

HARNESSING POTENTIAL

Pre-AGM Questions From
Minority Shareholders Watch Group (MSWG)



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FGV AIR &
AFS 2024

QUESTION 1 (a)

Q: Beyond business performance, FGV made significant strides in sustainability and governance, including submitting a petition on 30 June 2024 to the United States Customs and Border Protection (U.S CBP) to modify the Withhold Release Order (WRO). In response, the Company invested RM455.1 mn in strengthening labour practices, enhancing infrastructure, and reinforcing grievance mechanisms in line with global standards. (page 29 of Annual Integrated Report 2024 (“AIR 2024”))

a) Please provide a detailed breakdown of how this RM455.1 mn was allocated across key initiatives.

QUESTION 1 (a)

A: The RM455.1 mn was allocated for workers' welfare, comprising RM124 mn in CAPEX for facilities and Health, Safety and Environment improvements, and RM330 mn in OPEX mainly for recruitment fee reimbursements and other welfare initiatives.

QUESTION 1 (b)

Q: b) What is the expected investment in these areas for the financial year ending 2025?

QUESTION 1 (b)

A: For the financial year 2025, FGV has allocated a total of RM404 mn towards sustainability and governance initiatives as follows:

- I. Capital expenditure for workers' housing and related facilities, as well as welfare of RM392 mn,
- II. Operational expenses related to Health, Safety, and Environment (HSE) of RM12 mn.

QUESTION 1 (c)

Q: c) What strategies are in place to further strengthen sustainability and governance practices in line with international benchmarks?

QUESTION 1 (c)

A: FGV remains committed to strengthening sustainability and governance through our enhanced Sustainability Framework, anchored on five pillars: Economic Growth, Social, Governance, Environment, and Innovation & Technology. Our strategies include:

- Advancing climate action, protecting biodiversity, upholding ethical labour practices, and promoting Diversity, Equity, and Inclusion, and child protection.
- Empowering smallholders and embedding responsible practices across the supply chain.
- Reinforcing integrity, ethical leadership, updated compliance frameworks, and transparent grievance mechanisms aligned with global standards.

These efforts position FGV to meet evolving stakeholder expectations while ensuring long-term resilience and accountability.

QUESTION 2 (a)

Q: The Group's inventories written off increased significantly to RM9.5 mn (FY2023: RM5.1 mn), while allowance for inventories obsolescence increased to RM6.9 mn (FY2023: RM5.2 mn). (page 21 of Audited Financial Statements 2024)

a) What were the reasons for the substantial increase in inventory write-offs in FY2024? What type of inventories contributed most to the write-offs?

QUESTION 2 (a)

A: The increase in inventory write-offs was mainly due to weight differences from the transfer of Fresh Fruit Bunches (FFB) between mills during the year, due to mill processing capacity limitations based on licenses issued by the Malaysian Palm Oil Board (MPOB). This led to transfers of FFB between mills to manage the limitation.

In addition, the segregation of FFB, which resulted in such transfer, was carried out to meet the stringent European Deforestation Regulation (EUDR) requirements.

QUESTION 2 (b)

Q: b) Were there any specific operational or supply chain issues that led to the obsolescence or damage of inventory?

QUESTION 2 (b)

A: The allowance for inventories obsolescence was mainly for Crude Palm Kernel Oil (CPKO) deadstock due to a planned tank cleaning exercise required to ensure compliance with the EUDR and low Mineral Oil Saturated Hydrocarbons (MOSH)/Mineral Oil Aromatic Hydrocarbons (MOAH) requirements. This market opportunity only emerged in 2024, and the cleaning exercise is necessary to preserve oil traceability and ensure it is free from non-compliant residues.

The obsolescence resulted from the buildup of impurities in CPKO over the years, which is a common occurrence in the laurics industry. The resulting deadstock will be cleared once the planned tank cleaning exercise is implemented.

QUESTION 2 (c)

Q: c) What process improvements have been implemented to reduce future inventory losses?

QUESTION 2 (c)

A: To reduce future inventory losses, several process improvements have been implemented. Mills have obtained MPOB approval to increase their throughput capacity by the end of 2024, addressing previous overcapacity issues. In addition, annual desludging, oil skimming, cleaning, and housekeeping (DOSCH) activities at mills are currently planned and rescheduled during the low crop season to minimise operational disruptions.

To address the obsolescence of CPKO inventory, the tank cleaning exercise was initiated in 2024 under the newly introduced EUDR project. Conducting such cleaning regularly in the future is expected to help reduce similar inventory losses.

QUESTION 3

Q: With regard to occupational health and safety, the Group recorded a significant increase in the number of work-related injuries, rising to 711 cases in 2024 compared to 405 cases reported in 2023. (page 143 of AIR 2024)

What were the key factors contributing to this sharp increase in incidents? What actions does the Group plan to take to reduce and prevent workplace injuries going forward?

QUESTION 3

A: The rise in work-related injuries was primarily due to greater awareness of the Near Miss and Safety Observation (NeMSO) programme and its related reporting. The 102,952 man-hours of downtime represent less than 1% of the total man-hours worked.

The Group places the highest priority on safety and health and is taking all necessary steps to further build a safe and more resilient working environment across all operations. We currently have 59 OSH champions actively driving safety initiatives across the group. FGV's ongoing efforts to enhance workplace safety include:

- Continuous review of related safety policies and procedures to strengthen accountability
- Enhancing safety training and continuous employee engagement
- Strengthening incident investigation protocols
- Audits and real-time monitoring

QUESTION 4

Q: Internal Disciplinary Measures: Four cases resulted in internal actions, which ranged from formal warnings to dismissal, depending on the severity of the misconduct. These measures uphold the Group's ethical standards and reinforce accountability within the organisation. (page 133 of AIR 2024)

Please provide brief details regarding the four cases, including the nature of the misconduct and the corresponding actions taken. What preventive measures or control enhancements have been implemented to mitigate the risk of similar misconduct recurring in the future?

QUESTION 4

A: FGV has taken firm disciplinary action in four reported cases involving corruption, abuse of authority, and false claims. Measures taken include formal warnings, suspension, dismissal, and referrals to the Malaysian Anti-Corruption Commission (MACC), where appropriate.

To mitigate recurrence and uphold strong governance, transparency, and accountability across the Group, FGV has strengthened its internal controls by enhancing checks and balances in key operations, increasing ethics and integrity awareness through continuous training and reinforcing whistleblowing mechanisms, including an upgraded system and stakeholder engagement initiatives.


THANK YOU





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