

**Operational & Financial Matters**

- Q1. On 30 May 2022, IOI Pelita Plantation Sdn Bhd signed a final landmark settlement agreement with the native communities in Sarawak to relinquish 4,615 hectares of land, which will subsequently be gazetted by the Sarawak government as Native Communal Reserve for agricultural use by the affected communities. The land dispute matter is officially declared closed by the Roundtable on Sustainable Palm Oil Complaints Panel [page 65 of Annual Report 2022 (“AR2022”)].

With IOI Pelita Plantation Sdn Bhd relinquishing 4,615 hectares of the land, what is the financial impact to the Group?

***Total impairments due to IOI Pelita Plantation Sdn Bhd relinquishing 4,615 hectares of its land is estimated to be about RM3.7 million. An impairment loss on property, plant and equipment of RM3.2 million was recognised in the financial year ended 30 June 2021 and the Group expect further impairments of about RM500,000.***

- Q2. The lower fresh fruit bunch (“FFB”) productivity and FFB yields are primarily impacted by the shortage of skilled harvesters as more workers requested to repatriate to their home country (page 66 of AR2022).

To-date, to what extent has the Group’s labour shortage issue normalised? How far off is the Group from addressing its labour needs?

***In Sabah where two-thirds of the Group’s estates are situated, the Group has managed to recruit many new workers since the reopening of borders in May 2022 and the labour shortage situation has largely been overcome.***

***For estates in Peninsular Malaysia, the Group had requested for 3,300 workers from the immigration department and as of end October 2022, about 800 workers arrived. The Group is expecting another 1,500 workers to arrive in the next 3 months and this would alleviate the severe labour shortage situation at the Peninsular estates.***

- Q3. Germany’s high dependence on Russia for natural gas supply creates a high risk of production downtime/interruption and both the Group’s production sites in Witten and Wittenberge are not equipped with any alternative source of heating or steam generation (page 78 of AR2022). The Group’s European operations will have to endure the soaring natural gas cost (page 79 of AR2022).

The Russia-Ukraine war has created long-lasting interruption of energy supply to Germany, to what extent has the Germany energy crisis affected the Group operationally and financially?

***The Group’s Germany Oleochemical business unit contributes less than 4% to the Group’s underlying operating profit for the financial year ended 30 June 2022. Therefore, the energy crisis in Germany, though serious, would not have a material impact on the Group financially.***

***Nevertheless, the Group was looking at fuel alternatives for both sites in Germany and are currently installing a diesel steam boiler at one of the sites. Although this may not fully replace gas usage, should there be a total cut-off of gas supply in Germany, the boiler would allow the plants to continue to operate albeit not at optimal levels.***

***On a positive note, it was broadly reported that German authorities has built enough gas inventory to tie the whole country into the new year. France also recently announced that they would assist in supplying gas by pipeline to Germany.***

- Q4. According to The Edge Markets article on 30 September 2022, Nestlé SA has pledged to cut ties with an Indonesian palm oil supplier accused of land-rights abuses and environmental harm. The Swiss company instructed its direct vendors to ensure that palm oil from three entities linked to Astra Agro Lestari Tbk does not enter its supply chain in the future (Source: <https://www.theedgemarkets.com/article/nestl%C3%A9-says-it-will-drop-palm-oil-supplier-accused-abuses>).

In light of Nestlé SA's pledge to cut ties with an Indonesian palm oil supplier, are there any opportunities for the Group to capitalise on?

***The take-up rate for the Group's certified crude palm oil ("CPO") from multinational customers had been good and a majority of the Group's certified CPO is supplied to the Group's associate, Bunge Loders Croklaan. Therefore, opportunities in terms of new demand are limited by the Group's production volume, which is expected to be constrained by intensive replanting activities during the next few years.***