

CHAIRMAN'S STATEMENT

A portrait of Franky Oesman Widjaja, Chairman and Chief Executive Officer, wearing a dark blue suit, a white shirt, and a red patterned tie. He is smiling and wearing glasses. The background is a blurred office setting with a large wooden letter 'B' visible on the left.

Our priorities focus on enhancing performance, strengthening the balance sheet, and being resilient in creating long-term value for our stakeholders.

Franky Oesman Widjaja
Chairman and Chief Executive Officer

DEAR SHAREHOLDERS,

We are delighted to mark the financial year 2021 (FY2021) as a record year for Golden Agri-Resources Ltd (GAR or the Company). Going through a difficult COVID-19 year in 2020 taught us to anticipate the unexpected and become more adaptable and resilient. Powered by our robust integrated business model, we have focused on harnessing technology to serve the change in consumers' preference towards healthier and more sustainable products. This has provided a strong foundation for us to fully benefit from the increase in crude palm oil (CPO) prices, performing exceptionally better and emerging stronger amidst the ongoing pandemic.

Palm oil continues to play a critical role in meeting growing demand amid extreme tightness in global vegetable oil supply and easing pandemic restrictions in major consuming countries. In FY2021, CPO FOB market prices remained strong throughout the year, averaging US\$1,168 per MT, 69 percent higher than the previous year's average. At the beginning of 2022, international CPO prices have achieved multiple record highs in line with other commodities as global economies continue to recover.

FY2021 - A YEAR OF RECORD PERFORMANCE

Our priorities focus on enhancing performance, strengthening the balance sheet, and being resilient in creating long-term value for our stakeholders.

GAR's performance in FY2021 was noteworthy. Revenue for the full year crossed the US\$10 billion level, an all-time high corresponding to strong CPO prices. This factor, coupled with robust margins from our downstream business, propelled us to an EBITDA of US\$1.21 billion, an upsurge of 81 percent. During the year, underlying profit more than doubled totalling US\$603 million, whilst net profit recovered strongly to US\$476 million.

We are proud of the excellent performance of both our upstream and downstream businesses. With an enlarged margin of 36 percent, upstream

business contributed US\$779 million of EBITDA, 87 percent stronger than the previous year. In addition to higher prices, palm product output also grew by seven percent to almost three million tonnes with a yield of 5.4 tonnes per hectare, which continued to be amongst the highest in the industry. We focus on increasing the production of the 536 thousand hectares of our managed plantations in Indonesia through intensification using sustainable production methods and digitally enhanced efforts to increase productivity and maintain cost leadership.

Downstream business also achieved a larger contribution to GAR's consolidated EBITDA, by 70 percent to US\$434 million. We made greater efforts into serving our customers during the year by delivering higher value, healthier and sustainable products and better managing the challenging global supply chain logistics. These endeavours resulted in our downstream business achieving an excellent margin of 4.3 percent.

The Company's financial position continues to be robust, as demonstrated by a further reduced gearing (net debt to equity) ratio of 0.20 times. This healthy indicator provides us with the flexibility to manage through uncertain market conditions and address emerging opportunities. The financial markets also recognised our financial strength, credit profile and future outlook, affirmed by the successful IDR bond issuance of Rp4.8 trillion, equivalent to US\$337 million during the year by our listed Indonesian subsidiary, PT SMART Tbk.

On the back of the Company's robust performance and successful efforts in prudently managing its financial position, the Board proposes a final dividend of 1.077 Singapore cents per share. After incorporating the interim dividend of the 0.528 Singapore cents per share distributed in November 2021, the total dividend for FY2021 will be 1.605 Singapore cents per share or approximately US\$151 million in total. This represents the highest dividend distributed by the Company and a 234 percent increase compared to the previous year. To further reward our shareholders, GAR will also initiate a share buyback programme with an allocated amount of up to US\$100 million for the year 2022.

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LEADING CHANGE, EMERGING STRONGER

While implementing automation and mechanisation in our integrated operations, we develop in-house technology to transform the way we operate. We are developing a digitally enabled agribusiness based on the concept of Industry 4.0. This new phase in industrial development focuses on interconnectivity, automation, artificial intelligence, and real-time data. We believe that it is imperative to embrace technological advancement to systematically build advantages into our business operations, to sustain our superior productivity and cost competitiveness.

Looking forward, growing affluence and evolving technology are changing our customers, further creating exciting opportunities for our product offering. We envisage next-generation value-seeking consumers to expand their demands from affordability and taste to products that are healthier, responsibly sourced and customised to their preferences. As our research and technology investments focus on these important game changers, we can differentiate ourselves and boost the value creation of our business.

GAR has long-established brands in Indonesia's growing consumer food industry. Our integrated



consumer business covers the production, sales, and distribution of our cooking oil, margarine, and beverage products. The future of this industry is bright as Indonesia is a developing country with rapid growth in population and income. Continuing investment in e-logistics and e-commerce technology plays a critical role as the pathway to build our full-service distribution capability. From end-to-end supply chain management to sales and marketing.

