts via resource minimisation and by-product reutilisation c. Renewable energy – solar rooftop projects d. Waste to green wealth – reutilisation of our mudcake to cement and animal feed e. Flexible working hours – to reduce emissions from employee commuting.	

Task Force on Climate-Related Financial Disclosures (TCFD)

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	As we adopted the TCFD recommendations, we are committed to considering climate-related risks and opportunities (CROs) in our Sustainability Policy and aim to fully adopt the TCFD recommendations.	
	We recognise that raw sugar procurement is our business area that is most exposed to CROs. This is mainly due to the geographical diversity of the mills from all over the world, which implies that MSM Malaysia is directly exposed to CROs even though we have a supply guarantee from our main raw sugar supplier. We are cognisant of the potential impacts of physical risks on our businesses, especially under warmer climate scenarios. Some of the key risks identified were related to warmer temperatures, more intense precipitation, sea-level rise and changes in monsoon patterns. We also assessed the CROs across each of the defined time horizons: Present – Up to 2 years Short term – From 2 to 5 years Medium term – From 5 to 10 years Long term – Over 20 years.	
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	As the leading sugar refiner, we recognise the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning. There are two categories of climate risks: <ul style="list-style-type: none"> Transition Risks: Risks related to the transition to a lower-carbon economy. Physical Risks: Risks related to the physical impacts of climate change. 	
	<p>Transition Risk: Under the TCFD framework, there are four types of transition risks, namely policy and legal risk, technology risk, market risk and reputation risk.</p> <p>Physical Risk: The risks of climate events physically damaging MSM's portfolio.</p> <p>In the Malaysian context, material physical risks consist of: <ul style="list-style-type: none"> Sea-level rise, which can lead to more coastal and riverine floods. Increased rainfall intensity, which can lead to more flash floods, water seepage into buildings and landslides. </p>	
	Types of Transition Risks	Financial Opportunities
	<p>Policy and Legal Medium term (5-10 years) to Long term (>20 years)</p>	<p>a. Regulations mandating green products and services (e.g. green buildings, green construction products and services) will increase production costs b. Carbon tax will increase the operating costs of high-carbon emissions assets c. Exposure to litigation.</p>
		<p>a. Increased demand for green products and services due to government mandate b. Cost savings from operating efficient green buildings (e.g. reduced electricity usage, reduced water usage).</p>

Task Force on Climate-Related Financial Disclosures (TCFD)

Task Force on Climate-Related Financial Disclosures (TCFD)

	Technology Short term (2-5 years) to Long term (>20 years)	a. R&D costs to develop green/alternative plastic packaging b. Costs of adopting low emissions technologies (e.g. hydrogen-powered heavy machinery, carbon capture and storage) c. Costs of holding impaired technology assets (e.g. fossil fuel-powered heavy machinery).	a. Technology to retrofit more efficient systems (e.g. reduced electricity usage, reduced water usage) b. Recycling technologies (e.g. rainwater harvesting, recycling waste material).
	Market Short term (2-5 years) to Long term (>20 years)	a. Increasing consumer preference for alternative/green packaging b. Increasing cost of raw materials due to low supply and high demand c. More volatile fossil fuel prices as energy systems transition away from fossil fuels.	a. Being a market leader in providing green/alternative plastic packaging.
	Reputation Short term (2-5 years) to Long term (>20 years)	a. Increasing consumer preference for companies that have green reputations b. Increasing stakeholder concerns about climate change (e.g. difficulty in securing government approvals, difficulty in accessing financing, increasing shareholder activism for climate action).	a. Being a brand leader in green initiatives.
	Types of Physical Risks	Financial Risks	Financial Opportunities
	Acute Short term (2-5 years) to Long term (>20 years)	a. Increasing frequency of extreme weather events (e.g. floods, heavy rain, landslides) • Disruption of the production schedule • Higher cost of repairs • Higher insurance premiums • Disruption of the provision of services dependent on the property asset, thus incurring loss of revenue	a. Acquiring or leasing properties that have low or adequately mitigated risks of acute extreme weather events.
	Chronic Long term (>20 years)	a. Changes in precipitation patterns and extreme variability in weather patterns b. Rising mean temperatures – leading to increased cost of air-conditioning c. Rising sea levels – resulting in increased flooding	a. Acquiring or leasing properties that have low or adequately mitigated risks of chronic weather effects.
Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	2023 will be our first year of analysing CROs via a comprehensive approach based on the TCFD framework. Given the dynamic nature of CROs, this process will be continuously enhanced moving forward.		
Describe the organisation’s processes for identifying and assessing climate-related risks.	We aim to develop relevant controls for the CROs identified and to further tailor our risk management processes to allow more effective management of the climate-related risks once the detailed financial impacts have been identified.		

RISK MANAGEMENT Disclose how the organisation identifies, assesses, and manages climate-related risks.	
Describe the organisation’s processes for managing climate-related risks.	Climate-related risks can be managed through a variety of processes, such as risk assessments, scenario planning and monitoring and reporting. 1. Risk assessments involve identifying potential climate-related risks to the organisation, such as physical damage to assets or disruption of supply chains, and assessing their likelihood and potential impact. 2. Monitoring and reporting involve tracking the organisation’s greenhouse gas emissions and other climate-related indicators and reporting them to relevant stakeholders such as investors and regulators. 3. Adaptation and mitigation strategies: We implement adaptation and mitigation strategies such as investing in energy efficiency and conducting feasibility studies on renewable energy. 4. Collaboration and engagement: We engage with other stakeholders and partners to share information and best practices, and to collaborate in addressing climate-related risks and opportunities.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	We are currently enhancing our approach to managing climate-related risks to reflect the differentiated and multifaceted nature of the CROs identified. We aim to integrate the identified CROs into our future risk identification cycles. Overall, the goal is to ensure that climate-related risks are understood, incorporated and managed in a way that is consistent with the organisation’s overall risk management framework.
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	In addition to the GHG emissions footprint, we will identify suitable climate-related metrics that are linked to our identified CROs once they are formalised and integrated into our overall risk management approach.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Please refer to page 79.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We have committed to setting science-based emissions reduction targets in accordance with the Science Based Targets initiative’s (SBTi) criteria and recommendations.



Task Force on Climate-Related Financial Disclosures (TCFD)

	Technology Short term (2-5 years) to Long term (>20 years)	a. R&D costs to develop green/alternative plastic packaging b. Costs of adopting low emissions technologies (e.g. hydrogen-powered heavy machinery, carbon capture and storage) c. Costs of holding impaired technology assets (e.g. fossil fuel-powered heavy machinery).	a. Technology to retrofit more efficient systems (e.g. reduced electricity usage, reduced water usage) b. Recycling technologies (e.g. rainwater harvesting, recycling waste material).
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	Types of Physical Risks	Financial Risks	Financial Opportunities
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	Chronic Long term (>20 years)	a. Changes in precipitation patterns and extreme variability in weather patterns b. Rising mean temperatures – leading to increased cost of air-conditioning c. Rising sea levels – resulting in increased flooding	a. Acquiring or leasing properties that have low or adequately mitigated risks of chronic weather effects.
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Describe the organisation's processes for identifying and assessing climate-related risks.	We aim to develop relevant controls for the CROs identified and to further tailor our risk management processes to allow more effective management of the climate-related risks once the detailed financial impacts have been identified.		

Task Force on Climate-Related Financial Disclosures (TCFD)

RISK MANAGEMENT Disclose how the organisation identifies, assesses, and manages climate-related risks.	
Describe the organisation's processes for managing climate-related risks.	Climate-related risks can be managed through a variety of processes, such as risk assessments, scenario planning and monitoring and reporting. <ol style="list-style-type: none"> Risk assessments involve identifying potential climate-related risks to the organisation, such as physical damage to assets or disruption of supply chains, and assessing their likelihood and potential impact. Monitoring and reporting involve tracking the organisation's greenhouse gas emissions and other climate-related indicators and reporting them to relevant stakeholders such as investors and regulators. Adaptation and mitigation strategies: We implement adaptation and mitigation strategies such as investing in energy efficiency and conducting feasibility studies on renewable energy. Collaboration and engagement: We engage with other stakeholders and partners to share information and best practices, and to collaborate in addressing climate-related risks and opportunities.
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Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We have committed to setting science-based emissions reduction targets in accordance with the Science Based Targets initiative's (SBTi) criteria and recommendations.

Climate Action



CLIMATE ACTION

OUR APPROACH

Climate change is currently one of the pressing issues that is impacting the global economy and every industry. As one of the leading corporations in Malaysia, MSM is committed to contributing to global efforts of slowing down global temperature rise to 1.5°C.

Due to the nature of our business, our supply chain is exposed to climate risks, especially as we source for raw sugar from other countries. The impacts of climate change will affect sugarcane yields and this will disrupt our operations and productivity. As such, we have taken the first steps in mitigating and reducing the impacts of climate change on our operations.

