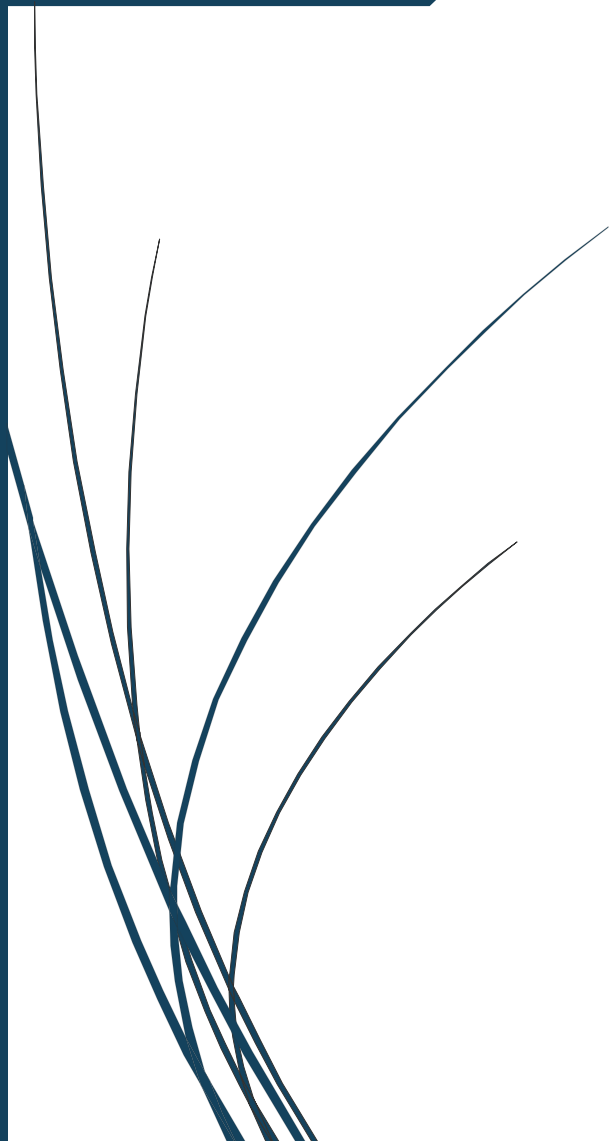


MSM INTERNATIONAL LIMITED

SUSTAINABILITY REPORT

FINANCIAL YEAR 2021



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BOARD'S STATEMENT

The Board of Directors (“Board”) acknowledges the importance of embedding sustainability into the operations of the Group in order to fulfill the expectation and requirement of its stakeholders and to provide better understanding on the Group’s business approaches in managing Economic, Environmental, Social and Governance (“EESG”) risk and opportunities. Under the guidance from the Board, material EESG factors have been determined and disclosed in this Sustainability Report. The Board is responsible for overseeing the management and monitoring of these EESG factors and takes them into consideration in the determination of the Group’s strategic direction and policies.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems, and results. For queries and suggestions, email to msm.reporting@msmmgroup.com.

ORGANISATION PROFILE

MSM International Limited (“MSM” or the “Company”) was listed on the SGX Catalist in 2010. MSM and its subsidiaries (collectively, the “MSM Group” or the “Group”) is an integrated metal engineering company, offering a comprehensive suite of services spanning design, product development, prototyping, tool & die fabrication, production, and assembly. MSM’s business activities can be broadly categorised into three core business segments, which are (1) OEM contract manufacturing products; (2) Clean room and laboratories; and (3) Kitchen appliances, equipment and related services.

OVERVIEW OF REPORT

This Sustainability Report has been prepared in accordance with the requirements of Rules 711A and 711B of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Catalist Rules”), and references to the Global Reporting Initiative (“GRI”) Standards.

The Company has chosen the GRI Standards as it represents the global best practices for reporting on EESG topics. This Sustainability Report is also prepared in accordance with GRI Principles for defining report content, including:

- **Stakeholder Engagement:** responding to stakeholder expectations and interests;
- **Sustainability Context:** presenting performance in the wider context of sustainability;
- **Materiality:** focusing on issues that impact business growth and are of utmost importance to stakeholders; and
- **Completeness:** including all information that is of significant EESG impact to enable stakeholders to assess the Company’s performance.

This Sustainability Report is in line with the Group’s continued commitment to address issues relating to sustainability across the various EESG related factors. We hope to share more in our subsequent reports.

