

MSM INTERNATIONAL LIMITED

SUSTAINABILITY REPORT

2020

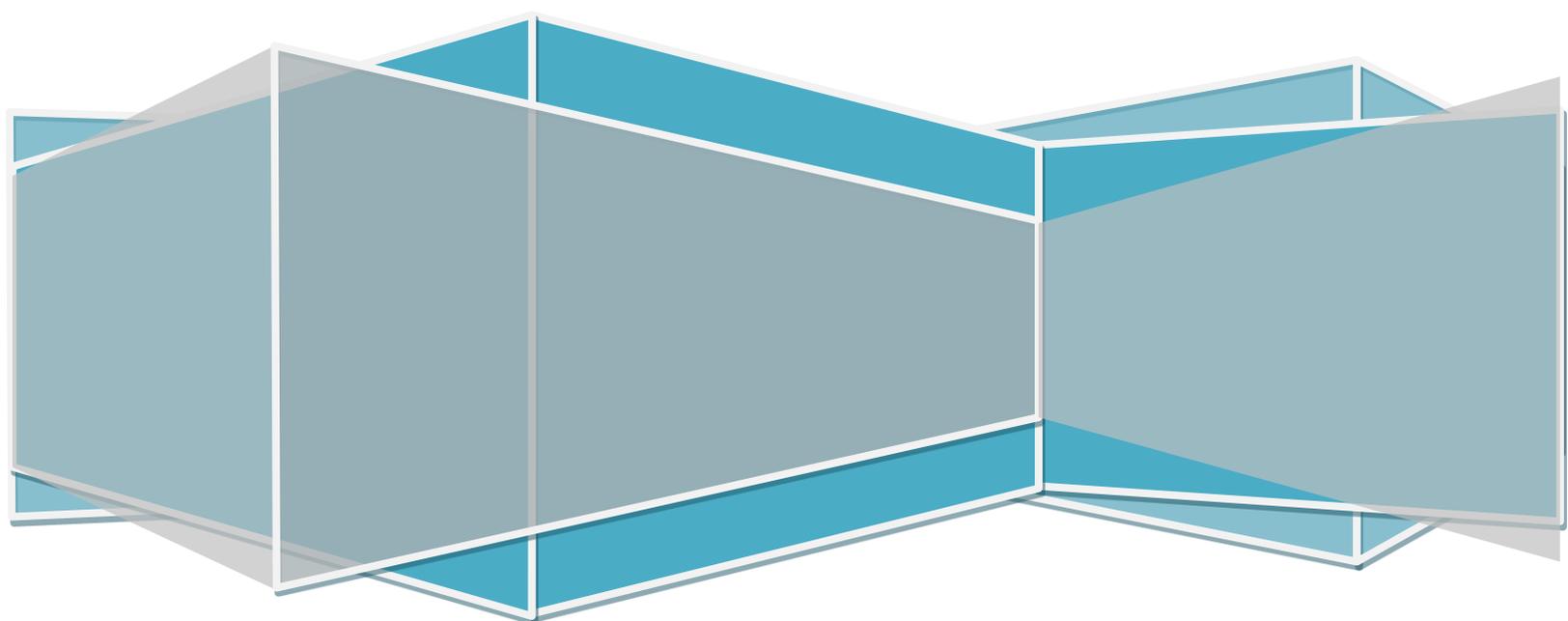


Table of Contents

ORGANISATIONAL PROFILE 3

ABOUT THIS REPORT 3

BOARD’S STATEMENT 4

POLICY, PRACTICES AND PERFORMANCE REPORTING..... 4

SUSTAINABILITY REPORTING PROCESS 4

STAKEHOLDER ENGAGEMENT 5

MATERIALITY ASSESSMENT 6

ECONOMIC..... 6

ECONOMIC PERFORMANCE..... 6

PROCUREMENT PRACTICES 6

ENVIRONMENTAL..... 7

CONSERVATION OF ENERGY..... 7

ENVIRONMENTAL COMPLIANCE 7

SOCIAL 8

OCCUPATIONAL HEALTH AND SAFETY..... 8

EMPLOYMENT AND TURNOVER 8

DIVERSITY AND EQUAL OPPORTUNITY 9

TRAINING AND EDUCATION 10

GOVERNANCE 10

GORPORATE GOVERNANCE..... 10

RISK MANAGEMENT 10

BUSINESS ETHICS 11

WHISTLE BLOWING POLICY 11

ORGANISATIONAL 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 four core business segments. These include (1) OEM contract manufacturing; (2) Kitchen appliances, equipment and related services; and (3) Cleanroom and laboratories.

In September 2019, MSM completed the restructuring of its associated companies, i.e. MCI and Cosmos Technology Sdn Bhd (“CTI”) which specialises in the process control instrumentation and automation of major water and waste industries. Following the restructuring, CTI was subsequently listed on the LEAP Market of Bursa Malaysia Securities Berhad in March 2020.