We aim to achieve carbon neutrality and be Net Zero by 2050 as we forge ahead with science-based emissions reduction targets and a range of activities. We remain committed to our Group Sustainability Policy, which ensures that we address climate change through significant efforts to reduce our greenhouse gas (GHG) emissions.

MSM has also pledged its support to Malaysia's Nationally Determined Contribution (NDC) to the Paris Agreement, to cut GHG emissions by 45% by FY2030. We also aim to reduce costs and lessen our carbon footprint by ensuring that our energy management plans include identifying other sources of energy to boost the production efficiencies of our operations.

OUR INITIATIVES

Science Based Targets initiative and Net Zero

In FY2022, we became the second food-based company in Malaysia to commit to the Science-Based Targets initiative (SBTi), a collaborative effort involving the United Nations Global Compact (UNGC) Malaysia & Brunei and the Net Zero Ambition initiative. We expect our science-based emissions reduction targets to be ready by next year.

Task Force on Climate-related Financial Disclosures

To bolster our climate risk mitigation, we adopted the TCFD recommendations to identify our climate-related risks and opportunities. The Board of Directors has oversight of climate-related matters and has ultimate decision-making authority over climate-related considerations, risks and opportunities. The Board of Directors is also supported by the Management Steering Committee, which tracks climate-related projects aimed at reducing emissions or finding new ways to minimise our environmental impacts.

One of our climate initiatives was a comprehensive review of our GHG inventory to identify the key emissions of all entities across the Group that were directly under our operational control. This was part of our Climate Action and Environment Protection initiatives. Through this review, we aimed to integrate climate action measures into our business strategy and actions plans, as well as changing the way we conduct our businesses to minimise the impacts of climate change.

We have also partnered with other organisations such as the United Nations Global Compact Network Malaysia & Brunei and Climate Governance Malaysia. These organisations advocate initiatives related to climate change and share our commitment to mitigating climate-related risks.

Besides that, our GCEO was nominated as a main member of the CEO Action Network (CAN), which enables us to explore CAN's agenda for climate change. This allows us to play a part in achieving the global goals of SDG 13 on Climate Action. CAN is a coalition of leaders whose purpose is to shape policies, win stakeholders and create a favourable ecosystem for sustainable businesses and sustainable development in Malaysia.

Climate Action

Through our active participation and knowledge gained from this network, we hope to drive MSM Group towards an effective climate transition strategy, taking into account the need for financial stability, increased resilience and sustainability.

Our GHG Emissions

The Group continues to work towards improving its GHG inventory and developing a climate change framework. This includes evaluating our GHG disclosures to ensure that our data is measured in a consistent manner.

- S1** Scope 1 refers to direct GHG emissions from sources controlled or owned by MSM such as diesel used in production, the logistics fleet and natural gas consumption.
- S2** Scope 2 refers to indirect GHG emissions from purchased electricity.
- S3** Scope 3 refers to indirect GHG emissions from business air travel.

In the year under review, our GHG emissions reduced by 3,235 tCO₂e compared to 2021. The reduction was primarily due to our efforts in identifying areas of improvement and creating awareness about energy conservation.

Note:

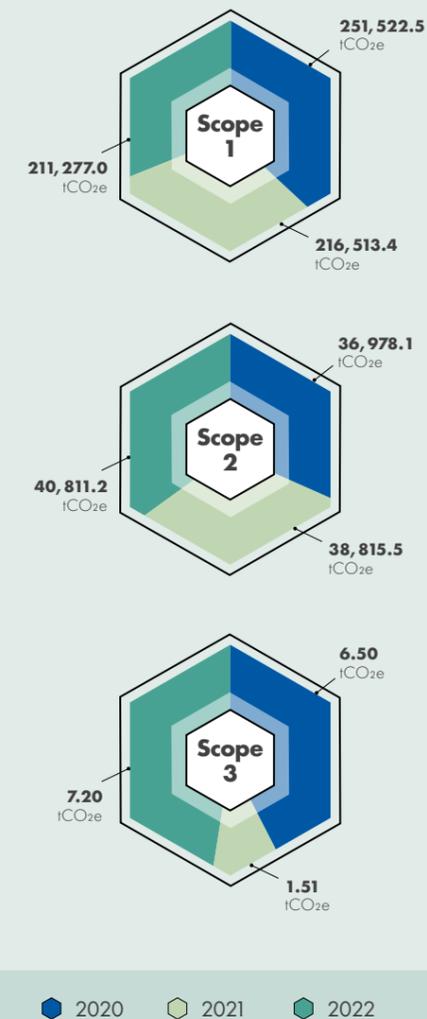
Our calculation method for Scope 1 GHG emissions is based on the GHG protocol calculator - <https://ghgprotocol.org/ghg-emissions-calculation-tool>, while Scope 2 is based on MEIH Suruhanjaya Tenaga and Scope 3 is based on the International Civil Aviation Organisation (ICAO).

GOING FORWARD

To accelerate our low-carbon transition journey, we will continue to explore alternative ways to reduce our GHG emissions across our operations. This will include evaluating the structural support of our solar energy plant project and launching a biomass energy project by 2025 (upon budget approval).

We aspire to explore the possibility of obtaining green energy from a solar farm to offset half of our purchased electricity from TNB in the future. We will also improve our management of plastic waste, in line with the Malaysia Plastics Sustainability Roadmap 2021-2030, and increase employees' awareness and understanding of climate change through roadshows, training and campaigns.

The following are our GHG emissions from FY2020 to FY2022

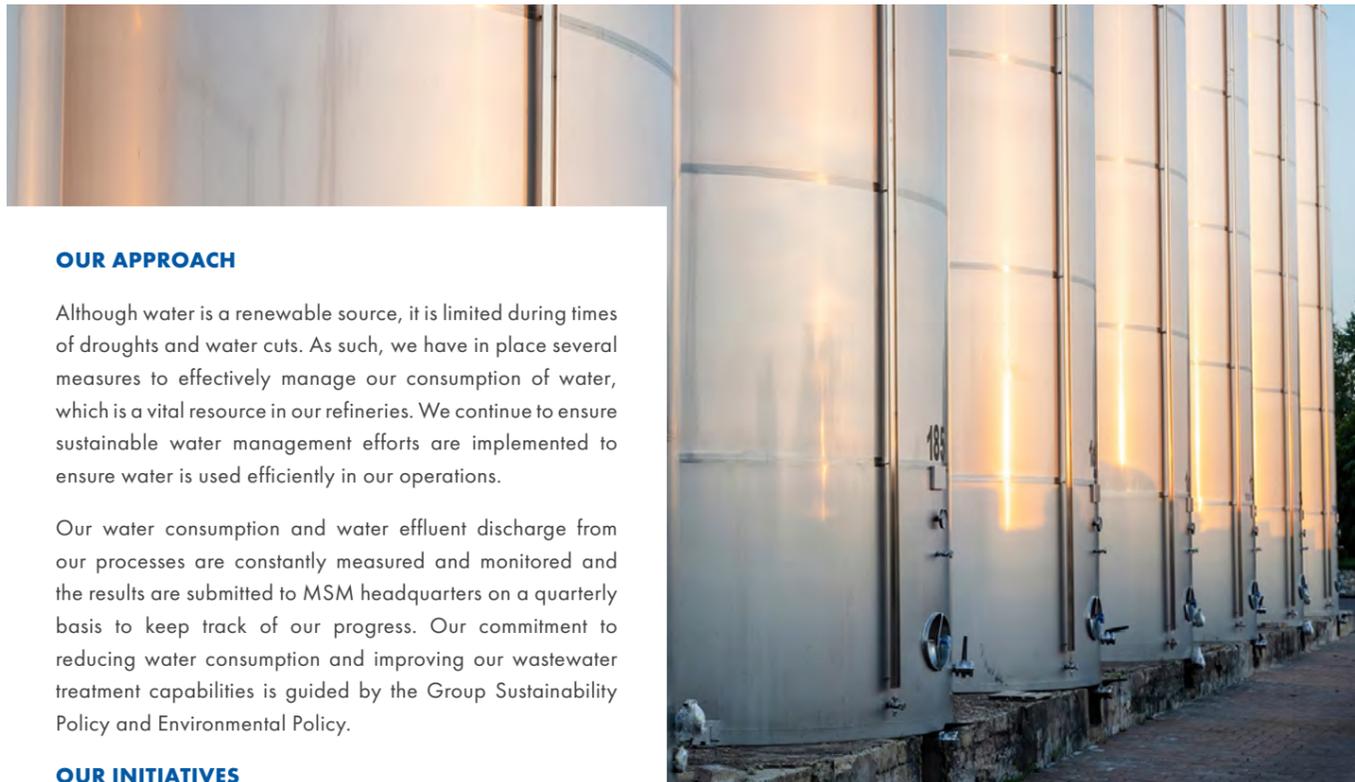




Water Management



WATER MANAGEMENT



OUR APPROACH

Although water is a renewable source, it is limited during times of droughts and water cuts. As such, we have in place several measures to effectively manage our consumption of water, which is a vital resource in our refineries. We continue to ensure sustainable water management efforts are implemented to ensure water is used efficiently in our operations.

