Mr Hideki Oya
(General Manager, Purchasing)
Aged 39, Male, Japanese

Mr Hideki Oya joined the Company on 1 April 2018 as the General Manager, Purchasing.

He holds a Degree in Human Science from Waseda University, Japan.

He has over 16 years of experience in grains trading industry, ocean freight and grains logistics. He was with Toyota Tsusho Corporation from 2002 to 2017. From 2013 to 2017, he was the Director and Controller of Procurement and Sales of Premier Grain Sdn Bhd.

Ir Beh Men Huat
(General Manager, Group Engineering Services & Projects)
Aged 62, Male, Malaysian

Ir Beh Men Huat joined the Company on 5 December 2008 as the Senior Manager, Group Engineering Services & Projects and was subsequently promoted to be General Manager in 2012.

He holds a Bachelor of Science Degree in Civil Engineering (First Class Honours) from University of Strathclyde, United Kingdom and a Master of Finance from RMIT University, Australia. He is also a Professional Engineer registered with the Board of Engineers.

He has more than 36 years of working experience in both the public and private sectors, primarily in the field of water privatisation concession, planning, design, construction supervision, contract administration and project management in building, civil, infrastructure works in Malaysia and overseas.
SUPPORT DIVISION (cont’d)

Dr Tan Leong Chee
(General Manager, Group Engineering Services & Projects)
Aged 55, Male, Malaysian

Dr Tan Leong Chee joined the Company on 10 November 2014 as the General Manager, Group Engineering Services & Projects.

He holds a Doctor of Philosophy from Nanyang Technological University, Singapore, a Master of Engineering from National University of Singapore and a Bachelor of Civil Engineering from University of Malaya.

He has more than 31 years of experience in managing projects for the construction of jetty, industrial building, power plants, airport, high-rise building, residential and infrastructure works for highways. He was also involved in the conceptual stage, pre-contract administration, post-contract administration and closure of the projects.

Additional Information:

1. Save for Mr Teh Wee Chye, Mr Azhari Arshad and Mr Lim Pang Boon, none of the other Key Senior Management members have any directorship in public companies and listed issuers.

2. Save for Mr Teh Wee Chye and Mr Azhari Arshad, none of the other Key Senior Management members have any family relationship with any Director and/or major shareholder of the Company.

3. Save for Mr Teh Wee Chye, none of the other Key Senior Management members have any conflict of interest in business transactions with the Company.
On behalf of the Board of Directors, I am pleased to present the Annual Report of Malayan Flour Mills Berhad (“MFM”) for the financial year ended 31 December 2018.

Chairman’s Statement

Review of Performance

MFM Group (“Group”) recorded a revenue of RM2.42 billion for the financial year 2018 which was at a similar level to that of the previous year. The Group’s profit before tax for the year was lower at RM39.93 million as compared to RM96.49 million in the previous year mainly due to challenges in poultry integration segment and higher share of loss on equity accounted joint venture.

The revenue of flour and grains trading segment constituted 71% of our Group’s revenue. The revenue for this segment increased by 5.5% to RM1.73 billion as compared to previous year primarily due to higher sales volume of flour and grains resulting from healthy growth seen in our Vietnam operations, better pricing and stabilisation of the grains trading business in 2018. Operating profit of the segment stood at RM65.9 million, representing a 3.6% improvement from a year earlier due to margin improvement in the grains business. This segment constituted all of our Group’s operating profit.

Our joint venture in Indonesia, PT Bungasari Flour Mills Indonesia (“BFMI”), had delivered a 5% (385,359 metric tons) volume growth in flour sales in 2018 as compared to 365,292 metric tons recorded in the previous year due to strong momentum in the operations. However, our Group’s share of loss in 2018 was at RM6.9 million as compared to the previous year’s share of profit of RM7.8 million, due to depreciation of the Indonesian Rupiah against the United States Dollar coupled with competitive activities in the market.

The poultry integration segment had recorded lower revenue of RM692.9 million primarily due to lower production volume of day-old chicks (“DOC”) and broilers as a result of Inclusion Body Hepatitis (“IBH”) disease in large part of 2018 coupled with lower live birds prices. This segment incurred RM0.9 million of operating loss, a significant reduction as compared to the operating profit of RM37.1 million from a year earlier.

Our Group is embarking on investment/expansion in the poultry integration segment further downstream to create stability and enhance its future earnings growth.
Corporate Development

In order to fund the Group’s investment/expansion ambitions, MFM had successfully raised approximately RM275 million from its rights issue of 5-year 5% redeemable convertible unsecured loan stocks (“RCULS”) (“Rights Issue of RCULS”) and rights issue of new MFM shares (“Rights Issue of Shares”) which were completed on 28 January 2019.

MFM had received valid acceptances and excess applications for a total of 176,691,969 units of RCULS, representing a subscription rate of 107.03% over the total number of 165,084,641 units of RCULS available for subscription under the Rights Issue of RCULS.

