

ANNUAL REPORT
2022

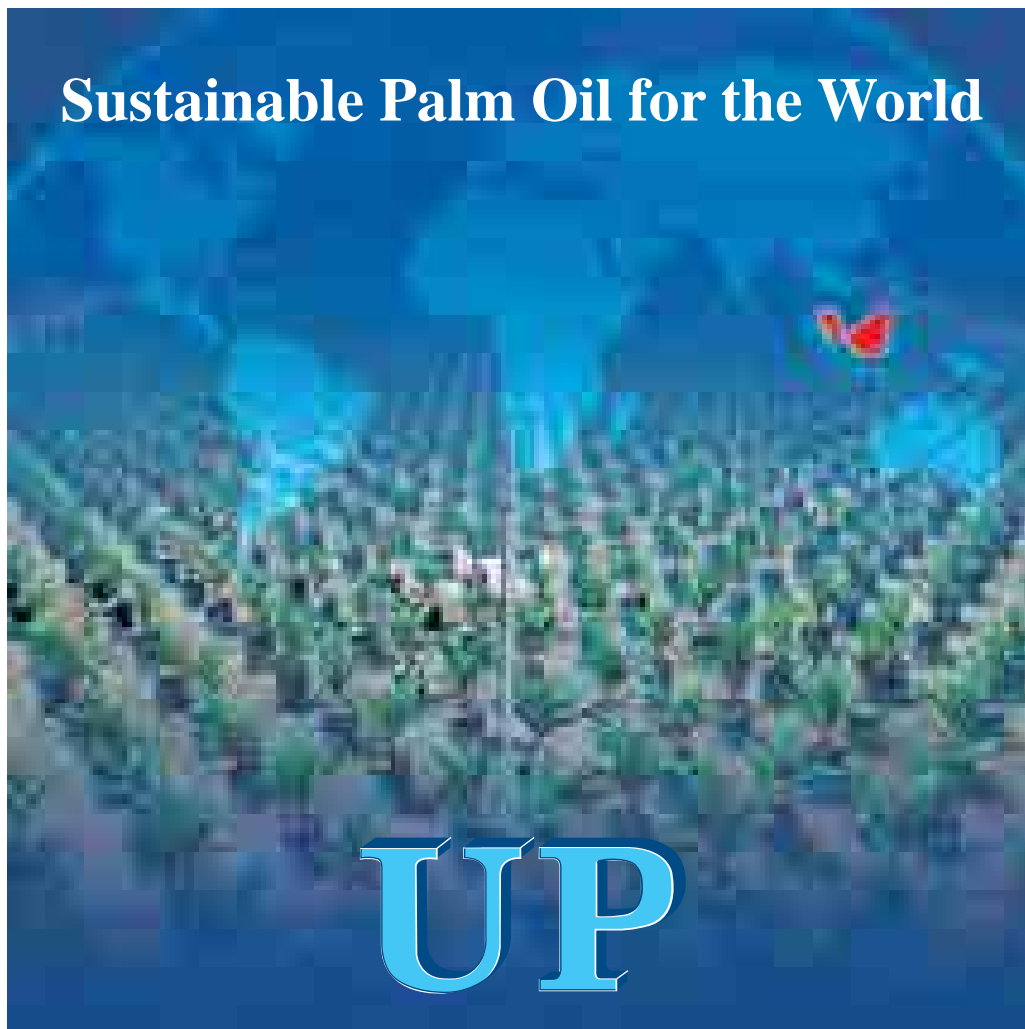


UP

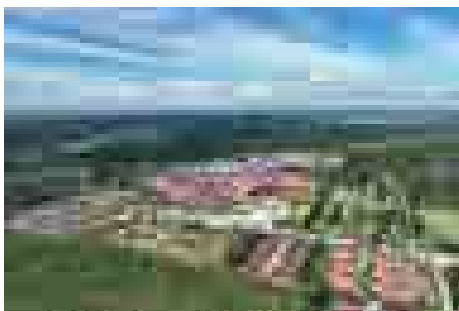
UNITED PLANTATIONS BERHAD

(Company Registration No. 191701000045 (240-A))

Group Philosophy



We strive towards being recognized as second to none within the plantation industry, producing high quality products, always focusing on the sustainability of our practices and our employees' welfare whilst attaining acceptable returns for our shareholders.



Front Cover:

Our integrated Sustainable Value Chain on Jendarata Estate Division 3 with the recently upgraded Palm Oil Mill in the centre, and the Unitata refinery complex and Biogas Plant in the background.

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United Plantations in brief

Founded on Danish and Malaysian Expertise and Resources, United Plantations Berhad (UP) from a modest beginning in 1906, has over the years grown in size and stature.

Today UP is one of the larger medium sized plantation groups in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalization of approximately RM6.37 billion at the end of its financial year 31 December 2022.

UP's core business activity lies within the cultivation of oil palm and coconuts. Its total cultivated landbank covers 63,000ha spread over Malaysia (71%) and Indonesia (29%) and is supported by 6,381 employees across the Group.

UP possesses considerable know-how in plant breeding, agronomy and tissue culture through its R & D facilities established in the early 1950's, ensuring the development of new and improved planting materials as well as improved crop husbandry practices.

The Group is also engaged in several downstream activities such as edible oil refining as well as production and packaging of specialty fats based on certified sustainable palm oil and strong emphasis on high quality and food safety standards.

Through its focus on Corporate Social Responsibility and Creating Shared Value combined with sound managerial and technical expertise, UP is today recognised as a global leader in terms of sustainability, high yields, cost competitiveness and innovative practices that are operationalised throughout its plantations.



Corporate Social Responsibility and Creating Shared Value

The UP Legacy And Values



Aage Westenholz,
Chairman and Founder of UP Ltd
(1906-1935)



Commander William Lennart Grut,
Chairman of UP Ltd (1935-1949)



Tan Sri Dato' Seri B. Bek-Nielsen,
Chairman (1978-1982) and
Sr. Executive Director of UPB
(1971-2003)



Tan Sri Haji Basir bin Ismail
Chairman of UPB (1982-2002)

History and Responsible Agriculture

UP's commitment to sustainable agriculture originated with its founder, a Danish Engineer and Entrepreneur, Aage Westenholz who established UP in 1906.

Westenholz not only promoted a strong culture of innovation and imaginative approach to business strategy but also of ethical conduct within plantations agriculture.

He was known for his philosophical ideals of co-operative working and profit sharing and promoted the following concept: "capital and labour ought to co-operate as two hands on the same body guided by one brain."

Westenholz was also known for setting the highest standards for the workforce, within the conditions of the day, and had as early as 1928 established a well-functioning hospital with good facilities and medical personnel to cater for the needs of the employees and their families as well as the communities surrounding the estates.

Another key figure during the foundation of UP was Westenholz's brother-in-law, a navy officer, Commander William Lennart Grut.

The two stalwarts, Westenholz and Grut not only linked together in kinship, also shared common values of Vision, Compassion and Discipline and introduced the first jungle sanctuary (The Grut Sanctuary) as well as the concept of mulching to maintain soil fertility in the 1930's.

The focus on innovation and care for employees combined with ethical values laid down by our pioneers signifies the beginning of UP's early focus on Corporate Social Responsibility (CSR) which has become a part of the Company's DNA and emphasises the responsibility to manage our resources resourcefully and engage in activities that optimize returns for our shareholders and at the same time Creating Shared Value (CSV) for employees and the society we operate in.

The central premises behind CSV are that the competitiveness of our Company and the health of the communities around us are mutually dependent, thus enabling UP to create economic value by also creating societal value.

Building Bridges Between Two Nations

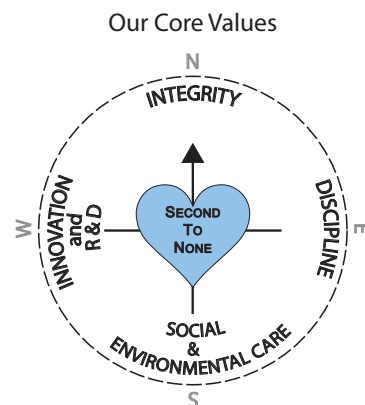
The late Tan Sri B. Bek-Nielsen who started his career with UP in 1951, continued the legacy of the early founders through hard work, discipline and being firm but fair throughout his career spanning more than 50 years. He was instrumental in expanding the Group through technical as well as agronomic innovation focusing on producing palm oil of superior quality.

In 1982, the late Tan Sri Haji Basir took over the chairmanship of UP and together with the late Tan Sri B. Bek-Nielsen ensured that solid bridge between two Nations, Denmark and Malaysia, galvanised further. Through this close collaboration the two stalwarts ensured that UP progressed into an internationally recognised Group.

Over the last 117 years since our foundation, UP has been focusing on maintaining social and environmental awareness and striving to the best of its abilities to create a balance between economy and ecology.


This commitment resulted in UP being awarded the world's first Roundtable on Sustainable Palm Oil certificate in 2008.










UP commitment believes "That no one person at the top is stronger than the pyramid of people who supports him or her". Emphasis on the attitude of continuous improvement combined with the values of Integrity, Discipline, Innovation and focusing on Social and Environment care are key aspects of UP's unique culture which is best described through our motto "Second to None".



UP's Geographical Presence in Malaysia & Indonesia

Plantation & Mill (Malaysia)

- ① **Jendarata Estate & Mill** 



United Plantations Berhad
(Registered Office)
Jendarata Estate
36009, Teluk Intan
Perak Darul Ridzuan
Malaysia
- ② **UIE Estate & Mill** 
- ③ **Kuala Bernam Estate** 
- ④ **Sungei Bernam Estate** 
- ⑤ **Ulu Bernam Estate & Mill** 
- ⑥ **Changkat Mentri Estate** 
- ⑦ **Ulu Basir Estate & Mill** 
- ⑧ **Charong Estate** 
- ⑨ **Seri Pelangi Estate** 
- ⑩ **Lima Blas Estate** 
- ⑪ **Tanarata Estate** 

Plantation & Mill (Indonesia)


- ⑫ **PT SSS Estate & Mill** 






PT. Surya Sawit Sejati
(Registered Office)
Desa Sungai Rangit Jaya Sp. 6,
Kecamatan Pangkalan Lada
PO. BOX 1017 - Pangkalan Bun
Kalimantan Tengah 74101

Resource-Based Manufacturing

- ⑬ **Unitata (Subsidiary)** 
- ⑭ **UniFuji (Joint Venture)** 

Others

- ⑮ **Bernam Bakery** 
- ⑯ **Bernam Advisory Services**
(Sales & Marketing Office)

-  Estate
-  Refinery
-  Palm oil mill
-  Bakery
-  Biogas plant



Total Landbank in Hectares

Location On Map	Oil Palm	Coconut	Other Crops	Conservation	Buildings & Infrastructure	Plasma	Total (Hectares)
Malaysia	37,507	4,627	22	389	1,879	0	44,424
① Jendarata Estate (Perak)	5,202	772	22	-	340	-	6,336
② UIE Estate (Perak)	8,950	789	-	91	535	-	10,365
③ Kuala Bernam (Perak)	-	811	-	-	19	-	830
④ Sungei Bernam (Selangor)	-	2,255	-	-	21	-	2,276
⑤ Ulu Bernam (Perak)	3,050	-	-	-	148	-	3,198
⑥ Changkat Mentri (Perak)	2,364	-	-	12	175	-	2,551
⑦ Ulu Basir (Perak)	3,738	-	-	129	124	-	3,991
⑧ Charong (Perak)	6,748	-	-	-	153	-	6,901
⑨ Seri Pelangi (Perak)	1,329	-	-	-	99	-	1,428
⑩ Lima Blas (Selangor)	2,745	-	-	99	48	-	2,892
⑪ Tanarata (Perak)	3,381	-	-	58	217	-	3,656
Indonesia	8,800	0	0	7,814	570	1,392	18,576
⑫ PT SSS (Central Kalimantan)	8,800	-	-	7,814	570	1,392	18,576
Total (Hectares)	46,307	4,627	22	8,203	2,449	1,392	63,000

