PROGRESSING SUSTAINABLY

Pre-AGM Questions From

Minority Shareholders Watch Group (MSWG)

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OPERATIONAL & FINANCIAL MATTERS - QUESTION 1 (a)

Replanting remains a high priority for maintaining the productivity and sustainability of the Group's plantations. In 2023, the Group achieved felling of 16,547 Ha and replanted 19,862 Ha (page 53 of AIR2023). Based on FGV's reply to MSWG's question raised at its 15th AGM, the replanting target for 2023 is to complete the planting of 24,800 Ha including the incomplete replanting program from the previous year, 2022.

To what extent is the Group falling behind its replanting programme? What are the Group's replanting plans for the financial year 2024?

OPERATIONAL & FINANCIAL MATTERS - QUESTION 1 (a) (cont'd)

ANSWER

As of 2024, around 9,000 Ha are still behind its replanting schedules, which were accumulated over the previous three-year period. This delay is due to several factors, including sustainability compliance requirements related to the Withhold Release Order, unfavourable weather conditions, and labour shortages, particularly in Sabah and Sarawak.

For FY2024, the Group has set a replanting target of 20,797 Ha. We are optimistic in achieving this target as we are implementing several initiatives, including the vendor empanelment exercise, improvements in vendor contract tenure, continuous effort to increase labour strength, and the allocation of dedicated labour to replanting areas.

OPERATIONAL & FINANCIAL MATTERS - QUESTION 1 (b)

Currently, oil palm trees classified as old (24,718 Ha) and very old (47,475 Ha) have dropped by 2% & 25% respectively as compared to 2022 (old: 25,325 Ha, very old: 63,016 Ha) (page 28 of Sustainability Report 2023 (“SR2023”)).

Based on the Group’s current rate of replanting, by when and how many years does the Group need to replant all its very old oil palm trees?

OPERATIONAL & FINANCIAL MATTERS - QUESTION 1 (b) (cont'd)

ANSWER

Despite various challenges faced by the Plantation Division, the Group has consistently replanted more than 10,000 Ha annually to achieve an optimal average palm age of 12 years. With the current replanting plan and ongoing improvements at the estate level, the replanting of very old palm trees is expected to be completed by 2030.

OPERATIONAL & FINANCIAL MATTERS - QUESTION 1 (c)

The Group is planning to extend mechanisation to include non-harvesting tasks, aligning with its commitment to achieving the targeted man-to-land ratio of 1:12 (page 53 of AIR2023).

What was the Group's man-to-land ratio for FY2023?

OPERATIONAL & FINANCIAL MATTERS - QUESTION 1 (c) (cont'd)

ANSWER

In FY2023, the man-to-land ratio stood at 1:10.

OPERATIONAL & FINANCIAL MATTERS - QUESTION 1 (d)

On the labour management front, the Group temporarily halted its recruitment process in the third quarter of 2023 to further enhance its sustainability practices in source countries. By the end of 2023, the Group had reached 84% of its targeted workforce strength of 110%. (page 53 of AIR2023)

How long was the recruitment process halted? To date, has the Group restarted its recruitment process for foreign labour? Will the Group be able to achieve its target of 110% workforce strength by the financial year 2024?

OPERATIONAL & FINANCIAL MATTERS - QUESTION 1 (d) (cont'd)

ANSWER

The recruitment process was halted for a period and resumed in early January 2024 as we continued enhancing our sustainability practices in source countries. Several initiatives were implemented, including strengthened ethical sourcing through verification processes for new migrant workers and a comprehensive review of problematic agencies.

Currently, we have achieved adequate labour strength in Peninsular Malaysia, although labour shortages persist at 28% in Sabah and 46% in Sarawak. FGV anticipates significant improvements in addressing these labour shortages by the end of 2024, driven by aggressive recruitment processes in Indonesia and the temporary closure of borders for Peninsular Malaysia, which has redirected candidates to East Malaysia. FGV is committed to fully meeting the labour needs for our operations in East Malaysia.

OPERATIONAL & FINANCIAL MATTERS - QUESTION 2 (a)

The Group will be looking at modernising its Delima Oil Products' plant in Pasir Gudang, Johor and tapping into the high demand in international markets (page 74 of AIR2023).

To what extent will there be any operational impact while Delima Oil Products' plant goes through a modernising exercise? What would be the estimated cost for modernising the plant and the expected timeline to complete the said exercise?

OPERATIONAL & FINANCIAL MATTERS - QUESTION 2 (a) (cont'd)

ANSWER

Delima Oil Products (DOP) is currently undergoing a modernisation exercise at its plant, specifically focusing on its fats production lines. This upgrade is aimed at achieving a 10% growth in fats sales across both international and local markets, enhancing product quality consistency, and improving production efficiency.

This modernisation has been carefully planned to ensure minimal operational impact. The plant upgrade is being conducted in stages, and all aspects, including forecasted annual sales volumes, have been considered. Any production volume affected by the upgrading process will be compensated by other available lines, ensuring uninterrupted operations.

The estimated cost for this modernisation exercise is RM39 million. Three new fats lines are being installed, one was completed in August 2023, and the remaining two are targeted for completion by the end of December 2024 and mid-2025, respectively.

OPERATIONAL & FINANCIAL MATTERS - QUESTION 2 (b)

Under the Integrated Dairy Farming segment, the Group specialises in producing top-quality dairy products under the Bright Cow brand at its milk processing facility located in Linggi, Negeri Sembilan, equipped with a daily capacity of 30,000 litres. (page 75 of AR2023)

What was the Group's average daily milk production for FY2023 versus to date? Are there plans for capacity expansion?