For the Rights Issue of Shares, MFM had received valid acceptances and excess applications for a total of 222,027,594 units of Rights Shares, representing an over-subscription of 0.87% over the total number of 220,113,744 units of Rights Shares available for subscription.

Outlook

Commodity prices and foreign exchange rates remain volatile in the midst of an uncertain global economic environment. Despite these challenges and the problems faced by the Group in 2018, the Board is expecting the Group’s performance to improve significantly in 2019 due to the following measures undertaken by the management:

- Efforts are already in place to institute price increases in flour and grains trading segment to protect our margin that has been eroded;
- We are cautiously optimistic that the flour and grains trading segment’s performance will improve further due to higher sales growth; and
- Efforts are undertaken to improve feeds quality, DOC and broiler production volume, reduce production costs through better feed conversion ratio and lower mortality. Disease has been successfully contained.

Dividend

The Board of Directors had declared an interim single tier dividend of 2.00 sen per ordinary share for financial year ended 31 December 2018 which was paid on 20 September 2018.

The Board of Directors had further declared a second interim single tier dividend of 1.00 sen per ordinary share for financial year ended 31 December 2018 which will be paid on 29 March 2019.

Director

We are saddened by the demise of our independent director, Dato’ Hj Shaharuddin bin Hj Haron, who passed away peacefully on 16 October 2018. He has served the Company for 25 years and his integrity, honesty, humility and wisdom will be deeply missed.

Appreciation

I would like to extend my sincere appreciation to my fellow Directors, the management and employees at all levels in the Group for their steadfast and unwavering effort, support and commitment in the midst of the headwinds faced by the Group in 2018.

Equally important, I would also like to thank you, our shareholders, as well as our customers, suppliers, bankers, business associates, government agencies and regulatory authorities, for the unrelenting support, trust and confidence in the Group during the year.

Tan Sri Dato’ Seri Utama Arshad bin Ayub
Chairman
History and Milestones

Malayan Flour Mills Berhad (“MFM”) incorporated in 1961, is pioneer in the flour milling industry in Malaysia with 2 flour mills at Lumut and Pasir Gudang. It is now a regional flour player with operations in North of Vietnam (since 1994), South of Vietnam (since 2000) and West Java, Indonesia through a tri-partite joint venture (since 2011). MFM's operations throughout the region produced and sold over 1 million metric tons of flour every year.

Beyond flour milling, MFM has also expanded into the poultry industry in Malaysia since 1983. Its poultry businesses are vertically integrated, encompass feed mills, hatchery, breeder farms, broiler farms and poultry processing plant. Every year, MFM Group (“Group”) produces approximately 60 million broiler chicken for consumption by Malaysians. Our Group owns one of the biggest closed-house broiler farms in the country, intending to ramp up the capacity to over 100 million by 2023. It is in the midst of upgrading its poultry processing plant with daily slaughtering capacity of 240,000 birds, which is 3 times of the existing capacity.

Since 2010, MFM expanded into the trading of raw material for animal feeds in Malaysia through a 51% owned joint venture company with Toyota Tsusho Corporation Group.

Group Strategy and Objective

Financial year 2018 had been a tough year for MFM with significant headwinds in our poultry integration segment and joint venture in Indonesia. Our key strengths as a group lies in our transparency with key stakeholders and good manufacturing practices in which we have diligently honed over the past 50 years in agri-food production. By leveraging on our core competencies in mass production, economies of scale, technical know-hows and standardisation of best practices, we have been able to replicate our good manufacturing practices beyond our core in the flour milling business in Malaysia into the poultry integration business and beyond the shores of Malaysia in Vietnam and Indonesia.

We remained committed to invest up to RM1.1 billion in the State of Perak and always lookout for strategic investments around the region to realise our long-term vision of becoming a trusted and leading food manufacturing corporation in ASEAN, and we remained steadfast in that pursue despite the temporary headwinds we faced.

Financial Performance Review

Financial year 2018, particularly the first 9 months, proved to be a demanding time for our Group where revenue had remained mostly flat at RM2.42 billion, whilst profit before tax (“PBT”) had decreased significantly to RM39.93 million as compared to RM96.49 million a year earlier. This was due to significant challenges faced in the poultry integration segment and the joint venture in Indonesia. Despite these, performance had turned around in the 4th quarter of 2018 for these two businesses and there were spark of bright spots in the flour and grains trading segment which helped to mitigate some of these challenges. Operating results in our flour and grains trading segment had improved by 3.6% to deliver RM65.9 million of operating profit on the back of a sustainable revenue of RM1.73 billion. This was mainly attributed to higher margin from flour and grains trading segment as a result of better pricing and higher volume.
The net interest expenses increased by RM6.4 million to RM18.3 million in 2018 as compared to the previous year primarily due to the rising interest rates environment.