Refineries & Others

- ⑬ Unitata Refinery (Perak)
- ⑭ UniFuji Refinery (Perak)
- ⑮ Bernam Bakery (Perak)
- ⑯ Bernam Advisory Services (Kuala Lumpur)

GPS Location of Group Owned Palm Oil Mills

No.	Name of Mill Location	Latitude	Longitude
I	Jendarata	N 3°51'14"	E 100°58'06"
II	Ulu Basir	N 3°43'28"	E 101°15'21"
III	Ulu Bernam Optimill	N 3°46'19"	E 101°13'14"
IV	UIE	N 4°26'53"	E 100°43'11"
V	PT SSS	S 2°35'24"	E 111°46'16"



UP at a Glance



Founded in Malaya in 1906



250,000 tonnes palm oil



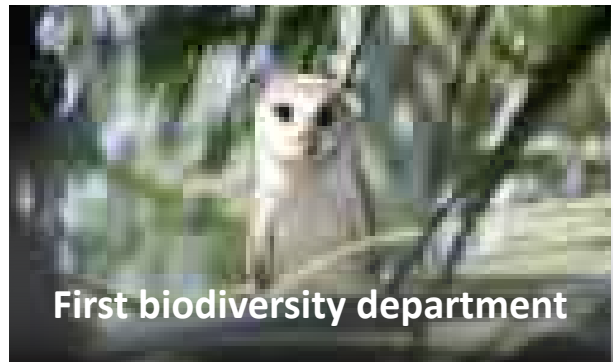
6,381 employees



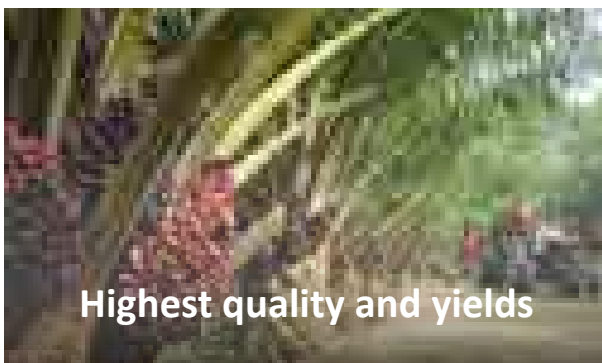
8,203 Ha jungle conservation



First RSPO certification



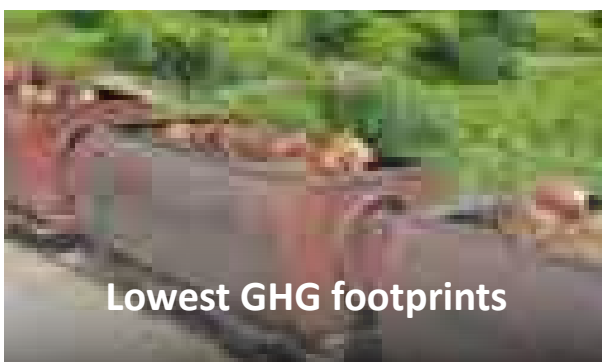
First biodiversity department



Highest quality and yields



Highest social standards

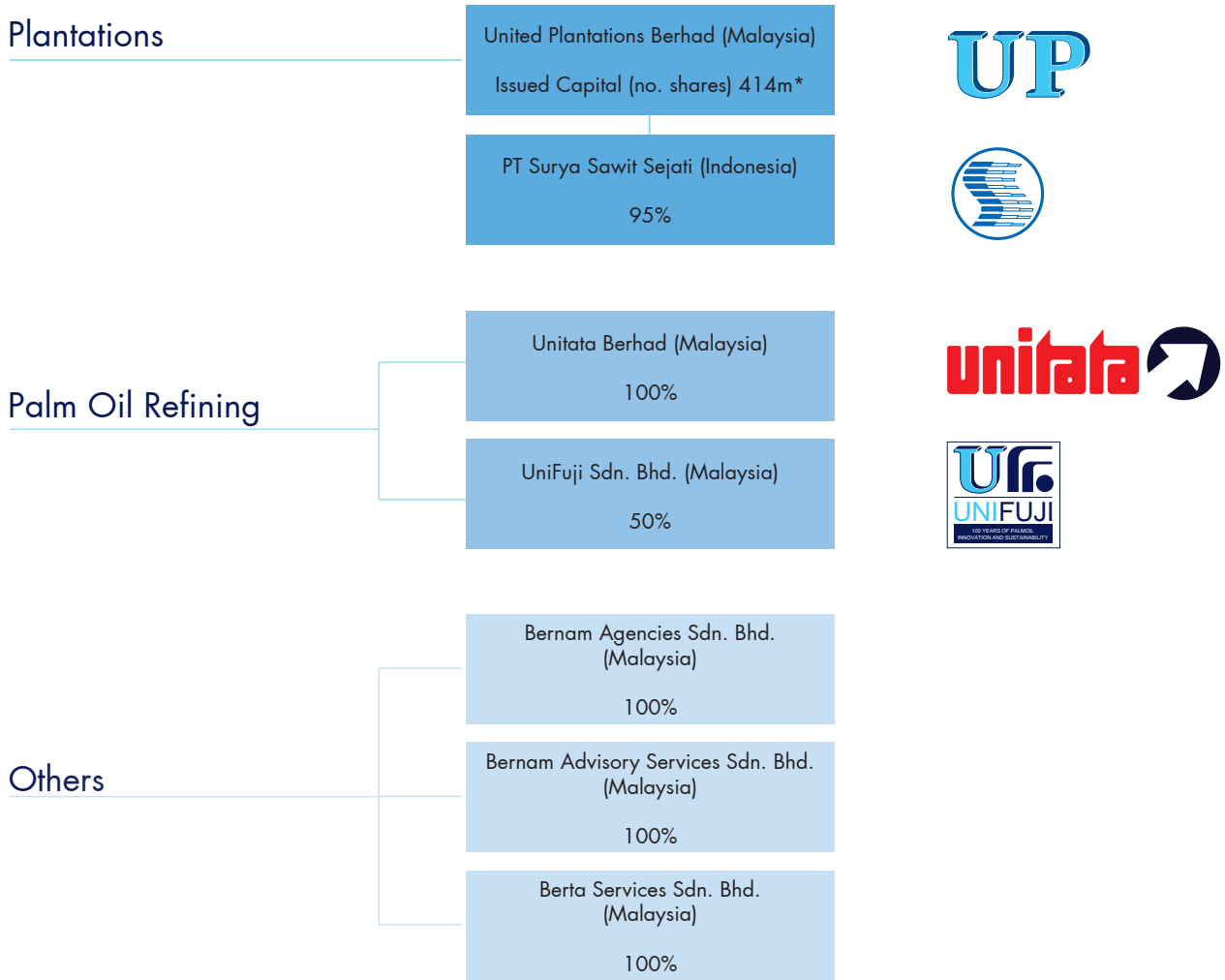


Lowest GHG footprints

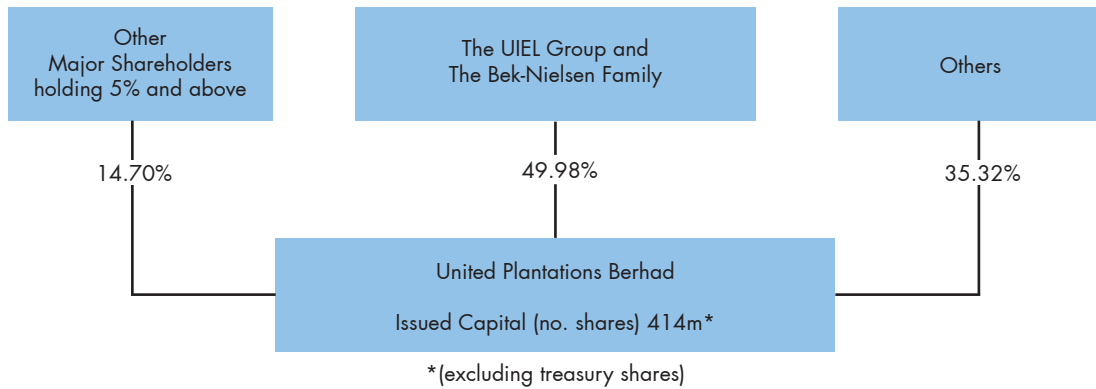


Lowest contaminants

Group Structure as at 31 January 2023



General Shareholding Structure Group as at 31 January 2023



Financial Highlights (5 Years)

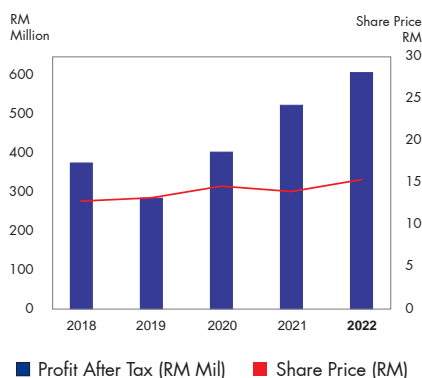
	2022	2021	Change (%)	2020	2019	2018
Revenue (RM' Million)	2,515	2,033	23.71	1,340	1,173	1,306
Profit Before Tax (RM' Million)	846	683	23.87	506	358	491
Profit After Tax (RM' Million)	606	522	16.09	402	284	374
Earnings Per Share (Sen)*	145	125	16.00	96	68	89.5
Net Dividend Per Share (Sen)**	140	115	21.74	85	67.5	70
Dividend Payout Ratio	0.97	0.92	5.43	0.89	0.99	0.78
Dividend yield as at 31 December (%)	9.15	8.29	10.37	5.85	5.14	5.49
Total Equity (RM' Million)	2,905	2,685	8.19	2,631	2,554	2,589
Return on Equity (%)	20.86	19.44	7.30	15.28	11.12	14.45
Total Borrowings (RM' Million)	0.248	0.001	24,700.00	0.1	0.1	0.1
Non-Controlling Interests (RM' Million)	14.0	10.7	30.84	10.9	9.2	7.8
Cash Position (RM' Million)	779	478	62.97	465	459	916
Total Assets (RM' Million)	3,319	3,153	5.26	2,975	2,858	2,918
Total Liabilities (RM' Million)	414	468	(11.54)	344	304	329
Year-End Closing Share Price (RM)*	15.30	13.88	10.23	14.52	13.14	12.75

* Comparative adjusted for Bonus Issue

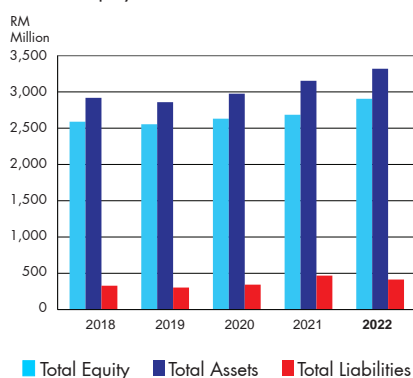
** Including proposed Final Dividend

Financial Graphs (5 Years)

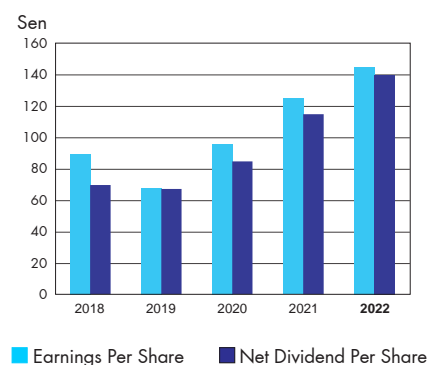
Profit After Tax and Year-End Share Price



Total Equity, Total Assets and Total Liabilities



Earnings Per Share and Net Dividend Per Share



Group Production & Yield

CPO PRODUCTION

254,389

METRIC TONNES

↑ 1.1%

PK PRODUCTION

51,928

METRIC TONNES

↑ 3.1%

COCONUT PRODUCTION

86.1

MILLION NUTS

↓ 2.2%

CPO YIELD

5.89

METRIC TONNES/HECTARE

↓ 1.7%

Group Planted Areas (Ha)

TOTAL OIL PALM
MATURE 43,628 | IMMATURE 2,679
TOTAL 46,307

TOTAL COCONUT
MATURE 3,837 | IMMATURE 790
TOTAL 4,627



Tall palm harvesting is a highly skilled manual operation.

