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Pre-AGM Questions From

Minority Shareholders Watch Group (MSWG)

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FINANCIAL MATTERS – QUESTION 1(a)

Included in the payables was a provision for compensation of recruitment fees amounting to RM112 million. The provision was part of the Group's remediation plan for its existing and former migrant workers.
(page 50 of AIR2022)

a) How many of the Group's migrant workers, were compensated in relation to the above? What is the breakdown between existing and former migrant workers?

ANSWER:

FGV will compensate approximately 20,000 existing migrant workers and 3,700 former migrant workers.

FINANCIAL MATTERS – QUESTION 1(b)

Included in the payables was a provision for compensation of recruitment fees amounting to RM112 million. The provision was part of the Group's remediation plan for its existing and former migrant workers.
(page 50 of AIR2022)

b) Is the RM112 million the final sum for compensation of recruitment fees to the Group's existing and former migrant workers? Or does the Group expect further compensation to be made for its migrant workers? If yes, what is the estimated provision for compensation to be made for financial year ending 2023?

ANSWER:

The total provision of RM112 million is based on industry average rate per worker for 23,700 existing and former workers. We anticipate payment for compensation and other contingencies will not exceed this amount. Hence we do not expect to make any additional provision in the financial year ending 2023.

FINANCIAL MATTERS – QUESTION 2 (a)

Impairment loss on amounts due from other related companies increased significantly to RM12.75 million (2021: RM0.14 million), while impairment loss of receivables (net) increased substantially to RM13.44 million (2021: RM2.94 million). (pages 19 & 20 of AFS2022)

a) **What is the cause for the significant increase in impairment loss on amounts due from related companies? Which are the affected related companies? What is the probability of reversing or making further impairment losses in financial year ending 2023?**

ANSWER:

The significant increase in impairment loss on the amounts due from other related companies was due to delay in payment in respect of sales of goods to subsidiaries of our ultimate holding company. Subsequent to the financial year ended 2022, partial payment has been made hence we were able to reverse part of the impairment loss in the second quarter of 2023. Further reversal or impairment will depend on the payment trend of the debtors.

FINANCIAL MATTERS – QUESTION 2 (b)

Impairment loss on amounts due from other related companies increased significantly to RM12.75 million (2021: RM0.14 million), while impairment loss of receivables (net) increased substantially to RM13.44 million (2021: RM2.94 million). (pages 19 & 20 of AFS2022)

b) Why is there such a huge increase in impairment loss of receivables (net)? What comprises these impaired receivables? How much of the impaired losses has been recovered to date and what is the probability of recovering the remaining balance?

ANSWER:

The increase in impairment loss of receivables was mainly due to full impairment of debt from a customer who failed to make payment for supply of an item by our IT business. No payment has been recovered and legal action has been taken on the matter.

The amount of non-audit fees rendered to the Group by its external auditors, Pricewaterhouse Coopers PLT (PwC), for the financial year ended 31 December 2022 amounted to RM2.68 million (2021: RM0.17 million). (page 179 of AIR2022 & page 77 of AFS2022)

What is the reason for the significant increase in non-audit fees? What comprises these non-audit fees?

ANSWER:

The increase was in relation to reporting accountant's work in relation to the on-going corporate exercises.

CORPORATE GOVERNANCE MATTERS – QUESTION 2

Addendum to the Notice of 15th Annual General Meeting (AGM) on the withdrawal of Ordinary Resolutions 5, 6 and 8. The Company informed that subsequent to the issuance of the Notice of 15th AGM dated 28 April 2023, the Company has recently received notices from its Directors namely Dato' Nonee Ashirin Dato' Mohd Radzi, Kasmuri Sukardi and Azmin Che Yusoff that they do not wish to seek for re-election at the 15th AGM of FGV. (Bursa announcement 2 June 2023)

The Board had endorsed recommendations from the Nomination & Remuneration Committee to re-elect three retiring directors who had offered themselves for re-election at the 15th AGM. However, just eighteen days before the meeting, three (3) of the Independent Non-Executive Directors gave notice at the same time that they are not seeking re-election.

What is the reason for the sudden change of heart on the part of the three directors?

ANSWER:

Re-election of Directors is subject to consent by the respective Board Members. Subsequent to the issuance of the Notice of 15th AGM dated 28 April 2023, the Company has received notices from Dato' Nonee Ashirin Dato' Mohd Radzi, En. Kasmuri Sukardi and En. Azmin Che Yusoff that they do not wish to seek re-election at the 15th AGM.

OPERATIONAL MATTERS – QUESTION 1 (a)

During the year under review, the Group completed felling of 10,858 Ha. The total replanted, however, stood at 3,232 Ha only due to the rescheduling of planting to match seedling readiness and the retendering of the contract to new vendors for a long-term replanting project. (page 58 of AIR2022)

a) What is the Group's target replanting area for financial year 2023 and what is the budgeted expenditure for the replanting?

ANSWER:

The replanting target for 2023 is to complete the planting of 24,800 Ha including the incomplete replanting program from the previous year. The budgeted expenditure for replanting is approximately RM376 million.

OPERATIONAL MATTERS – QUESTION 1 (b)

During the year under review, the Group completed felling of 10,858 Ha. The total replanted, however, stood at 3,232 Ha only due to the rescheduling of planting to match seedling readiness and the retendering of the contract to new vendors for a long-term replanting project. (page 58 of AIR2022)

b) The Group will also be accelerating replanting to correct the age profile of its plantations with a target to replant around 20,000 Ha and expects the age profile of trees to be 10.2 years by 2025 (page 59 of AIR2022). To-date, how far-off is the Group from its replanting schedule?

ANSWER:

Our 2023 replanting program is on track. Based on the replanting programme schedule, the average age profile is expected to be 10.32 years by 2025, which is slightly less than 1% of the target of 10.20 years.

OPERATIONAL MATTERS – QUESTION 2

By the end of 2022, the Group managed to bring in more than 10,000 plantation workers, reducing its labour shortage from 32% in 2021 to 13% in 2022 (page 26 of AIR2022). In terms of labour, the Group will expand its recruitment hubs with the aim of achieving 110% worker strength in 2023 (page 59 of AIR2022).

To-date, has the Group successfully addressed its labour needs? How far-off is the Group from achieving 110% worker strength?

ANSWER:

As at the first quarter of 2023, the Group's labour strength is at 89%, a marked improvement from 68% in 2021. We anticipate around 2,900 balance of stranded workers to come in starting from mid-June until July 2023. This will bring our workforce shortage to reduce by another 5%, to 94%.

Additionally, FGV will be engaging Ministry of Plantation and Commodities to collaborate on local recruitment to reduce the dependency on the industry on migrant workers.

During the year, the Logistics & Others ("LO") Sector's profit increased by 16% to RM104 million from the RM90 million recorded in the previous year. One of the factors that contributed to the LO Sector's improved profitability was its intensified Cost Control Programme ("CCP"), that has resulted in significant cost savings. (page 68 of AIR2022)

How much cost savings did the Group achieve under the CCP for FY2022? What were the key measures undertaken by the Group under the CCP to save cost?

ANSWER:

Logistics & Others Sector recorded 11% cost savings amounted to RM3 million CCP from its bulking and storage division.

The key measures undertaken by the Storage division were enhanced operational controls and ensuring optimal steam pressure of its storage tanks. The transport division has reduced its costs through utilisation of premium retreaded tires for trailers. The Transport division is also evaluating green tire usage aimed at lowering tire costs with minimal carbon footprint.

THANK YOU

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