

Strategy Report

Annual Report 2016



Contents

1	Group CEO perspective
8	Highlights
14	Business model
16	Economic
38	Social
64	Environment
86	General information

About this report

This Annual Report has 3 chapters. These can be read independently; however, for the purpose of compliance they are intended to be viewed as a single document.



Strategy Report

This chapter offers narrative about our performance, strategy and market factors. Information has been grouped into 3 sections, i) economic, ii) social and iii) environment.

It can be read independently as an Executive Summary or as part of the full report.



Governance Report



Financial Report



These are available to download at olamgroup.com/investor-relations along with additional information or can be requested in print from ir@olamnet.com.

Cover image

Harvesting wheat for our dairy herd, Russia.

ABOUT OLAM

Established in 1989, Olam traded cashews from Nigeria to India. Today Olam is a leading agri-business operating from seed to shelf, supplying food and industrial raw materials to over 22,900 customers worldwide. Our team of 69,800¹ employees across 70 countries has built leadership positions in several of our 18 platforms, including cocoa, coffee, cashew, rice and cotton. We source from 4.33 million farmers and their communities. We are listed on the Singapore Exchange (SGX) and are among the top 30 companies by market capitalisation.

OUR PURPOSE

Growing Responsibly describes how we do business. We ensure profitable growth is achieved in an ethical, socially responsible and environmentally sustainable manner. This is integral to our business model.

OUR GOVERNING OBJECTIVE

To maximise long-term intrinsic value for our continuing shareholders.

OUR VISION

To be the most differentiated and valuable global agri-business by 2040.

¹ Employees includes full-time, seasonal, contract and temporary workers.

PROGRESS IN A YEAR OF UNPRECEDENTED GLOBAL CHANGE

2016 was an exceptional year. The ascent of populism, waning of the forces of globalisation, continued sub-par global growth, monetary policy exhaustion and the digital revolution presented many challenges for businesses to navigate.

These challenges underscored the need for businesses to stay the course with a clear and focused strategy, while at the same time acting on their capacity to rapidly adapt and remain relevant in times of such unprecedented and unexpected change. I believe Olam achieved this difficult and delicate balance in 2016.

We responded to these challenges by sharpening our focus and strengthening our efforts to accelerate the delivery of value to our shareholders. We made specific investment choices and capital allocation decisions in 2016 that will shape our future and ensure our continuing success. To this end, we continued expansion of our operational footprint – further growing our upstream plantation investments in almonds, coffee, palm and rubber and making new plantation investments in adjacent businesses such as pistachios, walnuts and black pepper.



p16



p38



p64



Sunny Verghese
Co-Founder and Group CEO

Group CEO perspective

"Our theme, 'Maximising Value and Purpose', reflects the need to balance being both a value creating and purpose-driven business concurrently in order to build an enduring and sustainable business."

We made a significant commitment to enter the animal feeds business in Africa. We successfully integrated transformational and strategic acquisitions such as the erstwhile ADM Cocoa business, McCleskey Mills, Brooks Peanut Company and the wheat milling and pasta assets from the BUA Group during the course of the year. With this, we demonstrated our ability to manage our business in-line with our strategy and with these wider global trends and challenges shaping the world we all live in.

In many ways, this year's Annual Report is an extension of these trends, representative of the need to provide consistent transparency, while engaging with and delivering information and insight to an ever-broadening and important community of stakeholders.

This year our Annual Report narrative combines all 3 aspects of our economic performance, our people and social impact, as well as our environmental stewardship into 1 'book', providing insight into elements of our business important to our stakeholders. Our theme, **'Maximising Value and Purpose'**, reflects the need to balance being both a value creating and purpose-driven business concurrently in order to build an enduring and sustainable business.

Business performance

While it was a tough year for the agri-sector as a whole and our performance did not meet our goals in some respects, Olam performed well relative to many of our industry peers. We made good progress as we executed our plans in the first year of our refreshed 3-year strategic plan (FY16-FY18).

As explained in my CEO Review last year, we strategically prioritise our portfolio into 4 clusters, with each cluster having a set of common business imperatives. In addition, we also prioritise and treat Africa as a separate vertical with a special focus, given our Africa footprint and operating capability which is unique in our industry.

Cluster 1

Our Cluster 1 businesses comprise 6 platforms, including **Edible Nuts**,

Cocoa, Coffee, Grains, Spices and Vegetable Ingredients (SVI) and Cotton.

In this cluster, we continued to build leadership positions in these priority businesses. During 2016, 4 of our 6 business units in this cluster – Edible Nuts, Coffee, Cocoa and Grains – performed strongly from a financial standpoint while at the same time improving their competitive and leadership positions in these markets. SVI and Cotton also improved their competitive position but did not achieve their financial performance goals, with underperformance in our United States tomato processing business affecting SVI, and underperformance in our United States cotton operations affecting our Cotton business.

Cluster 2

Our Cluster 2 businesses, (**Edible Oils, Rubber, Dairy, Packaged Foods and Commodity Financial Services**), which include mostly gestating assets where we are establishing proof-of-concept and selectively scaling, continued to move towards becoming value contributing. Our Dairy business moved decisively forward with a significant reduction in losses in our Uruguay Dairy farming operations, material improvement in our Russian farming operations and strong out performance in the supply chain segment of our Dairy business.

Cluster 3

For Cluster 3 (**Rice, Wood Products and Sugar**), where we seek to remain asset light and maximise returns, Sugar and Rice performed exceedingly well, while there was some underperformance in our Wood Products business, even though that business was profitable.

Cluster 4

In Cluster 4 which includes **Fertilisers and Gabon Special Economic Zone (GSEZ)**, where we are working to partially sell down our stakes or monetise select assets, GSEZ exceeded expectations for the year. We continue to engage with potential strategic partners with a view to deconsolidate our Fertiliser business.

Africa

Africa made a strong contribution to our overall performance for the year with broad based performance from all sub-regions where we are present, including West Africa, Central Africa,

South and East Africa, as well as Middle East and North Africa. Cocoa, Coffee, Cotton, Edible Nuts and Grains businesses in Africa all performed better than plan in posting these record results from the region. This vindicates the special emphasis that we have placed on Africa and reflects our 'winability' there.

A detailed performance review and analysis can be found on pages 18-35.

Strategy review

Our strategy rests on the power of a repeatable model centred around a strong core business, namely, supply chain management of agricultural raw materials and ingredients built around deep capabilities that include farmgate sourcing and origination capability, deep customer relationships, strong research and trading capability, manufacturing capability, inland and marine logistics capability, robust risk management skills, cost management and operational excellence capability, African footprint and operating capability and a unique entrepreneurial culture. We have continuously deepened, refined and adapted these capabilities over time and combined it in our business model in a way that has allowed us to repeat this over and over, from 1 product (cashew) to now 47 products over the last 27 years.

Strengthening this Core is akin to strengthening the core of your body – the central set of muscles that helps a body maintain its power, balance and overall health. This has helped us build leadership positions in our core business over time, and in 2016 we have continued to strengthen this Core.

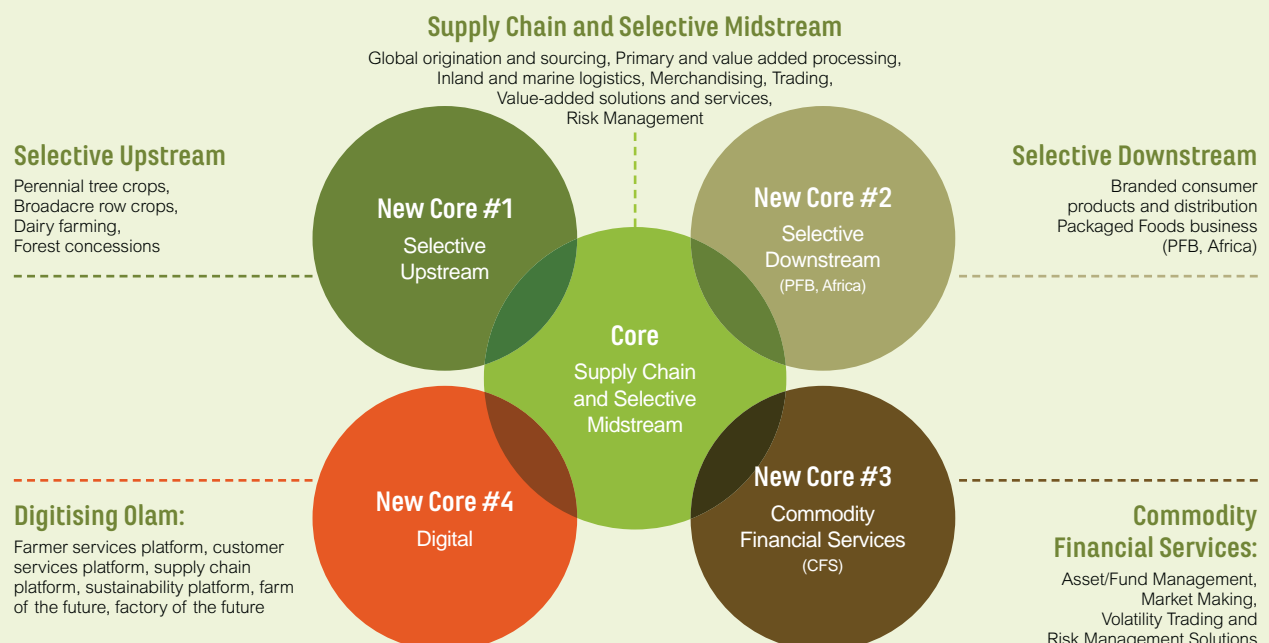
In the last few years, we have expanded from this Core into New Cores in adjacent markets and value chain steps including selective expansion into upstream plantations and farming, selective downstream expansion into branded Packaged Foods business and entry into the Commodity Financial Services business. In each case we have leveraged some of the key capabilities in our core business while adding specific new capabilities that are required for us to succeed in the New Cores that we are developing for the future. For example, in the upstream expansion, we are investing to develop world class farming capabilities and being a leader in sustainability, including environmental and social stewardship. In the downstream Packaged Foods business, we have invested in building new capabilities in brand building and category management, developed deep customer insights through market

research, built new product development capabilities and distribution capabilities in terms of reach, effectiveness and cost. Similarly, in the Commodity Financial Services business, we are building asset management capabilities and investing in developing third-party fund raising capabilities for the future.

We have also decided to selectively invest in Ag Logistics, including elevation and port facilities in Russia, Ukraine and Gabon as this is an enabler to our core business of trading and supply chain management. In many of these cases we provide the base/captive load to keep these facilities utilised given our own trading volumes in these locations.

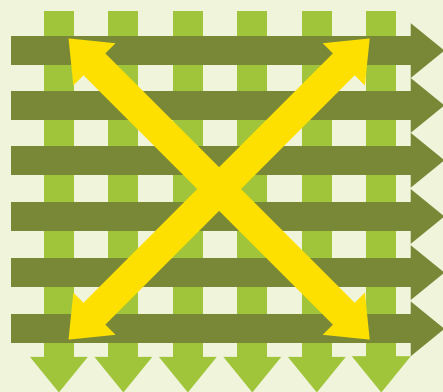
Over the course of 2016, we became acutely aware of how digital technologies are fundamentally transforming the way we farm, live, work and consume. Digital is changing not only the way that we operate as companies, but also significantly changing the way we interact with our service providers, farmer suppliers, customers, communities, civil society and our employees. We have paid particular attention to developments in this area and set up a 'Digitalising Olam' Task Force (DTF) to enable us to seize the opportunities that this presents. We are evaluating 8 initiatives including a Farmer Services platform, Customer

Our 'Current Core' and Future 'New Cores'



CEO Perspective

Aligning the organisation to execute our strategy



Vertical Assets and Capabilities

Driven at the BU level

- Deep product knowledge
- Deep market insights
- Strong presence in critical origins
- Strong supplier and customer relationships

Horizontal Assets and Capabilities

Shared by all businesses

- Strategic planning
- Risk management skills
- Talent management capabilities
- Treasury and Financing capabilities
- IT
- Shared services

Diagonal Assets and Capabilities

Glue that secures 'One Company' benefits

- Intangibles (shared purpose, governing objective, vision, spirit, culture, values)
- Tangibles (Global Assignee Talent Pool, common operating procedures, common performance management processes)

Services platform, Supply Chain of the Future, Farm of the Future, Factory of the Future, Trading of the Future, Sustainability platform and Farm Management Services. Five prototypes are under development and we are excited with the opportunities that these initiatives represent in transforming our business and potentially disrupting our industry. Through these initiatives, we want to create a 'digital first' culture in Olam.

Aligning our organisation to execute our strategy

Given this strategy, we have designed an organisational model that will enhance our capacity to execute this strategy. This is best understood against the backdrop of various kinds of assets and capabilities that our business has and the specific value they create. In this regard, our first objective is to ensure that we improve the performance of our business units and increase their 'vertical value'. For example, our farmgate procurement network and deep customer relationships are vertical assets.

Our second objective is to design an organisation that will help us create 'horizontal value' through shared services, including Strategic Planning and Budgeting, HR, Finance and Accounts, Treasury, Investor Relations, Company Secretarial Services, Legal, M&A, Risk, Internal Audit and Compliance, Market Compliance, Manufacturing and Technical Services, IT, Corporate Responsibility and Sustainability, Tax and Corporate Communications. By 'commonising' and 'standardisation', adopting the

same language and processes, we are able to develop state of the art capability on these common processes across the businesses creating 'horizontal value'. This frees up the business teams to focus on their core activities with regard to managing their upstream farming investments, their core supply chain and trading business, and dealing with their customers where the business units can clearly add more value.

Our third objective is to create 'diagonal value' that helps us extract 'One Company' benefits and which allows us to act as both a single company and different businesses at the same time. Diagonal assets help vertical assets create horizontal value and help horizontal assets create vertical value. The various elements of the 'Olam Way', including our shared core purpose, shared governing objective, our shared vision, our shared spirit, our shared culture and values, and our core competencies, provide the glue that allows us to extract 'One Company' benefits where the whole is greater than the sum of the parts.

Our purpose is our enduring focus

The macro changes that the world is experiencing including the emergence of a post-globalisation era, potential challenges to free trade and open markets, accelerating geo-political uncertainty and continued capital superabundance have long-term implications for how businesses are led, organised, managed and financed going forward.

At Olam, we believe increasingly, it is the companies that are clear about their purpose that will be successful in the future. Our purpose of Growing Responsibly inspires everything that we do at Olam. Growing Responsibly underpins the fact that we are clearer than ever that Olam must be both a 'value maximiser' and a 'purpose maximiser' at the same time. We do not see these 2 objectives as being in conflict with each other and is therefore not an 'either', 'or' but a 'both' choice for us.

