

Operational and Financial Matters

- Q1. The recent announcement of Budget 2025, which includes a minimum wage hike, new crude palm oil (“CPO”) export tax structure and revised windfall profit levy, to what extent will it impact the Group’s overall cost structure in the financial year ending 2025 (“FY2025”)?: How will it affect the Group’s existing and future strategies?

IOI Response:

Assuming that the minimum wage hike takes effect on 1 February 2025 and the revised windfall profit levy takes effect on 1 January 2025, and also the new CPO export tax structure is implemented on 1 November 2024, we estimate an increase in operating costs of approximately RM17 million (representing less than 1.5% of net profit) for FY2025. While the revised windfall profit levy is expected to generate savings of about RM5.7 million for FY2025, the increase in minimum wage and the new CPO export tax structure are projected to raise operating costs by RM18.5 million and RM4.2 million, respectively. Additionally, we have not included the proposed employer's share of Employees Provident Fund (EPF) contributions for foreign workers, as the timeline for when this proposal will become mandatory remains uncertain.

The Group's existing strategy remains intact as we pursue initiatives to reduce our reliance on manual labour. We are enhancing the land-to-worker ratio through mechanisation and digitalisation, in line with our Five-Year Plan launched in 2020. Significant progress has been made, with the mechanised mainline fresh fruit bunch evacuation system now implemented on 99% of suitable estates and approximately 700 mechanised tools deployed for field operations. Looking ahead, the Group will continue to utilise and enhance mechanisation tools while focusing on improving labour productivity to effectively manage rising operating costs.

- Q2. India has raised the basic import tax on crude and refined edible oils, including palm oil by 20 percentage points which will effectively increase the total import duty on three oils to 27.5% from 5.5%. Imports of refined palm oil, refined soy oil and refined sunflower oil will attract 35.75% import duty against the earlier duty of 13.75%.

Has the Group experienced weak demand for its products from India customers? If yes, to what extent?

IOI Response:

India is not our primary market, and we do not engage in direct sales there. However, since the increase in import duty also applies to other competing oils, we believe that demand from India remains supportive. This is particularly evident as we have observed that CPO prices have recently risen to around RM4,500 per metric tonne.

Sustainability Matters

- Q3. The Group’s disclosure of its sustainability performance under Bursa’s prescribed format (Labour practices and standards), the number of substantiated complaints concerning human rights violations increased from two in FY2023 to eight for FY2024. (page 83 of Sustainability Report 2024)

- (a) What were the reasons for the significant increase in the number of substantiated complaints concerning human rights violations?

IOI Response:

The increase in substantiated human rights complaints in 2024 can be attributed to the growing awareness and strong trust workers have in our grievance mechanisms, as evidenced by the higher number of complaints reported through our IOI Mesra mobile application compared to last year. Majority of these complaints were resolved quickly. However, the more complex cases required us

to undertake more comprehensive internal investigations to confirm the facts of the case. Although we aim for zero cases of employee rights violations, we have to recognise that there are more than 120 operating units within our Group managing around 26,000 employees.

- (b) What was the nature of these eight complaints concerning human rights violations?

IOI Response:

Out of the eight complaints concerning employee rights violations, seven were received through IOI Mesra and one through the Women and Empowerment Committee (WEC). Three complaints were related to rights to dignity and respect, with workers reporting issues such as the use of harsh language, two cases of inequality treatment such as having preferred treatment of one worker over the other, one case of refusal to treat a worker who was hurt and finally, two incidences of sexual harassment that include an external party harassing one of our worker's dependents and harassment between colleagues.

- (c) Under the Company's M3 (Human Rights and Good Labour Practices) (page 34 of Sustainability Report 2024), it was stated that the Company would monitor workers' rights through a human rights due diligence service provider. Did the service provider above highlight the issues in their assessment? If yes, was it triggered before or after the complaints were received?

IOI Response:

Since 2022, we had engaged a service provider to conduct periodic surveys across six estates in Peninsular Malaysia. Through the survey, the service provider did identify potential issues. The management team then utilised the results of these surveys to address the potential human rights issues. The primary concerns raised were largely attributed to a lack of awareness regarding the company's procedures. In response to these findings, we implemented training programmes designed to educate workers about their rights and the grievance mechanisms available to them, to all our plantations in Malaysia and Indonesia, demonstrating our commitment to addressing worker rights concerns throughout the company.