For this year’s report, we will be taking into account disclosures of the impact of the COVID-19 pandemic on the Group’s businesses and operations. Our response to the pandemic is reported in this report as well as in the Section “Letters to Shareholders” of the Annual Report 2021.

This report highlights the sustainability performance from 1 April 2020 to 31 March 2021 (“FY2021”) with historical performance data included for comparison, where applicable.

POLICY, PRACTICES AND PERFORMANCE REPORTING

SUSTAINABILITY REPORTING PROCESS



STAKEHOLDER ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to employees, suppliers and service providers, investors & shareholders, customers, and regulators.

We adopt both formal and informal channels of communication to understand the needs of key stakeholders and incorporate these into our corporate strategies to achieve mutually beneficial relationships. The following sets out our engagement platforms with our stakeholders:

STAKEHOLDER ENGAGEMENT (CONT'D)



MATERIALITY ASESMENT

The Year of 2021 has dealt the global economy with unprecedented slowdown in business activities alongside with restrictions on travel and operations. We have reviewed the existing topics and assessed its continued relevance to the Group’s business and the emerging trends in our industry. We have concluded that the EESG factors identified in FY2020 remain relevant and material to us for the current financial year in managing the risk and impact to the current operations. We will continue to evaluate our material EESG factors on an annual basis.

The sustainability focus areas and material topics that are relevant to MSM Group are outlined below:

Sustainability Focus Areas	Material Topics	Relevant GRI Standards
Economic	Economic Performance	GRI 201-1 Direct Economic Value Generated and Distributed
		GRI 201-4 Financial Assistance Received from Government

Environmental	Procurement Practices	GRI 204-1 Proportion of Spending on Local Suppliers
	Conservation of Energy	GRI 302-1 Energy Consumption within the Organisation GRI 303-5 Water Consumption
	Environmental Compliance	GRI 307-1 Non-Compliance with Environmental Laws and Regulations
Social	Occupational Health and Safety	GRI 403-1 Occupational Health and Safety Management System
		GRI 403-5 Workers Training on Occupational Health and Safety
		GRI 403-9 Work -Related Injuries
	Employment and Turnover	GRI 401-1 New Employee Hires and Employee Turnover
	Diversity and Equal Opportunity	GRI 405-1 Diversity of Governance Bodies and Employees
Training and Education	GRI 404-1 Average Hours of Training per year per Employee	
Governance	Business Ethics	GRI 205-3 Confirmed Incidents of Corruption and Actions Taken
	Whistle Blowing Policy	GRI 102-17 Mechanisms for Advice and Concerns about Ethics

The following sections discuss the material EESG factors identified.

ECONOMIC

ECONOMIC PERFORMANCE

The Group firmly believes that the focus on financial sustainability is critical and we aim to maximise returns for long-term profitability, thereby creating sustainable shareholder value. The Group's basic principle is that long-term profitability and shareholders' value is ensured by taking into account the interests of stakeholders, such as shareholders, employees, suppliers and society as a whole. Looking ahead, the Group will continue to seek out opportunities to expand business in all segments both locally and abroad, via the development of new products, service expansion as a one-stop solutions provider, strategic investments and acquisitions.

Due to the COVID-19 pandemic, the government of Malaysia has introduced a financial assistance program for the duration from 1st April 2020 until 31st December 2020, for payment of the salary of employees who earns less than RM4,000 per month which aims to support affected businesses. During FY2021, a cash subsidy of RM0.6 million was granted to the Group under the financial assistance program. The eligibility of the subsidy changes on occasion and subject to government's initiative, hence the Group shall monitor the guidelines from time to time.

For more detailed information regarding our FY2021 financial results, please refer to the following sections in our Annual Report 2021:

- Financial and Operation Review, pages 3 – 4
- Financial Statements, pages 47 – 109

PROCUREMENT PRACTICES

We endeavour to create a positive impact by supporting procurement of products and services from locally established business entities. Our procurement process is conducted through evaluation of suppliers in terms of pricing, reliability, credibility and other related requirements prior to awarding a contract. We apply the same practices of procurement by giving priority to locally produced items which are priced competitively, to ensure efficient and effective procurement of all goods that are required for the operations of the Group.

For FY2021, 91% (FY2020: 85%) of our purchases have been sourced from local suppliers. Nevertheless, MSM shall always continue to prioritise local suppliers when performing purchasing activities. By supporting local organizations through our supply chain management, we have directly contributed to the growth of the local economy and indirectly attracted investments into the country. We hope to continuously support our local businesses and target to maintain our local purchases at 90% for FY2022, subject to competitive pricing among the suppliers sourced.

