

# Group Managing Director AND CHIEF EXECUTIVE'S STATEMENT

**Dato' Lee Yeow Chor**

Group Managing Director and  
Chief Executive



**Dear Esteemed Stakeholders,**

**I am pleased to present an overview of the Group's progress on strategic priorities, sustainability initiatives, and also prospects for the upcoming financial year 2025 ("FY2025").**



*IOI is aggressively expanding our digitalisation and mechanisation efforts to optimise workforce and enhance operational efficiency.*

## STRATEGIC PRIORITIES

As mentioned before, the Group embarked on a Five-Year Plan (2020 to 2024) to transform the Group from a cost competitive palm oil producer to a high value-added diversified palm-based products producer. The plan is based on five strategic priorities which are briefly elaborated below.

Our first priority is to improve oil yield on a Group-wide basis by at least 15% through utilisation of our high-yielding planting materials which include elite clonal palms and third-generation hybrid palm seedlings. However, the industry-wide labour shortage from 2021 to 2023 hindered our ability to implement best agricultural and labour management practices. This resulted in lower fresh fruit bunches (“FFB”) and crude palm oil (“CPO”) yields for the Group in the past few years.

Last year, I mentioned that improved productivity from the new migrant workers would result in better oil palm yields. I am pleased to report significant yield improvements in FY2024. FFB yield

per hectare (“ha”) has increased by 4%, reversing the yield declines recorded over the last few financial years. Additionally, our oil extraction rate has improved by 4% compared to the previous financial year. Overall, this resulted in an increase of 8% oil yield per ha from last financial year, against the backdrop of intensive replanting during the year.

Our second strategic priority aims to minimise dependence on manual labour by increasing the land-to-worker ratio through implementation of various estate mechanisation and digitalisation initiatives. On this front, I am pleased to report that the Group has almost completed the objectives of this strategic priority by implementing the mechanised mainline FFB evacuation system on 99% of our terrain-suitable estates and the deployment of around 700 mechanised tools and equipment for infield FFB collection and field maintenance work. We have also extended the rollout of the SAP ERP system to our Indonesian plantations beginning July this year.

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## GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT



Implemented  
mechanised mainline  
FFB evacuation system  
on **99%**  
of suitable estates  
across Malaysia



Developed **15**  
new personal care  
applied formulations



Achieved **40%**  
GHG reduction in  
Scope 1 & 2 – Ahead  
of our 2025 target



*Our partnership with Nextgreen marks significant progress in driving innovative, environmentally-friendly solutions to pave the way towards a more sustainable pulp and paper production.*

For the third strategic priority, the Group's goal is to diversify our oil palm crop to other higher value crops, to generate higher returns from our existing land bank. As of FY2024, we have planted 3,131 ha of coconuts and target to plant 634 ha by next year.

The Group's fourth strategic priority is to increase the non-CPO income by converting oil palm by-products and processing waste into value-added products at competitive cost. Under this strategy, I am delighted to report that the Group has recently partnered with Nextgreen Global Berhad ("Nextgreen") to develop the nation's first large-scale zero-waste paper pulp plant (150,000 metric tonnes ("MT") per year) in Pekan, Pahang. This paper pulp plant will help to transform empty fruit bunches, an agricultural waste, to sustainable products such as writing paper, tissue paper, and food container. The plant is expected to start production around mid-2026.

This venture follows the commercial production of our palm wood factory beginning March this year. Such ventures will not only generate additional income but also contribute towards achieving our Group-wide net zero emissions target by the year 2040.

The fifth strategic priority aims to increase our oleochemical sub-segment's profit contribution by 30% through capacity expansion, production efficiency and innovative high value-added product applications. Under this strategy, we successfully commissioned two new plants in FY2023: a new fatty acid plant in Prai, Penang with a capacity of 110,000 MT per year, and a state-of-the-art soap noodles plant in Pasir Gudang, Johor. Our oleochemical business unit in Germany developed 15 new formulations for personal care applications during FY2024.

The Group actually managed to achieve this objective one year earlier than planned, in FY2023 when operating profit from oleochemical sub-segment reached approximately RM350 million. However, the subsequent unfavourable global economic environment coupled with destocking by our customers resulted in a sharp drop in profit during FY2024. We are hopeful of a rebound in profit in one or two years' time.

Progress of the Group's Strategic Priorities are further detailed in pages 54 to 59 of this Annual Report.

### CORPORATE SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL GOVERNANCE ("ESG")

The introduction of the Board Sustainability Committee ("BSC") last year has enhanced our governance in sustainability matters. This includes key matters such as health and safety, human rights, climate change, and the circular economy.

During the review period, we introduced the IOI ESG Digitalisation Platform to better manage the large wealth of environmental and social-related data that we have collected and accumulated over the years. This digitalised platform enables us to efficiently monitor and analyse these data so that we can devise effective actions to address their impact. Additionally, it ensures that our reporting of carbon footprint, water withdrawal and labour practices among others, including enhancing our sustainability disclosures in preparing for adoption of IFRS Sustainability disclosure standards and allows for data auditability.