We are seeing businesses starting to shift from the dominant model of the last 50 years that focused on the primacy of the shareholder and therefore focused on shareholder value maximisation. While that will continue to remain an important deliverable going forward, we also need to pursue a concurrent purpose-driven model emphasising social and environmental stewardship that will enable us to create an enduring and sustainable business.

We have always balanced investing for the long-term while delivering on our short-term commitments to continue to earn the right to grow. To this end, we have successfully realigned our shareholder base with shareholders who understand and support our long-term strategy, notably with Temasek Holdings and Mitsubishi Corporation as our 2 major shareholders.

Olam touches people's lives every day from our customers and the consumers who use our products to the communities where we live and

work, and the interface with the natural environment as we produce or source our various agricultural commodities. For example, we believe that 1 in 3 chocolate bars that people consume are made from cocoa beans handled by Olam, the amount of peanuts sourced and processed by Olam could serve 7.6 billion peanut butter sandwiches, we harvest and process enough tomatoes to top 3.2 billion pizzas annually, and the quantity of rice supplied by Olam could feed each person in the world with 3 servings. Our carbon footprint, water footprint and waste footprint in providing these goods and services is something that we are concerned about and we are focused on improving their efficiency. In this regard, our sustainability strategy is fully aligned with the United Nations Sustainable Development Goals (SDGs) which set out a vision for ending poverty, hunger, inequality and protecting the earth's natural resources. These SDGs provide us with a framework and guide our actions so that we can participate in creating a better world that we all aspire to.

Focusing on issues that matter most

With this in mind, in 2016 we continued to drive our approach to sustainability by focusing on 7 material areas: Livelihoods, Land, Water, Climate Change, Labour, Food Security and

Food Safety (see page 6 for how these relate to our goals and policies). These are fundamental to our vision of achieving end-to-end sustainable supply chains by 2020, for which we have laid out clear, time bound goals.

Reviewing our progress in 2016, we have continued to improve our safety record and our carbon and water footprints, while the Olam Farmer Information System is providing unparalleled insights into the smallholder landscape which means we can target our interventions with this group all the more efficiently. In turn, this is helping to create an increasing number of enduring partnerships with customers, NGOs, development finance institutions and donors under the Olam Livelihood Charter (OLC) programme as we pursue our mutual goal of catalysing farmer livelihoods by improving their crop yields and quality of the crops produced. We accomplish this by providing farmers better market access, micro-finance, farm inputs and extension training. All of these initiatives help farmers, particularly the younger generation, see agriculture as a viable career. There has been some churn in the number of farmers participating in our OLC programme in 2016. Thousands of new farmers joined the OLC this year, while some others are no longer in our programme,

resulting in a reduction of total number of OLC farmers compared to 2015. Nevertheless, the training and investments made into their communities have equipped the exiting OLC farmers to progress with their new buyers.

We continue to pursue and adopt international certification standards where available, such as FSC¹ and RSPO², while also strengthening our internal policies, standards and codes with input from our stakeholders. This year, for example, we are launching our Global Forest Policy. We engaged in a constructive dialogue with an NGO on our Palm and Rubber plantation operations in Gabon and our third-party palm oil sourcing in Asia and reached an agreement that bridged our differing positions on these operations.

Working with our peers

Even in a highly competitive sector like ours, we have always felt that ambitious sustainability goals to tackle the major developmental challenges that confront our sector cannot be achieved by operating in siloes or on our own. I am encouraged that so many of our peers share this belief. At Olam's Building Sustainable Futures Forum in 2016, the ground-breaking **Global Agri-business Alliance (GAA)** was launched. This pre-competitive, voluntary, CEO-led private sector initiative demonstrates a growing commitment to establish collaboration and partnerships to help solve the seemingly intractable problems facing our sector including food and nutrition insecurity, water scarcity, impact of climate change and growing inclusively within planetary boundaries. While the enormity of these challenges cannot be underestimated, this industry-wide effort to solve them will hopefully result in making a significant impact in tackling these major developmental challenges. It will also offer considerable new opportunities to companies, not just in terms of enhancing customer stickiness as they look to us to help solve their supply chain issues and protect their reputations, but also unlock new streams of income. The recent report of the Business and Sustainable Development Commission (BSDC) released in January 2017, highlighted



Olam Farmer Information System manages the first mile of the Olam's supply chain, giving unparalleled insight and transparency.

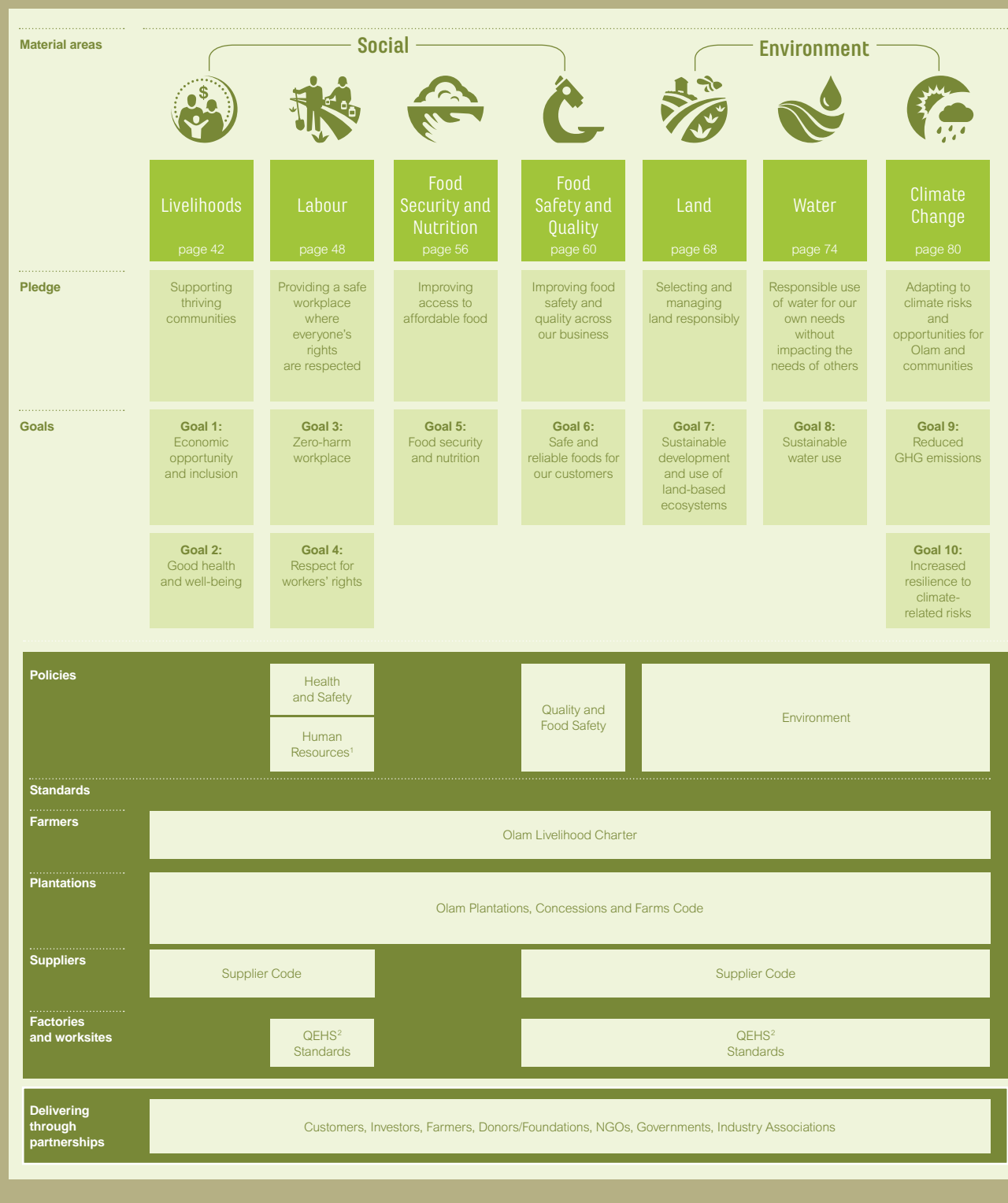
CEO Perspective

Our material areas

The table below shows how our material areas and goals are embraced by a framework built on policies which then drive our standards, procedures and technical controls.

HOW ARE WE GROWING RESPONSIBLY?

Sustainability goals



¹ In progress.

² Quality, Environment, Health and Safety.

Note: the goals have been renumbered in 2016.

that addressing these sustainability challenges could potentially generate significant economic opportunities for enlightened businesses, possibly adding as much as US\$12 trillion to the global economy.

People are our differentiator

The year in review demonstrated again that we have an extraordinary and dedicated team at Olam, across the breadth and depth of our businesses around the world. Retaining and attracting the best talent remains a priority. Our talent development programme and the introduction of our Aspire performance management system – saw us take the bold step of removing employee ratings entirely to focus on the appraisee's development by ensuring a rewarding and engaging workplace – are helping us to build essential skills across our teams. We are focusing on managers having 'continuing conversations' that are 'future focused' with their team members for developing their capabilities and creating the basis for their retention and long-term career planning.

In 2016, we further strengthened the functions that create the horizontal value that help unify each of our vertical businesses. The 'Olam Way', our culture, values and purpose also create 'diagonal assets' that bind these vertical and horizontal assets together. I firmly believe we are now at a point where we can proudly say that we have built a unique organisation that not only supports but also enhances our delivery of our business and sustainability objectives.

The year ahead

In 2017 we will be entering the second year of our 3-year strategic plan. We continue to see significant opportunities for profitable growth in the agri-sector despite ongoing volatility. The major themes and priorities for our business will not change significantly in the coming year.

We will continue to invest in building leadership positions in our 6 prioritised platforms in Cluster 1, establish proof-of-concept and selectively scale our Cluster 2 businesses, remain asset light and maximise returns in our Cluster 3 businesses and partially sell

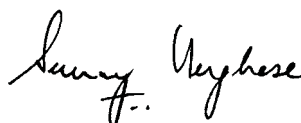
down our stakes in our Cluster 4 businesses while Africa will continue to remain as a separate vertical focus.

We will continue to live and demonstrate Olam's 3 key brand values of being an unrivalled expert, a change agent and transformer, and finally a trusted partner in our industry. We believe focus on these elements remains crucial to our success in a world where change is a constant.

Chairman transition

Mr Kwa Chong Seng stepped down from Olam's Board as its Non-Executive Chairman and Independent Director on 31 December 2016. Chong Seng's tenure, first as Deputy Chairman from October 2014, and then as Chairman from October 2015 made a deep impact on Olam's strategy and business. During this period, he played a critical role in forging the strategic partnership with Mitsubishi Corporation which is expected to accelerate Olam's growth. He also oversaw several organic and inorganic growth initiatives that helped Olam to build market leading positions in its prioritised platforms. On behalf of Olam's Board and Management Team I would like to express our deepest gratitude to Chong Seng for his stewardship, guidance and motivation of the Board and the Management Team during his tenure.

I am also pleased to welcome Mr Lim Ah Doo as our new Non-Executive Chairman and Independent Director with effect from 1 January 2017. Ah Doo has extensive experience in banking, natural resources, infrastructure development and emerging markets from both a banker and operator standpoints. His deep knowledge, insights and proven leadership will undoubtedly benefit Olam. The Board and I are delighted to have Ah Doo on board to lead Olam through its next phase of growth.



Sunny Verghese
Co-Founder and Group CEO

"Addressing these sustainability challenges could potentially generate significant economic opportunities for enlightened businesses, possibly adding as much as US\$12 trillion to the global economy."

¹ FSC – Forest Stewardship Council

² Roundtable on Sustainable Palm Oil

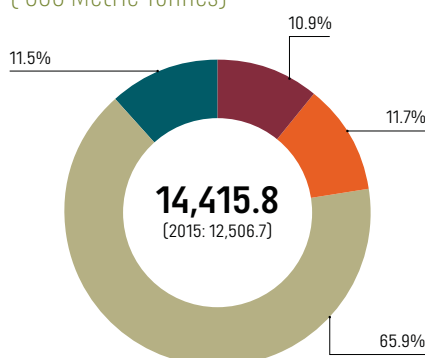
Highlights

FINANCIAL AND PERFORMANCE HIGHLIGHTS

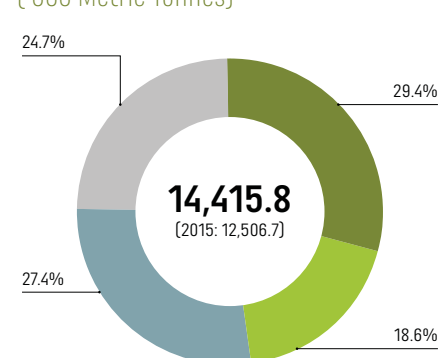
Volume

	'000 MT
Edible Nuts, Spices and Vegetable Ingredients	1,569.7
Confectionery and Beverage Ingredients	1,687.5
Food Staples and Packaged Foods	9,496.1
Industrial Raw Materials, Ag Logistics and Infrastructure	1,662.5
Asia, Australia and Middle East	29.4%
Africa	18.6%
Europe	27.4%
Americas	24.7%

Sales volume by segment
('000 Metric Tonnes)



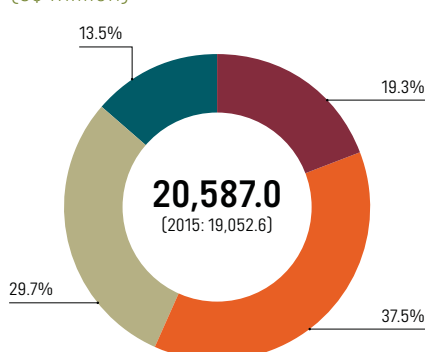
Sourcing volume by region
('000 Metric Tonnes)



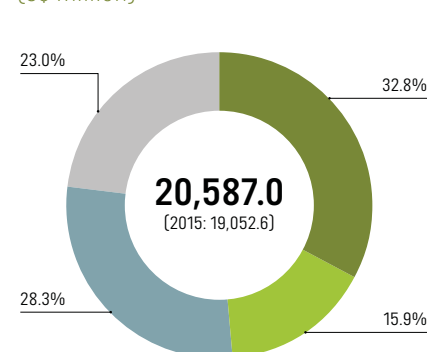
Revenue

	S\$ million
Edible Nuts, Spices and Vegetable Ingredients	3,981.1
Confectionery and Beverage Ingredients	7,711.0
Food Staples and Packaged Foods	6,110.8
Industrial Raw Materials, Ag Logistics and Infrastructure	2,784.1
Asia, Australia and Middle East	32.8%
Africa	15.9%
Europe	28.3%
Americas	23.0%