OPERATIONAL & FINANCIAL MATTERS - QUESTION 2 (b) (cont'd)

ANSWER

In FY2023, we produced an average of 790 litres of milk per day. As of May 2024, our average milk production stands at 1,086 litres daily. The 30,000 litres daily processing capacity is including the production of yogurts and paneer (Indian cheese).

While we do not have plans for capacity expansion at the moment, our focus remains on expanding our market penetration in the retail sector, strengthening our brand presence, and developing nutritious and innovative dairy products for all consumers.

OPERATIONAL & FINANCIAL MATTERS - QUESTION 2 (c)

The Group has expanded its Contract Farming Programme by engaging farmers to supply fresh milk to its Linggi facility (page 75 of AIR2023).

How many farmers are under the Contract Farming Programme? How much fresh milk is supplied by the Group’s own farm and contract farmers daily?

OPERATIONAL & FINANCIAL MATTERS - QUESTION 2 (c) (cont'd)

ANSWER

In 2023, through FGV Dairy Farm (FGVDF), we have nine registered dairy farmers participating in the Contract Farming Programme, supporting the fresh milk supply for the plant with an average of 795 litres per day.

Our dairy farm contributed approximately 790 litres of fresh milk daily to our Linggi facility.

OPERATIONAL & FINANCIAL MATTERS - QUESTION 3

To what extent will the implementation of the Government's diesel subsidy rationalisation programme impact the Group's various business divisions?

OPERATIONAL & FINANCIAL MATTERS - QUESTION 3 (cont'd)

ANSWER

Our Plantation Division's diesel costs are determined by the industrial rate. Any additional expenses will depend on the terms of the diesel contract renewal with our petroleum suppliers.

Our Logistics & Support Division is unaffected by the diesel price increase because we have secured approval for the Sistem Kawalan Diesel Bersubsidi (SKDS 2.0) through Petronas' Smartpay Fleet Card.

SUSTAINABILITY MATTERS - QUESTION 4

The Group received 38 complaints related to corruption, of which 36 cases have been resolved while 2 remaining cases are currently under investigation. (page 42 of SR2023)

What were the key findings, the scale and impact of the 36 complaint cases relating to corruption? What actions have been taken by the Group before the 36 cases can be considered resolved?

SUSTAINABILITY MATTERS - QUESTION 4 (cont'd)

ANSWER

Based on the investigation into complaints of corruption, the Group has noted the following:

a) No prima facie evidence was found for 22 cases, resulting in No Further Action Required (NFA).

b) Prima facie evidence was found for 14 cases, which were referred to the Malaysian Anti-Corruption Commission (MACC) for offences under Section 23 of the MACC Act 2009, related to abuse of power. These cases involve supply works amounting to RM3 million over three years. The staff involved could face criminal charges under Section 23 of the MACC Act 2009, which, if found guilty, carries a penalty of imprisonment for up to 20 years and a fine of RM10,000 or five times the value of the bribe, whichever is higher.

Any cases investigated by the Whistleblowing Department will be presented to the Board Governance and Risk Management Whistleblowing for a decision on whether they should be classified as NFA or referred to the MACC. Subsequently, the case will be considered resolved.

CORPORATE GOVERNANCE MATTERS - QUESTION 5

The Group has further strengthened its Board diversity, as of 30 April 2024 the Board consists of four (4) women directors which is equivalent to 50% of the Board comprising women directors, up from 28% as of 31 December 2023. (page 52 of Corporate Governance Report 2023 ("CGR 2023")).

What benefits has the Board experienced from increased gender diversity among its members? How has the Board's performance been impacted in relation to these benefits?

CORPORATE GOVERNANCE MATTERS - QUESTION 5 (cont'd)

ANSWER

Gender diversity on boards is not only a matter of number but also a strategic advantage for FGV. Having women on the Board of Directors offers several significant benefits for organisations in terms of diverse perspectives that bring unique viewpoints, backgrounds, and experiences to the Board and enhance the talent pool. Diverse Board attracts skilled professionals from various backgrounds, fostering innovation and creativity.

CORPORATE GOVERNANCE MATTERS - QUESTION 6

The Company, in its CGR 2023, stated that it did not adopt Practice 5.10 of the Malaysian Code of Corporate Governance (“MCCG”), which states that the board discloses in its annual report the company’s policy on gender diversity for the board and senior management.

We note the Company’s explanation that it has a Board Nomination and Election Policy and Procedures which has a provision on diversity for the Board that includes gender. However, there was no gender diversity policy for Senior Management. The Gender Equality and Women Empowerment Committee (GEWE) is currently looking into the establishment of Gender Diversity Policy for Senior Management. (page 53 of CGR 2023).

a) MSWG notes that no timeframe has been committed to applying the Practice. We wish to highlight that under Paragraph 3.2C(b) of Practice Note 9 of the Main Market Listing Requirements, large companies must disclose the timeframe required to achieve the application of a Practice if they depart from it.

b) What is the challenge faced by the Board in formalising a gender diversity policy for Senior Management?

CORPORATE GOVERNANCE MATTERS - QUESTION 6 (cont'd)

ANSWER

Management through the Gender Equality and Women Empowerment Committee (GEWE) has recently conducted a gap assessment using the Women Empowerment Principles Gender Gap Analysis tool (WEPs Tool). The compilation of data and analysis require time to ensure all information is accurate. The results from this assessment will support the basis of the Gender Diversity Policy. With sufficient input, GEWE is currently working on drafting the Policy and would be able to formalise an acceptable Gender Diversity Policy that suits the needs of the Group.

FGV aims to formalise the Gender Diversity Policy for Senior Management by the end of 2024.

THANK YOU

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