As at 31 December 2018, our Group’s total assets stood at RM2.2 billion with cash and cash equivalents of RM168.8 million. Our Group’s EBITDA decreased by 28.4% to RM115.8 million in the current financial year as compared to RM161.8 million previously.

Review of Operation

In 2018, our Group’s revenue was flat and profit was severely reduced as compared to prior year due to challenges from disease in the poultry integration segment in the first 9 months of 2018 which impacted our DOC and broiler production volume. The currency headwind on the Indonesian Rupiah (“IDR”) also presented significant challenges to our joint venture there. The IDR depreciated to as low as IDR15,408 to a United States Dollar in early October 2018. For context, this was a level never seen before since the 1997 Asian Financial Crisis.

Despite these, things had turned around in the last quarter of 2018 where our Group delivered a quarterly PBT of RM33.1 million.

The flour and grains trading segment registered a revenue of RM1,730.9 million for the financial year ended 31 December 2018, a 5.5% increase from the revenue of RM1,640.9 million posted in the preceding year as a result of better pricing and higher volume. The segment registered a 3.6% increase in its operating profit, amounting to RM65.9 million in 2018 as compared to RM63.6 million posted in the preceding year mainly attributable to higher margin from grains trading business which partially offset higher wheat costs and higher net realised and unrealised loss on foreign exchange and lower net realised and unrealised gain on future and option contract in 2018.

Our joint venture in Indonesia, PT Bungasari Flour Mills Indonesia (“BFMI”), while running at near full production capacity, was adversely impacted by the unexpected significant depreciation of the IDR. That, coupled with the fact that the market leader started a price war to recapture lost market share, limit the whole industry’s ability to pass on cost inflation to the customers hence resulting in severe losses suffered throughout the Indonesia flour milling industry. Consequently, our share of loss suffered in the equity accounted joint venture amounted to RM6.9 million in 2018 as compared to a share of profit of RM7.8 million in 2017.

The poultry integration segment recorded a decrease of 9.0% in revenue to RM692.9 million for the financial year ended 31 December 2018 as compared to RM761.4 million in the preceding year due to lower DOC and broiler production volume and selling price of live birds. This segment registered an operating loss of RM0.9 million in 2018 as compared to an operating profit of RM37.1 million posted in the preceding year. The loss was mainly due to lower margins arising from lower live birds price and lower broiler production volume resulting from the effect of Inclusion Body Hepatitis disease, lower net realised and unrealised gain on future and option contract in 2018 by RM3.4 million coupled with the downward adjustment of fair value on biological assets by RM16.6 million in 2018. The fair value adjustment is a result of lower contribution margin which was used as a basis of valuation of biological assets.

Despite the dip in the poultry integration segment performance in 2018, efforts are undertaken to improve feeds quality, day-old chicks and broiler production volume, reduce production costs through better feed conversion ratio and lower mortality. Disease has been successfully contained. With these concerted efforts and dedication from the team, we expect the performance of the poultry integration segment to improve significantly in 2019.
Management Discussion and Analysis (cont’d)

Anticipated or Known Risks

Food safety and compliance to standards are top priorities for us as a food manufacturer as usage of flour and poultry is very wide and diverse and it cut across different cultural background, race and religion. To ensure our customers and consumers in general are able to use products produced by us without any worry or doubt, we have implemented Hazard Analysis and Critical Control Points ("HACCP") in all our manufacturing facilities. At the same time, all our products are halal certified by Department of Islamic Development Malaysia ("JAKIM") and are subject to annual compliance audit.

Due to the nature of the poultry industry which faces inherent risk of avian diseases outbreak, we are always vigilant in managing our farms with comprehensive biosecurity measures in place.

In summary, we are confident that based on our track record and leading position in the flour and poultry industries, our Group will be able to mitigate such risks with our proactive and preventive measures put in place.

Outlook and Prospects

As food manufacturing is our core business, we are responsible to feed people in the countries in which we operate, and challenges of uncertain global economic environment, volatile commodity prices and foreign exchange rates will have an impact on us.

But these challenges are not new to us and we have over the past 5 decades developed our core competencies in managing these uncertainties. We expect the Group’s performance to improve significantly in 2019 and we remain steadfast in the long-term prospect and growth agenda of our Group.
Beyond Sustainability

2018

Achieving greater heights in our drive to manage Sustainability.
As part of our effort to achieve greater efficiencies in our poultry integration business, the management had embarked on a corporate restructuring exercise. The poultry feeds business in Dindings Soya Multifeeds Sdn. Berhad (DSM) and MFM Feedmill Sdn. Bhd. (MFMF) were transferred to Dindings Poultry Development Centre Sdn. Bhd. (DPDC) with effect from 1 April 2018.