Profile Of Directors



Dato' Mohamad Nasir bin Ab. Latif
*Chairman, Independent,
 Non-Executive Director,
 Chairman of the Remuneration &
 Nomination Committees*

Appointed director of the Company on 1 February 2020 and elected Chairman of the Board on 22 April 2021.

Dato' Mohamad Nasir bin Ab. Latif, born in 1958, a Malaysian, graduated in 1989

with a Bachelor's degree in Social Science (Economics) from University Sains Malaysia and obtained a Certified Diploma in Accounting and Finance from the Association of Chartered Certified Accountants in 1996. He holds a Master of Science in Investment Analysis from University of Sterling, United Kingdom in 1999.

His career at the Employees Provident Fund Board (EPF) spanned 37 years, starting out as a State Enforcement Officer and rising through the ranks to becoming General Manager of the International Equity Department before becoming EPF's Investment Chief in 2013. He retired as Deputy Chief Executive Officer (Investment) from EPF on 31 December 2019.

He is the Chairman of PLUS Malaysia Berhad and RHB Islamic Bank. He also serves as a member of the Board of Directors of RHB Bank Berhad, Malaysian Resources Corporation Berhad (MRCB) and Yinson Holdings Berhad.



Dato' Carl Bek-Nielsen
*Vice Chairman,
 Chief Executive Director (CED),
 Non-Independent, Director-in
 Charge of Unitata Berhad*

Appointed director of the Company on 1 January 2000 and elected Vice Chairman on 8 March 2002 and appointed Chief Executive Director (CED) of United Plantations Berhad on 1 January 2013.

Dato' Carl Bek-Nielsen, born in Petaling Jaya in 1973, is a Danish citizen with a Permanent Resident status in Malaysia. He started his career with the Company in 1993 as a Cadet Planter leaving a year later to pursue his tertiary education in Denmark, graduating with a B.Sc. degree in Agricultural Science from the Royal Veterinary and Agriculture University of Denmark. In 1998 he returned to Malaysia to take up the position of Corporate Affairs Officer with the Company. He was promoted to the position of Executive Director (Corporate Affairs) on 1 March 2000. On 9 November 2004 he was appointed Director In-Charge of Unitata Berhad.

He is the Chairman of United International Enterprises Limited (UIEL), a public listed company on the NASDAQ OMX Copenhagen A/S. He is also a Board Member of the Schorling holding company, based in Stockholm.

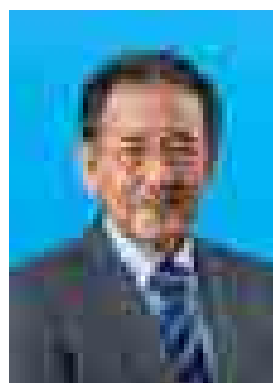
Since 2005, he has been a Council Member of the Malaysian Palm Oil Association (MPOA). He has also served as a Council member of the Malaysian Palm Oil Council (MPOC) from 2005 to 2020 and on the

Programme Advisory Committee to the Malaysian Palm Oil Board (MPOB) from 2008 to 2019.

On 17 November 2014, he was appointed on to the RSPO Board of Governors as Co-Chairman representing the MPOA and was re-elected in February 2022 to continue serving as the Co-Chair of the RSPO.

On the 21 April 2021 Her Majesty Queen Magrethe the II of Denmark appointed Dato' Carl Bek-Nielsen as the Honorary Consul General of Denmark to Putra Jaya and Kuala Lumpur and Honorary Consul of Denmark to Perak, Johore, Malacca, Negri Sembilan, Pahang, Selangor and Terengganu.

He is the brother of Mr. Martin Bek-Nielsen, and a Board representative of the Company's two major shareholders, UIEL and MaximumVista Sdn. Bhd.. He is deemed interested in various related party transactions between UP Group and certain companies carried out in the ordinary course of business as disclosed in Note 28 to the Financial Statements.



Mr. Ho Dua Tiam
*Non-Independent,
 Non-Executive Director*

Appointed director of the Company on 1 January 1995, Mr. Ho Dua Tiam, born in 1943, is a Malaysian citizen.

After completing his study at the Serdang Agricultural College, he started his career with United Plantations Berhad in 1964 as a Cadet Planter. He served the Company in

various positions before his appointment as Deputy Senior Executive Director on 28 January 2002 and thereafter as Senior Executive Director on 21 June 2003. He retired from the position of Senior Executive Director (CEO) on 31 December 2012 and continued to serve the Company as Inspector General, Estates and Special Advisor of UP Berhad from 1 January 2013 to 31 December 2018. Mr. Ho was appointed, on an advisory capacity as Visiting Director/Advisor from 1 January 2019 to 31 December 2020. He was until recently a director of United International Enterprises (M) Sdn. Bhd. and Maximum Vista Sdn. Bhd..

He is not on the Board of any other public listed company. He had served the Malaysian Agricultural Producers Association (MAPA) in various capacities including as Chairman of the Negotiating Committee and as Council Member and First Deputy President.



Dato' Jeremy Derek Campbell Diamond
*Independent,
 Non-Executive Director,
 Chairman of the Audit Committee
 and a member of the Nomination
 and Remuneration Committees*

Appointed director of the Company on 31 July 2001, Dato' Jeremy Derek Campbell Diamond, born in 1940, a British citizen with Permanent Resident status in Malaysia,

graduated from Durham University with a B.Sc.(Hons.) in Agricultural Economics and Management in 1963.

Commenced his career in Malaysia in 1963 as a Planter with

Profile Of Directors

Socfin Company Bhd, and served in that company in various capacities until his appointment as General Manager/Chief Executive Officer (CEO) in 1977. He held that position for 24 years until his retirement in 2001. Currently, he is on the Board of a number of private limited companies which include Jedecadi Sdn. Bhd and AFN Sports Sdn. Bhd..

He served as a Council member of the Malaysian Agricultural Producers Association (MAPA), United Planting Association of Malaysia (UPAM), Malaysian Oil Palm Growers Council (MOPGC), Malaysian Rubber Producers Council (MRPC), as an Alternate Member of the Board of the Palm Oil Research Institute of Malaysia (PORIM). He was a member of the General Committee of the Malaysian International Chamber of Commerce and Industry (MICCI) for 15 years.



Mr. Martin Bek-Nielsen
*Executive Director,
Non-Independent,
Commercial Director, Unitata Berhad*

Appointed to the Board on 29 August 2000, Mr. Martin Bek- Nielsen, born in 1975, is a Danish citizen with a Permanent Resident Status in Malaysia. He served in The Jutland Dragoon Regiment of Denmark during 1994 after which he started his career with the Company as a

Cadet Planter in 1995. In 1996, he left Malaysia to pursue his tertiary education in Denmark and graduated with a B.Sc. degree in Agricultural Economics from the Royal Danish Agricultural University of Copenhagen in 1999 and returned to United Plantations to take up the position of Corporate Affairs Officer. In 2001, he was appointed to the position of Executive Director and on 20 February 2003 was promoted to his current position of Executive Director (Finance and Marketing).

On 9 November 2004, he was appointed Commercial Director of Unitata Berhad and in 2019 was appointed Commercial Director of UniFuji Sdn. Bhd.. He is the Deputy Chairman of United International Enterprises Limited (UIEL), a public listed company on the NASDAQ OMX Copenhagen A/S.

He is the brother of Dato' Carl Bek-Nielsen, and is a Board representative of the Company's two major shareholders, UIEL and Maximum Vista Sdn. Bhd. He is deemed interested in various related party transactions between UP Group and certain companies carried out in the ordinary course of business as disclosed in Note 28 to the Financial Statements.



Mr. Loh Hang Pai
*Executive Director,
Non-Independent*

Appointed to the Board as Executive Director (Estates) on 1 January 2013, Mr. Loh Hang Pai, born in 1948, a Malaysian, graduated from the Serdang Agricultural College. He served Kumpulan Guthrie as Junior Assistant in 1969 and subsequently joined United Plantations Berhad on

1 January 1973 as an Assistant Manager. He served the Company in various positions and was promoted to the position of Estates Director on 1 January 2004.

He is not on the Board of any other public listed companies. He was actively involved in various activities of the planting associations, having held the position of Chairman, Perak Planters Association, President of United Planting Association of Malaysia and Chairman of Malaysian Cocoa Growers Council.

Currently, he is Chairman, MPOA Security Services Sdn. Bhd.. He is a Council Member and Deputy President of the Malaysian Agricultural Producers Association (MAPA) and Chairman of its Finance/ Executive Committee. He is Chairman of MAPA's Negotiating Committee and had been actively involved in the Negotiations on several MAPA/NUPW and MAPA/AMESU wage agreements.



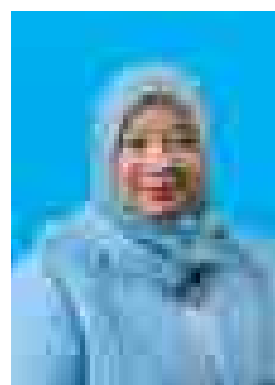
Mr. R. Nadarajan
*Independent,
Non-Executive Director,
Member of the Audit,
Remuneration and Nomination
Committees*

Appointed director of the Company on 1 June 2013, Mr. R. Nadarajan, born in 1948, a Malaysian, joined United Plantations in 1977 as a Management Accountant, after having qualified and

worked in the UK in various capacities in management accounting and finance. He was promoted to the position of Financial Controller in 1980 and to the position of Company Secretary/ Group Manager Finance in 2000. He retired in 2012 as Group Financial Adviser, a position he held since 2008 on retirement as Company Secretary/ Senior Group Manager Finance.

He is an associate member of the Chartered Institute of Management Accountants, United Kingdom (UK) and a member of the Malaysian Institute of Accountants.