Investments in and partnerships with technology companies are part of our strategy to capitalise on the digital future. It gives access to new revolutionary technologies as well as scale, which enables us to build unparalleled competitive advantages. We will be systematically adapting and refining our investment portfolio to align with our strategy of creating deep business synergies.

STRENGTHENING OUR ESG EFFORTS

As we continued to work on responsible palm production in 2021, we also identified environmental, social and governance (ESG) matters needing more attention, including our response to climate change and addressing greenhouse gas (GHG) emissions.

Implementation of the [GAR Social and Environmental Policy \(GSEP\)](#) remained on track. Using lessons learnt during the pandemic, we continued to leverage technology and pushed ahead on critical initiatives such as achieving full traceability for our palm supply chain.

As of the end of 2021, we had achieved 95 percent Traceability to the Plantations (TTP) for our entire palm supply chain. However, our supply chain is not static. Every year, there is always some turnover, making it challenging to achieve 100 percent TTP. In addition, new suppliers joining our supply chain require time to build capacity to implement TTP. We are engaging actively with these and the very few suppliers who have yet to complete their TTP and have devised action plans to support them. We are also exploring ways to build a database of TTP-compliant suppliers for future sourcing.

We believe that it is imperative to embrace technological advancement to systematically build advantages into our business operations, to sustain our superior productivity and cost competitiveness.

We continued to register thousands of smallholders under our Ksatria Sawit programme, which aims to accelerate TTP. This initiative targets areas where supplier mills predominantly buy from smallholders and traces their agents and farmers. As of the end of 2021, about 118,000 farmers were registered under the programme.

Since reaching this advanced stage of TTP, we are now focusing our resources on the next phase of supply chain transformation. We will deepen our engagement and design more targeted programmes to support our suppliers in their sustainability journey. We are partnering with some of our customers on these programmes.

We maintained our strict adherence to our Zero Burning Policy on the environmental front. As a result, 99.97 percent of our area was not affected by fire. We also continued our collaborative efforts with villages on fire prevention with 90 villages participating in the Desa Makmur Peduli Api programme.

Employee and community well-being remained a priority with the pandemic in its second year. We helped more than 140,000 people, including our employees, get vaccinated and supplied over 60 tonnes of liquid oxygen to local communities in Indonesia. Together with the Tzu Chi Foundation, we also distributed masks, health packages to thousands of medical personnel and provided 12 oxygen concentrators to hospitals.

Our continuing work in each of these areas supports the UN Sustainable Development Goals (SDG), particularly goals related to Responsible Consumption and Production (SDG12), protection of Life on Land (SDG15) and Partnerships for the Goals (SDG17).

Looking ahead, we will bolster our response to climate change and step up efforts to reduce GHG emissions, including implementing the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. We are developing a strategy on GHG emissions reduction, and will be reporting our emissions for all operations in our full Sustainability Report. In addition, in line with our commitment to continuous improvement, the Company will identify ESG related areas to intensify our efforts.

REMAINING VIGILANT WHILE EMBRACING A BRIGHTER TOMORROW

CPO market prices continued their ascent supported by tight global vegetable oil supply and recovery in demand. 2021 saw worldwide vaccination gaining momentum and the impact of the pandemic gradually receding, resulting in the progressive recovery of economic conditions in major consuming countries. Looking forward, we expect the tight vegetable oil situation to persist. Palm oil faces production challenges, including labour issues in Malaysia and under-fertilised smallholder plantations. In addition, dry weather conditions in South America further strain the global vegetable oil supply.

The current conflict in Ukraine further adds to the complexity of the global vegetable oil merchandising flows. We remain vigilant of any short-term volatilities, especially developments in the geopolitical situation and the COVID-19 pandemic. Facing this multifaceted situation, we believe palm oil prices will be elevated in 2022.

In the longer term, positive palm oil industry prospects endure. Palm oil plays a key role in addressing food security amidst a growing world population. Nowadays, consumers increasingly opt

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for sustainably-sourced and healthier products for food and energy. GAR's competitive strengths from its integrated business model will enable us to serve the changing global consumer preferences.

APPRECIATION

The firm set of results achieved in FY2021 demonstrates our business's resilience and competitive strengths. It is also the result of the hard work of our employees. The Board appreciates the ingenuity and perseverance of all employees who have professionally endeavoured to achieve the Company's vision.

As GAR evolves, the Board's composition changes too. The Board and I would like to extend our gratitude to our former Independent Directors, Mr. Lew Syn Pau, Mr. Foo Meng Kee and Mr. Kaneyalall Hawabhay, for their significant contributions to GAR. They have fulfilled their duties competently and served with distinction during their time with GAR. Their invaluable strategic advice has contributed to GAR becoming the resilient Company it is today. At

the same time, we welcome Mr. Willy Shee Ping Yah, Mr. Soh Hang Kwang and Mrs. Marie Claire Goolam Hossen to the Board as Independent Directors. Their diverse experiences and skills will enrich our Board and guide our business to future successes.

The Board also wants to pay tribute to our shareholders and stakeholders for their unwavering confidence and support. With hope and optimism, we will proceed together to achieve an even brighter future.



Franky Oesman Widjaja
Chairman and Chief Executive Officer
18 March 2022