ABOUT THIS REPORT

This is MSM’s third sustainability report (“Sustainability Report”) and is meant for our employees, business partners, all other stakeholders and the interested public. This report is prepared in compliance 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. This report highlights the key economic, environmental, social and governance (EESG) related initiatives carried throughout a 12-month period, from 1 April 2019 to 31 March 2020 (“FY2020”).

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.

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 EESG risk and opportunities. The Board oversees the management and monitoring of these 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. Please send your comments and suggestions to email address: msm@reporting.com.

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:



MATERIALITY ASSESSMENT

The identification of material EESG factors are directed by the senior management of the Company in consultation with the Board, focusing on those that materially impact our business, strategy, business model and key stakeholders. The material EESG factors first identified in FY 2019 were re-assessed through our continuous stakeholder engagement process to ensure the reported topics remain relevant and material. The EESG factors identified in FY2019 remains unchanged for FY2020. We will continue to evaluate our material EESG factors on an annual basis.

The following sections discuss the material EESG factors identified.

ECONOMIC

ECONOMIC PERFORMANCE

The Group firmly believes that 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.

For more detailed information regarding our FY2020 financial results, please refer to the following sections in our Annual Report 2020:

- Financial and Operation Review, pages 3 – 4
- Financial Statements, pages 31 – 108.

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 FY2020, 85% (FY2019: 93%) of our purchases have been sourced from local suppliers. The reduction of buying from local suppliers was due to customers' specific request on certain products which can only be sourced and imported from overseas 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

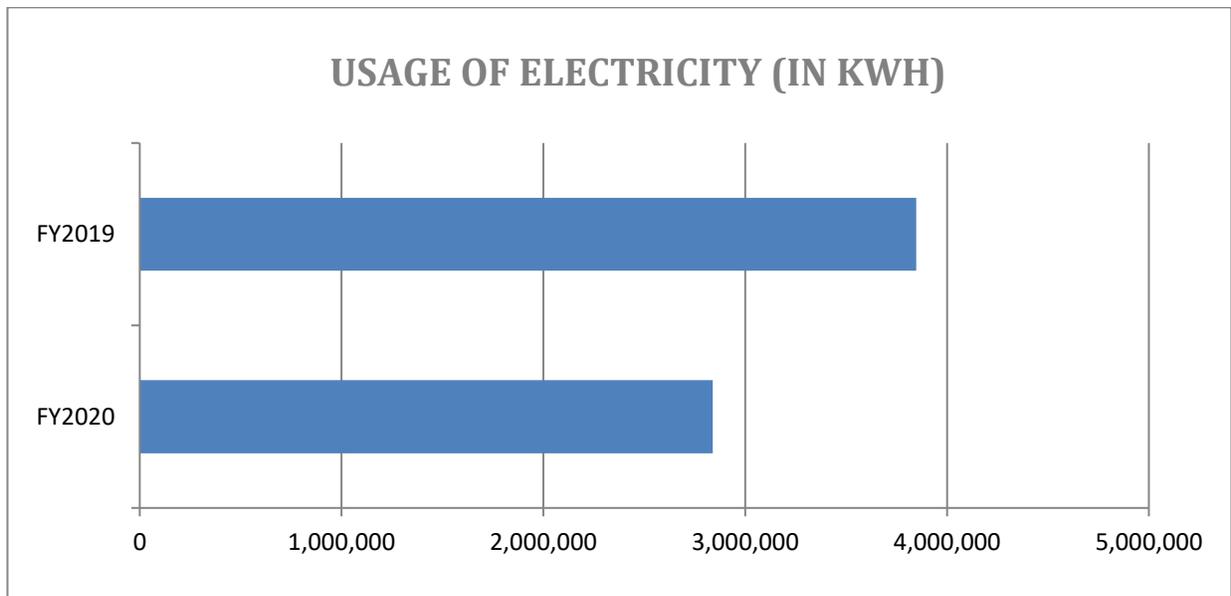
PROCUREMENT PRACTICES (CONTD.)

the local economy and indirectly attracted investments into the country. We hope to continuously support our local businesses in future by including more local criteria in our procurement practices.

ENVIRONMENTAL

CONSERVATION OF ENERGY

The Group believes that the efficient use of natural resources such as energy 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 energy saving habits in office to reduce electricity consumption.



Based on the illustrations, there was a decrease in energy consumption from FY2019 to FY2020. The reduction in the consumption for energy was largely due to the shut down of our production facilities during the movement control order implemented in Malaysia, a reduction in sales order and the absence of the electricity usage from Marc Conleth Industries Sdn Bhd in FY2020 following completion of the Company's disposal of its 60% stake during FY2019. However, we are committed to continuously optimize the usage of energy by upgrading to less energy consuming devices. The Group targets to further reduce 5% of total electricity usage for FY2021.

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 FY2020 and FY2019. 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 work place. 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.

