



WILMAR INTERNATIONAL LIMITED

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

**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) AND SHAREHOLDERS IN ADVANCE OF THE ANNUAL GENERAL
MEETING**

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 2022 and questions relating to the resolutions submitted by shareholders in advance of the Annual General Meeting to be held on 20 April 2023 at 10.00 a.m. (Singapore time).

The Company’s responses (in **blue**) to the questions are set out below:

QUESTIONS FROM SIAS

Q1. The theme of Wilmar's 2022 annual report is "Wilmar in India," and the chairman's message to shareholders provides an overview of the company's operations in India. Since partnering with the Adani Group in 1999, the joint venture, Adani Wilmar Limited (AWL), has become the largest food and FMCG company in India. Its "Fortune" brand is the top-selling edible oil with an 18% local market share. In February 2022, AWL's IPO raised US\$482 million for expansion, acquisitions, and investments, with Wilmar's interest diluted to 44% and a gain of US\$175.6 million recognised in FY2022.

Wilmar also owns 62% of Shree Renuka Sugars Limited (SRSL), India's leading sugar company with the largest sugar refining and ethanol capacities.

Through AWL and SRSL, Wilmar leads in edible oils, sugar refining, oleochemicals, specialty fats, ethanol manufacturing, and consumer pack edible oils and sugar.

A detailed feature on "Wilmar in India" can be found on pages 6 to 17 of the annual report.

(i) Can the board/management help shareholders better understand if the operations of AWL have been disrupted due to a shortseller’s report on the Adani Group? Are there challenges faced by AWL in obtaining financing following the report?

AWL’s day-to-day operations were not disrupted following the report. AWL was recently listed on the National Stock Exchange and BSE in India, having undergone a full initial public offering process under the scrutiny of regulators. It should be noted that the recent Hindenburg report did not raise any issues specific to AWL. AWL has not had any issues obtaining financing following the report.

- (ii) **As a 44% owned, material associate, what level of oversight and control does management have over AWL?**

As a joint venture, AWL's day-to-day operations are managed by an independent team of professional managers. Both promoters participate at the Board level, with Wilmar contributing its knowledge and experience in the commodity and consumer food products businesses while the Adani Group provides local logistical and regulatory support. In addition, the AWL Board is chaired by an independent director and Wilmar's Chairman and CEO, Mr Kuok Khoon Hong, is AWL's Vice-Chairman.

- (iii) **Has the board reviewed the capital structure of AWL and reassessed its major risk factors?**

Our exposure to AWL is limited and manageable, and we remain committed to this joint venture. Wilmar's share of AWL's current market value is approximately US\$2.9b, which is more than six times the current value of around US\$433m in our books. As mentioned in the Hindenburg report, AWL's Net Debt/EBITDA of 1.9x is below its industry average of 2.9X.

- (iv) **How does the group's business in India compare to its operations in China? What are the similarities and differences?**

Our overall strategy in India is similar to China. However, different countries have varying consumption patterns and local regulations, and we will tailor our strategies accordingly for each market.

- (v) **Are there any plans to leverage synergies between AWL and SRSL, such as merging them to reap greater economies of scale?**

We are always looking at ways to maximise synergies between our businesses. We will provide further updates, if any, to stakeholders at appropriate times.

- (vi) **How significant is the ethanol blending business given that the government has pushed forward the 20% blending target by five years to 2025?**

We own 62% of Shree Renuka Sugars Limited (SRSL), the largest raw sugar refiner and a leading ethanol producer in India, supplying ethanol to oil marketing companies and chemical industries.

Having achieved the target of 10% ethanol blending in June 2022, the Indian government has pushed forward its target of 20% by five years to 2025. This presents vast opportunities for SRSL to increase its production of ethanol.

In March 2023, SRSL announced the commencement of commercial production of ethanol from the expanded capacity, which increased from 720 kilolitres per day to 1,250 kilolitres per day.

Q2. Would the board/management provide shareholders greater clarity in the following operational and financial matters? Specifically:

- (i) **China: Can management provide more details on its outlook for China following three years of COVID-19 restrictions? How is the group positioned to take advantage of this trend, particularly in the food products sector?**

In the past three years, we continued to build our distribution networks and leverage our prominent brands as well as research and development capabilities to develop

new products such as condiments and home care products to widen our range of offerings.

