WILMAR INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 199904785Z)

RESPONSES TO QUESTIONS RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON WILMAR'S ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Wilmar International Limited (the "**Company**" or "**Wilmar**") refers to the questions from the Securities Investors Association (Singapore) ("**SIAS**") relating to Wilmar's Annual Report for the year ended 31 December 2020. The Company's responses (in **blue**) to the questions from SIAS are set out below:

Q1. In a year when the global economy was brought to a standstill by the outbreak of COVID-19, the group reported a 18.6% increase in net profit to US$1.53 billion on the back of good performance from the Food Products (up 18.3%) and Feed and Industrial Products (up 26.3%) segments.

The performance overview and financial highlights can be found on pages 13 to 15 of the annual report. Some of the key operational and financial metrics of the feed and industrial products and food products segments are shown below (pages 16 & 17):

(i) **Can management help shareholders understand how much of the increase in volume and sales was the result of panic buying and stockpiling versus higher demand by consumers and/or the group gaining market share in its key markets?**

- **Our consumer products sales volume has been steadily growing due to increasing brand awareness and consumers' confidence in the Group's quality food staples. Even as lockdown restrictions eased in many countries, demand for our consumer products remained steady and we have seen the momentum continue into 2021. We have also seen a trend towards higher quality products.**

The group has disclosed that crushing margins and volume were healthy in 2020 (page 21 – Operations review). Soybean-crushing margins have a significant impact on the group's financial performance.

(ii) **Can management elaborate further on how it is managing the crushing margins given the volatility in the market?**

- **To manage crush margins given the volatility in the market, we use our experience in judging the market and also use derivatives to hedge our positions.**

(iii) The group has control over significant parts of the agricultural value chain. **How does the group balance between preserving margins and passing on cost increases to its customers and/or consumers given increasing commodity prices (which may be further exacerbated by supply chain disruptions)?**

- **When costs increase, especially due to commodity price increases that have been recently occurring, all food processors are generally subjected to these cost pressures. Our ability to increase end product pricing to recover cost increases is subject to competitive market pricing and the price elasticity of demand of these end products.**

In 2020, the group accelerated its investments especially in China and Indonesia, adding oil refinery, crushing plants, flour mills, rice mills, consumer edible oil, flour and rice packing plants and ships. Management has also identified the Central Kitchen as the most important initiative that will contribute significantly to the group's development in China.

(iv) **Can management provide shareholders with greater clarity on the factors and market trends that prompted the group's accelerated expansion? Is there a significant risk of over-capacity in the markets?**

- **We are accelerating our investments in China because we are seeing increasing demand for our products. We will not be able to meet projected demand if we do not increase the capacities of our various products. As China's economy grows, consumers are increasingly demanding better quality products.**

(v) **In addition, would management help shareholders understand the significance of the Central Kitchens that the group is setting up? Would this be a game-changer for the group in terms of its product range and open up new markets?**

- **Due to the high cost of rental and labour and difficulty of retaining staff especially chefs, there is increasing demand for central kitchens (CK) in order to reduce cost and maintain product quality. But because the costs of building and operating good quality CKs are very high, most fail. Those that survive are either poor quality ones, serving low-end markets or those set up by chain restaurants to meet their own requirements. These CKs are usually not profitable but the owners of these businesses, such as chain restaurants, need them to ensure consistency of their products.**

- **We are confident that we have the advantages to be successful in CK. We produce many of the essential raw materials for CK like oil, rice and flour. There are also many cost savings locating the CKs in our integrated manufacturing complexes. In addition, our research and development, culinary and baking institutes and distribution network will be very useful for the CKs.**

Q2. The group also successfully listed Yihai Kerry Arawana Holdings Co., Ltd (YKA) on the Shenzhen Stock Exchange (SZSE) ChiNext Board on 15 October 2020, raising approximately RMB13.93 billion. The IPO price for YKA was RMB25.70 per share. The shares were 1,750 times oversubscribed by online retail investors, translating to US$1 trillion in total demand and reflecting Chinese investors' confidence in YKA.

(i) **What organisation changes, if any, have been made to YKA? With the listing on SZSE, YKA has become an 89.99%-owned subsidiary of the group. How does the group work with the board of YKA to establish its growth plans and the strategic direction?**

- **The Chairman & CEO of Wilmar is also the Executive Chairman of YKA. The four non independent directors of the board have been working closely with the Chairman for many years and share the same vision for the company. There is therefore no change in the growth plans and strategic direction of YKA after listing.**

(ii) **Are there plans to further crystallise the value of the group's 89.99% holdings in YKA?**

- **We may sell additional shares after the lock out period if YKA shares are fairly valued or it is advisable for us to increase the free float of the shares if there are good M&A opportunities.**

(iii) **In addition, what were the key lessons gleaned by management from the IPO of YKA?**

- **The successful listing of YKA and its high valuation confirm that consumers and investors are confident of our business model and our products.**

On 22 March 2021, in a response to media reports on the proposed listing of the 50% owned Indian joint venture company, Adani Wilmar Limited, the company stated that it regularly evaluates all opportunities across its various businesses.