Sales revenue by segment
(\$ million)



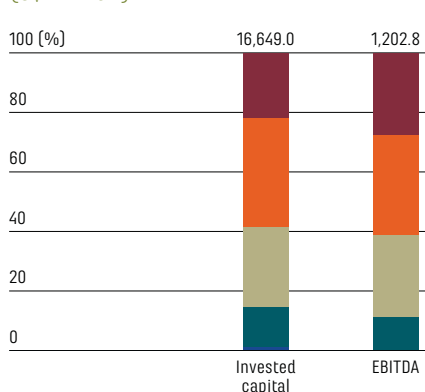
Sales revenue by region
(\$ million)



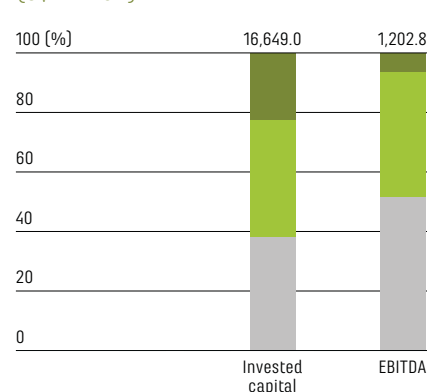
Invested capital and EBITDA (\$ million)

	Invested capital	EBITDA
Edible Nuts, Spices and Vegetable Ingredients	3,642.7	331.8
Confectionery and Beverage Ingredients	6,109.5	407.3
Food Staples and Packaged Foods	4,522.1	330.2
Industrial Raw Materials, Ag Logistics and Infrastructure	2,220.9	135.2
Commodity Financial Services	153.8	(1.6)
Upstream	3,764.2	79.2
Supply chain	6,537.7	503.5
Midstream and downstream	6,347.1	620.1

Invested capital and EBITDA
by business segment
(\$ million)



Invested capital and EBITDA
by value chain segment
(\$ million)



For the 12 months ended 31 December (S\$ million)

	2016	2015 Restated	% Change
Profit and Loss Statement			
Sales Volume ('000 Metric Tonnes)	14,415.8	12,506.7	15.3
Sales Revenue	20,587.0	19,052.6	8.1
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) ¹	1,202.8	1,085.2	10.8
Earnings Before Interest and Tax (EBIT) ¹	849.3	818.6	3.8
Profit Before Tax ¹	433.4	(27.3)	N.M.
Profit After Tax and Minority Interest	351.3	(114.9)	N.M.
Operational Profit After Tax and Minority Interest ¹	363.8	295.6	23.1
Per Share			
Earnings Per Share basic (cents)	11.5	(5.2)	N.M.
Operational Earnings Per Share basic (cents) ¹	11.5	11.0	4.9
Net Asset Value Per Share (cents)	190.8	179.7	6.2
Net Dividend Per Share (cents) ²	6.0	6.0	–
Balance Sheet			
Total Assets	23,468.9	20,854.9	12.5
Total Invested Capital	16,649.0	14,374.7	15.8
Total Debt	13,670.5	12,293.9	11.2
Cash and Cash Equivalents	2,144.0	2,143.2	–
Shareholders' Equity	5,398.3	5,079.1	6.3
Cash Flow			
Operating Cash Flow Before Interest and Tax	1,243.5	1,150.8	8.1
Net Operating Cash Flow After Changes in Working Capital and Tax	1,015.8	154.9	555.8
Free Cash Flow to Firm	(418.1)	(2,062.6)	(79.7)
Free Cash Flow to Equity	(765.8)	(2,540.9)	(69.9)
Ratios			
Net Debt to Equity (times) ³	1.99	1.96	0.03
Net Debt to Equity (times) adjusted for liquid assets ³	0.73	0.73	–
Return on Beginning-of-period Equity (%)	6.1	(3.0)	N.M.
Return on Average Equity (%)	5.8	(2.8)	N.M.
Return on Invested Capital (%)	4.0	3.0	1.0
EBITDA on Average Invested Capital (%)	7.8	8.4	(0.6)
Interest Coverage (times) ⁴	2.0	1.0	1.0

Note: The results for 2015 have been restated due to changes to accounting standards pertaining to Agriculture (SFRS 41) and Property, Plant and Equipment (SFRS 16) that came into effect from 1 January 2016. Please refer to the General Information on page 86 for details.

1. Excludes exceptional items.

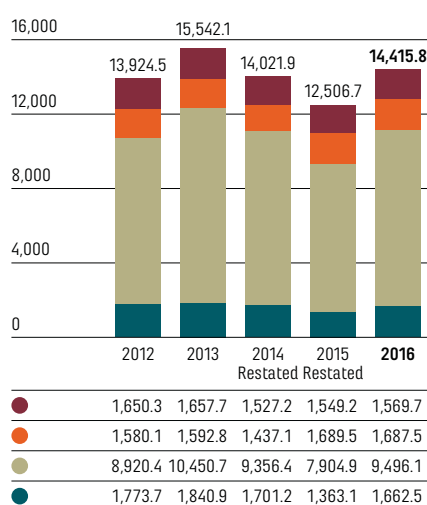
2. Total dividend of 6.0 cents per share for 2015 was declared for the 18-month fiscal year 2015 from 1 July 2014 to 31 December 2015. Proposed final dividend of 3.0 cents for 2016 is subject to shareholders' approval at the 22nd Annual General Meeting.

3. Before Fair Value Adjustment Reserves.

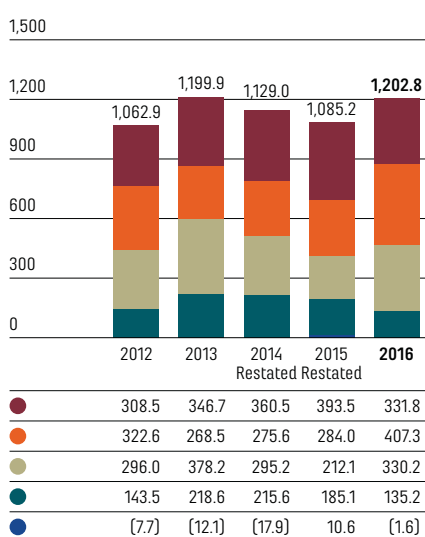
4. EBIT on total interest expense.

Highlights

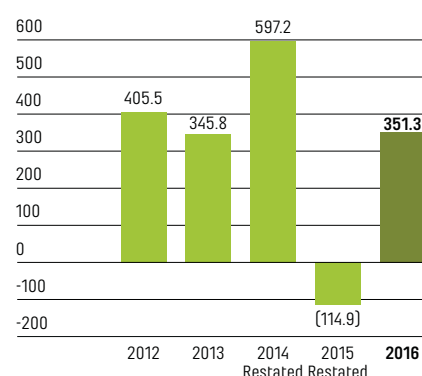
Sales volume ('000 Metric Tonnes)



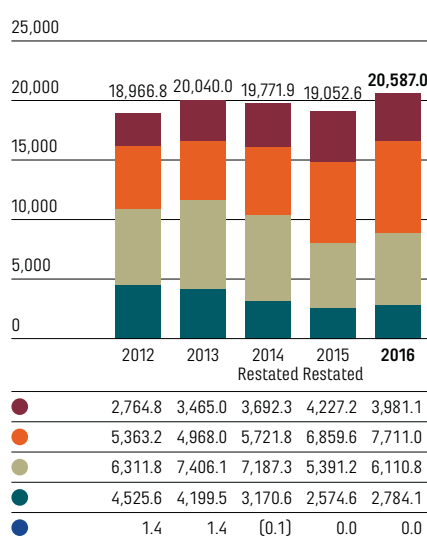
Earnings Before Interest, Tax, Depreciation and Amortisation (\$ million)



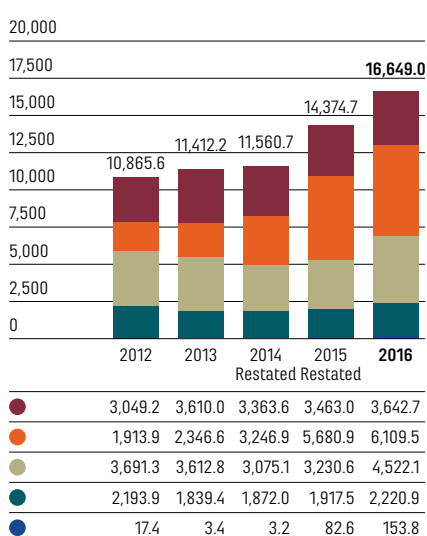
Profit After Tax and Minority Interest (\$ million)



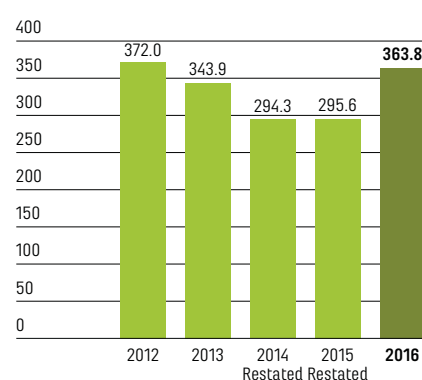
Sales revenue (\$ million)



Invested capital (\$ million)



Operational Profit After Tax and Minority Interest (\$ million)



Operational Profit After Tax and Minority Interest is Profit After Tax and Minority Interest excluding exceptional items

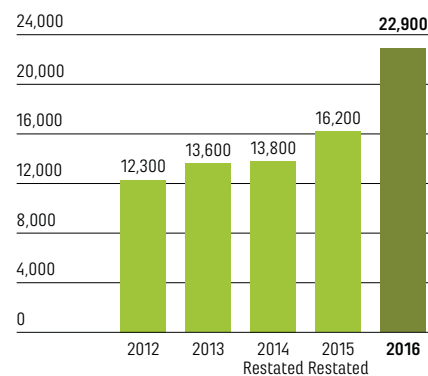
Earnings Per Share [cents]



Return On Equity [%]

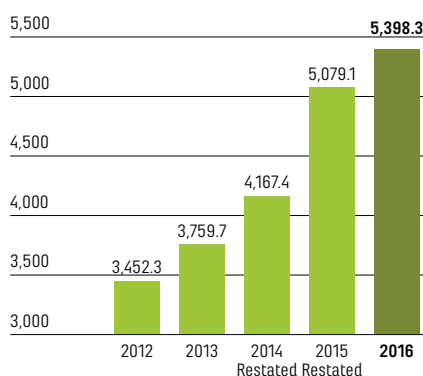


Number of customers

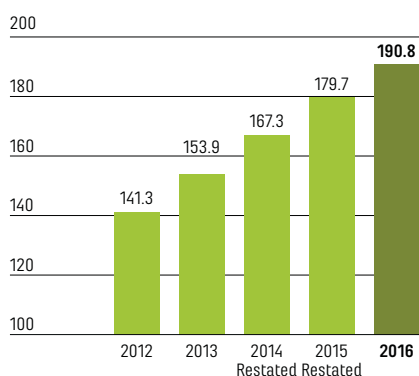


Figures for 2012-2014 are computed based on 30 June year-end basis

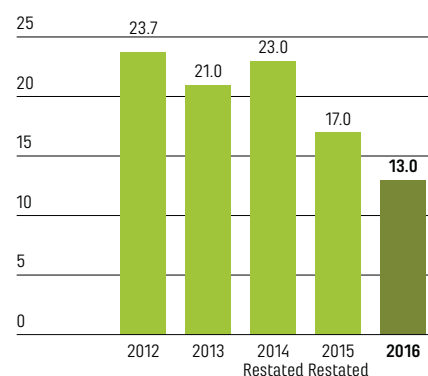
Shareholders' equity [\$ million]



Net asset value per share [cents]



Top 25 customers' share of total sales revenue [%]



Figures for 2012-2014 are computed based on 30 June year-end basis

Key

- Edible Nuts, Spices and Vegetable Ingredients
- Confectionery and Beverage Ingredients
- Food Staples and Packaged Foods
- Industrial Raw Materials, Ag Logistics and Infrastructure
- Commodity Financial Services

Highlights

2016 SOCIAL AND ENVIRONMENTAL HIGHLIGHTS

Olam endeavours to generate economic prosperity, contribute positively to social welfare and manage our stewardship of the environment in a sustainable way, so as to assure the creation of real long-term value for all.

Our Guiding Principles

- Improve the livelihoods of farmers and communities through initiatives that enhance productivity and returns.
- Unlock mutual value with all of our stakeholders through collaboration.
- Understand and mitigate our environmental footprint.
- Ensure a safe, healthy and productive workplace for our people.
- Participate in professional associations to further develop our key goals.

“For anyone investing in the agricultural sector, understanding the social and environmental aspects of the business is fundamental – Olam’s activities depend on the quality of soil, the availability of water, and dedication of people to grow, harvest and process crops. How we strive to mitigate our footprint on the environment is a matter of keen interest on the part of many stakeholder groups while also being a direct reflection of how we conceive our corporate responsibilities. Combining sustainability reporting with business performance in the Annual Report is thus an important step. We hope it will help all stakeholders to obtain a holistic view of our business, showing just how far the Olam teams go to drive change and grow responsibly.

“Our Corporate Responsibility and Sustainability (CR&S) agenda is organised around several major themes, including land management, labour and community development issues. In 2016, Olam’s Board of Directors visited Nigeria. This gave the Board an excellent opportunity to see how our objective of growing responsibly is being translated on the ground into specific initiatives designed



32,954 new farmers in 9 countries registered on Olam Farmer Information System to bring the total to more than 65,000 farmers across 13 countries

Read more in the Livelihoods section of this report

to transform communities and build partnerships. The Board’s CR&S Committee meets quarterly to review how our thematic agenda is being implemented across Business Units around the world with the paramount objective of developing a sustainable business for investors and stakeholders alike. We remain cognisant, however, of operating in less than perfect social and regulatory environments. Provision of health and education services to local populations is occasionally lacking. In some places, the regulation of access to public commodities, such as water, remains deficient. The challenge for Olam is to identify ways to help mitigate these issues and ensure the sustainability of our business.”