Hence in 2018, our Sustainability Statement will be reported for three business divisions: flour division, poultry integration division and aqua feeds division.
MANAGING DIRECTOR’S STATEMENT

Dear Stakeholders,

MFM started with one core competency – flour milling – but over the years we have evolved to include poultry integration, and are now looking into aqua feeds as well. Expanding into new subsectors enable the Group to benefit from economies of scale. However, to continue to exist, we need to continuously create shared value for all stakeholders. In MFM, we believe in aligning our sustainability efforts with business interests.

Allow me to share our sustainability initiatives in 2018 in the spirit of Sustainable Development Goals (SDGs).

Environment

In line with the increase in production and diversification, MFM continues to seek solutions to improve the environmental performance of our operations for livestock waste management, dust management, wastewater treatment and bio-security.

In 2018, MFM invested largely in our newly-built state-of-the-art poultry processing plant which is attached with Rendering Plant and Water Treatment Plant to better manage the waste and effluent for a greener environment. The Rendering Plant can process animal by-products for minimal disposal, whereas the Water Treatment Plant can achieve improvement in water quality before discharging back to the drainage.

We have also incorporated Light Emitting Diode (LED) lighting system to reduce energy consumptions and achieve energy usage efficiency.
People

MFM is privileged to have a great team of people who constantly research on new sustainable activities. We believe that our people are the most valuable asset.

MFM believes employees' sustainability emanate from many aspects like passion, needs and vocation. We embrace a Japanese concept named 'IKIGAI' which means 'a sense of purpose', in MFM Group. We encourage our people to reflect and understand their true self, values and beliefs to possess satisfaction and live a meaningful life working together.

In view of the foregoing, we also aim to constantly educate and develop new generation leaders to share a part of the responsibility in growing Malaysia economy and well-being. These efforts drive us to win the HR Asia Award as the 'Best Companies To Work For In Asia' in November 2018.

Economy

According to the United Nation's Food and Agriculture Organisation (FAO), additional 70% food production are required by 2050, to accommodate extra 2.3 billion population by projection. Thus, MFM thrives to achieve prediction on entire planning process to meet customer requirement for sustainability in the long run.

We are also refining our operations flow and embracing Supply Chain Management (SCM). By streamlining our processes, we will be able to optimise our cost and remain competitive.

Although MFM portrays, to many, as a profit organisation, my real passion lies in fulfilling our people's bowls and appetite. In serving our nation, we will continue to embrace the culture of continuous improvements around our core values - 'Qualitas', 'Consilium' and 'Progressus'.

Community

As we know rapid development evolved society beyond classroom-based learning to a technology-driven and automated era. Therefore, we actively instil the truth of industry trend to undergraduates and academicians.

The contributing spirit to society is embedded in MFM Group's business model, strategy and culture. In order to achieve sustainable business growth, we focus on our future leaders, and bring together strategic partners from overseas:

- University of Arkansas, Fayetteville (UAF) and Universiti Putra Malaysia (UPM) in Animal & Poultry Science
- Auburn University and UPM in Aquaculture
- Kansas State University (KSU) and University of Maaya (UM) in Grain Science

We prepare young leaders for Industry Revolution.

Last but not least, I would like to convey my gratitude to everyone in MFM who have worked hard over the past one year and for all the stakeholders, thank you for the continuous support and faith in MFM.

TEH WEE CHYE
MANAGING DIRECTOR
ABOUT THIS STATEMENT

This MFM Group Sustainability Statement is published with the objective of improving transparency, visibility and communication to our shareholders and stakeholders. This 2nd edition of MFM Group Sustainability Statement is part of Annual Report 2018. It showcases our commitment and responsibilities towards environment, economy and society (EES).

In addition, Sustainable Development Goals (SDGs) are incorporated in this Statement.

*The numbering in the above SDGs are used in the subsequent pages of this Statement.
*The SDG number is referred to in a particular page whenever it is applicable.
Scope & Boundaries of This Statement

The reporting period of this Statement is from 1 January 2018 to 31 December 2018. It covers flour, poultry integration and aqua feeds businesses of MFM Group.

Reporting Framework

The facts and figures published in this Statement are in line with the 2nd edition of Sustainability Reporting Guide published by Bursa Malaysia Securities Berhad.

Independent Assurance

KPMG PLT as MFM’s external auditors, provides limited independent assurance to this Sustainability Statement to ensure its accuracy, reliability and timeliness of the reported information and the material matters to MFM Group.

Sustainability Task Force

In order to formalise our Group’s Sustainability Framework, we have formed a Sustainability Task Force that will enable the Group to deliver sustainable value creation for our stakeholders.

Our Sustainability Task Force is led by our Managing Director, Mr. Teh Wee Chye to ensure reliable decision-making process for our Group in achieving greater sustainability.