He is also a director of a private limited company.



**Madam Rohaya binti
Mohammad Yusof**
*Non-Independent,
Non-Executive Director*

Appointed director of the Company on 30 November 2017, Madam Rohaya Mohammad Yusof, born in 1965, a Malaysian is the Chief Investment Officer of Employees Provident Fund (EPF), appointed in January 2020.

She joined the EPF's Investment Division as Head of Corporate Finance in 2008 and was appointed as Head of Capital Market Department in 2011, overseeing global and domestic fixed income. In August 2017, she was appointed as Head of Private Markets Department, managing investments in private equity, infrastructure, global and regional real estates.

She started her career with Arthur Andersen & Co as a Senior Financial Consultant in the Audit Division. In 1990, she joined Maybank Investment Bank and was promoted to the position of Executive Vice President, Corporate Investment Banking in 2005.

Profile Of Directors

She is a member of the Board of Directors of Malaysia Airports Holdings Berhad, Projek Lebuhraya Usahasama Berhad, and Yinson Holdings Berhad.

She is currently the Chairman of Institutional Investors Council Malaysia (IIC).

Madam Rohaya Mohammad Yusof graduated from Australian National University, Canberra, Australia and is an Associate Member of CPA, Australia.



Mr. Jorgen Balle
*Non-Independent,
Non-Executive Director*

Appointed director of the Company on 21 May 2018, Mr. Jorgen Balle, born in 1964, a Danish citizen, graduated in 2001 with a Masters in Business Administration from SIMI/CBS Copenhagen.

Started his career with Aarhus Karlshamn AB as a Director (2000 to 2003) and

was subsequently appointed to Managing Director of Aarhus Karlshamn A/S (2003 to 2010). He also held the position of VP Global CCF/LFC in the Business Unit of Aarhus Karlshamn AB for a duration of 5 years from 2005 to 2010.

From 2010 to 2019, he served as Executive Director of Frode Laursen Group of logistic companies.

He is also a member of the Board of Directors of other private limited companies in Denmark.



**Ms. Belvinder Kaur a/p
C Nasib Singh**
*Independent,
Non-Executive Director*

Appointed director of the Company on 6 November 2021, Ms. Belvinder, born in 1965, a Malaysian, graduated with a Bachelor's Degree (Hons) in Communication from University Kebangsaan Malaysia, in 1989. She holds

an MBA from the University of Strathclyde, Glasgow, United Kingdom and completed the Harvard Executive Programme in 2014.

Ms. Belvinder, started her career at the Malaysian Palm Oil Council (MPOC) in 1994 and moved up to her current position as Deputy Chief Executive of Malaysian Palm Oil Council in 2017. She is involved in the marketing and promotion of palm oil globally and since 2009 spearheaded the global public affairs campaigns to counter anti-palm oil sentiments.



Mr. Yap Seng Chong
*Independent,
Non-Executive Director*

Appointed director of the Company on 26 April 2022, Mr. Yap Seng Chong, born in 1961, graduated with a Bachelor's Degree in Accounting from University Malaya in 1986. His career with Ernst & Young, spanned 35 years, two of which were

in the London office of the said accounting firm, providing various types of assurance and business advisory services. He previously held positions as Head of Assurance practice, Professional Practice Director, ASEAN Regional and Country Independence Leader before his retirement in 2021.

He is a Board member and Chairman of the Risk and Audit Committee of the Malaysia Smelting Corporation Berhad, a company listed on the Main market of Bursa Malaysia and secondarily on Singapore Stock Exchange. He is also a Board member of Hartalega Holdings Berhad.

Note:

1. **Family Relationship with Director and/ or Major Shareholder**
Save for Dato' Carl Bek-Nielsen and Mr. Martin Bek-Nielsen, none of the other Directors have any family relationship with any Director and/or major shareholder of the Company.
2. **Conflict of Interest**
None of the Directors have any conflict of interest with the Company.
3. **Conviction for Offences**
None of the Directors of the Company have any conviction for offences within the past 10 years.
4. **Attendance of Board Meeting**
Details of the Directors' attendance at the Board Meetings are set out in the Corporate Governance Overview Statement on page 112 to 117.
5. **Gender**
UP's Board consist of two female directors and nine male directors.
6. **Profile of Senior Management**
The Senior Management only comprises of the Executive Directors.

Senior Management

Executive Committee (EXCOM)

Dato' Carl Bek-Nielsen Vice Chairman, Chief Executive Director (CED) Director In-Charge, Unitata Berhad	
Martin Bek-Nielsen Executive Director (Finance & Marketing) Commercial Director, Unitata Berhad	Loh Hang Pai Executive Director (Estates)

Senior Executives

Finance & Corporate

Ng Eng Ho Company Secretary / Sr Group Manager (Finance)	S. Chandra Mohan Financial Controller	Cherichangel Mathews Group Advisor HRSS	Dr. K. Sanar Kumaran Deputy Group Manager, HRSS	Dewi Anita Suyatman Sr Manager, Legal & Corp Affairs PT SSS
Erwin Khor Siew Yan Manager, Internal Audit	Choo Kah Leong Sr Financial Controller, PT SSS	Norhazizi bin Nayan Sr Manager, HR	Shirley Selvasingam Sr Manager, IT Systems	
Rasmus Frederiksen Manager, Corporate Affairs	Jeevan Dharmapalan Manager Human Resources, HRSS	Lee Kian Wei Manager Sustainability, HRSS	Muhd Khair Nasir Manager Human Resource, HRSS	

Plantations

Edward Rajkumar Daniels Estates Director, Upriver	Geoffrey Cooper Estates Director, Downriver	Dr. V Ramesh President Director, PT SSS	C. Mohan Das Group Manager, Jendarata Estate
Nek Wahid bin Nek Harun Group Manager, Ulu Basir Estate	Azhar bin Yazid Group Manager, Tanarata Estate	R. Siva Subramaniam Sr Manager, Charong Estate	S. Chanthravarnam Sr Manager, Lima Blas Estate
S. Kumaresan Sr Manager, PT SSS	Ridzuan Bin Md. Isa Sr Manager, Ulu Bernam Estate	Jason Joseph Sr Manager, UIE	Patrick Kanan Sr Manager, Changkat Mentri Estate
R. Apputhasamy General Manager, PT SSS	L. Makesyarang Manager, Sungei Bernam Estate	Khor Boon Wah Manager, Seri Pelangi Estate	M. Muniswaran Manager, Kuala Bernam Estate

Research

Ho Shui Hing Director of Research	Dr. J. Vijandran Research Controller	Dr. Kandha Sritharan Research Manager
Lim Chin Ching Research Manager (Biotechnology)	Wong Foo Hin Research Manager (Tissue Culture)	Appala Naidu Marie Research Manager, PT SSS

Engineering

P. Seker Director of Engineering, Upstream	Ir P. Rajasegaran Director of Engineering, Downstream	Ir V. Renganathan General Manager Engineering, PT SSS	G. Padmanathan Sr Resident Engineer, Jendarata
N. Saravanaganes Resident Engineer, UIE	M. Arishanggaran Resident Engineer, Ulu Bernam Optimill		

Palm Oil Refining and Others

Jughdev Singh Dhillon Group Production Manager, Unitata Berhad	Dr. Andrew Nair Group Research & Quality Controller, Unitata Berhad	Allan Loh Teik Boon Sr Manager, Commerce Unitata Berhad	Goh Kheng Wee Sr Resident Engineer, Unitata Berhad
Dev Ganesh Manager, OPP Unitata Berhad	Senthamarai Selvi Kasi Manager (Shipping & Logistics) Unitata Berhad	Suganthi Krishnan Manager, Quality Assurance Unitata Berhad	R. Nathan Resident Engineer Unitata Berhad
Soo Chin Hong Deputy Financial Controller, UniFuji Sdn. Bhd.	Muhammad Silmi Manager, Biodiversity, PT SSS	Kapil Punj Refinery Manager, UniFuji Sdn. Bhd.	Jayarama Reddy Manager, Bernam Bakery

Chairman's Statement

On behalf of the Board of Directors of United Plantations Berhad, it gives me much pleasure to present to you the Annual Report of our Group for the financial year ended 31 December 2022.

Looking back at the past year, the global economy was impacted by the pandemic and notably the consequences of the war in Ukraine, which triggered a wave of inflation following predominantly escalating energy and food prices. Central banks worldwide rallied to contain the higher inflation by tightening monetary policies, which will impact global growth projections and above all the supply and demand complex.

Group Performance

Amidst all this, the UP Group has remained resilient and achieved a new record after-tax profit of RM606 million for the financial year 2022. This represents an increase of RM84 million equal to a 16% improvement when compared with RM522 million achieved in 2021. This was mainly a function of higher commodity prices, a very commendable performance in our downstream segments and notably the very gratifying and successful steps taken towards mechanisation and minimising crop losses in an environment of severe labour shortages and weather-related problems.

In 2022, we achieved an oil yield of 5.89MT/CPO/Ha bringing our total palm oil production for the group to 254,389MT equal to a 1.1% increase year on year, which was a most pleasing development considering the most challenging operational environment. Like many other plantation companies, UP faced its worst labour shortages ever during 2022 creating enormous operational challenges, something which has only recently started to improve with a steady flow of new guest workers arriving in Malaysia. In addition, unfavourable weather conditions

causing significant floodings in some of our estates during the final quarter of the year also impacted production negatively. However, in spite of this, UP managed to minimise crop losses thanks to higher field productivities driven by the Group's strategy of operationalising new innovations and in-field mechanisation. For this, I would like to place on record my sincere appreciation to management for their tremendous efforts undertaken to minimise crop losses in spite of these difficult circumstances.

Palm Oil Prices

Crude Palm Oil prices have been extremely volatile during 2022 with prices hitting a record-high third-month position of RM7,268/MT in March mainly due to the Russia-Ukraine war and Indonesian policies limiting exports of palm oil. However, markets started a downward trend in June, reaching a year-low of RM3,220/MT in September due to a reversal of Indonesia's short-lived export ban and increasing world-wide economic uncertainties combined with the historic high prices which negatively affected demand. These factors increased palm oil stocks in both Malaysia and Indonesia which put pressure on prices.

During the final quarter of the year, prices have somewhat stabilised and been trading around RM4,000/MT after the Indonesian Government promoted further exports and announced its intention to increase the palm oil blending ratio (B35 program) with mineral diesel as well as concerns over weather-related issues impacting soy farmers in South America.



Two of our dedicated guest workers preparing for crop evacuation after harvesting of a young and productive field on Jendarata Estate.

Capital Management

As of 31 December 2022, the Group's cash and cash equivalents stood at RM779 million compared to RM478 million in 2021. The Group continues to maintain a conservative capital structure to have the flexibility to utilise internally generated funds for Capital investments within the Group, sustain a stable dividend to shareholders and to have the capability to pursue new investments.

Dividends

Based on the above gratifying results, the Board in addition to the 40sen per share interim dividend paid in December 2022 is recommending a final dividend of 100sen per share consisting of:

- 1.A Final Single Tier Dividend of 70sen per share
- 2.A Special Single Tier of 30sen per share

After taking into consideration the interim dividend of 40sen per share, the total dividend paid in respect of FY2022 will be 140sen per share, which is an increase of 21.74% when compared with the dividend for the FY2021.