Jean-Paul Pinard
Chair of the CR&S Board Committee



Lost Time Injury
Frequency Rate **reduced by
30%** following 50%
reduction in 2015

Read more in the Labour
section of this report



92 entries received
for the Olam Prize for
Innovation in Food Security

Read more in the Food security and nutrition
section of this report



82% relevant top tier
food processing
facilities **certified
BRC / FSSC 22000**

Read more in the Food safety and quality
section of this report



Over 30 partnerships to
improve the livelihoods of
more than **300,000 farmers**
under the Olam Livelihood
Charter (OLC)

Read more in the Livelihoods
section of this report



190,000 people in
Africa reached under
the Olam Healthy
Living Campaign

Read more in the Livelihoods
section of this report



Over 26 billion
servings of fortified
food developed in Africa

Read more in the Food security and nutrition
section of this report



29% Improvement on
our FY15 carbon footprint
from Olam's own operations

Read more in the Climate change
section of this report



31% Improvement on
our FY15 Irrigation and
Process Water intensity
for Olam's own operations

Read more in the Water
section of this report

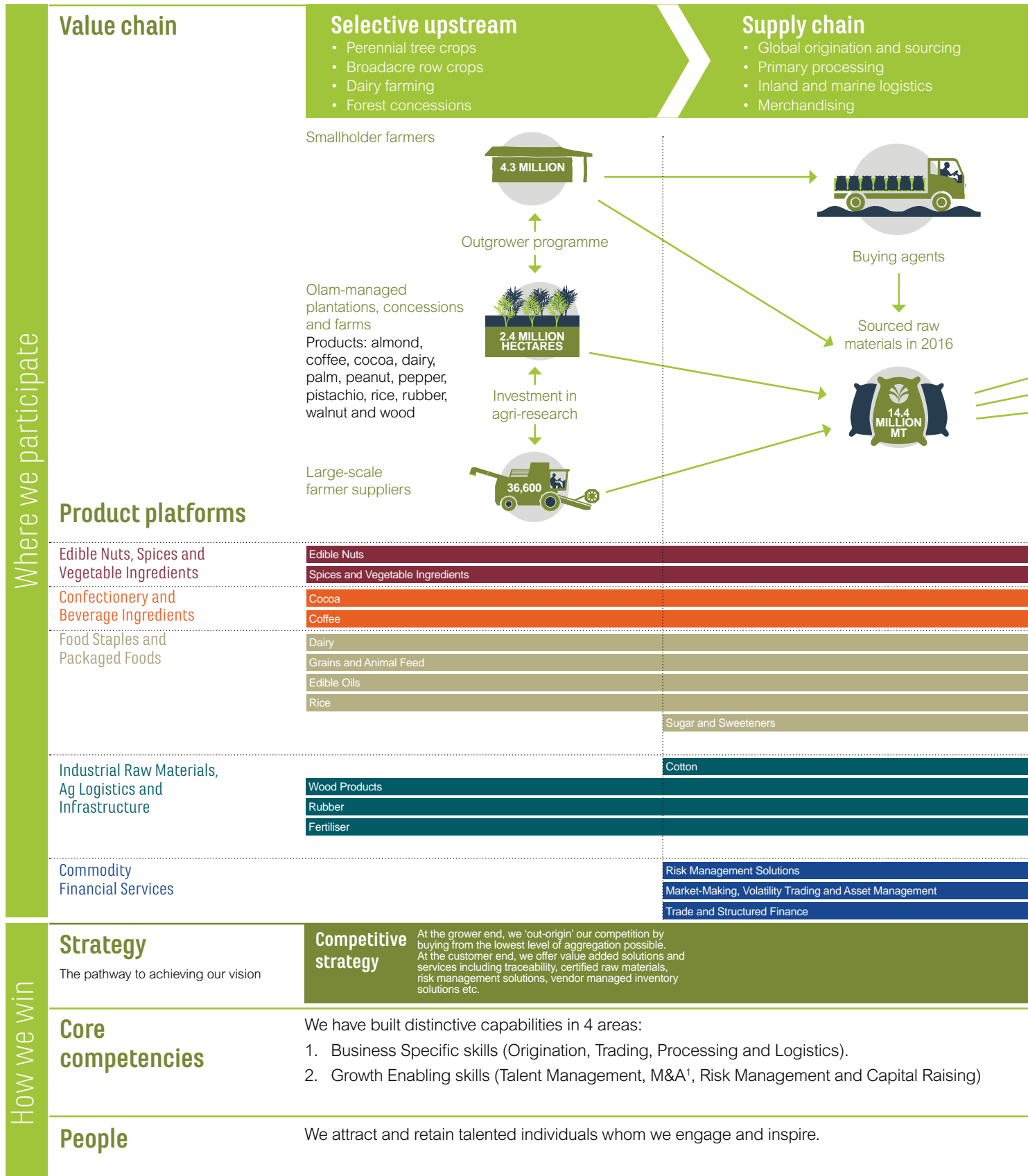


Launch of the **Global
Agri-business Alliance**
at the Building Sustainable
Futures Forum convened
by Olam

Read more in the Food security and nutrition
section of this report

Business model

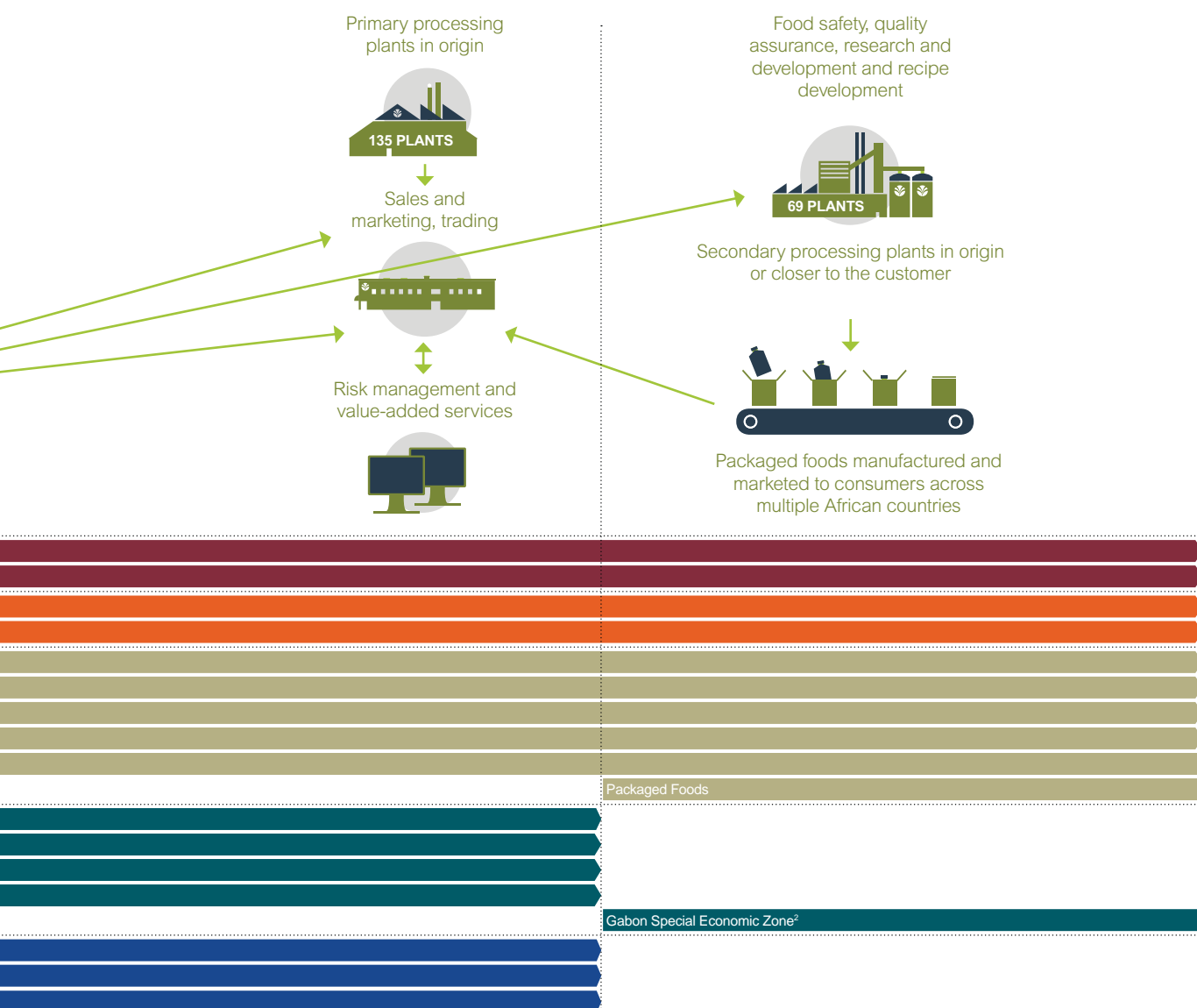
WHERE WE PARTICIPATE AND HOW WE WIN

¹ Mergers and Acquisitions.² GSEZ including ports and infrastructure.

- Trading
- Value-added solutions
- Risk management

Selective mid/downstream

- Value-added/manufacturing
- Branding and distribution (Africa)



Portfolio strategy

We focus on building leadership positions in niche commodities. We selectively integrate across the agricultural value chain, including upstream, supply chain Core, mid-stream and down-stream with a special emphasis on Africa.

Growth strategy

We grow market share in our core business and then expand into adjacent businesses that share customers, channels, costs and capabilities with our existing business.

3. Privileged Assets and Networks (Sourcing Network, Customer Network)
4. Stakeholder Management capability

They live our values, are passionate, responsive, reliable, ambitious, pioneering and innovative – creating a true source of competitive advantage for Olam.

Value created

See our highlights on pages 8 to 13

ECONOMIC





CONTENTS:

- 18 Group COO's review
- 24 Edible Nuts, Spices and Vegetable Ingredients
- 26 Confectionery and Beverage Ingredients
- 28 Food Staples and Packaged Foods
- 30 Industrial Raw Materials, Ag Logistics and Infrastructure
- 31 Commodity Financial Services
- 32 Value chain review and analysis
- 36 Principal risks and uncertainties

Group COO's review

STEADY PROGRESS IN 2016 ON IMPROVED OPERATIONAL PERFORMANCE AND STRONG STRATEGY EXECUTION

Key highlights

Financial performance

In 2016, Olam achieved a PATMI of S\$351.3 million as against a negative S\$114.9 million in the previous year, primarily due to improved operational performance and the absence of the exceptional losses that we had in 2015.

The exceptional losses in 2015 had come largely from fair value losses on our equity investment in PureCircle, which was due to a conservative interpretation of an accounting treatment, with no change to total equity (including reserves) or cash flow. The remaining portion of the exceptional losses was a result of deliberate actions to optimise operations for future growth, including the buy-back of higher cost debt and restructuring cost for the Dairy operations in Uruguay. The buy-back of higher cost debt, which was part of our debt optimisation efforts that continued into 2016, resulted in a net exceptional loss of S\$12.5 million for this year.

Stripping out these exceptional items, operational PATMI showed a strong 23.1% year-on-year growth to S\$363.8 million, compared with S\$295.6 million in 2015.



A. Shekhar,
Executive Director and Group COO

S\$ million	2016	2015 Restated	% Change
Volume ('000 MT)	14,415.8	12,506.7	15.3
Revenue	20,587.0	19,052.6	8.1
Net gain/(loss) in fair value of biological assets	14.1	(51.9)	N.M.
EBITDA	1,202.8	1,085.2	10.8
Depreciation and amortisation	(353.5)	(266.6)	32.6
Net finance costs	(403.5)	(448.9)	(10.1)
Taxation	(94.3)	(89.3)	5.6
Exceptional items	(12.5)	(397.0)	N.M.
PAT	339.1	(116.6)	N.M.
PATMI	351.3	(114.9)	N.M.
Operational PATMI	363.8	295.6	23.1

Note: Results are for the 12-month financial period ended 31 December.

Sales volumes increased 15.3% as most segments registered higher volumes, while revenues grew 8.1% year-on-year despite higher volumes, with lower prices of some commodities, offsetting price increases in others.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) grew 10.8% year-on-year to S\$1.2 billion, driven by growth in Confectionery and Beverage Ingredients and Food Staples and Packaged Foods, which offset lower contributions from other segments.

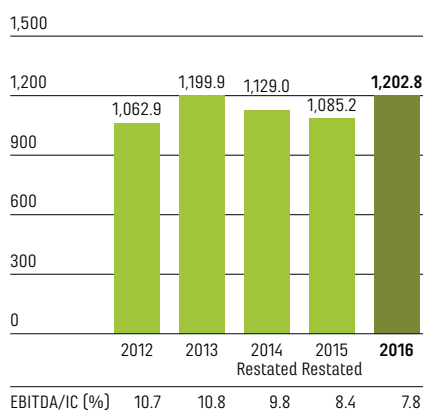
EBITDA from Confectionery and Beverage Ingredients was up 43.4% from S\$284.0 million to S\$407.3 million while Food Staples and Packaged

Foods was up 55.7% from S\$212.1 million to S\$330.2 million. Edible Nuts, Spices and Vegetable Ingredients was down 15.7% from S\$393.5 million to S\$331.8 million and Industrial Raw Materials, Ag Logistics and Infrastructure was also down 27.0% from S\$185.1 million to S\$135.2 million. Commodity Financial Services (CFS) went down from S\$10.6 million to a loss of S\$1.6 million.

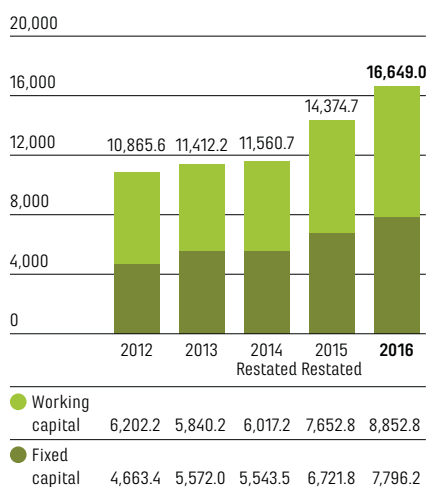
Our EBITDA was achieved on a higher invested capital of S\$16.6 billion, which increased mainly due to the acquisition of wheat milling and pasta manufacturing assets in Nigeria, and peanut shelling assets in the USA, as well as various organic growth initiatives both in upstream and

"Strong growth from the Confectionery and Beverage Ingredients and Food Staples and Packaged Foods segments demonstrates that our strategy of accelerating investments and addressing specific areas of underperformance to strengthen our leadership positions in these segments is working."

Earnings Before Interest, Tax, Depreciation and Amortisation [S\$ million]



Invested capital [S\$ million]



Group COO's review

"We reduced our interest costs despite a higher asset base and will continue to optimise our capital structure as we focus on targeted investments in our prioritised platforms and ensure that our gestating assets reach their full potential."

midstream value chain integration. Working capital has also increased on account of our volume growth, compounded by higher commodity prices, especially in cocoa, coffee and cotton during the year.

The EBITDA on average invested capital ratio (EBITDA/IC) was 7.8%, down from 8.4% in the year, after the S\$2.2 billion total increase in invested capital.