Sustainability risk management is integrated into our Group’s risk assessment and is spear-headed by our Task Force which assesses the risk and publishes the Sustainability Statement annually.
Sustainability Policy

**VISION**
To build a sustainable business and continuously add value to all stakeholders.

**SCOPE**
Our employees are responsible to embrace and integrate sustainability practices in our Group.

**OBJECTIVE**
This Sustainability Policy aims to integrate a concept of sustainable development into the organisation’s activities to establish and promote sound practices.

The well-known Plan-Do-Check-Act Cycle is incorporated into our sustainability initiative so as to continuously review policy and to take action for improvement.

This policy will be reviewed periodically to ensure best practices by the Sustainability Task Force.

Our Sustainability Framework

To acknowledge key issues under EES, MFM Group upholds its core values in terms of “QUALITAS”, “CONSILIUM” and “PROGRESSUS”.

The approach to tackle challenges linked to establishing solid sustainability practices is by having approved Statement on Corporate Governance, Terms of Reference of Board Committees, Board Charter, Whistle Blowing Policy and Code of Conduct which are made readily available to stakeholders via our Company’s website (i.e. https://www.mfm.com.my). The Code of Conduct serves to ensure that all employees carry out their duties with utmost integrity.

**MFM CORE VALUES**

**QUALITAS**
Produce and provide consumers with consistent quality products at reasonable prices

**PROGRESSUS**
Continuous improvement to maintain competitiveness and contribute effectively to benefit the society

**CONSILIUM**
Unity of employees and management
Management Approach To Sustainability

Our Group has identified and prioritised key issues related to EES for our business operations as follows:

**Balanced Relationship With Nature**
- To comply with the regulatory requirements & standards in relation to environmental concerns
- To raise awareness among our employees & the whole supply chain in order to act in an environmentally-responsible manner
- To integrate environmental matters into our business decisions
- To ensure that energy & water are utilised efficiently & consumption is being monitored
- To recycle, reduce or reuse the waste or resources where practicable
- To reduce carbon footprint through energy efficiency & conservation practices

**Our Workforce & Workplace Environment**
- To empower our employees by offering training, motivation & career advancement
- To provide a safe & healthy workplace & take care of employees' well-being
- To encourage open communication, ideas & innovation
- To support diversity in workforce
- To provide job security to employees

**Operations Excellence & Governance**
- To have good strategic management & wisely utilise our resources
- To advance sustainable profitable growth whilst satisfying our ethical, legal & contractual obligations
- To abide by the requirements of all laws & industry’s best practices
- To provide our customers with safe products that adhere to Government’s legislation & requirements
- To adopt good ethical practices through our Code of Conduct
- To ensure an appropriate governance system is in place to oversee the strategic development & performance that relates to the maintenance of a sustainable business
- To ensure proper risk management & internal control system are in place

**Commitment To Society**
- To engage actively with civic project, charity events & the local communities through our corporate social initiatives
- To help our community survive & prosper economically
- To provide ample job opportunities
KEY STAKEHOLDERS & ENGAGEMENT INVOLVED

Our Group has continually engaged each stakeholder to address their concerns.
We have summarised our engagement platforms with the various stakeholders and the related outcomes from each engagement.

SHAREHOLDERS
Engage via:
AGM, Quarterly Reports, Annual Reports, Shareholders’ Circulars, Announcements, Analyst Briefings & Corporate Website.

Concerns:
Financial performance and returns, going concern and positive investment growth.

COMMUNITY & NGOS
Engage via:
Internship programmes, charity events and volunteer programmes.

Concerns:
Community living, care and development.

CUSTOMERS
Engage via:
Service satisfaction, customer appreciation and social media platforms.

Concerns:
Quality of product, market availability, product prices and values.

GOVERNMENT & REGULATORS
Engage via:
Compliance activities

Concerns:
Tax issues, pricing issues, labour practices, health issues, transparency and accountability.

MEDIA
Engage via:
Media briefings, events, press conferences and internet.

Concerns:
Group’s performance and updates.

COMPETITORS
Engage via:
Industry competition and market forces.

Concerns:
Price competition, new business opportunity, innovation and creativity.

HUMAN CAPITAL
Engage via:
Town hall meetings, Employee Portal, Learning & Development programmes and Corporate events.

Concerns:
Career development, work life balance and employee welfare.

SUPPLIERS & SERVICE PROVIDERS
Engage via:
Compliance with ISO Standards, suppliers’ evaluation (audit) and quotation from suppliers.

Concerns:
Payment and up-to-date information about the Group.
Our Group embraces a structured materiality assessment approach guided by the Sustainability Reporting Guide and Toolkit in identifying and prioritising potential environmental, economic and social risks and opportunities which may affect the Group’s businesses and stakeholders.

Subject to there being no significant changes, a materiality assessment will be conducted once every three years to ensure that any change in our businesses and the sustainability aspects are taken into account. Hence, the materiality assessment of our Group for year 2017 is still applicable for year 2018.