Our Chief Executive Director, Ybhg. Dato' Carl Bek-Nielsen will in detail explain UP's financial performance in the Management Discussion and Analysis section on pages 16 to 31.

Sustainability

The Board upholds its commitment to undertake responsible agricultural practices, focusing on sustainability and good corporate governance. 2022 was a busy year in terms of new sustainability legislation. Not least in Europe, where the EU introduced its Green Taxonomy and the EU Regulation on Deforestation-Free Supply Chains. This represents a move from voluntary initiatives towards mandatory legislation, which will require companies to adopt higher standards and greater transparency in relation to their ESG commitments. We are following these developments closely and whilst there are still many unanswered questions in relation to the implementation of this new legislation, UP is continuing its strategy of operationalising and galvanizing sustainability into our DNA by always striving to set the highest standards within the conditions of the day.

In this context, it has therefore pleased me much to see the continued dedication, investments and initiatives undertaken to reduce our Group's GHG footprints, which we embarked upon in earnest in 2005. The UP Group remains committed to the Round Table on Sustainable Palm Oil (RSPO), and our Policies on No Deforestation, No New Planting on Peat as well as No Exploitation are cast in stone as vital prerequisites towards creating shared value. Furthermore, it has been pleasing to see the continuous focus on minimising risks related to Human Rights, which is a serious topic within various industries in Malaysia, not least the Plantation Industry. To further mitigate these risks, it is important to continue the discussions and collaboration with subject-matter experts based on a multistakeholder approach to address and strengthen

our practices related to particularly the recruitment of Guest Workers. As a part of this journey, all our Guest Workers have been reimbursed for the recruitment fees which they have paid to third parties in the past, and all new recruitment strictly follows the Employer Pays Principle in order to eliminate the risk of exploitation.

More information on our many Sustainability initiatives and commitment to mitigating ESG risks is covered under our Sustainability Report on pages 34 to 91.

Outlook

Ahead of us awaits a year forecasted to bring about a world recession and a turbulent business environment from the continued high prices of key inputs, tightening monetary policy, and weakening demand. Amidst that, there is a need to adapt to the changing environment by having an open mind, remaining agile and by having the courage to innovate and stimulate progress whilst ultimately preserving our core values.

The projected slow-down of the global economy will likely also impact the supply and demand equation for vegetable oils, hereunder palm oil. This may result in lower prices, which we must prepare for by continuing our focus on high productivity and cost efficiency. On a brighter note, it is pleasing that Guest Workers have started to return amid easing of COVID-19 restrictions. This is likely to result in a higher production with the easing of the unprecedented operational challenges experienced over the last few years. In this respect, I must commend the management and all employees for the immense efforts taken in all corners of our estates to have overcome these challenges in an exemplary manner.

Appreciation

Firstly, I would like to thank all Directors for their commitment, understanding and wise counsel which I have received from them during the year.

On behalf of the Board, I would also like to place on record my sincere appreciation to Mr Ahmad Riza Basir, who had decided to retire as a Board Member on 26 April 2022 after having served the Company successfully for 21 years with dedication, loyalty, and many positive contributions. In his place, I also take great pleasure in welcoming Mr Yap Seng Chong, who joined the Board of Directors effective 26 April 2022. Mr Yap Seng Chong has had a long career with Ernst & Young spanning more than 35 years and has held various important strategic positions handling business and advisory services in many industries. I am confident he will be a valuable addition to our Board.

In closing and on behalf of the Board of Directors, I would like to pay tribute to all United Plantations' employees - for their loyal and dedicated service which is so essential for the future growth and well-being of our Group. I would also like to thank all our customers, business partners, government agencies and shareholders for their continued support and trust in our Group.

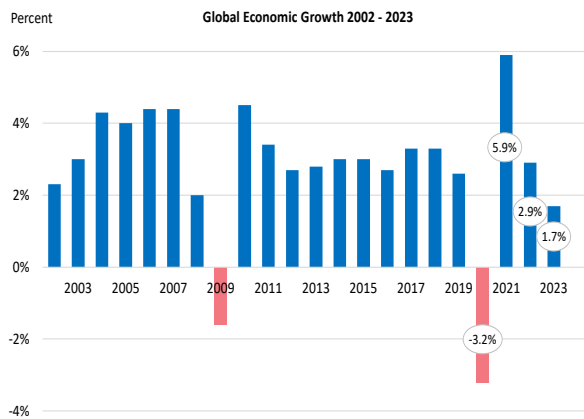
Dato' Mohamad Nasir bin Ab. Latif
Chairman

Management Discussion and Analysis

Summary of Global Operating Environment

2022 was anything but ordinary. Just as we were all beginning to move forward from the COVID-19 pandemic, a new set of challenges impacted the global economy. This included the Russian invasion of Ukraine which in return ignited the energy crisis notably in the Eurozone, which had become overly dependent on Russian gas. As inflation gripped the world economy a cycle of monetary tightening began in earnest by several major central banks in an attempt to curb inflation, which reached its highest level in 40 years, thus ending an era of low interest rates.

This and more has resulted in a rather bleak outlook for the largest economies, namely the US, the Eurozone and China which today remain the primary economic engines globally.



Source: World Bank, Global Economic Prospects, January 2023

According to the World Bank's latest Global Economic Outlook, global growth in 2023 is expected to slow to 1.7% from 3% projected just six months ago. Indeed, a world recession is lurking on the horizon.

Whilst commodity prices have come down significantly from the historical highs experienced during the first half of 2022, the overall impacts of slower growth will likely also manifest itself through even lower price levels for commodities including palm oil in 2023.

Commodity Prices

The sharp decline in commodity prices during the second half of 2022 has mainly been triggered by major central banks commencing a much tighter and frugal monetary policy by increasing interest rates to curb inflation. This marks a reversal of a decade of ultra-loose monetary policies.

In this light, Crude Palm Oil (CPO) prices experienced unprecedented levels of volatility during 2022. At the beginning of the second quarter, palm oil prices reached RM7,268/MT on the third-month position – levels that have never been seen before. This was primarily attributed to the tightness in the entire vegetable oil complex due to supply constraints, which were exacerbated by the shortfall in sunflower oil exports caused by the Russia-Ukraine war.

Another key factor causing prices to sky-rocket was the Indonesian Export Policy. In a bid to flood the domestic market with supplies to control the soaring prices of cooking oil, the Government prohibited exports of palm oil at the end of April 2022. The consequence for global prices was significant as Indonesia is not only the largest palm oil producer in the world but also the world's largest exporter of edible oils.



Trucks with Fresh Fruit Bunches (FFB) queuing to be unloaded at a palm oil mill in Indonesia. During the export ban many palm oil mills either stopped buying FFB or slowed down the intake significantly. (Photo from the Bangkok Post).

However, the export ban inadvertently also led to domestic storage tanks quickly filling up in the refineries and mills. As a consequence, palm fruits were left to rot in the fields in many locations as mills simply stopped buying outside crop, impacting especially smallholders.

This had a paralysing effect on the Indonesian Plantation Industry and within a month, the Government after coming under significant pressure reversed the export ban and introduced various policies to re-ignite exports, thereby releasing a tsunami of oil into the world market again.

This decision triggered a significant drop in palm oil prices. The effects of this in combination with rising interest rates globally as well as the liquidation of future positions held by financial funds and speculators pushed CPO prices further down, reaching a near 20-month low of RM3,220 during September.

Nevertheless, concerns on supply constraints following much heavier rainfall in Malaysia and parts of Indonesia combined with the huge price discount of palm oil versus competing oils (e.g., soybean oil) helped to keep a floor on prices.

This was further galvanized by the Indonesian Government’s announcement to introduce the B35 program on 1 February 2023 indicating an annual increase of approximately 1.5 million MT of palm oil to be used in biofuels thereby reversing the bearish sentiments.

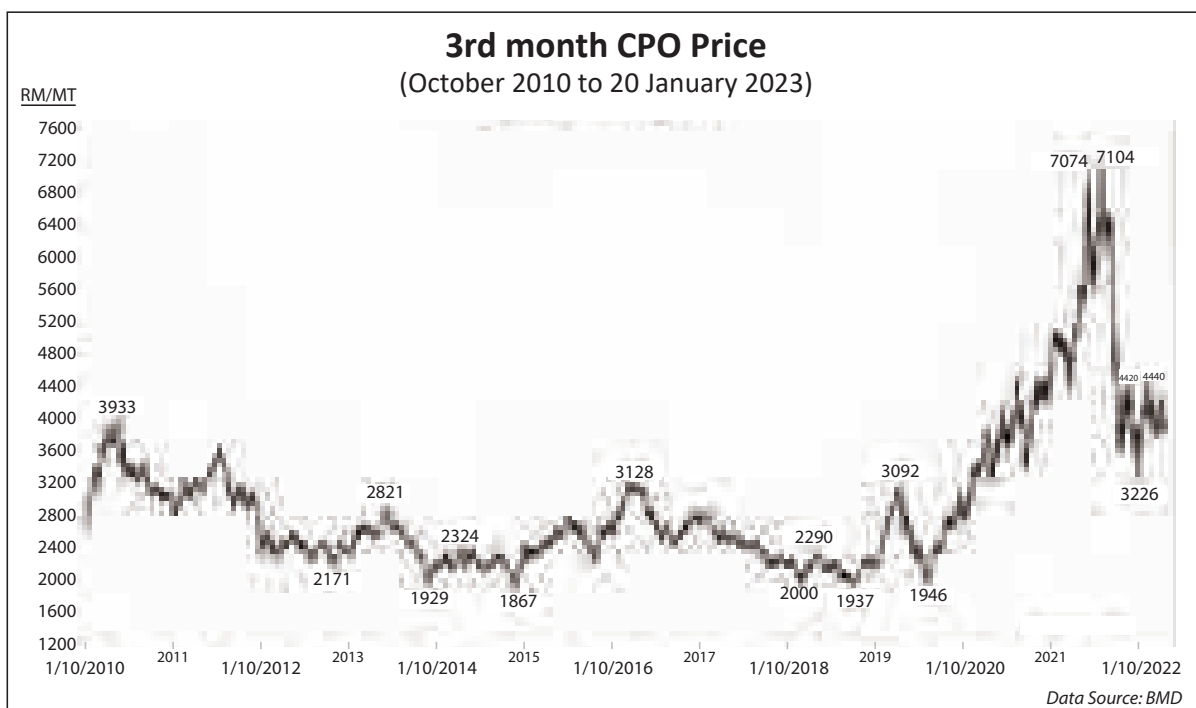
During the last few months of the year and in the beginning of 2023 prices have recovered and been trading in a range of RM3,800-RM4200/MT for the third-month benchmark contract. It is worth while taking note that this is, still significantly above the 10-year average of about RM2,900/MT.

Crude Palm Oil Production in Malaysia and UP

Crude Palm Oil production in Malaysia increased by 1.9% year on year from 18.11 million MT in 2021 to 18.45 million MT in 2022. However, the national average yield/Ha dropped from 3.10 in 2021 to 3.05 MT CPO per hectare in 2022, the lowest on record for over 40 years, which is deeply concerning. On UP’s estates in Malaysia, our overall CPO production increased slightly by 0.7% from 207,504 MT in 2021 to 209,020 MT in 2022. The increase was mainly driven by the concerted efforts to enhance our operational efficiencies throughout the plantation value chain thereby minimising crop losses. The increase in production was also positively impacted by larger areas entering maturity from our newly acquired Tanarata Estate.

