

QUESTIONS RAISED BY MSWG RELATING TO 47TH AGM OF IOI CORPORATION BERHAD

Strategy / Financial

- Q1. As reported in the Management Discussion and Analysis, the Company have a dedicated research team focussed on improving FFB yields and oil extraction rates and carrying out research involving tissue culture to cultivate planting materials with superior traits. Over the years, millions of high-yielding clonal palms had been produced and field planted in trials and commercial planting areas.

Despite the research works, we noted no significant improvement to both FFB yields as well as oil extraction rate over the last ten years.

When would the FFB yields and oil extraction rates expected to show noticeable improvement considering that the yields of oil palms are highly dependence on many other factors such as soil and climatic conditions, the quality of plantation management, etc?

Climatic conditions generally plays an important role on FFB yields. This is more pronounced especially during the "double drought" of El Nino which happened in the third quarter of 2015 and beginning of 2016 affecting the current FFB yield. We expect the growth in FFB yield to recover gradually in the near future.

On the other hand, approximately 11% of IOI's total planted area of 180,000 ha have been planted with high-yielding clonal palms and these plantings have displayed significant increase in OER of around 12% - 15%. Given that only half of these clonal palms are already mature, the effects of improving OER can only be realised gradually, as evidenced by the steady improvement in the past 5 years. While we expect our OER to improve steadily as we continue to replant using these high-yielding clonal palms, the outcome may be affected by other factors such as soil and climatic conditions and so forth.

- Q2. As announced by the Company on 29 March 2016, the RSPO certification for the entire IOI Group's oil palm production would be suspended effective 1 April 2016. The suspension was then lifted on 8 August 2016. It was reported that the Group had lost some major customers following the RSPO suspension.

- a) What was the total financial impact in FY2016 resulted from the RSPO suspension?
b) What is the percentage of sales regained following the lifting of RSPO certification?

a) The RSPO certification suspension has impacted mainly the specialty oils and fats sub-segment. However, the impact for FY2016 is not significant in view that the suspension only happened in the last quarter of the financial year.

b) Following the lifting of RSPO certification on 8 August 2016, we have been actively embarking on our sustainability commitments. Business lost during the 4 month suspension period has been regained progressively and is an ongoing process. We are optimistic that given our increased emphasis on sustainability and the strong fundamentals of our downstream business, we will eventually regain all the business lost during the suspension period.

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- Q3. As reported in the Sustainability and Corporate Responsibility Report, IOI places substantial investments in occupational safety and health management systems for the employees.

What is the total annual budget allocated for effective implementation of the Workplace Health and Safety Management Systems, including amount for training and awareness campaigns, personal protective equipment, etc?

The Group recognises the importance of occupational health and safety, it is the Group's top priority to provide safe and healthy working conditions to its employees. As such, allocation of resources for workplace health and safety has been an integral part of our businesses and embedded in the annual operating budgets.

- Q4. As shown in Note 40 to the Financial Statements, the net gearing ratio of the Group was 76.25% and the gross gearing ratio was 103.4% as at 30 June 2016.

Moving forward, would there be any plan to pare down the borrowings in view that the existing gearing ratio is relatively high?

The Group has plans to pare down the borrowings further to reduce the net gearing ratio. We have the capacity to do so due to the substantial positive cash flow from our operations every year.

Corporate Governance

In the spirit of transparency, we hope the Board would publish the Memorandum and Articles of Association of the Company in the Company's website for the benefit of the shareholders.

The Memorandum and Articles of Association of the Company has been published in the website since August 2013.