Strategic partnership with Mitsubishi Corporation

In 2015, we entered into a strategic partnership with Mitsubishi Corporation (MC) to collaborate in mutually beneficial business opportunities in Japan and across the world. MC is also our second largest shareholder with 20.3% interest in our company. In April 2016, we achieved our first partnership milestone by forming a 30/70 joint venture MC Agri Alliance (MCAA) to import and distribute sustainable, traceable agricultural products and food ingredients, including coffee, cocoa, sesame, edible nuts, spices, vegetable ingredients and tomato products, for the Japanese market. MCAA commenced operations on 1 October 2016.

Olam and MC have also set up a partnership committee to explore initiatives across platforms and regions in which we should collaborate. In addition to the 2 new Directors representing MC, Mr Katsuhiko Ito and Mr Yutaka Kyoya, who joined our Board in late 2015, we also have a few senior managers from MC joining our global management team as part of our partnership agreement.

Executing on our strategic plan 2016-2018

We continued to execute on our refreshed strategic plan going into 2018 through targeted organic and inorganic investments. During the year, we announced that we will invest US\$150.0 million to set up 2 state-of-the-art animal feed mills, poultry breeding farms and a hatchery to produce day-old chicks in Nigeria. The first mill is expected to be commissioned in the second half of 2017.

During the year, we completed several acquisitions:

- 100.0% interest in Amber Foods, which owns wheat milling and pasta manufacturing assets in Nigeria, for US\$275.0 million;
- 100.0% interest in Brooks Peanut Company at an enterprise value of US\$102.1 million (post working capital adjustments on closing);
- palm and palm oil assets from SIAT Gabon for approximately US\$24.6 million through Olam Palm Gabon (OPG), the 60/40 joint venture between Olam and the Republic of Gabon;
- remaining 50.0% interest in Acacia Investments (Acacia) from its joint venture partner for US\$24.0 million; and
- 100.0% interest in East African coffee specialist Schluter S.A. for US\$7.5 million.

Some of these investments will be discussed in further detail in the business segments that follow.

Summary of financial and operating results

Balance sheet analysis

In 2016, our total assets amounted to S\$19.3 billion, comprising S\$8.2 billion of fixed capital, S\$8.5 billion of working capital and S\$2.1 billion of cash. These were funded by S\$5.8 billion of equity, S\$6.0 billion of short-term debt and S\$7.7 billion of long-term debt.

Compared with 2015, our overall balance sheet grew by S\$1.7 billion due to the acquisition of the wheat milling and peanut shelling assets and working capital increase, as well as other capital expenditure (Capex) investments.

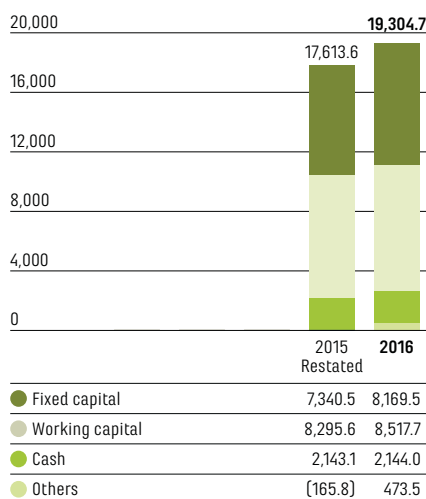
Working capital rose by S\$222.1 million compared with 2015 with the increase in volumes after the acquisition of these businesses, as well as with higher prices of commodities, including dairy, sugar, cotton, cocoa and coffee.

Working capital efficiency stayed largely flat at 150 days as at end-2016 as higher inventory days, advances to suppliers and receivable days were compensated by longer trade creditor days.

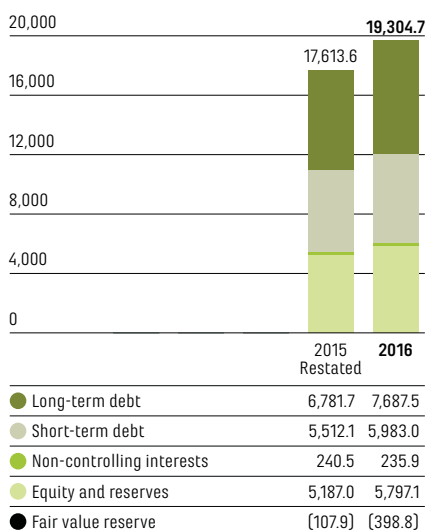


Following the acquisitions of MMI (2014) and Brooks (2016) Olam has become the most vertically integrated supplier in the US peanut industry with strategic assets in shelling, blanching and ingredients in the most cost competitive peanut origin.

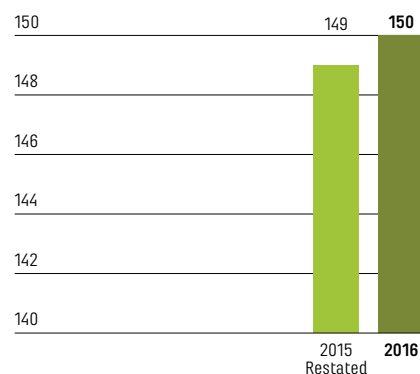
Use of funds [S\$ million]



Source of funds [S\$ million]



Cash-to-cash cycle [Days]



Group COO's review

Cash flow analysis

We recorded substantially higher net operating cash flows of S\$1.0 billion for 2016 compared with S\$154.9 million a year ago. Free Cash Flow to Firm (FCFF) improved significantly from a negative S\$2.1 billion in 2015 to a negative S\$418.1 million in 2016 as improved net operating cash flows were met by a significant reduction in net Capex. Net Capex was S\$1.4 billion as a result of the acquisition of the wheat milling and peanut shelling assets, and continued investments in upstream and midstream assets. Similarly, Free Cash Flow to Equity (FCFE) also improved from negative S\$2.5 billion a year ago to a lower negative of S\$765.8 million in 2016.

As the table shows, our Free Cash Flow before Capex and investments is back to positive territory at S\$651.7 million in 2016 and higher than that achieved in the last 3 years prior to 2015.

Optimising our debt portfolio

Our ongoing debt optimisation efforts, which started in 2014 and continued into 2016, further helped lower our effective borrowing rate from 4.8% in 2015 to 3.5% in 2016. This resulted in a reduction in net interest expense of S\$45.5 million despite an increase in net debt of S\$1.4 billion during the year. Various initiatives were taken to optimise the tenor and cost of debt by buying back higher-cost debt and by reducing the overall tenor of the debt portfolio.

Our credit spread across all tenors has come down. Spreads across short-term bilateral banking lines and revolving credit facilities came down while higher-cost, medium-term debt of the US\$500.0 million 6.0% Convertible Bonds due 2016 was repurchased.

We were also successful in bringing down the proportion of working capital funded by medium and long-term debt. This is now within our target of covering 25.0% to 35.0% of working capital needs through medium and long-term sources of funds.

Cash flow summary

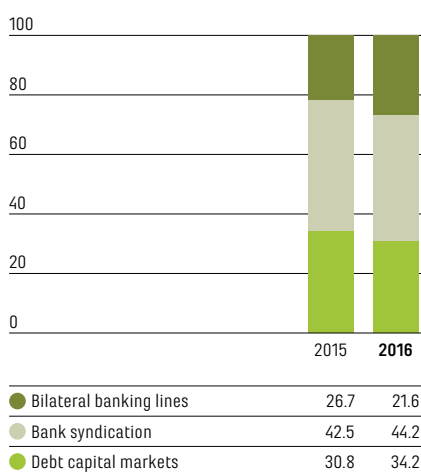
S\$ million	2016	2015 Restated	Change
Operating Cash Flow (before Interest and Tax)	1,243.5	1,150.8	92.7
Changes in Working Capital	(227.7)	(995.9)	768.2
Net Operating Cash Flow	1,015.8	154.9	860.9
Tax paid	(48.4)	(127.8)	79.4
Capex/Investments	(1,385.5)	(2,089.7)	704.2
Free Cash Flow to Firm (FCFF)	(418.1)	(2,062.6)	1,644.5
Net interest paid	(347.7)	(478.4)	130.7
Free cash flow to equity (FCFE)	(765.8)	(2,540.9)	1,775.1

S\$ million	2016	2015 Restated	Year-on-Year Change	2014 Restated	2013	2012
Operating Cash Flow (before Interest and Tax)	1,243.5	1,150.8	92.7	1,148.3	1,144.9	969.3
Changes in Working Capital	(227.7)	(995.9)	768.2	(766.2)	(98.2)	(55.0)
Net Operating Cash Flow	1,015.8	154.9	860.9	382.1	1,046.7	914.2
Net interest paid	(347.7)	(478.4)	130.7	(411.5)	(485.0)	(434.6)
Tax paid	(48.4)	(127.8)	79.4	(65.6)	(64.3)	(44.1)
Cash from divestments	32.0	249.8	(217.8)	468.4	95.6	90.4
Free cash flow before capex/investments	651.7	(201.5)	853.2	373.4	593.1	525.9
Capex/Investments	(1,417.5)	(2,339.4)	921.9	(455.7)	(913.2)	(1,553.3)
Free Cash Flow to Equity (FCFE)	(765.8)	(2,540.9)	1,775.1	(82.3)	(320.1)	(1,027.4)

Gradual reduction in cost of debt for new issuances

Date	Description	Tenor	Effective Coupon
5 April 2016	US\$300.0 million senior notes	5-year due 2021	4.50%
14 April 2016	US\$325.0 million RCF	1-year due 2017	–
	US\$325.0 million RCF	2-year due 2018	–
19 April 2016	US\$175.0 million IFC loan	5-year due 2021	–
17 May 2016	¥5.5 billion (US\$50.0 million)	5-year due 2021	3.85% (US\$ post-swap)
21 July 2016	US\$500.0 million perpetual capital securities	5-year due 2021	5.35%
8 September 2016	US\$150.0 million (tap on US\$300.0 million notes)	5-year due 2021	4.367%
13 October 2016	US\$400.0 million RCF	1-year due 2017	–
	US\$800.0 million RCF	2-year due 2018	–
	US\$800.0 million RCF	3-year due 2019	–
6 December 2016	US\$175.0 million fixed rate notes	5-year due 2021	3.90%

Borrowing mix (%)

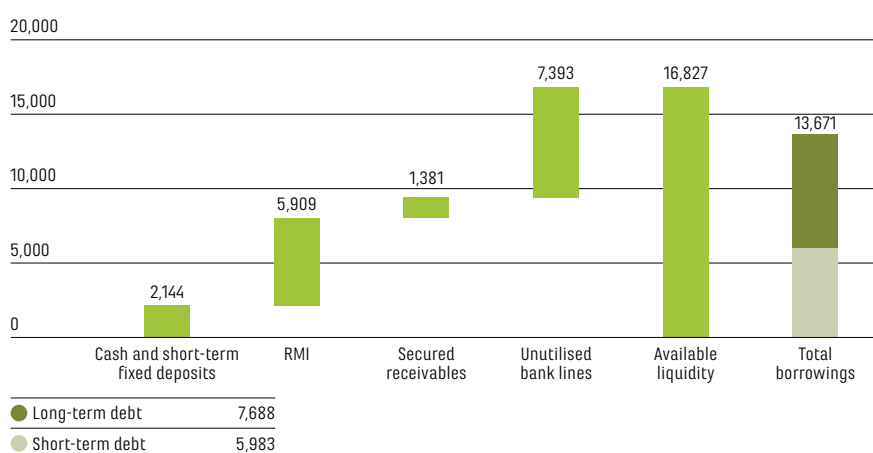


Gearing

S\$ million	2016	2015 Restated	Change
Gross debt	13,670.5	12,293.9	1,376.6
Less: Cash	2,144.0	2,143.1	0.9
Net debt	11,526.5	10,150.7	1,375.8
Less: readily marketable inventory	5,909.2	5,232.9	676.3
Less: secured receivables	1,381.4	1,155.8	225.6
Adjusted net debt	4,235.9	3,762.0	473.9
Equity (before fair value adjustment reserves)	5,797.1	5,187.0	610.1
Net debt/Equity (Basic)	1.99	1.96	0.03
Net debt/Equity (Adjusted)	0.73	0.73	–

Liquidity

(S\$ million as at 31 December 2016)



Net debt increased by S\$1.4 billion as compared with 2015 while our equity position (before fair value adjustment reserves) grew by S\$610.1 million to S\$5,797.1 million after we issued the US\$500.0 million Perpetual Capital Securities in July 2016. As a result, net gearing increased to 1.99 times from 1.96 times in 2015. Adjusting for readily marketable inventories (RMI) and secured receivables, our net gearing would be 0.73 times, unchanged from the year before.

Liquidity

We maintained sufficient liquidity to meet our working capital and capital expenditure requirements, with a total of S\$16.8 billion in available liquidity as at 31 December 2016, including unutilised bank lines of S\$7.4 billion.

Segmental review and analysis

Segment S\$ million	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/IC (%)	
	2016	2015 Restated	2016	2015 Restated	2016	2015 Restated	2016	2015 Restated	2016	2015 Restated
Edible Nuts, Spices and Vegetable Ingredients	1,569.7	1,549.2	3,981.1	4,227.2	331.8	393.5	3,642.7	3,463.0	9.3	11.5
Confectionery and Beverage Ingredients	1,687.5	1,689.5	7,711.0	6,859.6	407.3	284.0	6,109.5	5,680.9	6.9	6.4
Food Staples and Packaged Foods	9,496.1	7,904.9	6,110.8	5,391.2	330.2	212.1	4,522.1	3,230.6	8.5	6.7
Food Category	12,753.3	11,143.6	17,802.9	16,478.0	1,069.2	889.6	14,274.3	12,374.5	8.0	13.2
Industrial Raw Materials, Ag Logistics and Infrastructure	1,662.5	1,363.1	2,784.1	2,574.6	135.2	185.1	2,220.9	1,917.5	6.5	9.8
Commodity Financial Services (CFS)	N.A.	N.A.	–	–	(1.6)	10.6	153.8	82.6	(1.4)	24.7
Non-Food Category	1,662.5	1,363.1	2,784.1	2,574.6	133.6	195.7	2,374.7	2,000.1	6.1	18.3
Total	14,415.8	12,506.7	20,587.0	19,052.6	1,202.8	1,085.2	16,649.0	14,374.7	7.8	8.4

Note: IC excludes:

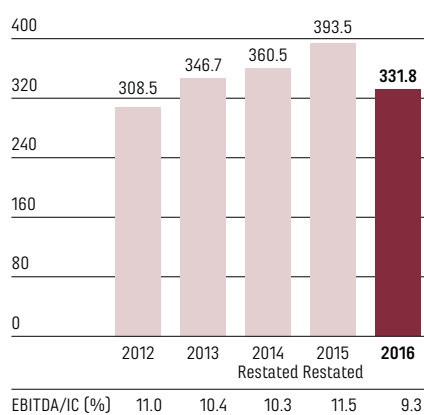
- (a) Gabon Fertiliser Project (31 December 2016: S\$224.8 million, 31 December 2015: S\$209.8 million); and
- (b) Long-term Investment (31 December 2016: S\$148.4 million, 31 December 2015: S\$269.2 million).