- (d) What actions have been taken by the Group to avert or mitigate such human rights violations in future?

IOI Response:

Employee rights is one of the key focuses of our Board Sustainability Committee and the Group Sustainability Steering Committee. We constantly educate and remind our senior management and operating units' management about employee rights and welfare, and incorporate these as part of their key performance indicators for performance appraisal. At the plantation level, we have implemented the IOI Mesra application, which is widely adopted by our workers. Additionally, we conduct regular employee engagement activities to gather direct feedback from workers regarding any issues related to human rights and their overall well-being. Furthermore, as a company certified by Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO), we undergo annual audits by external certification bodies that assess our compliance with human rights standards and other relevant matters.

- Q4. In the Company's Sustainability Report 2024 (page 79), it was stated that a human rights due diligence assessment was conducted independently by a service provider in selected estates, with only a 17.82% response rate and over 80% positive responses for several key indicators.

- (a) Please clarify the methodology used for the assessment. Was it conducted via employee questionnaires or interviews?

IOI Response:

The assessment involved a five-minute mobile survey available in the workers' preferred language and was conducted anonymously. Workers are asked to answer twenty simple questions related to their rights and well-being by pressing 1 (Yes), 2 (No), or 3 (Neutral) on their phones.

- (b) Was the assessment conducted in areas where human rights issues have been reported in Question 3 above?

IOI Response:

Yes. The assessment questions cover accessibility to medical treatment, living conditions, discrimination, fair treatment, etc.

- (c) We note that the Company decided not to expand this assessment to its operations in Sabah. We recommend conducting a more comprehensive assessment across all areas, as each location may face unique challenges that differ from one region or estate to another.

IOI Response:

The decision not to expand this assessment is due to the poor response and enthusiasm by workers regarding the method of the survey utilising the phone. Alternatively, with the trust that has been built through our employee engagement activities, we are considering to conduct a more comprehensive survey regarding specific issues related to specific regions to be led by our human resources departments at the regional and head office.

Corporate Governance Matters

Q5. As at 30 August 2024, the Board of Directors ("Board") has 43% female representation and the Board will endeavour to maintain a minimum of 30% women as members of the Board. (page 107 of Annual Report 2024)

- (a) In terms of Board diversity, what benefits has the Board experienced from the participation of women directors on board? How have these benefits impacted the Board's performance?
- (b) Are there noticeable changes in the quality or diversity of perspectives in strategic discussions?

IOI Response:

The representation of women on our Board is reflected in the composition of its committees. Dato' Kong Sooi Lin ("Dato' Kong") chairs the Audit and Risk Management Committee ("ARMC"), Datuk Zurinah binti Pawanteh ("Datuk Zurinah") chairs the Governance, Nominating and Remuneration Committee ("GNRC"), and Dr Nesadurai Kalanithi ("Dr Kalanithi") chairs the Board Sustainability Committee ("BSC").

The participation of women directors on the Board has brought several key advantages that positively impact Board performance, as follows:-

- (i) **They bring unique viewpoints and varied experiences, fostering a balanced and comprehensive approach to decision-making. This diversity promotes thorough discussions and enhances our Board's ability to assess risks and opportunities, leading to more informed and strategic decisions during Board Meetings and Board Retreat. We also observe that with a 43% representation of women directors on Board, an inclusive and collaborative**

environment is fostered. This culture further bolsters our Board's capacity to tackle challenges cohesively.

- (ii) Dato' Kong and Datuk Zurinah often demonstrate meticulous attention to detail and a structured, process-oriented approach within the ARMC and GNRC. Their contributions have elevated governance standards, reinforcing accountability and enhancing the Group's transparency and integrity.*
- (iii) Under Dr Kalanithi's leadership of the BSC, there has been an increased focus on creating long-term, sustainable value. This emphasis has advanced the Group's sustainability initiatives, aligning practices with stakeholder interests and market expectations.*