Our water consumption and water effluent discharge from our processes are constantly measured and monitored and the results are submitted to MSM headquarters on a quarterly basis to keep track of our progress. Our commitment to reducing water consumption and improving our wastewater treatment capabilities is guided by the Group Sustainability Policy and Environmental Policy.

OUR INITIATIVES

Our refineries purchase water from local water companies and keep track of their water consumption by monitoring their monthly water bills. MSM Johor and MSM Prai have water tanks that supply water during water disruption with capacities of 3,200 m³ and 1,344 m³, respectively.

The raw sugar melting activities at our refineries determine the amount of water that our operations consume on a daily basis. In MSM Johor, the average water consumption was approximately 1,500 m³ per day, while MSM Prai's daily water consumption was approximately 4,500 m³ in FY2022. This means that the water tanks at the refineries can supply MSM Johor Operations with enough water for two days and MSM Prai with enough water for up to eight hours.

Meanwhile, MSM Johor has its own wastewater treatment plant (WWTP) to fully handle all discharged wastewater,

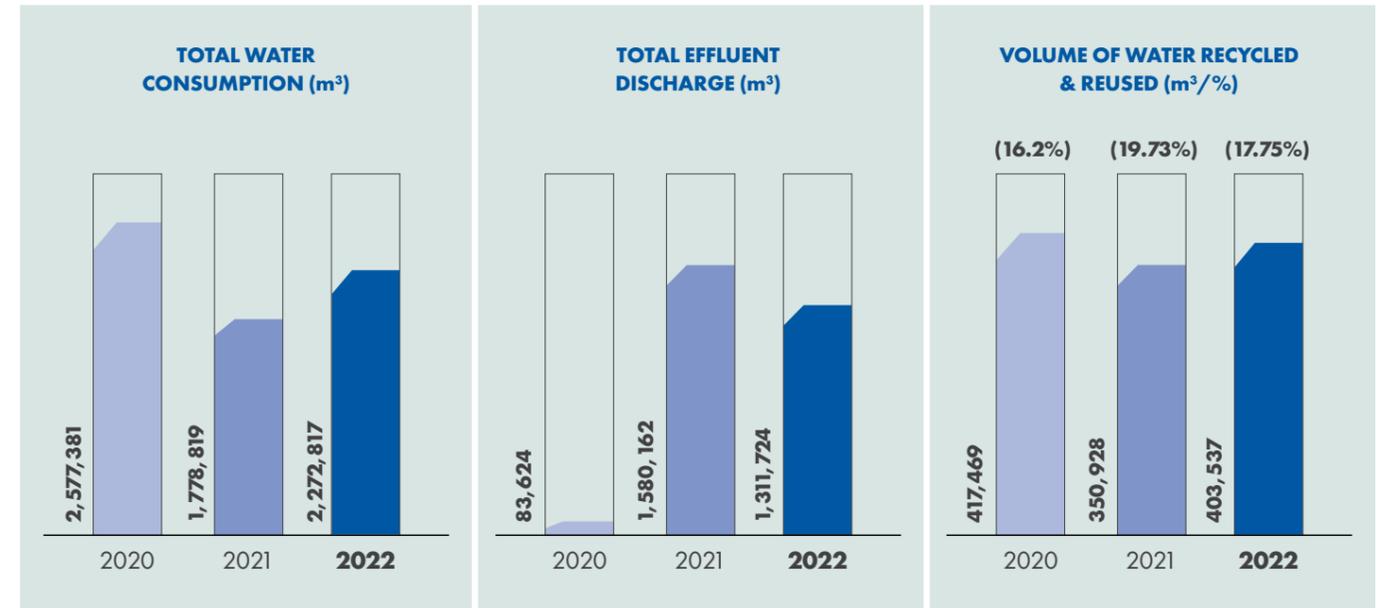
which is released into the sea after treatment at the refinery's WWTP. MSM Johor is currently upgrading its WWTP and aims to complete the project in June 2023. Going forward, we plan to install a WWTP at Prai operations by 2024.

The Environment Quality Act has mandated that monitoring and water samplings of the discharge, surface and boundary water are to be carried out by independent third parties every month. They are also responsible for submitting reports to the DOE and the local authorities to ensure that our refineries comply with the Environment Quality Act.

MSM Prai constantly engages with the Penang DOE to regularly update it on the progress of MSM Prai's WWTP plans and reassure the DOE of its commitment to improving processes. MSM Prai also maintains a close relationship with the fishermen's community, such as by collaborating with them in mangrove tree planting.

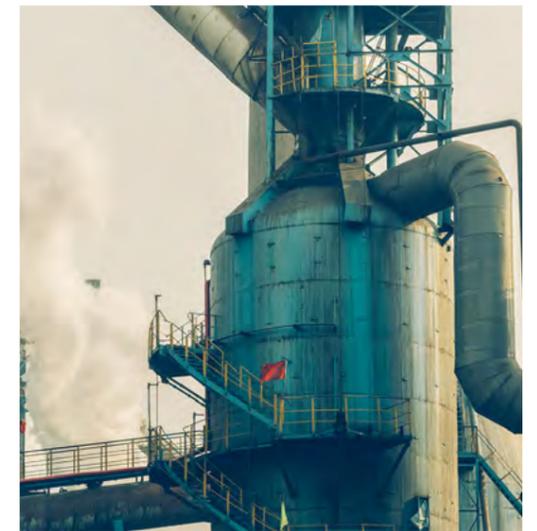
Water Management

In FY2022, the MSM Johor plant was fined RM12,000 for improper management of scheduled waste and received three citations for accidental release of untreated effluent into the public drainage system. The fine has been paid and mitigation measures have been taken to prevent future occurrences of such incidents.



MSM's individual operations track their water consumption separately. The total water consumption for MSM Group increased from 1,778,819 m³ in FY2021 to 2,272,817 m³ in FY2022. MSM Prai recorded increase in water usage of 55%, while MSM Johor and Sungai Buloh Warehouse reduced its water consumption by 15% and 6%, respectively.

Meanwhile, our effluent discharge recorded a reduction of 17% in FY2022, as a result of scheduled shutdowns and slight reductions in output.



GOING FORWARD

MSM will strengthen its efforts to mitigate and minimise regulatory compliance risk. We will continue to ensure that our employees are well trained and are prepared to manage such issues, while consistently engaging with third party consultants. To better manage our water consumption, we will continue to carry out repair works and maintenance to minimise problems such as tap and pipe leakages. We will also continue to engage with the DOE to resolve issues quickly and track our data more efficiently and accurately.

Renewable Energy and Energy Management



RENEWABLE ENERGY AND ENERGY MANAGEMENT

OUR APPROACH

Across our business activities and operations, we strive to reduce our environmental footprint by optimising energy consumption. Our primary sources of energy are from diesel, natural gas and purchased electricity.

We acknowledge the crucial role we have in reducing greenhouse gas (GHG) emissions. As such, we generate our own electricity to reduce the consumption of purchased electricity, where possible. For instance, MSM Johor and MSM Prai produce their own electricity via their steam turbine generators. We are currently exploring the possibility of using more renewable energy from various sources to reduce our carbon footprint.

OUR INITIATIVES

We strive to increase our energy efficiencies to achieve long-term sustainability in our operations. To this end, we have implemented various energy-saving initiatives including switching to energy-efficient LED lighting at warehouses and using inverters in pumps. We keep track of our cost savings and consumption of purchased electricity by monitoring our monthly electricity bills. In 2022, MSM Logistics implemented a GPS tracking system to monitor fuel consumption.

Our energy optimisation initiatives include:

Energy Audit

A full thermal and electrical energy audit is currently being conducted at MSM Prai from December 2022 until April 2023. We will be able to identify areas where energy efficiency can be improved after the completion of the audit.

Sustainable Energy Management System (SEMS)

We have planned to develop SEMS by 2024 and apply to obtain Energy Management Gold Standard 1-star rating which is awarded by ASEAN Energy Management Scheme (AEMAS).

Optimising the Utilisation of Steam

In 2022, we initiated this effort to optimise the use of steam in MSM Johor to increase boiler efficiency.

Solar Energy

MSM Prai and SBW will have solar photovoltaic (PV) systems installed by end of 2023, providing an estimated minimum capacity of 2.095 MWp and 0.547 MWp, respectively.

Biomass

Since 2021, we were considering the feasibility of installing biomass plant in the premise of MSM Johor as an alternative energy source to reduce the dependency on natural gas. Palletised Empty Fruit Bunch is seriously being considered as the biomass fuel to minimise any possible environmental impacts.