Regarding our Climate Change Action initiative and pathway to net zero by 2040, I am pleased to share that we have achieved our target of 40% GHG reduction a year earlier than our target year in 2025. This success is attributed to the detailed implementation strategies and the commitment of our employees. For an overview of our other social and environmental initiatives, please refer to my message in the Sustainability Report 2024.

The Group undertakes corporate social responsibilities via IOI Foundation (formerly known as Yayasan Tan Sri Lee Shin Cheng), a charity foundation funded solely by the Group and its sister company, IOI Properties Group Berhad. To date, the foundation has awarded degree scholarships to 348 deserving undergraduates and supported 1,570 students through its Student Adoption Programme. In June 2024, the foundation extended its support to primary and secondary students by sponsoring public speaking workshops and organising a competition for six schools in the Puchong community. We also hosted a leadership youth camp in Johor, providing our employees' children with valuable opportunities to develop their communication and leadership skills.

Beyond education, the foundation operates Bargain Basement ("BB"), a social enterprise selling pre-used items which has four outlets across Putrajaya, Selangor, and Perak. In December 2023, BB distributed RM400,000 from its proceeds to 18 beneficiaries including education foundation, charitable homes, reflecting our ongoing commitment to giving back and supporting those in need. Recently, BB expanded into offering pre-used furniture at affordable prices, which also supports the circular economy.



*Our new oleochemical plant in Prai, Penang with a capacity of 110,000 MT per year.*

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*Our annual IOI Youth Leadership Camp is a good platform to develop our future leaders.*

### OUTLOOK & PROSPECTS

CPO price is expected to be volatile until the end of this year. Good soybean harvest in the United States of America (“US”) and the seasonally higher palm oil output would likely depress CPO price. However, higher demand from importing countries, particularly Europe which is stocking up before the implementation of European Union Deforestation Regulation (“EUDR”) at the end of this year, combined with concerns over extreme weather and intensified geopolitical tensions disrupting supply chain will on the other hand provide support to CPO price.

For our plantation segment, the FFB production is projected to be higher in FY2025 compared to FY2024, despite the accelerated replanting programme in Sabah. The growth is expected to be driven by the continuing labour productivity improvement in Peninsular Malaysia and increased FFB production from our young

trees in Indonesia. Consequently, CPO production cost is anticipated to be lower than in FY2024. Overall, we hold a positive outlook on the plantation segment’s financial and operating performance in FY2025.

For our refinery and commodity marketing sub-segment, the outlook remains subdued due to low refining margins arising from overcapacity of refineries in Indonesia as well as their raw material price advantage. However, we expect our refining margins to be better due to our capabilities in producing low contaminant oils and our focus on cost optimisation.

In the oleochemical sub-segment, the uneven global economic growth and geopolitical conflicts will continue to affect the market. However, we expect better performance for the first half of FY2025 due to stock building by our European customers ahead of EUDR’s implementation on 30 December

2024. Although uncertainties still remain regarding EUDR, our strong ESG practices coupled with our RSPO-certified palm oil should be able to ensure compliance with EUDR and thus give us the competitive edge in the European market. Our strength in producing innovative products for the high value markets as well as our operational efficiencies will also give us a competitive edge.

For our specialty oils and fats sub-segment comprising our associate company, Bunge Loders Croklaan Group BV (“BLC”), the market environment, being less dependent on the global economic growth, is expected to be more favourable in FY2025 as inflation continues to subside in most parts of the world. However, the expiry of a lease over a refinery in Rotterdam, from where BLC produces raw material oils for its specialty fats plant in Amsterdam, at the end of

2024 could pose challenges for its European business in securing raw material oils from other sources at reasonable prices. This is a short-term challenge which will be resolved when its new bulk refinery plant complex in Amsterdam is completed around the fourth quarter of 2025.

The Malaysian Ringgit (“MYR”) has strengthened considerably against US Dollar in August 2024 which is expected to result in a significant foreign exchange translation gain on our USD-denominated borrowings in Q1 FY2025. Although it is difficult to forecast the MYR-USD exchange rate, we expect the MYR to be on a much stronger footing in FY2025 compared to FY2024 due to Malaysian economy’s strong growth during the first half of 2024 and the commencement of US interest rate cut cycle which started in September this year.

Overall, we expect the Group’s operating and financial performance for FY2025 to be resilient and satisfactory.



Awarded degree scholarships to

**348** deserving  
undergraduates

and supported

**1,570** students

through the Student

Adoption Programme.

## CLOSING REMARKS

As our current Five-Year Plan approaches its conclusion in December 2024, we are in the process of developing a new Five-Year Plan, which is set to be launched early next year.

The Group’s resilience is bolstered by our dedication to innovation, people development, and prudent risk management, which is supported by our values-driven culture. The six IOI core values, namely integrity, commitment, team spirit, cost efficiency, innovation, and excellence in execution, will continue to guide our efforts.

Looking ahead, we will remain focused on sustainable growth and expansion across both upstream and downstream sectors to sustain our competitive advantage amidst the challenging global economic environment.

### Dato’ Lee Yeow Chor

Group Managing Director and Chief Executive



*IOI partnered with Naluri to launch IOI Cares, a personalised employees’ wellness programme that fosters employees’ well-being in all directions and is tailored for employees’ exclusive benefit.*