Materiality Assessment
Energy conservation plays a crucial role in lessening greenhouse effect. As one of the market leaders in flour manufacturing and poultry industry, MFM Group aspires to reduce our carbon footprint. Conserving energy is not just about saving on the electricity costs.

Energy consumption of our Group has increased in 2018 as compared to 2017. It was mainly due to expansion (i.e. new poultry processing plant and new aqua feed mill), additional manufacturing processes for higher quality products, lower sales volume due to supply constraint and introduction of new products.

In the long run, with the deployment of new technologies in our new manufacturing processes, we will have an edge to our products by enhancing quality.

We endeavour to manage a balance between ensuring the quality of our products and minimising energy consumption. We will also consider clean energy in sustaining our businesses.

For sustainable business development, it is crucial for MFM Group to maintain balanced relationship with mother earth where all resources come from.

* For the purpose of reporting, we have consolidated the energy usage figures. As such, prior years' figures were adjusted accordingly to coincide with current year’s presentation.

* All kWh data above excludes figures from joint venture company.
Water 6 8 12 14

Water is essential for life. It is our responsibility to conserve and keep our water pure and safe for future use.

Group Water Usage (m³/MT)

As a major food producer, MFM Group uses significant amount of water to produce safe and clean products.

Poultry processing plant uses relatively more water than flour mills. In conserving water, our Group has invested in new wastewater treatment plant. The increase in water usage in 2018 was mainly due to pre-commissioning cleaning works at new plants; rendering plant, reservoir and wastewater treatment plant.

Nevertheless, we anticipate the m³/MT to decrease when the processing plant is in full operations. The newly-designed processing plant also incorporates rain water harvesting system where water is reused for non-manufacturing processes.

Emission 12 13 14 15

Carbon Emission

In caring for our mother earth, our Group takes initiatives to cooperate with relevant parties to conduct environmental inspection every 6 months in our Vietnam operations.

The diesel consumption of our plant operations in Vietnam is tracked and CO2 emission is closely monitored.

We aspire to achieve continuous improvement in reducing carbon emission throughout our businesses by incorporating innovative technologies.

Air Emission

For our flour and feed operations in Malaysia, air emission monitoring is conducted on our chimney, exhaust outlet and fume hood.

As stated in Malaysia Standard MS1596:2003 of 4(2) Environmental Quality (Clean Air) Regulations 2014, the maximum reading is 50 mg/m³. We complied with the above and our readings were ranging from 0.93 - 2.33 mg/m³.

* For the purpose of reporting, we have consolidated the water usage figures. As such, prior years’ figures were adjusted accordingly to coincide with current year’s presentation.

*All m³ data above excludes figures from joint venture company.
Waste Management

MFM Group strives to implement effective, sustainable and ecologically sound waste management for many years to come.

We have established standard operating procedures (SOP) for waste disposal i.e. scrap waste, hazardous chemical waste and others.

Biological Waste Management

Our poultry farming produces biological waste i.e. chicken manure. The direct application of raw manure into plantation soil may lead to environmental emission such as foul odour and form a breeding platform for pests.

To combat pollution of untreated poultry waste, MFM Group utilises manure composting plant. The composting plant converts chicken manure into dry organic fertiliser.

Its odour filtration system contains sawdust and microorganism that reduces ammonia emission level, complying with Occupational Safety and Health (Use and Standard of Exposure Chemical Hazardous to Health) Regulations 2000.

We invested in a composting plant in 2017. Moving forward, two more composting plants will be added in 2019.

Wastewater Management

The conversion process of live chicken into safe and wholesome meat utilises water. The untreated used water affects our ecosystem.

To conserve water for our future generation, MFM Group invested in a new wastewater treatment plant in 2018. It is designed using Dutch technologies that complied with EU Environmental Standards.

All waste water is treated to achieve a minimum effluent standard before discharging back to nature.

Benefits of wastewater treatment plant:
- Eliminate disease-causing bacteria and kill harmful organisms through filtering
- Ensure minimal odours
- Remove up to 97% of contaminants from used water
Organic Solid Waste Management

The new rendering plant which originated from Denmark was commissioned in November 2018. It was designed to convert chicken by-products (visceral, feathers, bones and blood) into raw material for animal feeds.

This state-of-the-art rendering plant is designed to kill harmful bacteria, leaving only useful protein for animal feeds.

The rendering plant will reduce impact on environment by:
- Transforming our waste to be used as feeds
- Processing by-products within hours of harvesting before viruses and bacterial growth
- Producing clean protein source for animal feeds

Chemical Waste Management

Apart from the SOP for proper handling of chemical waste, our Group has training programmes on chemical waste management and disposal procedures including “Safe Chemical Handling” for workers.

Waste oil and hazardous chemical can cause extensive damage to environment and pose substantial hazards to the lives of animals, plants and human beings. Our Group manages waste oil and hazardous chemical disposal properly in accordance with the Environmental Quality Act 1974.