ENVIRONMENTAL

CONSERVATION OF RESOURCES

The Group believes that the efficient use of natural resources such as energy and water will contribute positively to sustainable growth for the Group in the long term. The Group made efforts to create awareness and encourage employees to adopt electricity and water saving habits in office to reduce the consumptions.

Consumptions	FY2020	FY2021
<i>Electricity (KWH)</i>	2,839,600	2,149,000
<i>Water (m³)</i>	26,099	16,917

Based on the table, the energy and water consumptions were reduced by 24% and 35% respectively in FY2021, which have achieved the target of reducing 5% of total electricity and water usage for FY2021. The reduction in the consumption was largely due to shut down of our production facilities during the movement control order implemented in Malaysia as well as a reduction in

sales order. The Group is targeting to further reduce 2% of total electricity and water usage for FY2022.

ENVIRONMENTAL COMPLIANCE

It is a continuous challenge to successfully manage environmental issues. Sustainable and responsible practices have been incorporated into our business model and implemented throughout the Group. Our products and services meet relevant safety and environmental requirements demanded by our customers and the regulatory bodies.

There was no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions in FY2021 and FY2020. We endeavour to maintain this track record.

SOCIAL

OCCUPATIONAL HEALTH AND SAFETY

We do our utmost to safeguard employees' health and safety against any potential workplace hazards. We are also committed to comply with applicable regulatory requirements to prevent injuries and illnesses at workplace. Regular reviews are carried out to evaluate adequacy of existing safety standards and practices. All employees are periodically briefed on the relevant health and safety measures and the practical precautions to be taken. Personal Protective Equipment ("PPE") is also provided when employees are carrying out their duties. All work-related injury, regardless of its severity, is to be recorded and corrective action plans are to be implemented to prevent recurrence.

OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

The main emphasis for health and safety in FY 2021 was on the prevention of COVID-19 infections in our workplace, and we complied strictly to the requirements imposed by Ministry of Health and Ministry of International Trade and Industry ("MITI") as announced from time to time.

COVID-19 Precautionary Measures

- ✚ Mandatory mask wearing.
- ✚ Safe distancing practices.
- ✚ Certain employees have been arranged to work from home to maintain the approved work capacity in the Office.
- ✚ Operation personnel are on duty on alternate basis to maintain the running of daily operations.
- ✚ Company has rolled out vaccination program for employees to mitigate the risk of spreading COVID-19 within the Group's working environment.

For FY2021 and FY2020, there was no incident of reportable accidents and no penalty or fine imposed by the relevant authorities for non-conformance to regulatory requirements. We endeavour to maintain this track record.

EMPLOYMENT AND TURNOVER

The Group offers a range of benefits to its employees, which varies by region and includes some or all of the following – annual leave, sick leave, maternity leave, personal accident insurance, healthcare, and bonuses. All employees receive a regular appraisal on work performed and to promote closer working relationships and better understanding among the employees.

During the COVID-19 pandemic, employees have been understanding and cooperative in supporting necessary cost-saving measures by working together with the Management to overcome the immediate difficult period for the long-term benefit for all.

	FY2020 New Hires (Number)	FY2020 Employee Hire (%)	FY2021 New Hires (Number)	FY2021 Employee Hire (%)
By Gender				
<i>Male</i>	53	80%	101	84%
<i>Female</i>	13	20%	19	16%
By Age				
<i>Under 30 years old</i>	43	63%	65	54%
<i>30 – 50 years old</i>	23	34%	53	44%
<i>Over 50 years old</i>	2	3%	2	2%

EMPLOYMENT AND TURNOVER (CONT'D)

	FY2020 No. of Employee Resigned	FY2020 Employee Turnover (%)	FY2021 No. of Employee Resigned	FY2021 Employee Turnover (%)
By Gender				
<i>Male</i>	193	85%	92	74%
<i>Female</i>	33	15%	32	26%
By Age				
<i>Under 30 years old</i>	98	43%	50	40%
<i>30 – 50 years old</i>	123	54%	68	55%
<i>Over 50 years old</i>	5	3%	6	5%
Employee Turnover Rate				
	62%		35%	

$\frac{\text{No. of Employee Resigned}}{\text{Average No. of Employees}} \times 100$		
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As at 31 March 2021, we had a workforce of 311 employees in MSM Group (As at 31 March 2020: 354). We did not achieve the target set for FY2021 which was to maintain the same headcount as FY2020, as we encountered a reduction in number of employees since the pandemic mainly due to employees leaving for career changes, besides cost saving measures implemented whereby no replacement for resigned employees and no new headcount was approved.