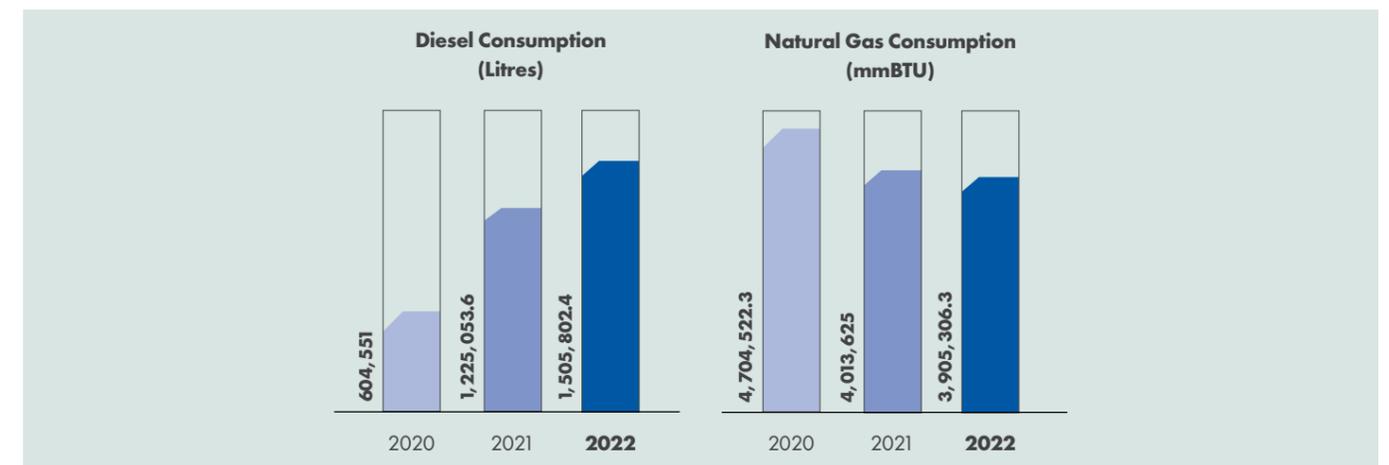
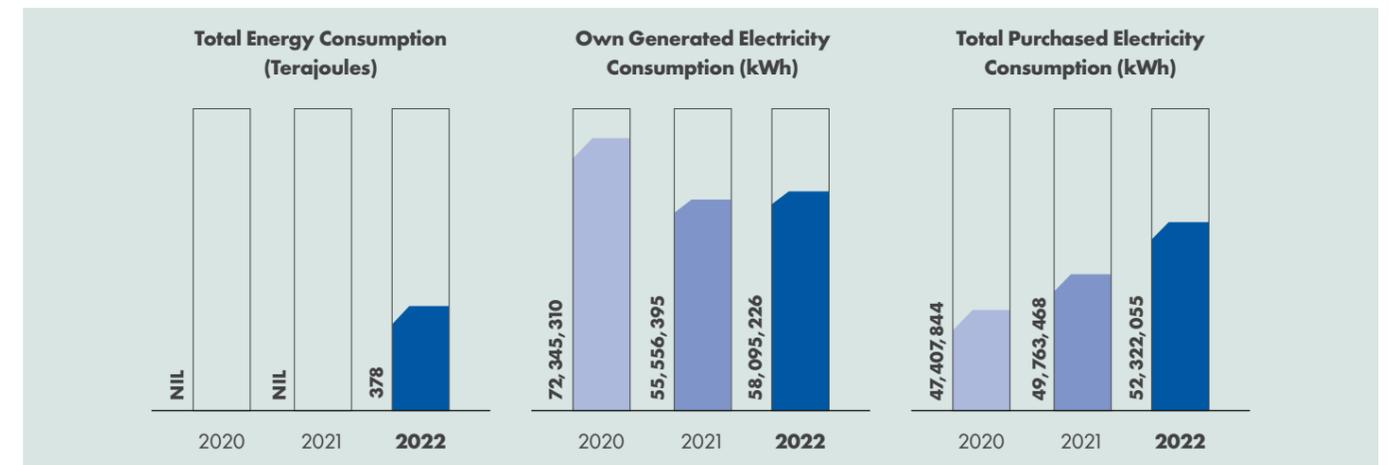
MSM Johor has a cogeneration plant that enables it to be self-sufficient in electricity production and the supply of steam required for sugar processing. The plant utilises a natural gas boiler and back pressure steam turbine generator combination. On the other hand, MSM Prai, being an older refinery, generates only 30% of its electricity demand through its internal small cogeneration plant. The remaining electricity requirement is met through TNB supply. To improve energy utilisation efficiency, MSM Prai operates a Mechanical Vapour Recompressor (MVR) system to recover steam and increase its steam usage efficiency. Additionally, MSM Prai uses a Vertical Crystalliser System called VKT to continuously produce refined sugar with better steam utilisation efficiency per tonne of raw sugar melted compared to conventional vacuum pan operations for sugar boiling.

Renewable Energy and Energy Management

Our reduction in natural gas was mainly due to MSM Johor operating with only one boiler as the other boiler was being repaired as part of long term rectification works. On the other hand, our consumption of diesel in 2022 was higher, as a result of increased use of forklifts for the loading and unloading of goods to keep up with the increased production for the Group. Additionally, our diesel consumption increased, as excavators were used to manage the raw sugar piles in our warehouse as the volume of raw sugar utilised had increased. Increased production also meant that logistics operations were required to manage transfers and deliveries to customers via trucks and prime movers.

Our overall consumption of electricity remains consistent with previous years. In 2021, MSM Johor shut down its operations for two months and during that period, 100% of its electricity was still generated by TNB. However, in 2022, MSM Johor shut down for a month and also underwent other unscheduled shutdowns with shorter durations. That said, MSM Prai showed an increase in year-on-year production, which led to increased electricity consumption.

The following charts show our energy consumption, purchased electricity and other sources of energy:



GOING FORWARD

We will continue to implement energy-saving initiatives and explore cleaner energy alternatives to reduce our environmental footprint. This will include installing solar photovoltaic (PV) panels at the MSM plants and SBW. By taking strategic measures, we believe we can contribute significantly towards the nation's low-carbon transition.



Performance Metrics

Performance Metrics

GOVERNANCE



Our total number of customer complaints recorded in 2022 was

71

a slight reduction from 2021



Direct Economic Value Generated

Sales Revenue

RM2,565,985 thousand



Economic Value Distributed

Operating Costs (e.g. materials, product components, facilities purchased)

RM2,541,563 thousand

Employee Wages and Benefits

RM98,037 thousand

Payments to Providers of Capital

RM31,984 thousand

Payments to Governments by Country

RM173 thousand

Community Investments (e.g. donations and investment of funds)

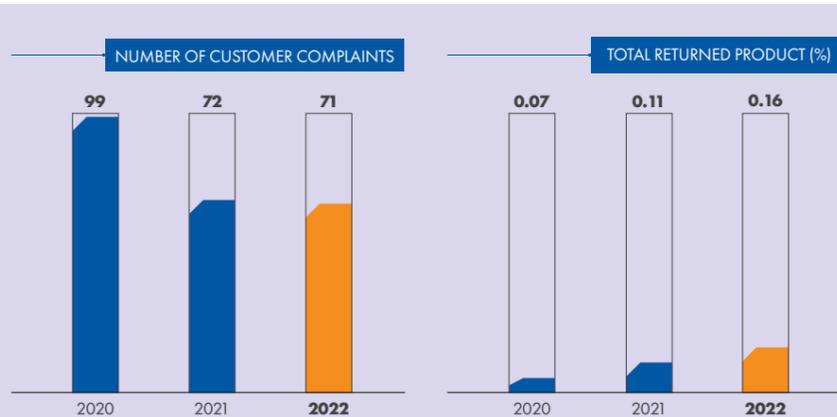
RM134 thousand



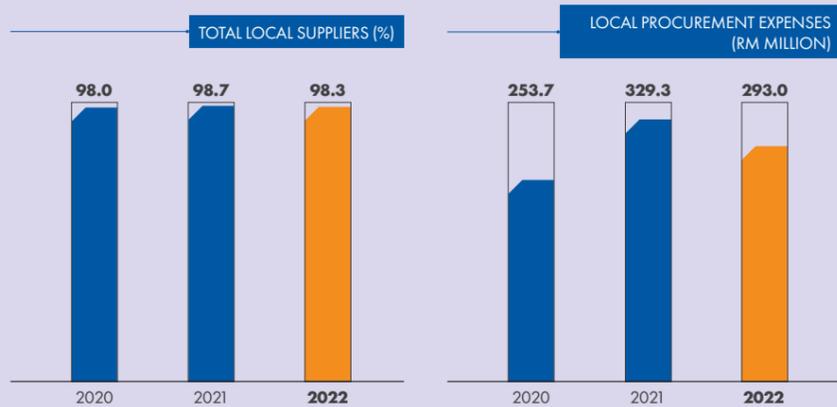
Economic Value Retained

Direct Economic Value Generated minus Economic Value Distributed

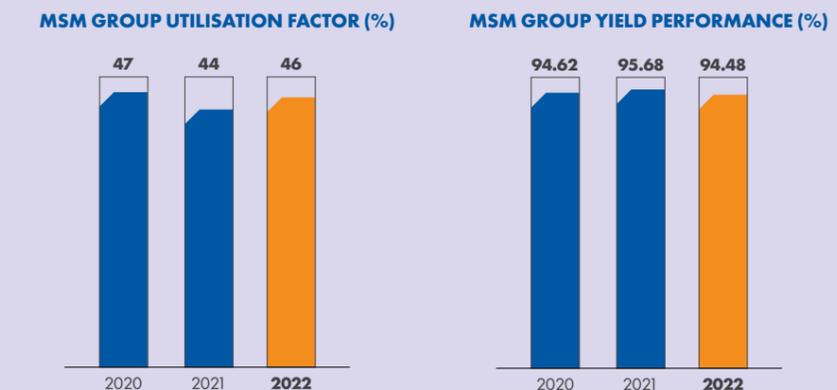
(RM105,906) thousand



Note: Total returned products percentage is computed based on total returned products out of total sales.