Group COO's review

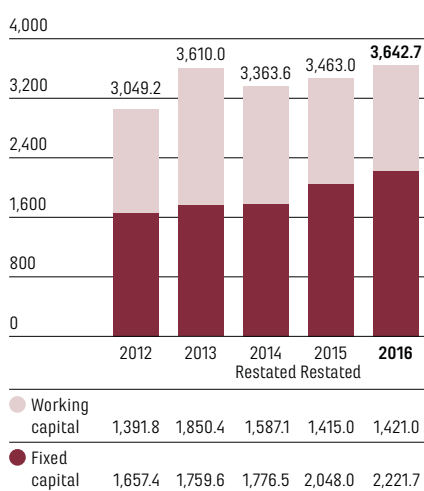
EDIBLE NUTS, SPICES AND VEGETABLE INGREDIENTS

Key highlights for the year

Earnings Before Interest, Tax, Depreciation and Amortisation (\$ million)



Invested capital (\$ million)



Products

- Almonds
- Cashews
- Hazelnuts
- Peanuts
- Pistachios
- Walnuts
- Sesame
- Beans (including pulses, lentils and peas)
- Capsicums
- Tomatoes
- Garlic
- Onions
- Pepper
- Paprika
- Chillies
- Cumin
- Turmeric
- Curry powder
- Other spices

Volume
1,569,700
Metric Tonnes

Invested capital
\$3,642.7
million

Revenue
\$4.0
billion

EBITDA
\$331.8
million



More information available
online @ olamgroup.com



Peanut processing, USA.

The Edible Nuts, Spices and Vegetable Ingredients segment had a marginal volume increase of 1.3% in 2016 as improved volumes from the Edible Nuts platform, particularly peanut volumes, which grew due to the consolidation of results of the acquisition in the USA, and cashew volumes, were offset by lower tomato paste volume. Segment revenues, however, fell by 5.8% mainly because of lower almond and tomato paste prices.

EBITDA declined by 15.7% in 2016 mainly due to a lower contribution from the almond and tomato processing businesses. All other businesses in the segment performed better than in 2015.

The almond business, which mainly comprises upstream operations, was impacted by overall lower prices in 2016. Almond prices, however, were higher in the second half of 2016 compared with those during the first half of the year.

The tomato processing business continued to experience margin pressures arising from weak demand, depressed market prices and higher raw material cost compared with 2015. The impact is expected to continue into the first half of 2017.

Compared with 2015, invested capital in the segment increased by S\$179.7 million. The increase in fixed capital came from the acquisition of Brooks. Overall working capital increased slightly due to higher inventory in peanuts and tomatoes, offset by lower working capital in almonds due to lower prices. As a result, EBITDA to average invested capital (EBITDA/IC) for the segment declined from 11.5% in 2015 to 9.3% in 2016.



Hazelnuts being selected and checked according to size and quality, Turkey.



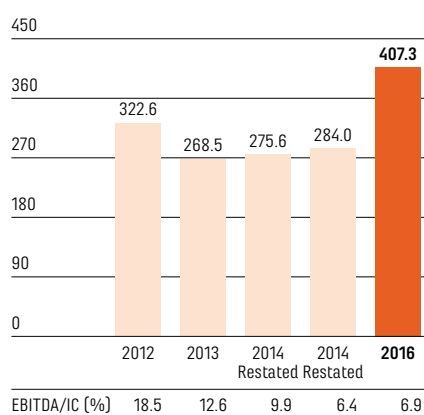
Onion processing, USA.

Group COO's review

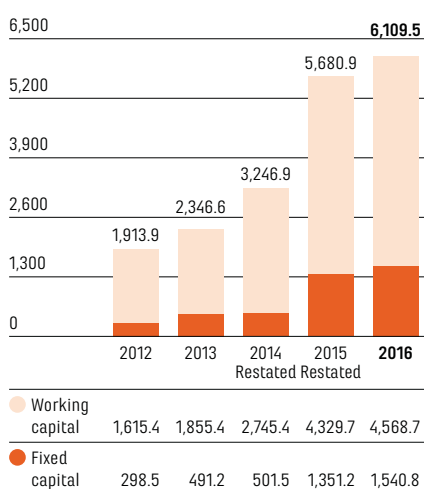
CONFECTIONERY AND BEVERAGE INGREDIENTS

Key highlights for the year

Earnings Before Interest, Tax, Depreciation and Amortisation (\$ million)



Invested capital (\$ million)



Products

- Cocoa
- Coffee

Volume
1,687,500
Metric Tonnes

Invested capital
\$6,109.5
million

Revenue
\$7.7
billion

EBITDA
\$407.3
million



More information available
online @ olamgroup.com



Olam cocoa processing operation, Côte d'Ivoire.



Cocoa butter being extracted from liquor, Holland.

Sales volumes in the Confectionery and Beverage Ingredients segment remained largely flat during the year. Although Coffee volumes were up and Cocoa processing volumes were higher year-on-year due to a full year consolidation of results of the acquired Cocoa Processing assets, supply chain volumes in Cocoa declined as most of these became captive feedstock for processing. Supply chain volumes were also affected by reduced cocoa bean supply and quality for most of the year due to adverse weather conditions in West Africa.

Revenues were 12.4% higher than 2015 due to the increase in the sales of value-added cocoa products (cocoa cake, powder, liquor and butter) as well as the increase in prices and sales volume in Coffee.

EBITDA grew by 43.4% as both Cocoa and Coffee had stronger contributions. Cocoa's increase in EBITDA was due to the consolidation of the results of the acquired Cocoa Processing assets, which performed better than expectations due to improved product ratios. However, these results were offset by the lower contribution from the supply chain business. Coffee achieved higher EBITDA in 2016 from the green coffee supply chain and soluble coffee business in Vietnam and Spain.

Compared with 2015, the segment recorded an increase in invested capital of S\$428.6 million, in particular the working capital requirements as a result of higher coffee and cocoa prices. Fixed capital increased in-line with the expansion in upstream activities in Tanzania and Brazil and soluble coffee capacities in Vietnam and Spain.

EBITDA/IC for the segment improved marginally from 6.4% in 2015 to 6.9% in 2016.



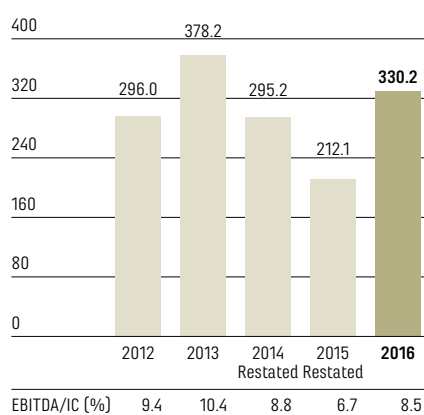
Olam's coffee plantation in Tanzania.

Group COO's review

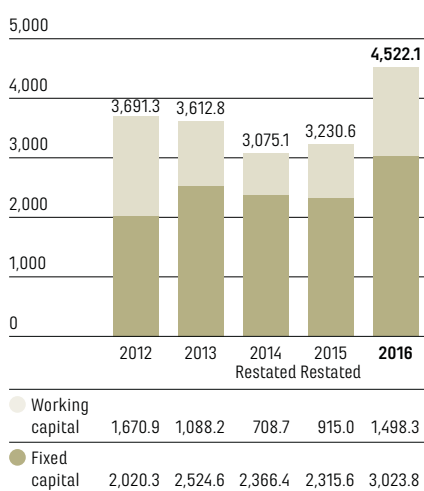
FOOD STAPLES AND PACKAGED FOODS

Key highlights for the year

Earnings Before Interest, Tax, Depreciation and Amortisation [S\$ million]



Invested capital [S\$ million]



Products

- Animal feed
- Dairy
- Grains
 - Wheat
 - Corn
 - Barley
 - Soybeans
- Packaged foods
- Edible oils
 - Palm oil
 - Soybean oil
 - Sunflower oil
- Rice
- Sugar and sweeteners

Volume
9,496,100
Metric Tonnes

Invested capital
S\$4,522.1
million

Revenue
S\$6.1
billion

EBITDA
S\$330.2
million



More information available
online @ olamgroup.com



Rice milling to remove the husk and bran, Nigeria.



Filling palm seedling bags at the nursery, Gabon.

Food Staples and Packaged Foods segment volumes increased by 20.1% mainly due to higher volumes from Grains' origination and export operations as well as the wheat milling operations post the acquisition of BUA Group's wheat milling assets in Nigeria. The Rice, Sugar and Dairy businesses also recorded an increase in volumes as compared with the previous year.

Revenues grew by 13.3% in 2016 mainly due to volume growth and higher dairy, rice and sugar prices, part of which were offset by the adverse currency impact on Packaged Foods' revenues.

The segment reported a robust 55.7% growth in EBITDA as all platforms recorded an improvement in EBITDA over the prior year. Operations which underperformed during the prior year showed strong improvements in 2016. The edible oil refining and distribution operations in Mozambique including those of Acacia performed better than in 2015. Rusmolco was profitable for the year while the dairy farming operation in Uruguay recorded significantly improved operating metrics and hence better results compared with 2015. Packaged Foods posted improved performance despite facing headwinds during the year from currency volatility as well as the disruption of dairy and beverage juices production in Nigeria after a plant fire in April 2016.

Overall invested capital increased by S\$1.3 billion compared with 2015. Fixed capital went up mainly due to the acquisition of wheat milling assets and construction of animal feed mills in Nigeria, expansion of wheat milling capacity in Ghana, and continued investments in palm plantations in Gabon. Working capital also moved up with higher volumes in Grains and Sugar.

As a result of the strong performance in EBITDA, EBITDA/IC for the segment improved markedly from 6.7% in 2015 to 8.5% in 2016.



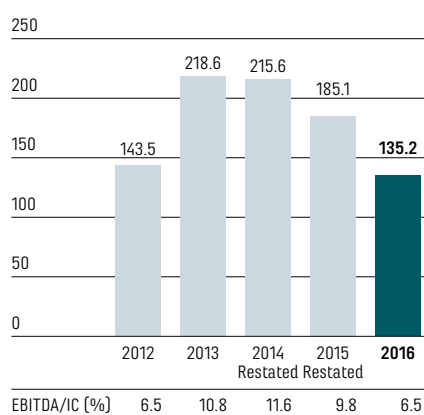
Olam's palm oil refinery in Beira, Mozambique.

Group COO's review

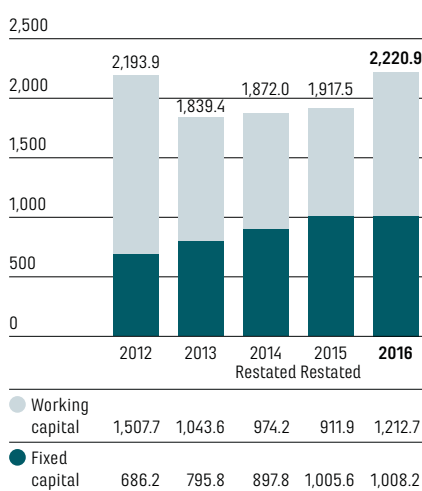
INDUSTRIAL RAW MATERIALS, AG LOGISTICS AND INFRASTRUCTURE

Key highlights for the year

Earnings Before Interest, Tax, Depreciation and Amortisation [S\$ million]



Invested capital [S\$ million]



Products

- Cotton
- Fertiliser
- Rubber
- Wood products
- Gabon Special Economic Zone (GSEZ)

The Industrial Raw Materials, Ag Logistics and Infrastructure volumes grew by 22.0% as a result of larger Cotton volumes in 2016.

Revenues were up 8.1% compared with 2015 as lower sales of Wood Products moderated the growth in revenue in this segment.

However, despite increased GSEZ contribution, overall segment EBITDA for the year declined by 27.0% due to margin pressures in Cotton and Wood Products.

Overall invested capital grew by S\$303.4 million compared with 2015 due to increased working capital in Cotton from higher volumes and prices. Fixed capital remained unchanged as reduced fixed capital in GSEZ offset the increase in investments in Rubber plantations in Gabon.

As a result of reduced EBITDA and higher invested capital, EBITDA/IC declined from 9.8% in 2015 to 6.5% in 2016.

Volume
1,662,500
Metric Tonnes

Invested capital
S\$2,220.9
million

Revenue
S\$2.8
billion

EBITDA
S\$135.2
million



COMMODITY FINANCIAL SERVICES

Key highlights for the year



EBITDA
S\$ (1.6)
million

Invested capital
S\$153.8
million

Services

- Market-Making and volatility trading
- Asset management
- Risk management solutions
- Trade and structured finance

The Commodity Financial Services segment or CFS registered an EBITDA loss of S\$1.6 million in 2016 versus S\$10.6 million in 2015.

Compared with 2015, invested capital in this segment rose by S\$71.2 million with most of it deployed in the funds business.



More information available
online @ olamgroup.com

Group COO's review

VALUE CHAIN REVIEW AND ANALYSIS

Overview

Segment S\$ million	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/Avg IC (%)	
	2016	2015	2016	2015	2016	2015 Restated	2016	2015 Restated	2016	2015 Restated
Upstream	455.6	433.2	798.4	1,167.2	79.2	154.9	3,764.2	3,074.8	2.3	5.2
Supply Chain	9,863.1	9,370.2	10,496.2	13,080.4	503.5	599.9	6,537.7	4,851.9	8.8	12.3
Mid/Downstream	4,097.1	2,703.3	9,292.4	4,805.0	620.1	330.4	6,347.1	6,448.0	9.7	6.5
Total	14,415.8	12,506.7	20,587.0	19,052.6	1,202.8	1,085.2	16,649.0	14,374.7	7.8	8.4

Note: IC excludes:

- (a) Gabon Fertiliser Project (31 December 2016: S\$224.8 million, 31 December 2015: S\$209.8 million); and
- (b) Long-term Investment (31 December 2016: S\$148.4 million, 31 December 2015: S\$269.2 million)

Gestation mix (2016)

Invested capital (S\$ billion)	EBITDA/ IC (%)		EBITDA/ IC (%)		EBITDA/ IC (%)	
	3.8	2.3	6.5	8.8	6.3	9.7
	Upstream		Supply Chain		Mid/Downstream	
	Invested Capital	EBITDA/ IC (%)	Invested Capital	EBITDA/ IC (%)	Invested Capital	EBITDA/ IC (%)
● Gestating	1.0	[2.2]	–	–	–	–
● Partly contributing	0.7	1.2	–	–	3.4	9.9
● Fully contributing	2.1	5.1	6.5	8.8	2.8	9.5
Target	Expected EBITDA/IC at steady state: 15-18%		Expected EBITDA/IC at steady state: 10-13%		Expected EBITDA/IC at steady state: 13-16%	

A total of S\$1.7 billion in Upstream and S\$3.4 billion in Mid/Downstream investments are still gestating (not yielding any EBITDA) and partly contributing (not yielding to full potential yet).