Production on UP’s Indonesian estates also increased from 44,097 MT to 45,369 MT CPO representing a 2.9% increase as a function of the palms recovering from the biological induced resting period, which the palms had experienced during the final 6 months of 2021.

Based on the above, the Group’s overall CPO production rose from 251,601 MT in 2021 to 254,389 MT in 2022 equal to a 1.1% increase year on year. Nevertheless, our Group’s average CPO yield per hectare dropped slightly to 5.89 MT from 5.99 MT in 2021, mainly due to the newly matured areas on Tanarata Estate that inherently have a lower yield profile vis-à-vis palms that are 5-20 years old. This achievement was most pleasing when considering the acute labour shortages experienced throughout the Malaysian plantation and agricultural industry resulting in unavoidable and very significant crop losses in many companies only to be aggravated, by the unprecedented rainfall resulting in serious floods on several of our estates in Malaysia and Indonesia during the final quarter of the year.



2022 Financial Result:

Indeed, 2022 was a most challenging year operationally with management taking various steps to minimise the impact of COVID-19 as it transitioned to the endemic phase. Whilst the borders are finally opened up in April 2022 the precarious labour shortages experienced in 2021 continued reaching a breaking point during the middle of 2022 resulting in unavoidable crop losses on several of our estates.

Nevertheless, through dedicated efforts spearheaded mainly through the tireless attention towards new innovations combined with a strong commitment towards enforcing pragmatic mechanisation initiatives, our Group managed to record a higher production and minimise the field losses. Indeed, during my numerous field and mill visits in 2022 I have witnessed a burning devotion and loyalty amongst our employees with a flame so intense that it has touched me deeply. I have repeatedly seen how our culture of persistently seeking new innovations and not being afraid to try out new mechanised practices have acted as a “life ring” keeping us afloat amidst turbulent times. It was only in the final quarter when more guest workers arrived from India, Indonesia, and Bangladesh, that our labour situation finally started to stabilise.

These commendable efforts combined with significantly higher commodity prices during the first half of 2022 and supported by a significant improvement in our downstream segment enabled UP to achieve a record high profit after tax of RM606 million, an increase of 16% from the result of RM522 million in 2021. This result was most gratifying and was achieved in an environment of soaring fertilizer, chemical, and energy costs as well as higher wages. Moreover, the record financial result was achieved in spite of paying out higher taxes of about RM45 million as a function of the one-off 9% higher prosperity tax and a one-off voluntary payment of RM24.7 million related to the reimbursement of our guest workers’ past recruitment fees, which they had paid to third-parties.

The Group’s revenue increased by 24% during 2022 to RM2,515million compared to 2021 mainly due to higher CPO and PK production, higher market price and higher sales price from the refining unit. The higher revenue generated coupled with positive hedging positions and improved margin not least supported by a weak Ringgit vis-à-vis the USD, resulted in an increase of the Group’s profit before tax by 24% from RM683million in 2021 to RM846million for the year 2022.

Dividends

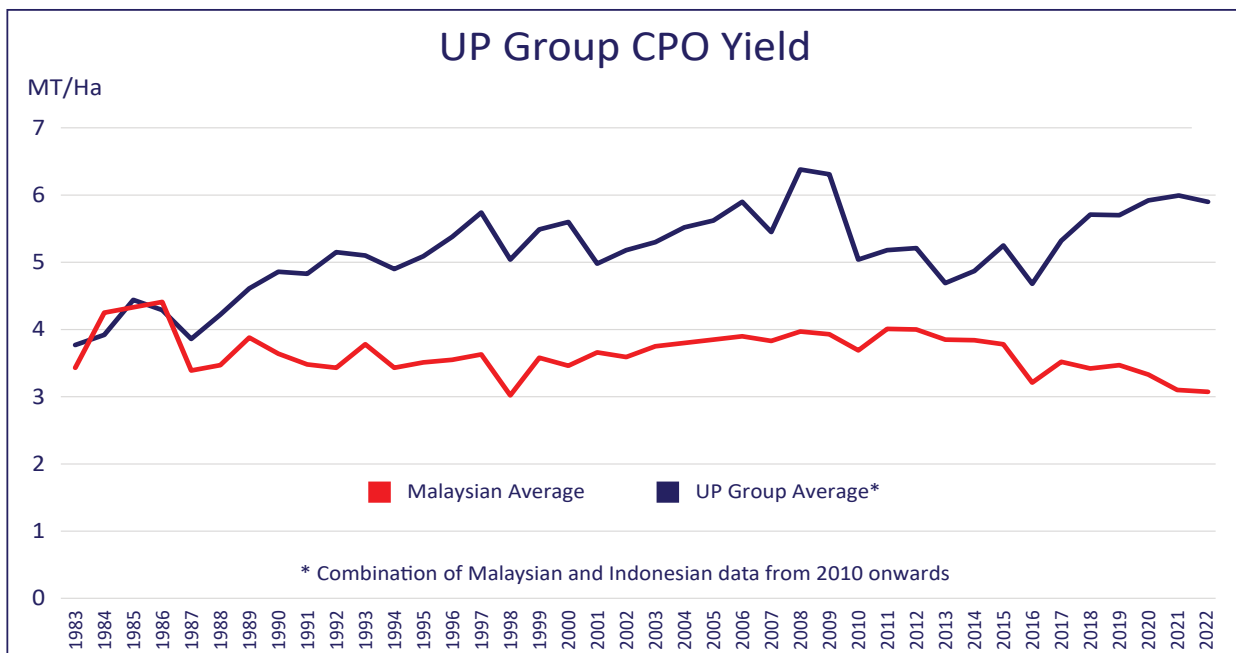
The Board of Directors have recommended a Final Single Tier Dividend of 70sen per share and a Special Single Tier Dividend of 30sen per share for the year ended 31 December 2022.

After taking into consideration the interim dividend of 40sen per share, the total dividend paid in respect of FY2022 will be 140sen per share vs 115sen per share for 2021.

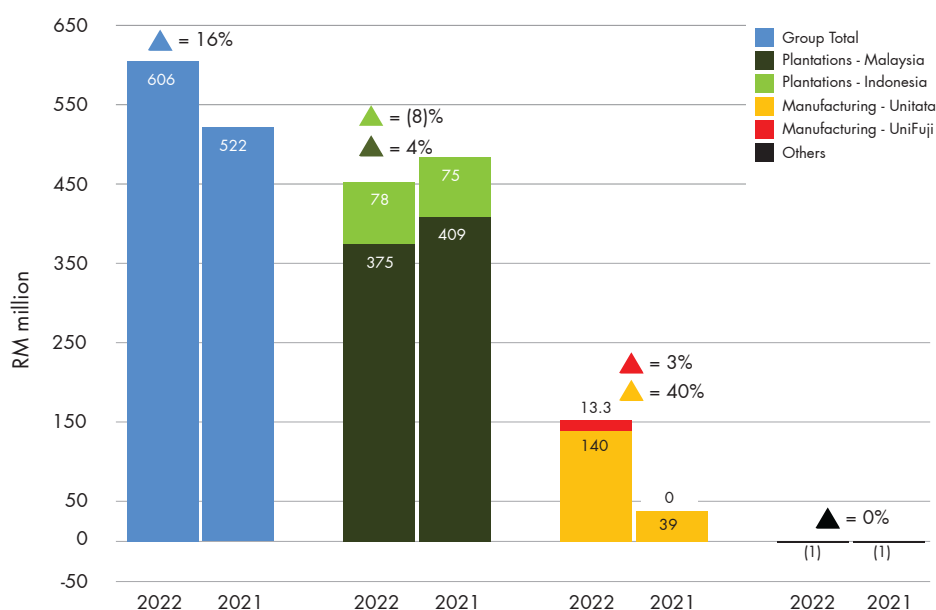
The total dividend pay-out will therefore amount to RM581 million for year ended 2022 which is a 21.74 percent increase from 2021.

Dividends for the year ended 31 December 2022/2021

	2022	2021
Interim single tier dividend declared and paid	40sen	30sen
Proposed final single tier dividend	70sen	65sen
Proposed special single tier dividend	30sen	20sen
Total Dividends	140sen	115sen



Group Total and Segmental Contribution 2022 & 2021



Capital Structure

The Group continues to maintain a conservative policy in respect of its cash and cash equivalents, which as of 31 December 2022, stood at RM779 million.

Our prudent approach towards capital management has served our group well and will ensure that we can utilise internal funds for replanting and other capital expenditures required within our group, sustain a stable dividend to shareholders and pursue new investments when the right opportunities arise, without having to be dependent on banks.

This approach provides us with a certain level of flexibility which was the case when our Group acquired the 3,642 Ha Tanarata Estate in 2019 for a total consideration of RM401 million, fully funded by internal funds and from where we now have started to process FFB after a significant and successful replanting exercise.

Capital Expenditure

The Group's 2022 capital expenditure for property, plant and equipment (including bearer plants) and right-of-use assets was RM153.2 million compared to RM114.4 million in 2021. During the year RM25.6 million was spent on replanting 711 Ha of oil palms and coconuts on our Malaysian estates compared to 1,733 Ha in 2021. All capital expenditures were funded by internally generated funds.

Replanting Policy and Yield Targets

The UP Group's long-term replanting policy remains a high priority, both in times of low as well as high commodity prices. All planting materials used for our replanting programme are produced at UPRD using proven germplasm of highest quality based on more than 70 years of proven plant breeding techniques with the ultimate goal of securing high yields.

Failure to implement this critical aspect of plantation management will inevitably lead to stagnating yields and declining production, thereby losing the competitive edge. In this respect, concerted efforts are continuously made by Management to enhance the Company's Breeding-Agronomy and Tissue Culture activities based on our strong commitment towards enforcing sustainable practices. These developments remain of cardinal importance in terms of our Group's ability to further our agronomic productivities. Thereby contributing to an overall more sustainable production with a shared goal of producing more with less.

The below table provides an overview of our targeted FFB and CPO yields per HA as well as OER, in Malaysia and Indonesia.

UP Group	FFB yields/Ha	OER	CPO yields/Ha
Malaysia	28.0MT	23.0%	6.5MT
Indonesia	25.5MT	25.5%	6.5MT

The difference in terms of FFB/Ha/year and the OER between the countries is caused by the variance in planting materials, soils, climate and labour availability. A total of 462 Ha was replanted with oil palms on our Malaysian properties during 2022 compared to 1,535 Ha in 2021.

I am pleased to report that we have satisfactorily completed the total replanting of Tanarata Estate within a three-year timeframe coinciding with the COVID-19 pandemic and the obstacles faced during the movement control orders. Positive growth and progress continue to be made on Tanarata Estate with UP's premium seed materials having been planted. I remain confident that we in due course will achieve yields that will reach 28-30MT FFB/Ha on Tanarata Estate vis-à-vis the 14-16MT FFB/Ha during the time of acquisition.

During the course of the last 10 years (2013 – 2022), 19,217Ha of oil palms have been replanted on our Malaysian estates equal to 51% of the total area under oil palms today. This is absolutely necessary if we are to further improve on the age profile of our established plantations and with that our average yields which is of special importance in maintaining a favourable cost structure.

UP's Plantation Operations

The 1.1% increase in the Group's overall CPO production of 254,389MT, equal to 2,789MT of CPO was as mentioned earlier mainly due to the dedicated drive to operationalise relevant areas of mechanisation thereby optimising efficiencies and minimising crop losses amidst a year of acute labour shortages.