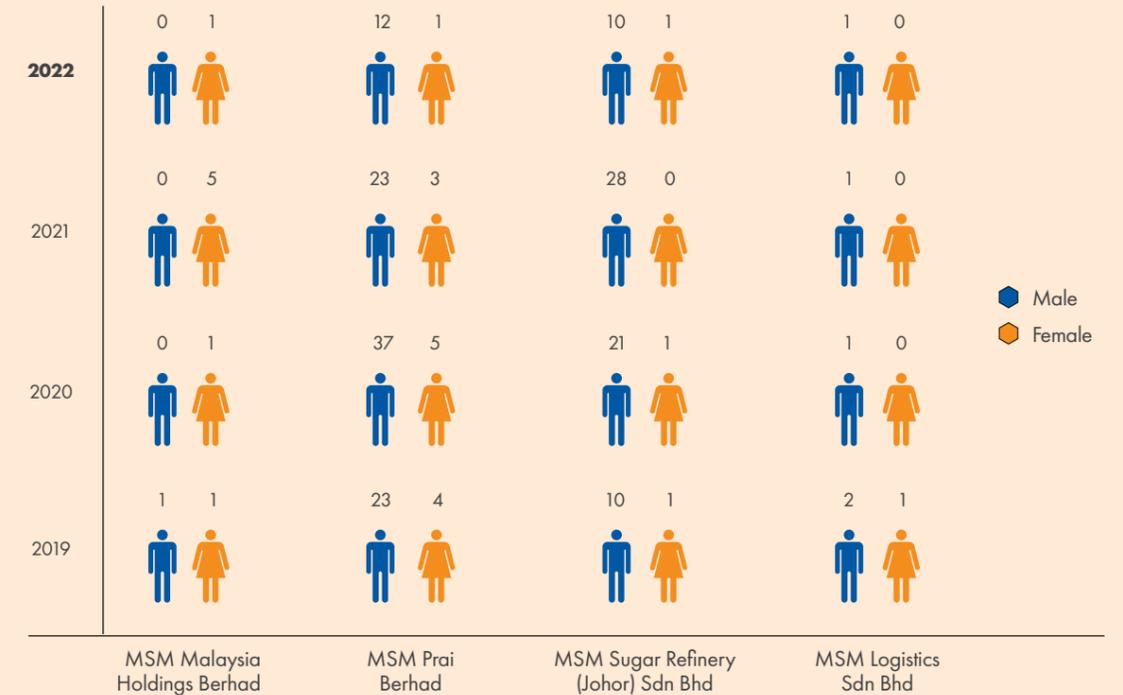


Note: The data disclosed here is limited to suppliers in Malaysia. It excludes the raw materials procurement for production and items or services related to the supply chain.



SOCIAL

NUMBER OF EMPLOYEES RETURNING TO WORK AFTER MATERNITY/PATERNITY LEAVE



Occupational Health & Safety Statistics

	2020	2021	2022
Total Number of Man-hours	4,182,100	5,593,309	5,810,583
Total Number of Work-Related Fatalities	0	0	0
Number of Work-Related Contractor Fatalities	0	1	0
Lost-Time Incident Rate (LTIR)*	4.3	3.93	1.55
ILL Health	0	0	0

*Note: LTIR is calculated as the number of lost time injuries x 1,000,000 divided by employees' total hours worked.

	2020	2021	2022
Cases	29	22	9
Days Lost to Injury	6,202	409	138
Incident Rate (%)	18.23	13.65	5.53

17,697 hours

of HSE awareness programmes and training were conducted across the Group



Employees Covered by a CA in 2022

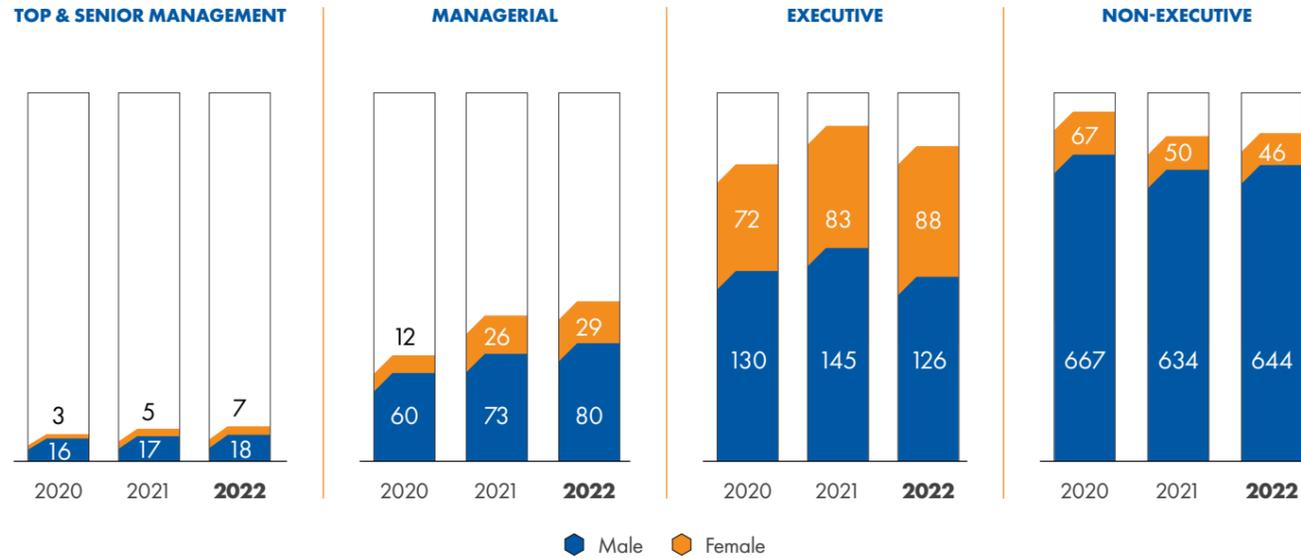
74%

(MSM Prai only)



Performance Metrics

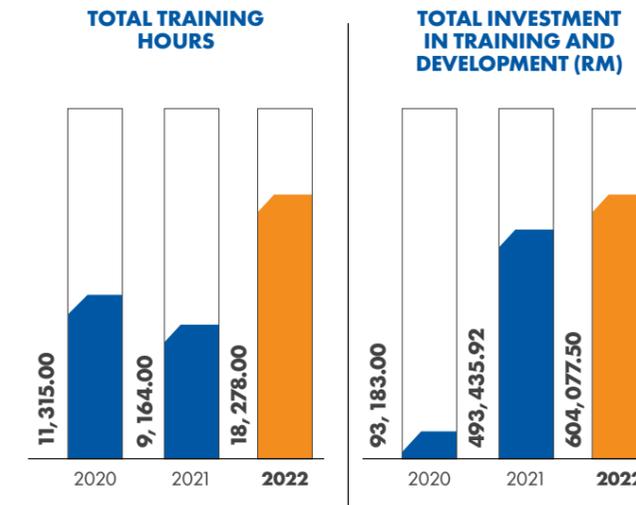
Total Employees by Gender & by Category



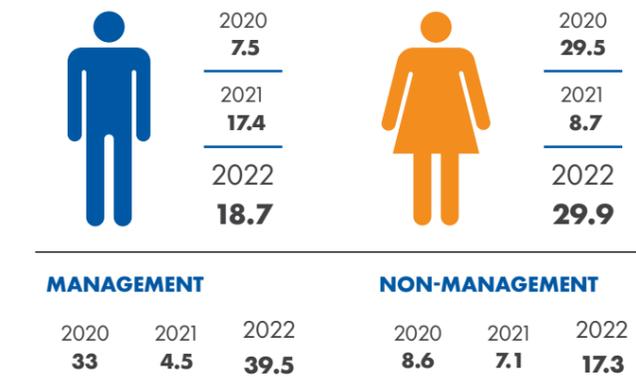
New Employee Hires	2020	2021	2022
Permanent	117	115	119
Contractual	1	18	10
Temporary	2	8	0



Performance Metrics



AVERAGE TRAINING HOURS BY GENDER & BY CATEGORY



Note: Employees refer to employed individuals of MSM Holdings, MSM Prai (including SBW operations), MSM Johor and MSM Logistics.