With Covid-19 restrictions lifted, we are seeing improved sales of consumer pack and bulk pack products.

- (ii) **Central Kitchens: Are the Central Kitchens meeting management's projections and what upgrades and improvements are expected in the newer Central kitchens that are under construction, such as the ones in Langfang and Shenyang that will be operational later in 2023?**

In China, the Central Kitchen Food Park project remains an important new extension of the Group's value chain and complements our existing businesses, though progress was a bit slower than expected because of Covid restrictions earlier. There is no change in our plan for new Central Kitchens.

- (iii) **Margins: How does the group manage the risks associated with fluctuating commodity prices and other factors that can impact crushing margins?**

We manage our risks through hedging on futures markets and setting risk management policies for various commodities monitored by top management and the Board.

- (iv) **CPO: In its business outlook, it was stated that plantation profits and palm processing margins are expected to be under pressure. Has management identified any operational strategies to mitigate this?**

We will keep improving our manufacturing operations and our business model to make it more efficient and also use the futures markets actively to hedge our positions and lock in margins.

- (v) **Gearing: With shareholders' funds of US\$20.0 billion and net loans and borrowings of US\$18.8 billion, the net debt to equity ratio is 0.94 times as at 31 December 2022 (2021: 0.87 times). The interest expense on loans and borrowings for the year was US\$799.4 million (2021: US\$526.3 million). Can management provide details on how much of its interest rate risk has been hedged? Additionally, will high interest rates impede the pace of the group's investments? Have any projects been put on hold or cancelled due to high interest rates making the risk/reward ratio unfavorable?**

Most of our borrowings are for financing of our working capital requirements. The cost of interest is part of the cost of business and can normally be passed on. The higher interest cost in 2022 was due to higher interest rates and higher commodity prices.

Higher interest rates will not impede the pace of our group's investments which are determined mainly by profitability of the investments and our internal fund generation. Our group policy is, where possible, to fund investments from internally generated funds.

Our financials are strong, as reflected by our high interest coverage of 6.3x, strong net cash flows generated from operating activities of US\$2.05 billion, and EBITDA of US\$4.73 billion. Free cash flow was US\$613.6 million. As at 31 December 2022, the Group had unutilised banking facilities amounting to US\$26.74 billion.

- (vi) **Share buyback:** The company bought back \$190 million, \$130 million and \$278 million of shares at the average price of \$4.25, \$4.67 and \$4.11 in FY2020, FY2021 and FY2022 respectively. **Can the board/share purchase committee provide more insight into the factors they consider when deciding to conduct a share buyback?**

We buy back shares when our shares are grossly undervalued. For example, as of 31 December 2022, the market capitalisation of our share of our Chinese subsidiary, Yihai Kerry Arawana, was S\$40.38 billion, and that of our Indian associate, Adani Wilmar, was S\$5.65 billion, which translates to a combined value of S\$7.37 per share. If we take into account the value of the Group's unlisted assets and earnings, Wilmar shares are grossly undervalued. The amount of shares we buy depends on cash flow available.

- Q3.** As stated in the corporate governance report, the group has an in-house internal audit (IA) department responsible for auditing companies within the group and overseeing the work conducted by local IA departments in key operational jurisdictions.

The IA Department is staffed by suitably qualified and experienced IA personnel, including the IA Head, who reports directly to the audit committee (AC) functionally. The IA Head maintains open communication with the AC and can directly report any risks or control issues to the AC Chairman. The IA Head has been with the company since 2001 and is a Chartered Accountant with the Institute of Singapore Chartered Accountants (ISCA) and a member of the Institute of Internal Auditors, Singapore (IIA).

- (i) **What is the size of the internal audit department and how large are the local IA teams? Do the local Heads of the IA departments also comply with the standards set by nationally or internationally recognized professional bodies, such as the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors?**

The Internal Audit (IA) Department currently has a headcount of 84 globally, ranging from 2 to 46 staff in various locations where the Group operates, including IT auditors. Wilmar's Group Head of IA oversees the IA function in various locations and ensures compliance with IIA Standards. The Heads of IA for major locations are also members of the Institute of Internal Auditors where they are located.