(iv) **If and when the group proceeds with the listing of Adani Wilmar Limited, how does management intend to finetune the IPO process (including the speed to market and the pricing of the IPO) to ensure a successful listing and to avoid a situation where too much money is "left on the table" during the IPO?**

- **As indicated in our SGX announcement on March 22, 2021, we are still evaluating opportunities in this regard. Any decisions with respect to a possible listing of Adani Wilmar Limited, will be made by the stakeholders at an appropriate time, as required. We will make further announcements as appropriate in compliance with applicable rules. We would like to reiterate that there is no assurance that any transaction will materialise or that any definitive or binding agreement will be reached or that any proposed listing will be undertaken.**

Q3. The group has a No Deforestation, No Peat, No Exploitation (NDPE) policy which was first launched in 2013 and subsequently updated in 2019. The group has extended its NDPE policy to its entire supply chain and has expanded its reporting scope and coverage to include all major business segments.

The annual sustainability report as well as updates on sustainability-related topics can be found on the group's Sustainability Dashboard (http://www.wilmarinternational.com/sustainability).

(i) **Is the group on track to publish its Sustainability Report 2020 by the end of May 2021?**

- **Yes, Wilmar's Sustainability Report (SR) 2020 is on track to be published before end of May 2021.**

In the Sustainability Report 2019 published in May 2020, the group showed the materiality matrix of the palm oil segment (reproduced below).

The group has identified "Supplier/supply chain monitoring" as the most material issue with the highest impact to the group's business and to external stakeholders. More than 20 million hectares are monitored under the Supplier Group Compliance Programme.

(ii) **Can the board help shareholders understand the board's efforts and its level of oversight in supplier/supply chain monitoring?**

- **Board governance on sustainability in Wilmar is described in our Sustainability Governance Structure which is available on our corporate website. The link is provided here:** https://www.wilmar-international.com/sustainability/policies/sustainability-governance-structure

- **This will also be included in the SR2020, under the "Sustainability Governance" subsection in the Appendix to the SR2020.**

- **The Wilmar Board oversees the management of Wilmar's sustainability strategy and is supported by the Company's Risk Management Committee (RMC) which meets quarterly and provides oversight of Wilmar's sustainability performance targets for the entire business. Key elements of supplier compliance and supply chain monitoring are reported quarterly to the RMC, and this includes Supply Chain Mapping & Traceability, and Grievance management (i.e. number of cases logged and suspensions related to NDPE non-compliance of suppliers). Further, the RMC is also apprised on matters arising from meetings with various stakeholders such as NGOs and is updated on media news on Wilmar's own operations and our supply chain.**

As disclosed in the report, over 90% of the group's palm oil suppliers have either provided a written confirmation of their commitment to the group's NDPE policy, published their equivalent policy, reported on NDPE compliance via the supplier reporting tool platform, or become a member of the RSPO.

(iii) **Does the group carry out any compliance/assurance checks on the written confirmation by the suppliers/supply chain?**

- **Yes. Site assessments are part of our verification process for supplier compliance to our NDPE policy. This is described here as part of our Supplier Reporting Tool (SRT), which can be found at this link available on the Wilmar website: https://www.wilmar-international.com/sustainability/supply-chain-transformation#supplierreportingtool**

- **In Wilmar's SR2020, we will report that we have achieved 98% traceability to mills, putting us on track to reach 100% traceability to mills by 2022. In addition, we will also describe Wilmar's use of the NDPE Implementation Reporting Framework (IRF) tool, led by the non-profit organization Proforest, in the subsection "Responsible Sourcing & Supply Chain Transformation" of the SR2020. The NDPE-IRF is an industry wide means of enabling more consistent reporting of NDPE compliance and progress to stakeholders. The tool involves the assessment and categorisation of supplier mills, evaluating their performance in relation to the three central pillars of the NDPE policy: Deforestation, Peat, and Exploitation.**

In addition, one of the 17 Sustainable Development Goals is SDG 4 - Quality Education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. The group has set a target for 100% of children living in the group's plantations and of compulsory school-going age to attend full-time education programmes by 2030.

In the past three years, the success rates were 88.3% (Dec 2017), 84% (Dec 2018) and 92.2% (Dec 2019). The figure for 2020 has not been published.

(iv) **Given the importance of SDG 4, would the board be reviewing how it could speed up the progress made in SDG 4 and consider shortening the timeline?**

- **The updated progress figure will be reported in SR2020, and this will be similar to the 2019 reported number.**

- **While we can strive to shorten the timeline of this target, the Covid-19 pandemic has resulted in the main efforts in 2020 and in 2021 being to ensure children are still able to access schooling with physical schools shut. This is of particular concern to us as many of our plantations are located in areas where internet connectivity is challenging and access to laptops limited.**

We have published case studies on our efforts available in the links provided here: https://www.wilmar-international.com/docs/default-source/default-document-library/sustainability/sustainability-brief---supporting-childrens-right-to-education-during-covid-19.pdf?sfvrsn=d4ab5531_2

and here:

https://www.wilmar-international.com/docs/default-source/default-document-library/sustainability/sustainability-brief_-supporting-children's-rights-to-education-during-covid-(indonesia-and-ghana)_-final.pdf?sfvrsn=a11fd8d5_2

which are available on the Sustainability Dashboard in our Wilmar corporate website.

Issued by
WILMAR INTERNATIONAL LIMITED
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