"As at end-2016, about 50.0% of the capital invested in the Upstream and Mid/Downstream parts of our value chain was either gestating or partly contributing. Hence, there will be significant growth coming from these investments that have not started to yield or are not yielding to their full potential."

Upstream

The Upstream segment registered a year-on-year volume growth of 5.2%, mainly coming from almonds and Coffee. Revenue and EBITDA declined by 31.6% and 48.9% respectively in 2016.

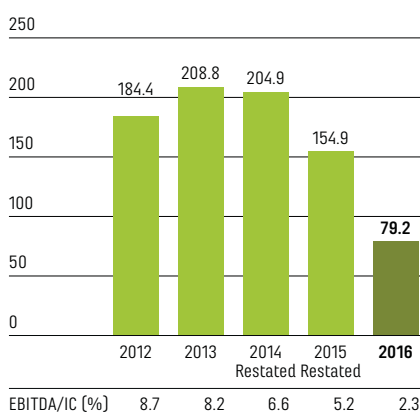
The revenue decline was primarily on account of lower almond prices. EBITDA was dragged down by reduced contribution from almond plantations in Australia and the USA as well as Wood Products, although this was partly offset by improved performance in NZFSU.

Invested capital in the segment increased by S\$689.6 million from 2015, mainly on account of higher fixed capital invested in almond, Coffee, Palm and Rubber plantations. EBITDA/IC declined from 5.2% in 2015 to 2.3% in 2016 on higher average invested capital but lower EBITDA.

Of the S\$3.8 billion invested capital in 2016, about S\$1.7 billion was in gestating or partly contributing assets. These are primarily the Palm and Rubber plantations in Gabon, Rice farming business in Nigeria, as well as Coffee plantations in Brazil, Zambia, Tanzania and Laos which were both gestating and partly yielding investments.

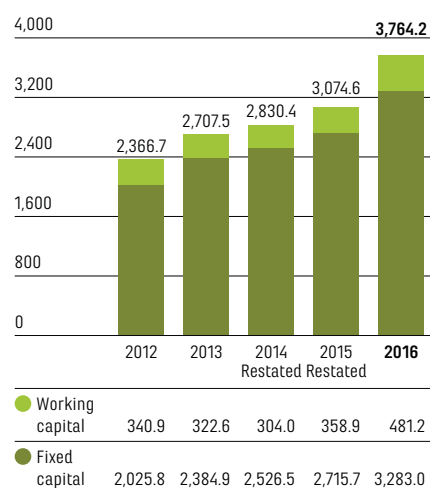
The S\$2.1 billion fully contributing assets delivered a lower EBITDA/IC of 5.1% on a higher asset base in 2016 compared with 2015. These assets now include NZFSU and Rusmolco which were treated as partly contributing assets in 2015 and had not yet reached their full potential in 2016.

EBITDA [S\$ million]



EBITDA/IC [%]	8.7	8.2	6.6	5.2	2.3
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Invested capital [S\$ million]



Preparing the soil for the planting season, Nasarawa Rice Farm, Nigeria.

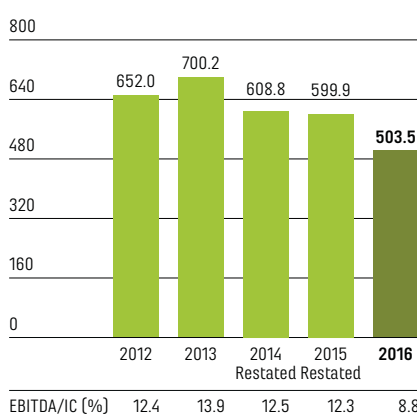
Group COO's review

Supply Chain

The Supply Chain segment recorded a 5.3% increase in volume due to growth from Grains, Rice, Dairy and Sugar trading, offsetting the reduction in Cocoa as much of its volumes were channelled for cocoa processing. As a result of lower Cocoa volumes, revenue declined by 19.8%.

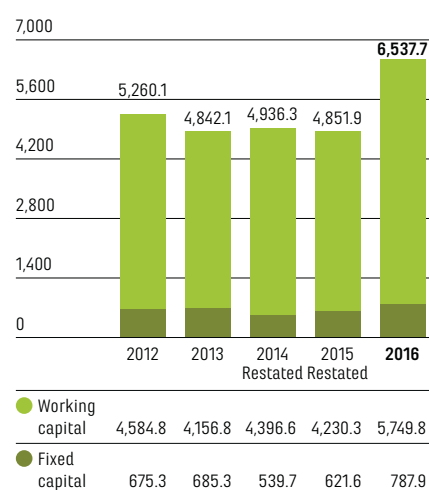
EBITDA declined by 16.1% arising from lower contribution from the Cotton, CFS and Cocoa supply chain due to the shift in bean volumes to captive processing. However, invested capital in the segment rose by S\$1.7 billion owing to larger working capital in Coffee, Cotton and Cocoa beans carried as feedstock for processing. As a result, EBITDA/IC dropped from 12.3% in 2015 to 8.8% in 2016.

EBITDA [S\$ million]



EBITDA/IC [%]	12.4	13.9	12.5	12.3	8.8
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Invested capital [S\$ million]



Farmer spreading cocoa beans to dry in the sun, Côte d'Ivoire.

Mid/Downstream

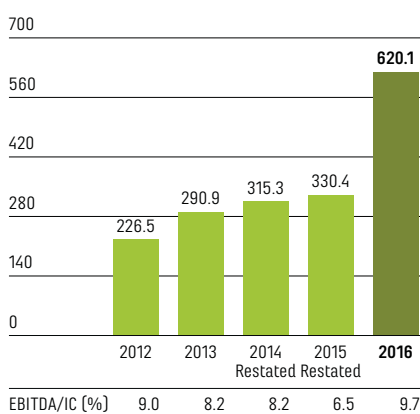
The Mid/Downstream segment recorded a strong growth of 51.6% and 93.4% in volumes and revenues respectively. The growth in volumes was driven by larger volumes of processed Cocoa products and flour from wheat milling. Revenues were up as a result of these higher volumes.

EBITDA surged by 87.7% due to strong contribution from Cocoa processing, wheat milling in West Africa, soluble coffee processing, peanut shelling as well as sugar and palm refining. This was partly offset by the drop in contribution from tomato processing.

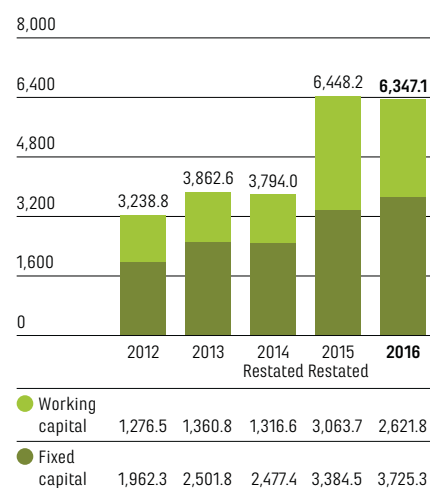
Invested capital was lower by S\$101.1 million for the year on account of higher fixed capital investments being offset by lower working capital. The increase in EBITDA lifted EBITDA/IC from 6.5% in 2015 to 9.7% in 2016.

About S\$3.4 billion of invested capital was partly contributing, generating a significantly higher EBITDA/IC of 9.9% compared with the previous year. This was due to the addition of the Cocoa processing assets and the acquired wheat milling and pasta manufacturing assets well as Brooks, all of which had performed very well during the year. The fully contributing assets achieved an EBITDA/IC ratio of 9.5%, slightly below that for 2015 due to the underperforming tomato processing business.

EBITDA [S\$ million]



Invested capital [S\$ million]



Quality control checks at Crown Flour Mills, Nigeria.

Group COO's review

PRINCIPAL RISKS AND UNCERTAINTIES

Olam has a rigorous risk management framework, designed to identify and assess the likelihood and impact of risks and to manage the actions necessary to mitigate their impact. The process identifies risks from a top-down strategic perspective and a bottom-up business perspective; overall responsibility to monitor and assess risk lies with the Risk Office.

The Enterprise Risk Management framework defines 51 individual risks across 11 categories. Each risk is continually evaluated for each business on both an inherent and residual basis. Inherent risks are the threat an activity poses if there are no mitigating factors

or controls in place; residual risks are those that remain after mitigations to the inherent risks are taken into account. Each risk is assessed for likelihood of occurrence and impact and overseen by one of the Board Committees. The Enterprise Risk

Scorecard is reviewed and updated for presentation to the Board Risk Committee on a quarterly basis.

The following table lists the individual risk factors in each of the categories, and describes the key controls and mitigations for each.

Risk	Key controls and mitigation	Board Committee overseeing specific risk
Trading risks		
<ul style="list-style-type: none"> Price Risk Basis Risk Structure Risk Arbitrage Risk Derivative Risk Liquidity Risk 	<p>Trading risks are controlled by regular monitoring of positions using industry-standard metrics. The annual risk budgeting process defines position and risk metric limits to control exposures.</p> <p>Olam hedges price risk on the world's commodities exchanges, both through derivatives and tendering.</p>	<p>Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report.</p>
Operational risks		
<ul style="list-style-type: none"> Credit Risk¹ Counterparty Risk¹ Stock Risk² Quality Risk² Systems and Controls Failure Risk² Fraud Risk² Project Execution Risk³ Asset Utilisation Risk³ 	<p>Field operating control and primary sourcing infrastructure is in place in every country where Olam operates.</p> <p>Olam's credit/counterparty rating system defines credit limits and controls, promoting fragmentation of credit exposure on short tenors.</p> <p>Insurance is taken to provide inventory cover as well as credit defaults.</p>	<p>¹ Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report.</p> <p>² Read more about the Audit Committee's responsibilities and members on page 17 of the Governance Report.</p> <p>³ Read more about the Capital and Investment Committee's responsibilities and members on page 20 of the Governance Report.</p>
Currency risks		
<ul style="list-style-type: none"> Transactional Currency Risk⁴ Translational Currency Risk⁵ 	<p>Olam operates in many geographies and is therefore exposed to many different currencies. G7 currency hedging is performed by a centralised Treasury function and local currency limits in the origins and destinations are assigned to accommodate operational requirements.</p>	<p>⁴ Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report.</p> <p>⁵ Read more about the Capital and Investment Committee's responsibilities and members on page 20 of the Governance Report.</p>
Agricultural risks		
<ul style="list-style-type: none"> Weather Risk Pests and Diseases Risk Agronomy/GAP (Good Agricultural Practices) Risk 	<p>Olam employs advanced crop-monitoring technology and agronomy experts, irrigation facilities, flood control measures and crop insurance.</p>	<p>Read more about the Corporate Responsibilities and Sustainability Committee's responsibilities and members on page 21 of the Governance Report.</p>
Political and sovereign risks		
<ul style="list-style-type: none"> Asset Nationalisation Risk Selective Discrimination Risk Forced Abandonment Risk Duty/Tariff and Export/Import Ban Risk Terrorism/Kidnapping Risk 	<p>Olam has deep-seated presence in many of the countries in which it operates, built over many years, and has consequently gained substantial knowledge of local practices. Olam maintains global political risk and terrorism risk insurance.</p>	<p>Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report.</p>

Risk category	Key controls and mitigation	Board Committee overseeing specific risk
Reputational risks		
<ul style="list-style-type: none"> Food Safety/Hygiene and Product Recall Risk Health and Safety Risk Social Risk – Labour Social Risk – Livelihoods Environmental Risk – Land Environmental Risk – Water Environmental Risk – Climate Change Environmental Risk – Food Security 	Reputational impact is often just one of several negative impacts that can arise from poor practices. Olam has put in place a suite of policies, codes and standards to guide actions and behaviours. These include the Olam Code of Conduct; the Olam Crisis Escalation Procedure; the Olam Plantations, Concessions and Farms Code; the Olam Livelihood Charter; and the Olam Supplier Code.	Read more about the Corporate Responsibility and Sustainability Committee's responsibilities and members on page 21 of the Governance Report.
Regulatory and compliance risks		
<ul style="list-style-type: none"> Market Compliance Risk⁶ Bribery/Corruption Risk⁷ Transfer Pricing Risk⁷ Taxation Risk⁷ Other Regulatory Risk⁷ 	Olam's Market Compliance Office is a global function whose primary role is to ensure that we are fully compliant within all external regulation.	<p>⁶. Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report.</p> <p>⁷. Read more about the Audit Committee's responsibilities and members on page 17 of the Governance Report.</p>
Capital structure and financing risks		
<ul style="list-style-type: none"> Interest Rate Risk Funding Liquidity/Margin Call Risk Credit Metrics Risk Activist Investor Risk Short Seller Attack Risk 	Olam has a strong base of long-term shareholders. The company maintains strong banking relationships providing committed banking lines, thereby assuring good liquidity.	Read more about the Capital and Investment Committee's responsibilities and members on page 20 of the Governance Report.
Natural perils		
<ul style="list-style-type: none"> Pandemic Risk Fire Risk Flood Risk Earthquake Risk Hurricane/Typhoon/Storm Risk 	Olam maintains insurance cover against risk of natural disasters, such as flood, fire, earthquake and storms.	Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report.
Other		
<ul style="list-style-type: none"> Key Person Risk (succession planning)⁸ Cybersecurity Risk⁹ IT Risk⁹ 	Succession plans are in place to provide a second line of leadership from with the company's Operating Committee and Management Committee. Olam employs IT security experts, as well as having in place IT cybersecurity infrastructure.	<p>⁸. Read more about the Human Resource and Compensation Committee's responsibilities and members on page 14 of the Governance Report.</p> <p>⁹. Read more about the Audit Committee's responsibilities and members on page 17 of the Governance Report.</p>
Strategic risks		
<ul style="list-style-type: none"> Strategic Risk 	All strategic risks are overseen by the offices of the CEO and COO, and by the Executive Committee.	Read more about the Board's responsibilities and members on page 2 of the Governance Report.



SOCIAL

We rely on our people to grow our business responsibly. Our operations impact communities around the world. We strive to ensure that impact is positive for the long-term.