Recycling

MFM Group practises recycling activities for certain recyclable waste (i.e. plastic drums, metal drums, unused wooden pallets and etc.) as part of our efforts to conserve natural resources.

Zero Waste in Flour Milling

MFM flour mills optimise the usage of wheat to produce flour.

Whole wheat flour uses all parts of the kernel whereas white flour only uses the endosperm. The bran removed is used for feed milling process to produce animal feeds. In addition, the germ will be sold or used to produce special kind of flour.
Our Group values workforce diversity as one of the key elements to achieve the Group’s vision and mission. We have a diversified workforce that comprises different gender, age group, ethnicity and cultural backgrounds to harness the multiple perspectives of the working population.

Our People At A Glance

As employees are the most treasured resource in MFM Group, we aim to always grow together in order to achieve greater success and to create a better future.

Our People Regionally

In 2018, our Group employed 3,140 people across our businesses.

Our Gender Profile

2018

*Data excludes foreigners.

Our Age Group

2018

*Data excludes foreigners.
The MFM Human Capital Development Framework is designed to support our human capital management and is aligned with MFM Group’s key business objectives and strategies. The framework provides talent management strategies to shape our current workforce, while preparing for the future. Six (6) human capital components have been developed to ensure sustainable talent pipeline and leadership capability in achieving the Group’s Vision & Mission.

Organisational Design & Workforce Planning

“Having the Right People with the Right Attitude and Skills in the Right Jobs within the Right Structure at the Right Time.”

MFM believes that organisational design and workforce planning are an ongoing strategic activity to support our human capital and business strategy. Hence it is essential to continuously review and refine the organisational structure and maintain a lean and agile workforce. Job profiles, critical position identifications, talent requirements and workforce plans development are guided by five (5) leadership competencies and six (6) core competencies.

VISION

MISSION

CORE VALUES

FINANCIAL

CUSTOMER

PROCESS

PEOPLE

CORE & LEADERSHIP COMPETENCIES

 Our Aspiration

 Our Goals & Objectives

 4 Pillars of implementation
  : Strategies & Measurement

 Building a Strong Core & Leadership Capability

 Building a Strong Culture as Foundation
MFM aims to be a leading food manufacturing enterprise in the region. We leverage on technology and various digital platforms to attract, develop and retain the best employees in the industry.

MFM strives to continuously establish and maintain strategic partnerships with universities and schools to foster the development of young talents in society and build the talent bench of MFM.

In order to maintain a successful recruitment strategy, MFM adopts a smart sourcing strategy in recruiting the right talents and creating a rewarding career journey for our candidates.

A series of psychometric assessments are used to assist in hiring the right candidates for the right positions.

**“WE MAKE WORK FUN BY MAKING IT FUN AT WORK”**

**Talent Acquisition**

**Employer Branding**

**Strategic Partnership**

**Sourcing**

**Selection**

**2-day Orientation Programme**

The orientation effectively helps new employees to assimilate into the MFM culture and understand core businesses, ensuring an overall smooth transition into a new workplace.

**Lumut & Stratuan Plant Tour**

MFM places importance on providing employees with first-hand experience in flour milling and poultry processes. This provides a deeper understanding of the overall business and helps with familiarisation.

**Onboarding**

Designed to improve employee engagement, experience and streamline efficiency, MFM’s personalised onboarding experience starts from Pre Onboarding Engagement via Welcome Email, Welcome Call, Welcome Kit, Buddy Assignment and a clear Job Expectations Form (JEF) to support overall performance expectations. These create a two-way rewarding relationship.

**Breakfast Engagement**

Employees are given an opportunity to interact with and gain valuable insights on current business directions and future plans from our Managing Director via a breakfast engagement session.
Functional and Leadership Development

MFM keeps a competitive edge by asking ourselves,

“How can we get our organisation and ourselves to the next level of excellence?”

In doing so, MFM Group has developed a holistic approach in developing employees to boost their performance. It is essential to Lead with Trust and Respect by challenging the need to improve continuously.

Coaching Programme

MDW is driven towards translating key strategies and principles to be implemented across the company. MFM constantly seeks opportunities for sustainable improvement in terms of quality, speed, and cost effectiveness.

Mission-Directed Workforce (MDW) Programme

MFM focuses highly on building talents in alignment with MFM Group’s values, culture, and performance expectation. The Employee Development Programme aims to strengthen the talent pipeline on a long term basis.

Leadership & Managerial Development Programme

“Good leaders are memorable, and excellent leaders are unforgettable.” MFM strongly believes in having effective leaders in a workplace to empower and influence employees to achieve business and team goals. Our structured Leadership & Managerial Development programme focuses highly on the ‘21 Irrefutable Laws of Leadership’ by John C. Maxwell to strengthen four core pillars of leadership behaviours, i.e. trust, authenticity, commitment, and responsibility.