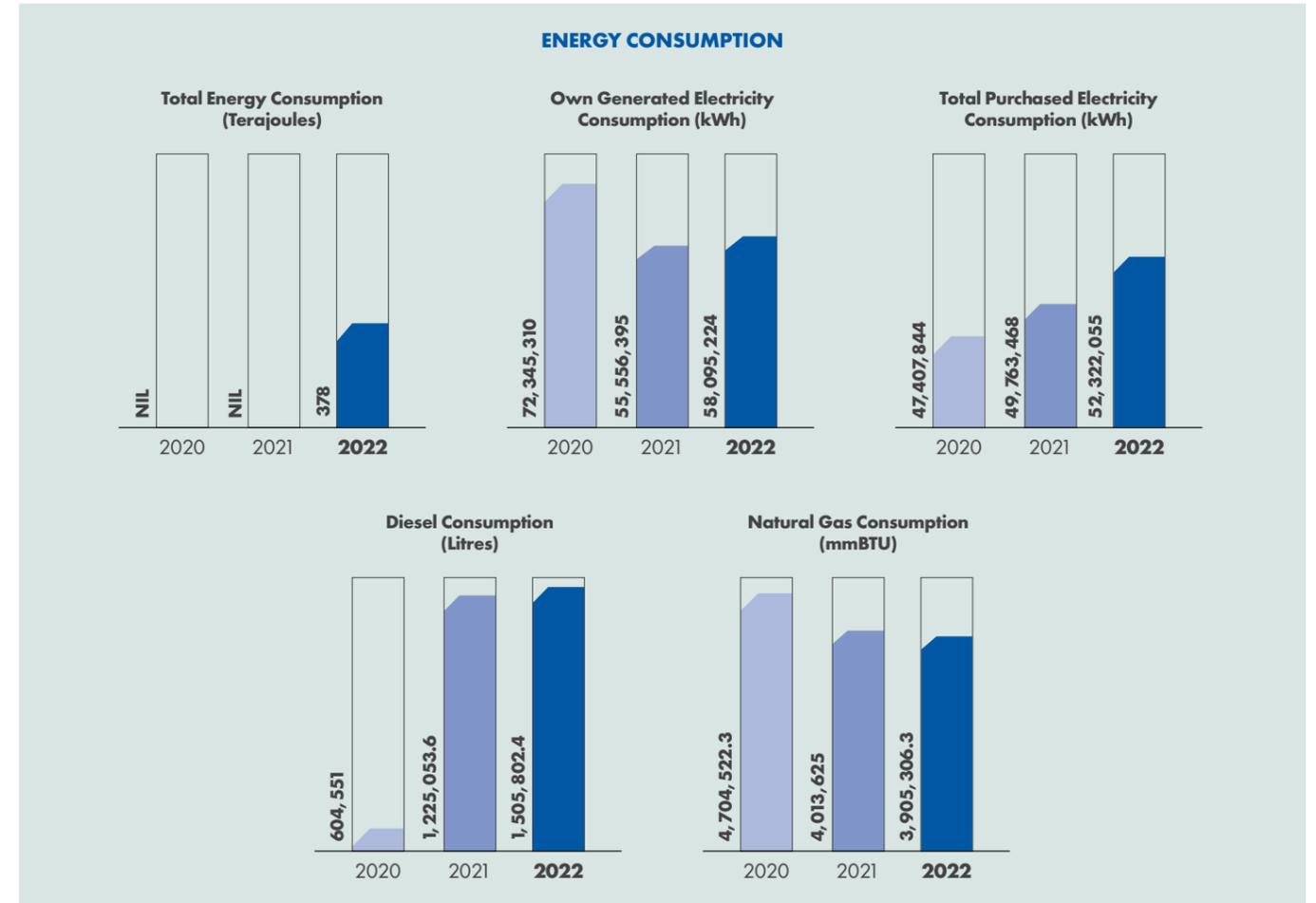
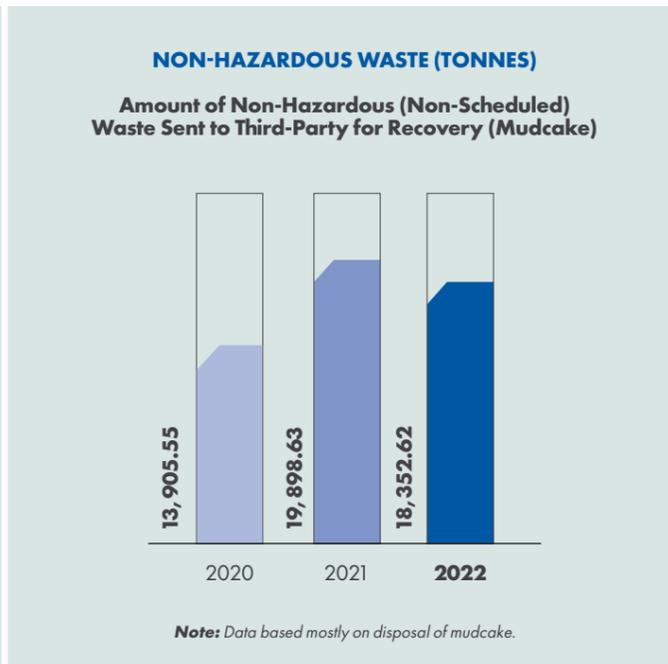
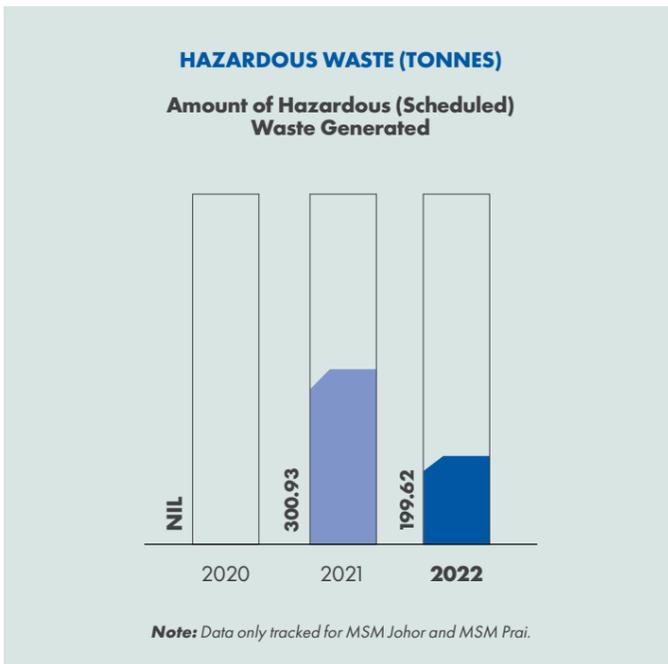
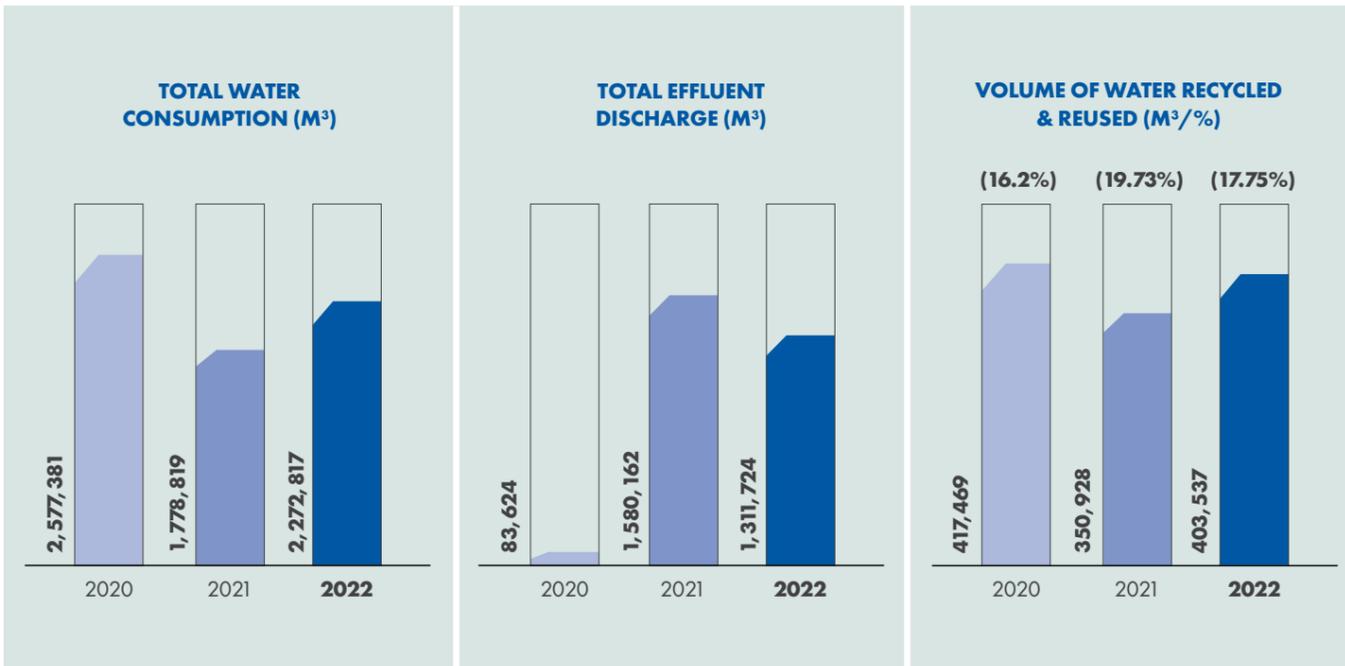