For FY2020 and FY2019, there was no incident of reportable accident 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 understandings among the employees, social activities are organised, such as Company's annual dinner and birthday celebrations for employees.

| | FY2019 New Employee Hires (Number) | FY2019 Employee Hire (%) | FY2020 New Employee Hires (Number) | FY2020 Employee Hire (%) |
|---------------------------|---|---|---|---|
| By Gender | | | | |
| Male | 65 | 82% | 53 | 80% |
| Female | 14 | 18% | 13 | 20% |
| By Age | | | | |
| Under 30 years old | 54 | 68% | 43 | 63% |
| 30 - 50 years old | 25 | 32% | 23 | 34% |
| Over 50 years old | - | - | 2 | 3% |

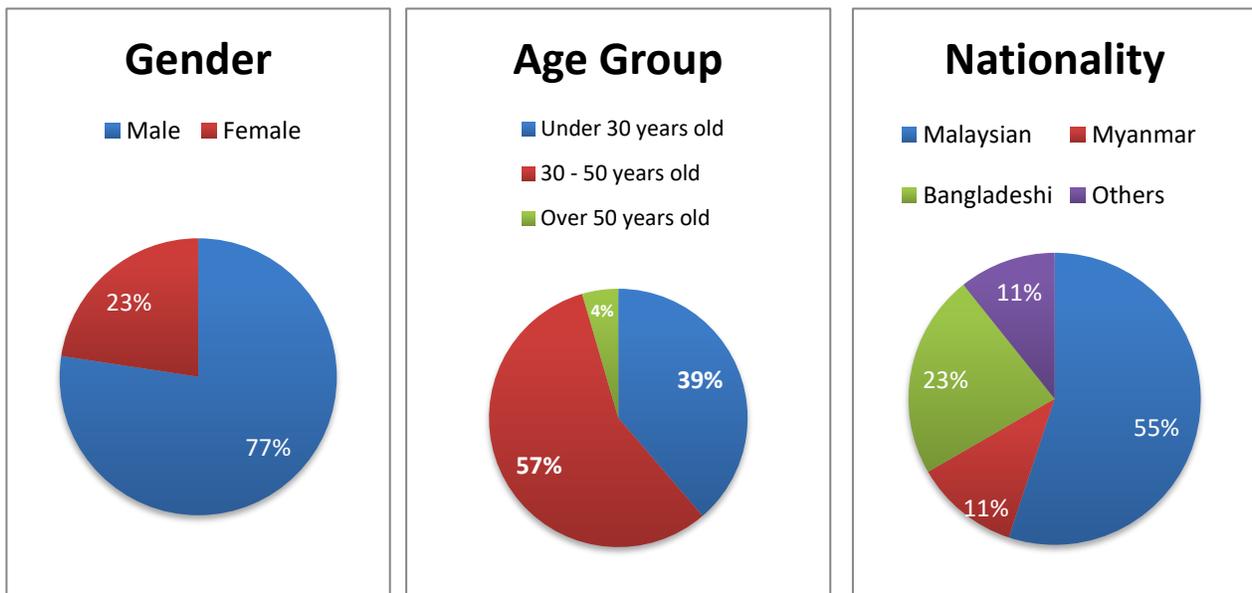
| | FY2019 Employee Turnover (Number) | FY2019 Employee Turnover (%) | FY2020 Employee Turnover (Number) | FY2020 Employee Turnover (%) |
|---------------------------|--|---------------------------------------|--|---------------------------------------|
| By Gender | | | | |
| Male | 122 | 87% | 193 | 85% |
| Female | 19 | 13% | 33 | 15% |
| By Age | | | | |
| Under 30 years old | 86 | 61% | 98 | 43% |
| 30 - 50 years old | 52 | 37% | 123 | 54% |
| Over 50 years old | 3 | 2% | 5 | 3% |

We are pleased to continue attracting a diverse range of talents from different gender and age group, in line with our belief that the Group will benefit from diversity of knowledge and experience. The Group targets to maintain the number of headcounts for FY2021.

DIVERSITY AND EQUAL OPPORTUNITY

The Group is committed in ensuring fairness in career 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 of 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 2020, we had a workforce of 354 employees in MSM Group (As at 31 March 2019: 370). Our 354 headcounts were distributed as follows:



The Group targets to maintain its current employment diversity and equality.

TRAINING AND EDUCATION

The Group understands that there is a continuous need to upgrade staff skills and knowledge. This is beneficial to the staff's development and also to the Company. Thus, staffs are encouraged to go for courses and seminars to upgrade themselves and improve their skills. Staffs are also sent by the Company, to attend courses to obtain skills or certifications that are necessary in the course of their work. Example of courses include welding training conducted internally and first aid training conducted by a third party. In FY2020, the Group had spent an average of 8 hours (FY2019: 3.5 hours) to train our employees.

We will continue to provide trainings to our employees for their development annually. We target to spend an average of 5 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 the Annual Report FY2020 pages 10 to 30 for details of the Group's Corporate Governance Report.

We will continue to comply with the Code of Corporate Governance and meet all requirements that are expected of us by our stakeholders.

RISK MANAGEMENT

The Board is committed to ensuring 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 FY2020.

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

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.

For FY2020 and FY2019, 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 FY2020 and FY2019, there were no whistle blowing cases during the reporting period. We endeavour to maintain this track record.