DPDC Academy

Dindings Poultry Development Centre (DPDC) Academy

Apart from current state-of-the-art technologies used to support our core businesses, MFM invested a substantial amount in our DPDC Academy to facilitate the train-the-trainer model via simulation and classroom training. This empowers existing employees to be champions and drivers of various farm processes, learn key skill set to be able to help others grow.
For the MFM Group, corporate succession planning is a means of sustainability and stability for the organisation. With Talent Assessments, Competency Gap Analysis and Development Plan in place, MFM consistently engages in succession planning to increase the availability of ready talents, thus increasing the availability of capable individuals who are prepared to assume critical key roles.

Performance Management

PLANNING
- Business Goal Alignment
- Key Performance Indicators (KPI)
- Core & leadership Competencies

Review
- Performance Evaluation
- Reward & Development Plan
- Recognition

Tracking
- Monitor
- Feedback

To strengthen our performance-driven culture, MFM Group strongly believes in promoting, engaging and improving employee work performance. Performance management by the Group involves cascading and aligning goals throughout the organisation to drive overall business performance.
Employee Engagement & Retention

Hundreds applauded the strategic business plans, some of which focuses on the expansion of business in Poultry Integration, Supply Chain Management, Human Capital Development and overall sustainability of the business, shared by our Managing Director and Business Unit Heads.

The Best Innovation Award for 2018 was won by MFM Flour Pasir Gudang. The winning project titled “Flour Streaming Optimisation Approach” fulfilled all five criteria for best innovation, i.e., creativity, business impact, teamwork, analysis of business benefits and implementation. With the implementation of this proposal, it is expected to save the Company a whopping RM1.75 million per year.

INNOVATION AWARDS

HR Asia Best Companies To Work For in Asia (Malaysia Edition)

With MFM Human Capital Development in place, we have successfully paved the way for continuous employee and leadership development; this will drive transformation and achieve business objectives and goals.

Overall in 2018, we experienced various transformational changes in the areas of people and business. This led to MFM Group of Companies being awarded and recognised as HR Asia Best Companies To Work For In Asia (Malaysia Edition). MFM is confident in our journey towards achieving the next Human Capital Strategic Plan.
“We strive to create a great place for great people to do great work.”
MFM always puts workplace safety and employee health as the first priority. We equip related employees with proper Personal Protective Equipment (PPE) to protect them from physical hazards at the worksite. Health surveillance was carried out for employees in accordance to Department of Occupational Safety and Health (DOSH) requirement.

To create a healthy and safe working environment, we comply with laws and regulations, provide continuous and consistent trainings to related employees and establish Health, Safety and Environment (HSE) divisions to oversee these matters.

### Safety Officer

Our Safety & Health Officers are present to conduct regular checks to ensure compliance with statutory regulations, procedures and practices. They investigate any safety and health related incidents that happen in the workplace, conduct safety campaigns and provide individual counselling on safety and health related matters.

### Compliance

We comply with the Occupational Safety and Health Act (OSHA) 1994, Factories & Machinery Act 1967 and their regulations. Our poultry farm reinforces our commitment towards OSHA by developing Occupational Safety & Health Administration Manual and implementing Hazard Identification, Risk Assessment and Risk Control (HIRARC).

### Zero Penalty & Fatality

In 2018, we did not receive any penalties related to occupational safety and health from relevant authorities. There were no workplace fatality cases in our Group.

### Trainings

- Basic Occupational First Aid Training
- Cardiopulmonary Resuscitation (CPR) Training
- Authorised Entrant and Standby Person for Confined Space (AESP)
- Authorised Gas Tester and Entry Supervisor for Confined Space Refresher
- Fire Prevention and Extinguisher Training
- Working at Height Awareness
- Emergency Response Team Refresher Training & Chemical Spillage Training
- Safe Handling of Chlorine Gas
- Safe Driving Forklift Training
- Fire Drill
- Usage of Drench Shower & Eyewash
- LOTO (Lock Out Tag Out) Training
- Noise and Hearing Conservation Training
- Manual & Chemical Handling Training
- Safety and Health Manual Lifting Training
- N95 Mask Training
To provide our customers with safe and high quality products that adhere to legislation and requirements.

Customer Relationship

Developing a healthy relationship with customers is crucial to understand customers’ needs in order to improve our products and services quality. MFM Group deploys Customer Relationship Management (CRM) system to manage customers’ feedbacks.

We value and safeguard customer data and privacy as company asset. In 2018, MFM Group did not receive any complaints concerning breaches of customer privacy.

Our Commitment to Food Quality & Safety

MFM products are FREE from:
- Any visible metal fragments
- Salmonella and Aflatoxin; yeast and mould

MFM products are certified by:
JAKIM (Department of Islamic Development Malaysia) as HALAL, complying with Islamic dietary requirements.

Customer complaint related to food safety issues:
Strictly controlled to be not more than 5 cases per year.