Performance Metrics

Performance Metrics

ENVIRONMENTAL





GRI Content Index

GRI Content Index

GRI Universal Standard

Statement of Use MSM Group has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards.

GRI 1 Used GRI 1: Foundation 2021

GRI Disclosure	GRI Disclosure Description	Page Number	Remarks / Omissions
GRI 2: General Disclosures 2021			
The organisation and its reporting practices			
2-1	Organisational details	Back cover	
2-2	Entities included in the organisation's sustainability reporting	4	
2-3	Reporting period, frequency and contact point	4-5	
2-4	Restatements of information	-	No restatements were made in the reporting year
2-5	External assurance	95-97	
Activities and workers			
2-6	Activities, value chain and other business relationships	12-15	Refer also to Corporate Governance Overview Statement in Annual Integrated Report (AIR) 2022
2-7	Employees	67-68, 85-86	
2-8	Workers who are not employees	67-68, 85-86	
Governance			
2-9	Governance structure and composition	-	Refer to Corporate Governance Overview Statement in AIR 2022
2-10	Nomination and selection of the highest governance body	-	Refer to Corporate Governance Overview Statement in AIR 2022
2-11	Chair of the highest governance body	-	Refer to Corporate Governance Overview Statement in AIR 2022
2-12	Role of the highest governance body in overseeing the management of impacts	24-25	Refer also to Corporate Governance Overview Statement in AIR 2022
2-13	Delegation of responsibility for managing impacts	24-25	Refer also to Corporate Governance Overview Statement in AIR 2022
2-14	Role of the highest governance in sustainability reporting	24-25	Refer also to Corporate Governance Overview Statement in AIR 2022
2-15	Conflicts of interest	35	Refer also to Corporate Governance Overview Statement in AIR 2022
2-16	Communication of critical concerns	34	
2-17	Collective knowledge of the highest governance body	25	
2-18	Evaluation of the performance of the highest governance body	-	Refer to Corporate Governance Overview Statement in AIR 2022

GRI Disclosure	GRI Disclosure Description	Page Number	Remarks / Omissions
2-19	Remuneration policies	-	Refer to Corporate Governance Overview Statement in AIR 2022
2-20	Process to determine remuneration	-	Refer to Corporate Governance Overview Statement in AIR 2022
2-21	Annual total compensation ratio	-	Refer to Corporate Governance Overview Statement in AIR 2022
Strategy, policies and practices			
2-22	Statement on sustainable development strategy	8-11	
2-23	Policy commitments	32	Refer also to Corporate Governance Overview Statement in AIR 2022
2-24	Embedding policy commitments	32	Refer also to Corporate Governance Overview Statement in AIR 2022
2-25	Processes to remediate negative impacts	34	Refer also to Corporate Governance Overview Statement in AIR 2022
2-26	Mechanisms for seeking advice and raising concerns	34	
2-27	Compliance with laws and regulations	77	
2-28	Membership associations	-	Refer to Corporate Governance Overview Statement in AIR 2022
Stakeholder engagement			
2-29	Approach to stakeholder engagement	18	
2-30	Collective bargaining agreements	64	
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	26	
3-2	List of material topics	27	
Standard Disclosures			
Material Matter: Governance, Ethics and Integrity			
3-3	Management approach	32	Refer also to Corporate Governance Overview Statement in AIR 2022
GRI 205: Anti-Corruption 2016			
205-1	Operations assessed for risks related to corruption	37	
205-2	Communication and training about anti-corruption policies and procedures	36	
205-3	Confirmed incidents of corruption and action taken	6	
Material Matter: Financial Performance			
3-3	Management approach	38	
Material Matter: Traceability, Responsible Sourcing and Supply Chain Management			
3-3	Management approach	39	





GRI Content Index

GRI Content Index

GRI Disclosure	GRI Disclosure Description	Page Number	Remarks / Omissions
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	39	
Material Matter: Sustainable Raw Sugar			
3-3	Management approach	41	
Material Matter: Data Security and Protection			
3-3	Management approach	43	
GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	43	
Material Matter: Operational Performance			
3-3	Management approach	44	
Material Matter: Economic Impact			
3-3	Management approach	45	
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	45	
Material Matter: Business Development and Product Quality			
3-3	Management approach	46	
GRI 416: Customer Health and Safety 2016			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	46	
Material Matter: Community Engagement and Development			
3-3	Management approach	48	
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments and development programmes	48-51	
Material Matter: Health and Safety			
3-3	Management approach	54	
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management safety	54	
403-2	Hazard identification, risk assessment and incident investigation	55	
403-3	Occupational health services	59-60	
403-4	Worker participation, consultation and communication on occupational health and safety	55	
403-5	Worker training on occupational health and safety	58, 60	
403-6	Promotion of worker health	59	

GRI Disclosure	GRI Disclosure Description	Page Number	Remarks / Omissions
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	55	
403-8	Workers covered by an occupational health and safety management system	54	
403-9	Work-related injuries	57, 85	
403-10	Work-related ill health	57, 85	
Material Matter: Employee Engagement			
3-3	Management approach	61	
GRI 401: Employment 2016			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	61	
401-3	Parental Leave	62, 85	
Material Matter: Upholding Human Rights and Labour Standards			
3-3	Management approach	63	
GRI 402: Labour/ Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	63	
GRI 407: Freedom of Association and Collective Bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	63	
GRI 408: Child Labour 2016			
408-1	Operations and suppliers at significant risk for incidents of child labour	63	
GRI 409: Forced or Compulsory Labour 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	63	
Material Matter: Talent Management			
3-3	Management approach	65	
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	66	
Material Matter: Diversity, Equity & Inclusion			
3-3	Management approach	67	
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	68, 86-87	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	68, 86-87	Refer to Corporate Governance Overview Statement in AIR2022 for diversity of governance bodies





GRI Content Index

Independent Assurance Report

GRI Disclosure	GRI Disclosure Description	Page Number	Remarks / Omissions
GRI 406: Non-Discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	67	
Material Matter: Climate Action			
3-3	Management approach	78	
GRI 305: Emissions 2016			
201-2	Financial implications and other risks and opportunities due to climate change	74-77	Refer to the TCFD section
305-1	Direct (Scope 1) GHG emissions	78, 89	
305-2	Energy indirect (Scope 2) GHG emissions	78, 89	
305-5	Reduction of GHG emissions	78, 89	
Material Matter: Water Management			
3-3	Management approach	80	
GRI 303: Water and Effluents 2018			
303-2	Management of water discharge-related impacts	80-81	
303-4	Water discharge	81, 88	
303-5	Water consumption	81, 88	
Material Matter: Waste Management			
3-3	Management approach	72	
GRI 306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	72-73	
306-2	Management of significant waste-related impacts	72-73	
306-3	Waste generated	73	
306-4	Waste diverted from disposal	73	
306-5	Waste directed to disposal	73	
Material Matter: Renewable Energy and Energy Management			
3-3	Management approach	82	
GRI 302: Energy 2016			
302-1	Energy consumption within the organisation	83, 89	
302-4	Reduction of energy consumption	83, 89	



SIRIM QAS INTERNATIONAL SDN BHD INDEPENDENT ASSURANCE STATEMENT

To Board of Directors, Stakeholders, and Interested Parties,

SIRIM QAS International Sdn. Bhd. was engaged by MSM Malaysia Holdings Berhad (hereafter referred to as MSM Malaysia) perform an independent verification and provide assurance of MSM Malaysia Sustainability Report 2022. The main objective of the verification process is to provide assurance to MSM Malaysia and its stakeholders on the accuracy and reliability of the information as presented in this report. The verification by SIRIM QAS International applied to all sustainability performance information (subject matter) within the assurance scope which is included in MSM Malaysia Sustainability Report 2022.