Similarly, our group also achieved a pleasing improvement in overall PK production of 3.1%. Yields and extraction rates are summarized in the table. The average yields for the UP Group during 2022 decreased slightly to 5.89MT CPO/Ha compared to 5.99MT CPO/Ha in 2021 equal to a 1.7% reduction.

In this connection, our Malaysian estates reached a production of 6.09MT CPO/Ha from 6.29MT CPO/Ha in 2021 representing a 3.2% decline. Whilst this represents a reduction it was most pleasing that the yields managed to stay above 6.00MT CPO/Ha.

Our Indonesian production, on the other hand, did improve compared with the levels achieved in 2021 as the palms came out of a biological resting phase, thereby achieving a CPO yield per hectare of 5.10 MT vs. 4.87 MT in 2021, equal to a 4.72% improvement.

CPO Production in MT	2022	2021	Change
UP Malaysia	209,020	207,504	0.7%
UP Indonesia	45,369	44,097	2.9%
Total UP Group	254,389	251,601	1.1%

PK Production in MT	2022	2021	Change
UP Malaysia	41,985	41,535	1.1%
UP Indonesia	9,943	8,844	12.4%
Total UP Group	51,928	50,379	3.1%

Yields & Extraction Rates*	2022	2021	Change
UP Group FFB average yield in MT/ Hectare including Indonesia	27.57	27.48	0.33%
UP Group average Oil Extraction Rates (OER) in %	21.35	21.78	(1.97%)
UP Group average Kernel Extraction Rates (KER) in %	4.36	4.36	0.00%
UP Malaysian Average Yield in MT CPO/Hectare	6.09	6.29	(3.18%)
UP Indonesian Average Yield in MT CPO/Hectare	5.10	4.87	4.72%
UP Group Average Yields in MT CPO/Hectare	5.89	5.99	(1.67%)
Malaysian National yield in MT CPO/ Hectare	3.05	3.10	(1.61%)

* Excludes crop from Tanarata estate which is being processed externally whilst awaiting for RSPO certification planned in 2022.



The first RSPO certified crop from Tanarata Estate arriving at the Jendarata Palm Oil Mill.

As of 31 December 2022, our Group's areas planted up with oil palms can be summarized as follows:

Total Oil Palm Area In Hectares	2022	2021	Change
UP Malaysia			
Mature Area	34,828	33,787	3.1%
Total Group Area having come into Maturity	1,515	1,812	(16.4%)
(oil palms between 2 1/2 - 5 years in age)	12.15%	11.31%	7.5%
Immature Area	2,679	3,732	(28.2%)
Replanted Area	462	1,535	(69.9%)
Total Area under Oil Palm	37,507	37,519	(0.0%)
UP Indonesia			
Mature Area	8,800	9,002	(2.2%)
Immature Area	-	-	-
Total Area under Oil Palm	8,800*	9,002*	(2.2%)
Grand Total for the Group	46,307	46,521	(0.5%)

* net of areas converted to Plasma.

Coconut Production

Our coconut production reached 86.1 million nuts in 2022 down 2.2% vs the production of 88.0 million nuts in 2021.

This was mainly a function of the much lower demand for fresh coconuts experienced during the last 3-4 months of the year where not only rainfall, but also the number of rainy days was much higher than the year before.



High yielding yellow dwarf coconut palms

Average yields declined from 22,247 nuts/Ha in 2021 to 22,172nuts/Ha in 2022 due to large areas of immature plantings entering maturity which have an inherent lower yield profile.

Selling Prices of CPO and Palm Kernels

The average Malaysian selling prices of Crude Palm Oil achieved during the year increased from RM3,309/MT in 2021 to RM3,792/MT in 2022 as a function of the impressive rally in CPO prices experienced during the first half of the year.

Whilst this was a significant improvement, UP's average selling price was below the MPOB average price for the year due to forward sales executed earlier for a portion of the Group's production volume at lower price levels, which at the time were thought to be excellent.

	Crude Palm Oil			Palm Kernel		
	2022	2021	Change	2022	2021	Change
MPOB Avrg price (RM)	5,088	4,407	15.5%	3,118	2,773	12.4%
UP's Avrg price (RM)	3,792	3,309	14.6%	2,751	2,168	26.9%

Usually, our forward sales policy will result in lower average sales prices in a rising market, as opposed to higher average sales prices in a falling market as experienced in the second half of 2022.

The forward sales policy is in place to secure certain margins and reduce exposure to large price fluctuations and is not in anticipation of being able to consistently predict market prices which is impossible.

The average selling price for PK in Malaysia increased by 26.9% to RM2,751/MT in 2022 compared to RM2,168/MT in 2021.

Cost of Production of Crude Palm Oil

The total cost of production in Malaysia including depreciation and additional remuneration/bonuses for 2022 was RM1,656/MT CPO vs. RM1,247/MT in 2021.

This represents a significant increase primarily due to the impact of inflation on fertilizers, agrochemicals, energy prices, and consumables, as well as a 25% increase in the minimum wage.

Labour cost is a key area of focus within our Group. In this respect management continues to accentuate numerous initiatives to increase productivity through new innovations as well as mechanising all possible field tasks.

This has yielded very pleasing improvements during the year 2022.

Labour Shortages

During 2022, the Malaysian Plantation labour shortages were further aggravated crippling many operations right from Sabah/Sarawak and throughout Peninsular Malaysia.

It was not uncommon to see harvesting rounds of 40-60 days, unpruned “Bob-Marley” looking palms filling the landscape resulting in enormous field losses across the entire country.

At one point, the acute labour shortage was estimated to have exceeded 100,000 employees within the Malaysian plantation sector, leading to unusually high field losses especially amongst the smallholders segment accounting for about 30% of Malaysia’s palm oil production today.

In UP, our Malaysian Estates also experienced enormous challenges unlike anything before as the total number of employees in our plantations trickled down from 4,148 field employees in January 2020 to 2,947 as at the 1 of August, 2022, i.e. a reduction of 29% equal to 1,201 fewer field employees.

However, with the re-opening of the Malaysian borders in April 2022 the process of recruiting guest workers resumed.

Nevertheless, one must appreciate that it takes time for the new guest workers to obtain the same levels of

efficiency, skill and dexterity as the experienced guest workers who have returned to their home country. We therefore remain committed to the process of close training and onboarding.

Recruitment of local workers

Over the last few years, we have been advertising for vacancies on all our estates however with little or no success in spite of potential field employees being able to earn a monthly salary which is considerably higher than the minimum wage in Malaysia.

In addition to this, employees will be given free housing, free water, free electricity and free medical coverage. Yet local Malaysians by and large remain uninterested in joining the plantation sector prioritising work that is centered around the larger towns and industries requiring less outdoor work.

This is the reality on the ground and summarises the perilous situation that many plantation companies have been experiencing.

Indonesia

Our Plantation Division in Indonesia generated a record Group contribution of RM77.7million in 2022 against RM75.1million in 2021, representing an increase of 3.5%. The gratifying result were primarily a function of the higher market prices for CPO and Palm Kernels, and higher production.



Welcoming the arrival of the first batch of Bangladeshi Guest Workers, under the UP ethical recruitment procedures on 29 November 2022 at KLIA.

Operationally, 2022 was, however, not a year of excellent performance on PT SSS as yields remained below the targets set and well below the agricultural benchmark in UP.

A change in top management was effectuated in August 2022 following the retirement of Mr. Muhammad Ratha after many years of loyal service and dedication. Since then, several discussions have been held and field visits made together with the new President Director, Dr. Ramesh Veloo, whom I am confident will set in motion a process to mirror the agricultural standards achieved in UP Malaysia. We shall be following these developments closely.

Whilst operating conditions continue to be challenging it is with much satisfaction that after 17 years of operations since entering Indonesia the efforts and commitment towards the difficult expansion process into Central Kalimantan is paying off not only financially but just as importantly from a socioeconomic point of view.

This would not have been possible without the commendable dedication and commitment of our Directors, Management and Employees.

In this connection, we also extend our sincere appreciation for the many valuable insights into the Indonesian plantation industry and the support provided over the years by our shareholdings partners Dr. Soedjai Kastasasmita and Bapak Suryadi.

UP Indonesia's production accounted for 17.8% of our Group's CPO production in 2022 compared to 17.5% in 2021. All plantings have reached maturity and the company now provides employment for 1,563 employees, many of whom were previously unemployed.

All infrastructural additions have also been completed bringing the total number of high-quality modern living quarters for our executives, staff and workers to over 500 units today.

Continued focus is also being applied on improving our sustainable practices in line with the RSPO Principles & Criteria. To date, 8,800 Ha of oil palms and 1,392 Ha of Plasma have been planted and more than 7,814 Ha of permanent conservation areas established.

These conservation areas make up about 42.1% of the concession area in our Indonesian operations consisting primarily of riparian reserves, peat swamps as well as heavily degraded secondary forests as a result of the intense logging activities carried out in the past prior to UP acquiring the properties.

These sanctuaries are a testimony to our Group's commitment towards maintaining an important balance between economy and ecology and where conservation means development as much as it does protection of the environment. These assets are now overseen and managed by our Biodiversity Department in close cooperation with the advice given through our more than 10-year close collaboration with the Copenhagen Zoo.



Heavy rainfall resulted in serious floods on several of our estates in Malaysia and Indonesia during the last quarter of 2022.



UP is committed towards providing quality housing and social amenities and maintaining the highest possible welfare standards for the families of our workforce. The "Taman Mount Blanc" housing complex was established in 2010 on Lada Estate, PT SSS.





Unitata Bhd was the first inland palm oil refinery in Malaysia, commissioned in 1974.

Manufacturing Division

In our Group's manufacturing division we are engaged in several downstream activities such as edible oil refining as well as production and packaging of specialty fats. In meeting customer requirements, we are committed to the highest standards of transparency and product traceability starting from our upstream plantations.

The operations of our two state-of-the-art palm oil refineries, Unitata and UniFuji are responsible for value adding our certified sustainable crude palm oil and palm kernel oil into high-quality processed products catering for key customers globally. Our strong emphasis on high quality and food safety standards in combination with our sustainability focus and producing our end products with the lowest possible Greenhouse Gas footprint has provided us with a strong position within the segment of customers demanding high quality and responsibly produced products.

Turning to the results of our downstream segments, 2022 was indeed a year of two halves: The first half bringing significant challenges in the form of raw material price increases and margin pressure, and the second half providing much relief following the significant decline in raw material prices whilst margins improved significantly coupled with positive contributions from our hedging activities.

Unitata

Our wholly owned subsidiary Unitata, made a significant turnaround during the second half of 2022 and reversed a negative first half into an all-time record full year contribution of RM140.4 million vis-à-vis RM38.7 million in 2021 representing an increase of 263%.

This turnaround was mainly due to the timing difference of raw material hedges (sales on BMD futures and purchase of physical CPO for production versus delivery of finished goods). The earlier hedging losses in the first half of 2022 realised through buy backs of earlier sold BMD CPO futures were reversed through higher contribution in the second half of 2022 as the delivery of finished goods were sold at higher market prices but produced with significantly lower raw material prices (CPO) purchased earlier in connection with UP's forward sales.

