

Strategy / Financial

Q1. The Group has embarked on a revitalised mechanisation plan to drive higher productivity and cost reduction (page 44 of the Annual Report)

(a) What is FFB Main Line Evacuation with Mechanical Assisted Infield Collection?

FFB Main Line Evacuation is the process of evacuation of fresh fruit bunches piled on a platform along the main access road using a Tractor Grabber (tractor with three or four petals grabbing arm) with a bin, instead of manual labour.

Mechanical Assisted Infield Collection is the evacuation of fresh fruit bunches deeper infield with a Mechanical Buffalo, as opposed to the conventional method of using a buffalo together with a wheelbarrow.

Please refer to the [slides](#) for a better illustration.

(b) What is expected increase in productivity and cost reduction from the introduction of FFB Main Line Evacuation with the Mechanical Assisted Infield Collection?

The main objectives of the mechanization program are improvement in the crop evacuation turnaround time and the reduction of manual labour in the crop evacuation operation. There will be some net cost saving in the medium to long term but its extent is difficult to be quantified at this moment.

(c) What is the expected capex to be incurred for the introduction of FFB Main Line Evacuation with the Mechanical Assisted Infield Collection when it is fully implemented?

We estimated CAPEX of up to RM78 million over the next five years for implementation of FFB Main Line Evacuation with the Mechanical Assisted Infield Collection in applicable estates.

Q2. The Group reported a realised fair value gain on derivative financial instruments of RM668.6 million. At the same time, the Group reported a realised fair value loss on financial instruments of an amount of RM314.6 million in FY 2019.

(a) Which are the derivative financial instruments that recorded the fair value gain and fair value loss respectively?

The derivative financial instruments are the plain vanilla forward foreign exchange contracts with financial institutions, which arise from our normal day-to-day hedging activities to cover our foreign exchange risks on foreign-currency denominated sales and purchase contracts and also the palm oil futures traded through the Bursa Malaysia Derivatives Market, which arise from our normal day-to-day commodity hedging activities for our downstream sales contracts.

- (b) What were the risk mitigating measures taken by the Company to mitigate the fair value loss on derivative financial instruments?**

The Group operates within an established Enterprise Risk Management framework with clearly defined policies and guidelines, which are administered via divisional Risk Management Committees. Divisional Risk Management Committees report regularly to the Audit and Risk Management Committee, which oversees the management of risk in the Group on behalf of the Board of Directors.

The Company's risk management approach for commodity forward contracts and forward foreign exchange contracts are detailed under Note 39.3.1 (Page 207) and Note 39.1.1 (Page 195) of our FY2019 Annual Report respectively.

- Q3. The Company has disposed 70% equity interest in Loders. What is the reason for the Company deciding to retain the remaining 30% interest in Loders?**

Our continued equity interest and involvement in Loders, and the expected significant growth in Loders in the future will support IOI's business focus of being a leading integrated and sustainable palm oil player with global presence in both specialty fats and oleochemical segments.

Corporate Governance Matters

- Q1. Proposed Resolution 11 is to pay a gratuity payment to late Tan Sri Dato' Lee Shin Cheng ("Tan Sri Dato' Lee") of an amount of RM27.36 million in recognition of his 38 years of service and contribution to IOI Group.**

- (a) IOI Corporation Berhad ("IOIC" the "Company")'s Corporate Governance Statement (Practice 6.1) states that there are no termination, retirement and post-retirement benefits that may be granted to Directors and the top 4 management personnel (who is not Group Managing Director) except for those payment pursuant to statutory requirements.**

There is no mention of gratuity payment.

Why is there an exception to pay gratuity payments?

The proposed gratuity payment is a one-off non-contractual retirement benefit to the late Tan Sri Dato' Lee, as he had given his notice to retire prior to his demise, and is recommended by the Board of Directors in accordance with sections 227 and 230 of the Companies Act 2016.

The gratuity payment was recommended due to the late Tan Sri Dato' Lee's special role as the Founder and driving force behind the Group over the last 38 years.

- (b) Is the gratuity payment to the late Tan Sri Dato' Lee stated in his service contract?**

There was no service agreement entered between our former Executive Chairman and the Company.

- (c) Why did the Company choose to pay the gratuity payment instead of making a payment from the retirement benefits scheme of the Company since the Company has such scheme?**

The retirement benefit schemes of the Group are established pursuant to the collective agreements and handbook of certain companies in our Oleochemical and Plantation divisions for middle and lower-ranked employees only.

- (d) The late Tan Sri Dato' Lee's estate has decided to voluntarily waive the bonus entitlement for FY2019. How much would have the bonus amounted to?**

The FY2019 bonus waived by the estate of the late Tan Sri Dato' Lee amounted to RM13.1 million.

- Q2. The Executive Share Option Scheme ("ESOS") Committee comprises Dato' Lee Yeow Chor as the chairman and Mr Lee Yeow Seng, Non-Independent Non-Executive Director ("NINED") as stated on page 75 of the Annual Report.**

Why are there no Independent Non-Executive Directors ("INEDs"), be appointed as member of the ESOS Committee to provide check and balance and an independent perspective in the administration of the ESOS Scheme?

Originally the ESOS Committee comprised three members, who included the previous Executive Chairman. We will appoint an INED to be an additional member of the ESOS Committee later.

For your information, prior to establishment of the ESOS Committee, the Governance, Nominating and Remuneration Committee ("GNRC") had reviewed, among others, the maximum allowable allotment, basis of allocation and eligibility of ESOS. The implementation of first tranche ESOS allocation was strictly in accordance with the parameters set. The GNRC had also reviewed on the second tranche of ESOS allocation prior to its implementation.

- Q6. Mr Lee Yeow Seng, the NINED attended 3 out of 6 Board Meetings during the financial year (page 87 of Annual Report).**

What was the reason for him not being able to attend all the meetings held during the financial year?

The non-attendance of two Board meetings by Mr Lee Yeow Seng was mainly due to the rescheduling of our meetings, where the new meeting dates clashed with his other important pre-scheduled meetings.