- (ii) **Can the AC confirm that the foreign operating entities in Africa, China, Indonesia, Malaysia, Vietnam, etc., were included in the internal audit?**

The Group's IA programme covers all locations, including associates and joint ventures, where Wilmar has significant presence.

- (iii) **How were internal audits conducted in the past 2-3 years, given the extensive travel restrictions?**

During the Covid period, internal audits were conducted remotely when there were restrictions on travel and/or physical meetings. However, where possible, site audits were still conducted by local audit teams, especially when there were no travel/meeting restrictions within the country.

- (iv) **Specifically, are the joint ventures and associates, such as Adani Wilmar Limited, COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd., and Vietnam Agribusiness Holdings Pte. Ltd., included in the IA? If not, how does management assess that the system of risk management and internal controls is adequate and effective in addressing the material risks in the joint ventures and associates?**

Significant joint ventures and associates are included in the scope of Wilmar's internal audit plan.

- (v) **What were the scope, key findings and recommendations by the internal auditor for FY2022?**

Internal audit scope for FY2022 included operational and financial audit to assess the adequacy and effectiveness of internal controls to address material financial, operational and IT issues and compliance with laws and regulations, as well as whistleblowing matters.

The key findings are circulated to the AC. For FY2022, these key findings mainly relate to policy compliance issues, as well as areas for improvements. Recommendations included fine-tuning of processes, training and active monitoring by management, and where applicable, disciplinary actions.

- (vi) **What is the level of oversight by the AC on the actions taken by management to follow up on the recommendations?**

Follow up actions on recommendations by IA are done periodically and reported to the AC half yearly.

QUESTIONS FROM SHAREHOLDERS SUBMITTED IN ADVANCE (AS AT 6 APRIL 2023, 10.00AM)

Company's Business and Operations

1. How is the China-US strategic rivalry affecting the company? Does US/European sanctions on Russia affect the company's ability to acquire fertilisers? Now and into the future?

The tensions between China and the US have not had a significant impact on our Group's operations (as the issues have mainly focused on the tech industry).

The sanctions have not posed any significant impact to our ability to acquire fertilisers. Our robust and diversified supply of fertilisers has enabled the Group to effectively manage our access to fertilisers which has been largely undisrupted.

2. Please give an update of central kitchen business. When will it start to generate a positive bottom line?

In China, the Central Kitchen (CK) Food Park project is an important new extension of the Group's value chain and complements our existing businesses. We will build multiple integrated food park complexes and site most of them in our integrated manufacturing plants throughout China to address the growing need for efficient and quality food production.

We will adopt an open approach so that we can attract a broad tenant mix and bring together strategic ingredients suppliers, other food manufacturers and service providers. The efficiency and scale of this approach will help achieve the synergies of the CK Food Park project to produce good tasting, safe, consistent quality food products at lower costs.

We have formed a joint venture with the largest integrated logistics service provider in China, SF Express, to provide efficient distribution of products from our food parks.

The first CK Food Park project in Hangzhou (Zhejiang province) commenced operations in April 2022, followed by three more in Zhoukou (Henan province), Chongqing, and Xingping (Shaanxi province) respectively. Another six projects are under construction in Langfang (Hebei province), Shenyang (Liaoning province), Kunshan (Jiangsu province), Yanzhou (Shandong province), Guangzhou (Guangdong province) and Huai'an (Jiangsu province). The Langfang and Shenyang projects are expected to be operational this year.

The Food Parks generate multiple sources of revenue, including revenue from our own central kitchen, rental income from tenants (e.g. other central kitchen operators, food manufacturers, ingredient suppliers, service providers), sale of our products to Food Park tenants (e.g. cooking oil, rice, flour, noodles, condiments, detergents) and provision of services (e.g. warehousing, distribution)

As the operations only started last year amidst the Covid lock downs, the take-up rate has not been as strong as earlier anticipated. Nonetheless, we remain optimistic that given the re-opening of the Chinese economy this year, the pace will accelerate. Our long-term plans for the CK Food Park project remain unchanged.

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