The management of MSM Malaysia was responsible for the preparation of the Sustainability Report. The objectivity and impartiality of this report is assured as no member of the verification team and no other employee of SIRIM QAS International was involved in the preparation of any part of the MSM Malaysia Sustainability Report and Integrated Annual Report 2022.

The assurance engagement was designed to provide limited assurance in reference to International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, and BURSA Sustainability Reporting Guide, irrespective of the organization's ability to achieve its objectives, targets or expectations on their subject matter and sustainability-related issues. The assurance activity evaluates the adequacy of MSM Malaysia Sustainability Report and its overall presentation against respective framework such as UN-SDGs, GRI Standards requirement, and other relevant frameworks. The assurance process involves verification of applicable subject matter. Details provided in Appendix 1 of this statement.

The verification was carried out by SIRIM QAS International in April 2023, with the following methodologies:

- Reviewing and verifying the traceability, consistency and accuracy of information collected from various sources; internal and external documentation which are made available during the conduct of assessment.
- Verification of data presented in the Sustainability Report includes a detailed review of the sampled data.
- Interviewing key personnel responsible for collating information and writing various parts of the report in order to substantiate the veracity of the claims.

Enhancements in 2022

This year, MSM Malaysia has decided to embark on external assurance process for their Sustainability Report that address material issues related to the Environment, Social and Governance. The sustainability matters were presented in three main sections: the Upholding Good Governance and Economic Sustainability, Putting Our People First, and Optimising Environmental Performance. Detailed topics were as provided in Appendix 1 of this assurance statement.

Independent Assurance Report

Independent Assurance Report

The verification process was subjected to the following limitations:

- The scope of work did not involve verification of other information reported in MSM Malaysia's Integrated Annual Report 2022.
- The corporate office of MSM Malaysia, at Platinum Park, Menara Felda, Kuala Lumpur, was visited as part of this assurance engagement. The verification process did not include physical inspections of any of MSM Malaysia's operations and assets; and,
- The verification team did not verify any contractor or third-party data.

Conclusion

SIRIM QAS International, a Conformity Assessment Body in Malaysia, is accredited to both ISO 17021-1:2015 and ISO 17065:2012 covering all our operational activities. The appointed assessors performing the assurance engagement were selected appropriately based on our internal qualifications, training and experience. The verification process is reviewed by management to ensure that the approach and assurance are strictly followed and operated transparently. During the verification process, issues were raised, and clarifications were sought from the management of MSM Malaysia relating to the accuracy of some of the information contained in the report. In response to the raised findings, the Sustainability Report was subsequently reviewed and revised by MSM Malaysia. It is confirmed that changes that have been incorporated into the final version of the report have satisfactorily addressed all issues. Based on the scope of the assessment process and evidence obtained, the following represents SIRIM QAS International's opinion:

- The level of data accuracy included in MSM Malaysia Sustainability Report 2022 is fairly stated;
- The level of disclosure of the specific sustainability performance information presented in the report was found to be properly prepared;
- The personnel responsible were able to demonstrate the origin(s) and interpretation of data contained in the report;
- The Sustainability Report provides a reasonable and balanced presentation of the sustainability performance of MSM Malaysia Holdings Berhad.

List of Assessors.

- | | | | |
|----|----------------------------|---|-------------|
| 1) | Ms. Aernida Abdul Kadir | : | Team Leader |
| 2) | Ms. Kamini Sooriamorthy | : | Team Member |
| 3) | Ms. Farhanah Ahmad Shah | : | Team Member |
| 4) | Ms. Suzalina Kamaralarifin | : | Team Member |

Statement Prepared by:


AERNIDA BINTI ABDUL KADIR
 Team Leader
 Management System Certification Department
 SIRIM QAS International Sdn. Bhd.
 Date: 11 April 2023

Statement Approved by:


FAUZIAH BINTI FADZIL
 Acting Senior General Manager
 Management System Certification Department
 SIRIM QAS International Sdn. Bhd.
 Date: 14 April 2023

Note 1:
This Independent Assurance Statement has been issued based on the content verified prior to the approval date. SIRIM QAS International Sdn Bhd shall not be responsible for any changes or additions made after the referred date (11 April 2023).

Appendix 1 The topics and information covered in this assessment is tabulated below:	CLASSIFICATION OF DATA			
	HIGH	MEDIUM	LOW	UN SUBSTANTIATED
UPHOLDING GOOD GOVERNANCE AND ECONOMIC SUSTAINABILITY				
Governance, Ethics and Integrity				
Traceability, Responsible Sourcing and Supply Chain Management				
Sustainable Raw Sugar				
Data Security and Protection				
Operational Performance				
Economic Impact	NOT AUDITED. BASED ON FINANCE AUDIT DATA.			
Business Development and Product Quality				
Community Engagement and Development				
PUTTING OUR PEOPLE FIRST				
Occupational Health and Safety				
Employee Engagement				
Upholding Human Rights and Labour Standards				
Talent Management				
Diversity, Equity and Inclusion				
OPTIMISING ENVIRONMENTAL PERFORMANCE				
Waste Management				
Task Force on Climate-Related Financial Disclosures (TCFD)				
Climate Action				
Water Management				
Renewable Energy and Energy Management				

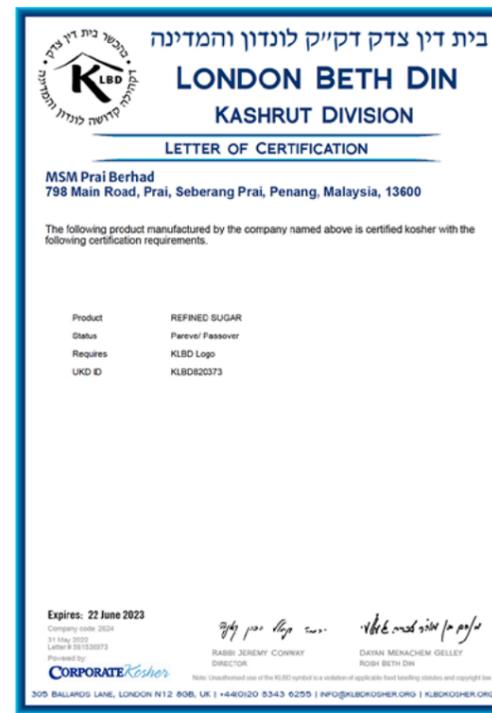
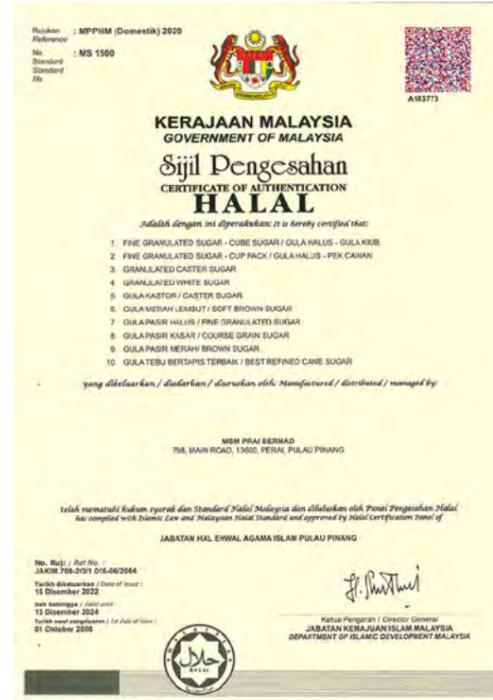
Note 1:
This Independent Assurance Statement has been issued based on the content verified prior to the approval date. SIRIM QAS International Sdn Bhd shall not be responsible for any changes or additions made after the referred date (11 April 2023).

Note 2:
The assurance involves activity aims to obtain sufficient appropriate evidence to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party, about the subject matter information. It comprises of activities carried out to assess the quality and credibility of the qualitative and quantitative information reported by the organization. This assurance is different from activities used to assess or validate the organisation's performance, such as compliance assessments or the issuing of certifications against specific standards.

Note 3:
Definition of HIGH, MEDIUM, LOW and UNSUBSTANTIATED Classification of Data in this Appendix 1.
 HIGH – Data and information reviewed has been confirmed with the direct owners. The source of the data origin was provided during the conduct of the assessment.
 MEDIUM – Data and information has been confirmed with the direct owners. However, the source of the data origin has been based on secondary data which is not accessible by the verifiers during the conduct of the assessment.
 LOW – Data and information reviewed has been based on information endorsed by the data owners. Verifiers did not have access to the source of the data origin. It has been identified as one of the limitations during the conduct of the assessment.
 UNSUBSTANTIATED – Data and information was not made available during the assessment review period due to reasons like confidentiality, unattainable data source and unavailable data owner. It has been identified as one of the limitations during the conduct of the assessment.



Certificates



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