Notwithstanding, the Group has ensured that the business has sufficient manpower to maintain its operations and fulfil the customers' orders. The hiring program would possibly resume when business picks up and Management will strive to manage recruitments with caution in order to control the manpower cost.

We will continue to create an encouraging and positive working environment and aim to further reduce the employee turnover rate from 35% to 25% in FY2022.

DIVERSITY AND EQUAL OPPORTUNITY

The Group is committed in ensuring fairness in career or opportunities. The Group adopts a non-discriminatory policy for hiring and promoting employees. We do not discriminate one's race, age, gender, religion, ethnicity, disability or nationality and we aim to have zero record for discrimination. We encourage our employees to grow with the Group. All employees received evaluation for work performed to promote learning and embrace opportunities for career development through informal/ verbal feedback from immediate superiors.

As at 31 March 2021, we had a workforce of 311 employees in MSM Group (As at 31 March 2020: 354) which were distributed as follows:

	As at March 2020	As at March 2021
By Gender		
<i>Male</i>	77%	81%
<i>Female</i>	23%	19%
By Age		
<i>Under 30 years old</i>	39%	42%
<i>30 – 50 years old</i>	57%	54%
<i>Over 50 years old</i>	4%	4%
By Nationality		
<i>Local</i>	55%	50%
<i>Foreigner</i>	45%	50%

The Group managed to achieve employment diversity in terms of age group and nationality as per the target set for FY2021, but the female employee ratio dropped by 4% as at March 2021 compared to March 2020. Due to the nature of a manufacturing company, male employees are needed to cater for production requirements, which therefore resulted in the change in ratios. For FY2022, the Group targets to maintain its current employment diversity and equality, as per the ratio in FY2021.

TRAINING AND EDUCATION

The Group understands that there is a continuous need to upgrade employee skills and knowledge. This is beneficial to the employee's development and also to the Company. Thus, employees are encouraged to go for courses and seminars to upgrade themselves and improve their skills. We are committed in providing training and development opportunities and promote an inclusive culture that allows our people to develop progressive and long-term careers. Our people have been successful in providing quality standards and fulfilling all business and operational commitments through relevant in-house training conducted by Head of Departments, on-the-job experience, and continuous learning.

	FY2020	FY2021
<i>Average Training Hour</i>	8	1.6

The average training hours for FY2021 has decreased as physical training were not allowed during the Movement Control Order periods implemented by the Government of Malaysia. Nevertheless, we will continue to provide regular training to our employees for their development, where possible. We target to spend an average of 8 hours per annum to train our employees.

GOVERNANCE

CORPORATE GOVERNANCE

The Board and the Management of MSM are committed to the best practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and its value to our shareholders. Please refer to pages 10 to 37 of the Annual Report FY2021 for the Group's Corporate Governance Report.

We will continue to comply with the Code of Corporate Governance ("Code") and endeavour to meet all requirements that are expected of us by our stakeholders. In areas where the Company's practices vary from any Provisions of the Code, appropriate explanations are provided for the variation, and how the practices the Company had adopted are consistent with the intent of the relevant Principle of the Code.

RISK MANAGEMENT

The Board is committed to ensure that the Group has an effective and practical enterprise risk management framework in place to safeguard shareholders' interests, and the sustainability of the Group as well as provide a basis to make informed decisions having regard to the risk exposure and risk appetite of the Group. For detailed disclosure on our risk management, please refer to page 21 of our Annual Report FY2021.

We aim to review the risk management framework regularly to ensure all relevant risks are identified, communicated and addressed in a timely manner.

BUSINESS ETHICS

The Group does not engage in bribery or any form of financial crime. Employees are reminded never to offer, promise or give bribes in connection with our business and must never ask for or accept bribes. Good governance provides assurance to all stakeholders of the continue performance of MSM Group's EESG factors and in the event of a crisis such as COVID-19 pandemic, the Group will be able to manage any negative impact and systemic risk.

For FY2021 and FY2020, there have been no reported incidents of bribery or any form of financial crime. We endeavour to maintain this track record.

WHISTLE BLOWING POLICY

Our whistle blowing policy provides a mechanism for employees and external parties to report concerns over alleged wrongful acts.

For FY2021 and FY2020, there were no whistle blowing cases during the reporting period. We endeavour to maintain this track record.