Furthermore, the large inverse in prices between the spot and future month contracts depressing margins during the first six months of the year disappeared with the correction in prices, thereby restoring demand and improving margins in the downstream business significantly. At the same time, favourable currency hedges undertaken related to the USD vis-à-vis the Malaysian Ringgit contributed strongly to the overall results.

The unique combination of these positive contributing factors is not reflective of the underlying business and it is expected that the downstream business segment will somewhat normalise in 2023, resulting in lower contributions than this year's extraordinary result.

Nevertheless, the interest for certified sustainable palm oil remains strong and Unitata Bhd is committed to providing tailor-made solutions to clients who demand palm fractions which go well beyond the sustainability criteria of the RSPO and standard quality parameters. Customers who work with our Group can be assured of a consistent supply of high-end, fully traceable palm oil fractions encompassing the lowest possible level of food contaminants such as 3-MCPD, GE and MOSH/MOAH in the edible oil industry today.



Cages laden with freshly harvested crop passing by our UniFuji Refinery Complex.

In order to prepare our Group for future opportunities, we continue to invest in technology and capacity building of capable people that can successfully propel Unitata forward. In this connection it was pleasing to finally see our new palm oil fractionation plant being fully commissioned during the year after certain delays due to COVID-19 logistical bottlenecks.

In 2023, focus will also be channelled towards expanding our sales and marketing department as we explore further opportunities to market our speciality fats directly through business-to-business arrangements with customers globally.

UniFuji

For our refinery and solvent fractionation plant, UniFuji, which is a 50:50 JV between UP and Fuji Oil, remains an excellent example of what the circular economy can look like by running without the use of fossil fuels.

It is a most pleasing result of two companies coming together with a shared goal of producing value added palm components based solely on UP's certified sustainable and traceable palm oil and Fuji Oil's expertise on technical capabilities.

During the second half of 2022, UniFuji's result also recovered mainly due to the higher realised foreign exchange gains and positive impact from the large inverse that disappeared together with the palm oil price correction which provided a significant recovery in contribution. The overall results therefore improved to RM26.6 million in 2022 from RM0.65 million in 2021.

On top of this, it is most pleasing to note that the underlying business operations and customer commitments remain strong, which bodes well for 2023.

Sustainability and Human Rights

Palm oil continues to be scrutinised especially in the area of environmental, social and governance factors (ESG). Indeed, there has been much focus and media attention on human rights, particularly in relation to the Withhold Release Orders (WRO) imposed by the US Customs and Border Protection (CBP) agency on several glove manufacturers and palm oil producers in Malaysia, on grounds of alleged violations of several of the 11 Forced Labour Indicators published by the International Labour Organization (ILO).

In UP, we have been focusing on economic development combined with social and environmental care since our foundation in 1906. Identifying and managing social risks and opportunities are fundamental to our continued success and to our core principle of being a good corporate citizen through proper governance, doing business responsibly and committing ourselves to a long-term perspective.

Today, more than ever, our sustainability commitment is focused on continuous care, attention and responsibility towards our employees, the environment, the community, and the marketplace in which we operate. We foresee this trend intensifying in years to come compelling everyone to understand that the sustainability journey is a shared responsibility yet demanding individual changes if we are to reach the goal. We must therefore all appreciate that transparency is the new normal and that everything is now discoverable.

In this connection, and in the spirit of continuous improvement, we welcome enquiries into our sustainable practices and operations and are happy to engage in open and transparent dialogues to foster mutually beneficial learning and pursue shared sustainable value creation.



Our jungle reserve at Lima Blas Estate. UP places strong emphasis on conservation of jungle reserves and promoting green corridors.





Dato' Carl Bek-Nielsen, Mr. Martin Bek-Nielsen together with Mr. Ho Dua Tiam on a recent field visit at Jendarata Estate.

To that end, we must also acknowledge that in terms of sustainability vs. other crops and commodities, RSPO certified palm oil continues to take the lead and is today recognised for setting the highest agricultural standards internationally, well ahead of beef, soy, rapeseed, pulp and paper to name but a few.

Nevertheless, additional efforts must be taken not just individually but collectively by all stakeholders in the global palm oil industry to further raise the bar within the sphere of sustainability by not only committing itself to a NDPE (No Deforestation, No New Peat Planting, No Exploitation) Policy but operationalising this in earnest so we can be a part of the change by being a front-runner in the agricultural sector for setting science-based environmental targets and green initiatives as well as robust and effective standards within human rights.

In this context, we have in the past year taken further proactive steps to address human rights risks in our supply chain and specifically risks related to forced labour and ethical recruitment of guest workers. Many of these steps have been taken in close collaboration with Verité, a human and social rights NGO, together with Fuji Oil and Mars. As part of this partnership, which began in 2020, all our Guest Workers have now been reimbursed for the recruitment fees they paid to third parties in the past, and all new recruitment must strictly follow the Employer Pays Principle, in order to eliminate the risk of exploitation.

The voluntary reimbursement amounted to a total of RM24.7 million, and with the Employer Pays Principle in place, recruitment fees for new Guest Workers have increased substantially, something which all parties along the supply chain must acknowledge in the spirit of shared responsibility.

The support and commitment by the Board of Directors, EXCOM and Management has been an important foundation for the progress made, and we remain committed to further develop and strengthen our commitments and policies, under the notion of continuous improvement. The details of this journey are described further in our sustainability report on pages 34 to 91.

Finally, management are following the EU's introduction of a Green Taxonomy and the EU Regulation on Deforestation-Free Supply Chains closely, as implicated products, hereunder palm oil, need to be subjected to a due diligence process upon import to the EU, which will add to the administrative burden and higher production costs.

Whilst there are still many unanswered questions in relation to the implementation of this new legislation, we shall relentlessly continue our pursuit of sustainable value creation, by always aiming to set the highest sustainability standards within the conditions of the day.

Prospects and Outlook

Based on the current global operating environment UP is respectful of the challenges which 2023 may bring, especially amidst the uncertainties of high inflation and recession fears coupled with the continuation of the Russia-Ukraine war and its impact on global supply chains. Looking ahead, we therefore anticipate that palm oil prices will soften further based on expectations of reduced demand as a result of significantly lower global growth projections. In addition, cost of energy, fertilisers, chemicals, building materials and spare parts are expected to remain at high levels, resulting in our cost base increasing to its highest levels ever.

Concerted efforts are therefore underway to alleviate these challenges by identifying areas that can improve our cost efficiencies without compromising on quality. Whilst labour shortages and field operations have improved significantly with the re-opening of borders and a new inflow of guest workers, special attention will continue to be given towards increasing yields and productivity. This will be pursued relentlessly through continued mechanisation efforts and replanting of the older and less productive oil palm stands in order to take full advantage of our latest superior planting materials produced at our research department as a vital part of sustaining our positive development.

In 2023, we shall also continue to enhance our awareness within the important field of safety and to take ownership of the challenges and risks related to ESG, particularly in the areas of human rights and guest workers. In UP, we wish to demonstrate a level of leadership by taking ownership and by behaving well in order to be an example to others who operate within the global agricultural sector. To further improve on weaknesses identified, more attention will therefore be given to operationalise and mainstream the principles of our sustainability commitments, so these are “built in” not just “bolted on”.

When it comes the price outlook for 2023, an old saying goes that “nothing in life is permanent” - nor commodity markets – a notion that is as true on the way up as on the way down. We are therefore preparing for a time where prices will likely be headed south. The number of uncertainties our markets must cope with remains somewhat larger than usual. Nevertheless, 2023 has started off with prices trading in a fairly narrow range from RM3,800 – RM4,000/MT for the third-month position. Going forward, there are nevertheless 4 factors which must be monitored closely as the development of these will have an impact on the supply and demand fundamentals and thereby price developments going forward.

Firstly, the wet weather conditions towards the end of last year together with the resumption of guest worker inflow to Malaysia is expected to help increase palm oil production in 2023 as the nationwide field losses experienced during 2022 will be minimised.

Biodiesel (Incl. HVO): World production by Country (Mn MT)					
	January / December				
	2023F	2022	2021	2020	2019
EU-27	15.20*	15.30*	15.24	15.40	15.01
U.K .....	.31*	.31*	.33	.31	.44
U.S.A	11.10*	10.10*	8.49	7.85	7.35
Canada .....	.64*	.58*	.67	.64	.57
Argentina ...	2.20*	2.09*	1.72	1.16	2.15
Brazil	6.67*	5.53*	5.91	5.62	5.16
China	2.50*	2.20*	1.80	1.50	1.00
Colombia ....	.71*	.69*	.67	.53	.58
Singapore	2.10*	1.75*	1.80	1.80	1.75
Indonesia ...	10.20*	8.90*	7.47	7.35	7.48
Malaysia .....	.98*	.87*	.92	.91	1.42
Thailand	1.60*	1.40*	1.60	1.65	1.65
Oth. cties ...	1.64*	1.59*	1.66	1.68	1.86
Total	55.85*	51.31*	48.28	46.40	46.42
Change	+4.54*	+3.03*	+1.88	-.20	+4.58

Source: Oil World 2023

In Indonesia production is poised to increase more strongly in 2023 than in 2022 subject to weather patterns normalising.

Secondly, the world production of biodiesel including HVO is estimated to further increase by 9% to reach 55.9 million MT in 2023 from the all-time record level of in 2022 of 51.3 Million MT. This was and will continue to be propelled by fiscal incentives in the US as well as rising decarbonisation targets in the EU transport sector.

In addition, the Indonesian Government’s drive to increase their domestic palm oil consumption through not only food and oleochemical uses but evermore so through the Government supported biodiesel programme compelling all diesel to contain an admixture of up to 35% of palm oil from 1 February 2023 is expected to increase the current usage by 1.3 million MT during the year.

Thirdly, the global economic growth sentiments for 2023 are largely negative due to the higher interest rate levels imposed by major central banks to curb inflation, coupled with Russia’s invasion of Ukraine causing much volatility in supply chains around the world. This is expected to dampen demand for vegetable oils from key buying nations.

Finally, weather developments will continue to play an important role for production and price directions and must be closely monitored. Whilst the La-Nina has brought dry weather to particularly Argentina and caused a downward revision in the coming soybean crop harvest, the overall South America production is expected to increase to well-above 2022 levels due to larger planting intentions and the recent favourable weather. This is likely to replenish global stocks.

Overall, and in spite of the significant uncertainties relating to the global economic outlook, we believe that the UP Group will also be able to perform satisfactorily in 2023.

Acknowledgment

In closing, I would like to applaud Management for the various concerted efforts made especially in view of the difficult situation associated with the numerous obstacles brought about by the COVID-19 pandemic combined with the acute labour shortages that in many ways went beyond the “breaking point” on our estates in 2022.

On this notion, I am deeply impressed with our Group’s ability to adapt and stay positive, come what may. This dedication and loyalty displayed by our officers, staff and employees alike, and which is equalled only by few organisations in the world today, continues to win my respect and admiration. For this, I would like to extend my warmest thanks and heartfelt appreciation to all employees.

Finally, I would like to thank all our customers, business partners, government agencies and shareholders for the continued support and trust in our Group where it shall always be our common goal of striving to be recognised as “second to none”.

Dato’ Carl Bek-Nielsen
Chief Executive Director (CED)



The rhinoceros hornbill (Buceros rhinoceros) is a large species of forest hornbill that can live for up to 35 years. Here seen resting atop a broken branch in PT SSS.