CONTENTS:

- 42 Livelihoods
- 48 Labour
- 56 Food security and nutrition
- 60 Food safety and quality

This section explores our achievements and challenges in 4 of our material areas which focus particularly on social impacts: livelihoods, labour, food security and nutrition, and food safety and quality.



Livelihoods
42



Labour
48



*Food security
and nutrition*
56



*Food safety
and quality*
60

"We will continue to build and implement robust and effective frameworks, equip our teams with the right skills and work with the business leaders to ensure everyone recognises their accountability."

Dr Christopher Stewart

Head of Corporate Responsibility and Sustainability



Q&A with Dr Christopher Stewart, Head of Corporate Responsibility and Sustainability

How did Olam perform against its social goals in 2016?

Our vision is end-to-end sustainable supply chains by 2020, which is a huge challenge but we are making headway. Safety improves year-on-year; we are reaching more smallholder women; have made progress on a major programme to grant security of land tenure for cooperatives in Gabon; and have advanced nutrition and crop diversification initiatives.

Which social issues are stakeholders most concerned with?

Many crops we sell are grown in emerging markets, which brings well-known risks. Customers, NGOs, financial institutions, donors and others want to know how we manage them, so engagement happens across products, geographies and functions.

Issues raised in 2016 include: the ongoing efforts to eradicate child labour in third-party supply chains, including cocoa and oil palm; and ending the forced mobilisation of workers in Uzbekistan for the cotton harvest.

However, many of these issues are closely connected to wider issues such as rural poverty, lack of community infrastructure or government policies so cannot be addressed in silos. Equally, solutions require a multi-stakeholder approach which is why we seek to collaborate with peers and other partners. We have over 30 partners for the Olam Livelihood Charter (OLC) programmes alone.

What social challenges do you face in 2017?

We need smallholders to see farming as a viable livelihood so we can secure supplies. Therefore we need to help them improve incomes through better yields and quality. Setting up training sessions for smallholder farmers in Good Agricultural Practices is the easy part. Implementing them in the field is harder, requiring ongoing community engagement and cultural sensitivity.

A less talked-about issue is the challenge of managing a workforce on plantations in highly rural areas of developing countries. In Gabon and Tanzania, the majority of our workers have never held formal employment and many are functionally illiterate. This makes it challenging to instil both their rights and responsibilities: for example, it takes time to teach safety processes in places where no such culture exists. Creating a positive work ethic (including dealing with absenteeism), and instilling safe behaviours are as essential as capacity and skills building. Identifying and promoting local leaders is invaluable in encouraging fellow workers to uphold our standards. Disputes can occur, which is why we have made considerable efforts to establish worker representation groups.

Will you be changing your strategy in 2017?

No, we have a clear strategy with 4 overall objectives:

- mitigate sustainability risks to the business, environment and society
- promote increased volumes of sustainably sourced and processed products
- use land and water resources efficiently and minimise GHG emissions; and
- promote better livelihoods, good labour practices and food security.

To achieve these, we will continue to build and implement robust and effective frameworks, equip our teams with the right skills and work with the business leaders to ensure everyone recognises their accountability. Monitoring, reporting and communicating are essential for us to measure and improve performance: we are already seeing the benefits of the new data collection system we implemented in 2015. And, finally, forging effective partnerships makes our business stronger, more competitive and more effective at scale.



More information can be found on sustainability progress in our GRI Report and Olam Livelihood Charter on olamgroup.com.

Our material areas

LIVELIHOODS

Olam depends on 4.33 million farmers, as well as wider agricultural communities, for our volumes. We need them (especially the younger generation) to view farming and rural processing as viable sources of income. We focus on catalysing economic opportunity, inclusion, and good health. We call this 'unlocking mutual value'.

Highlights for the year



302,552

Smallholders embraced by the OLC



55,192

Women farmers



190,000

People reached under the Olam Healthy Living Campaign



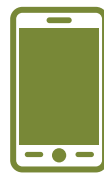
19

Countries with OLC initiatives



US\$161.58m

Total financing to OLC smallholders



32,954

New farmers in 9 countries registered on Olam Farmer Information System to bring the total to more than 65,000 farmers across 13 countries

Key 2016 focus areas

- Continue to support large and small-scale farmer suppliers, in particular through the OLC
- Promote gender equality and opportunity
- Encourage good health and wellbeing among communities and workers

Key sector collaborations and commitments

- Sector initiatives include CocoaAction, WCF Cocoa Livelihoods Programme, Sustainable Rice Platform, and Partnership for Gender Equity (Coffee)
- Over 30 partnerships to improve livelihoods

We are guided by

- Olam Livelihood Charter
- Olam Supplier Code
- Olam Environment Policy
- Olam Sustainable Palm Oil Policy
- Olam Code of Conduct
- UN Global Compact

Relevant SDGs





While external factors such as weather can improve yields, productivity training is crucial. Jose Norbey Sanchez, one of the 562 Colombian coffee farmers who has received training since 2015, almost doubled his yield of green coffee per hectare in 2016.



Olam Cocoa trainer, Benson Kelesin from Baianga Village, Papua New Guinea, shows farmers from the Wadao group how to prune cocoa trees up to the height of 3 metres using an extended pool pruner. One of our project officers, Schola Jenkihau, is monitoring the field officer's training skills.

Understanding life for rural communities in emerging markets

Olam buys from around 36,600 large-scale and 4.3 million small-scale farmers. While all face many of the same issues – from climate change to financial shocks – smallholders are much more vulnerable.

Crops such as cashew, coffee and spices grow best in developing countries in Africa, Asia and South America where GDP is low and rural infrastructure, including electricity, running water and roads, is poor. These farms are small (the biggest equate to just 6 football pitches (5 hectares) but are typically much smaller) and farmers often have limited access to education and finance. All of this impacts on how much the farmer can grow and earn.

Olam Livelihood Charter (OLC) – 6 years of impact

In 2010, we identified 8 economic, social and environmental principles to help smallholder communities become commercial rather than subsistence farmers. These were enshrined in the OLC which today supports around 302,552 smallholders. Due to a change in strategy, we are no longer directly buying from 66,000 smallholders in Zambia. However, many other programmes are either on track for OLC status or operate in communities

where not all support may be required. Our full 2016 OLC report can be found on olamgroup.com/resources.

On the ground support strengthened by collaboration

Around 850 field officers work year round with smallholder communities. Partnerships are crucial for harnessing expertise and achieving scale. In 2016, we had over 30 customer, NGO, certification, trade, foundation and development organisation partners helping us to deliver 44 OLC initiatives (see olamgroup.com for a full list of partners, associations and memberships). We also work with many certifying bodies and, in 2016, 24% of OLC tonnage was certified.

Helping farmers in Papua New Guinea

Since 2014 in Madang, Olam Cocoa and Rainforest Alliance have been working with cocoa farmers to improve sustainability standards, which has improved yields, quality and traceability. Challenges in 2016 included low rainfall, ongoing problems with poor transport infrastructure, and educating farmers due to low literacy levels. The implementation of Good Agricultural Practices and ecosystem restoration has helped the programme's 1,784 farmers, who also received a premium for their certified volumes.

Empowering women and improving coffee quality in Brazil

In many communities where Olam works, women have vastly unequal decision-making power, control over household spending, and access to education, finance, land and inputs. Yet if women participated equally in the global economy, annual global GDP would increase 26% in 10 years (McKinsey Global Institute 2015).

Coffee's biennial cycle can mean yields vary widely from year-to-year, impacting farmer income. New techniques can counter this, but not everyone is open to change. Our field officers in Carlópolis, Brazil, recognised that women's involvement in post-harvest processing significantly improved quality. Working with the International Women's Coffee Alliance and the Government's Department for Family and Social Development, training with women's groups was held in 15 locations. Three of the 77 women involved won an award from IAPAR, the Agriculture Institute of Paraná State, for the quality of their coffee.



Read more in the Gender Hub on olamgroup.com.

Our material areas: Livelihoods

Teaching cotton farmers to count

If farmers cannot count, it is difficult for them to manage their finances. In Côte d'Ivoire, Olam cotton subsidiary SECO runs literacy courses in remote farming communities to teach basic reading, writing and maths to those who did not have the opportunity to attend school. Between 2012 and 2016, the courses were attended by 624 women and 1,095 men.

This support is part of a much wider OLC programme, certified by Cotton Made in Africa, which in 2016 received a 'highly commended' recognition under the Unilever Global Development Award, supported by Business Fights Poverty. The judging panel reported the programme has *"the potential to impact an entire industry and admirably demonstrated an effective and sustainable business model"*. In February 2017, the programme was highlighted by the Business and Sustainable Development Commission¹ in a film hosted on the Economist Films website² within the Global Compass series.

Read similar case studies for other products at olamgroup.com. The Water, Land and Climate Change sections of this report are also closely connected to farmer livelihoods.

"The SECO programme has the potential to impact an entire industry and admirably demonstrated an effective and sustainable business model".

¹ businesscommission.org

² films.economist.com



Rice farming families in Nigeria gaining access to finance.

Bypassing middle men to unlock mutual value

While we have had direct farmer relationships for cashew in Africa, in Vietnam we have previously been sourcing through buying agents. Over 1,060 farmers are now being trained and certified under Lagrai Cashew Producer Cooperative. In addition to the Fairtrade premium and pre-financing from Olam, the farmers (and Olam) will benefit financially by eliminating the middlemen, whilst full traceability confers multiple benefits.

Helping to link farmers to banks

In its efforts to improve food security and reduce rice imports, the Nigerian Government has established a number of financial schemes to help farmers invest and improve yields. These are supported by various banks, International Fund for Agricultural Development (IFAD), USAID and the Nigerian Ministry of Agriculture. As part of our smallholder outreach programmes we have been hosting meetings across the villages to help farmers access the finance on offer. Overall, we have trained over 3,500 smallholders in Good Agricultural practices.



More information available at olamgroup.com

Why we encourage smallholders to form cooperatives

Working with cooperatives simplifies our logistics. We avoid collecting crops from individual farmers in rural locations, and peer-pressure helps keep up good practices. Cooperatives help us understand where to focus investment, such as in warehousing for the crops. For the farmers, they have greater negotiating power and benefit from group training.

Cooperatives also play a crucial role in rolling out the Olam Supplier Code. For those farmers with low literacy, we provide pictorial posters for display on cooperative buildings, while cooperatives are also empowered to sign on behalf of the farmers, auditing to ensure compliance. The challenge now is reaching farmers who are not yet organised into farmer groups and have very low productivity, which some NGOs have rightly highlighted as a concern. This requires a multi-stakeholder approach.



Peanut harvesting in Georgia, USA.



Cashew picking, removing the nut from the fruit.



Smallholder farmer preparing cocoa beans for natural fermentation.

Continuing to invest in processing

Setting up processing in emerging markets brings benefits to Olam and communities. Cashew processing offers significant levels of employment for women, often in regions where there is little alternative – we employ 15,000 people in 20 cashew processing units in Africa and Asia, around 80% of whom are women. In 2016, a new facility in Vizag, India, has generated direct and indirect (contract) employment for 750 women.

Investing in processing close to the farmers means they see a ready market for their crop and want to sell to Olam. It also reduces transport and environmental costs for our business. Examples include cashew processing in Côte d'Ivoire and Mozambique and our sugar and spices processing in India.

Supporting economic inclusion in developed nations

Olam recognises that large-scale farmers can also face cash flow and crop challenges. So, for example, we support many tomato, garlic and onion growers with improved varieties that our teams have developed. We also strive to be a good counterparty.

Chuck McGlamory at the Doster Peanut Company, a buying point owned by Olam subsidiary McCleskey Mills in Georgia, USA, explains that, during the harvest season, as many as 30 peanut growers can be sending their volumes daily which need inspecting, quality testing and unloading: "We ensure that each grower is treated equally no matter what volume he supplies, otherwise we lose the right to become his buyer of choice."

Measuring programme success

In September and October 2016, a survey was undertaken with 416 cocoa farmers in Côte d'Ivoire.

98%

of cocoa farmers report being satisfied or very satisfied with the training provided.

70%

are satisfied with the payment for cocoa and 21% are very satisfied.

79%

of cocoa farmers report an increase in the amount of money earned from cocoa since they started working with Olam.

58%

of cocoa farmers believe they are wealthier this year than the previous year.

81%

of cocoa farmers report an increase in the amount of cocoa produced since they started working with Olam.

80%

of farmers have been trained on health and safety at the farm.

79%

of farmers have been trained on good labour practices.

Olam Farmer Information System provides unparalleled transparency

A real game-changer in the next few years will be the Olam Farmer Information System (OFIS), which manages the 'first mile' of Olam's supply chain. Working with smallholder farmers and mobile technology, we survey and register their farms and local social infrastructure. OFIS is also able to collect and analyse transaction data from the farm onwards, as well as all farmer training records. This data means that users have unparalleled transparency into our smallholder supplier network and sustainability initiatives. It allows us not only to give more farmers tailored support but to monitor and learn which interventions – such as training via farmer schools versus demonstration plots – have the biggest impact on yield improvements and other outcomes. In just 2 years, OFIS has registered over 65,000 cocoa, coffee and rubber farmers in 13 countries around the world.

Our material areas: Livelihoods



Olam wood subsidiary, Congolaise Industrielle des Bois, distributing mosquito nets.

Helping to deliver good health and wellbeing in Olam operations and rural communities

Life expectancy in developing countries remains low, compounded by poor nutrition and lack of access to healthcare. This is not just unacceptable for the affected individuals and their families, but has a direct economic cost for the individual and the country.

In 2016, we continued to roll out the Olam Healthy Living Campaign. Teams in numerous countries held sensitisation sessions on how to prevent malaria, diarrhoea and other common diseases. World Malaria Day on 25 April was a focus of activity, and by the end of the year we had reached 104,000 people in Africa with sensitisation, screening and treatments:

- Republic of Congo Wood Products team, Congolaise Industrielle des Bois, distributed treated mosquito nets to personnel
- Côte d'Ivoire Cocoa and Tanzania Coffee distributed nets to cocoa cooperatives and their communities
- Ghana Cocoa donated malaria treatment drugs to local health services.

At our own large-scale palm and rubber plantations in Gabon, we have built modern, well-equipped clinics (staffed by a permanent medical team) providing free healthcare to over 6,500 employees.

Ensuring access to safe water and sanitation

Olam is addressing water, sanitation and hygiene (WASH) access for employees in the workplace, particularly in plantations in highly rural emerging economies. Discussions with other agri-business and forestry companies within the World Business Council for Sustainable Development (WBCSD) uncovered the need for further sector-specific WASH guidance in agricultural settings.

To support the development of initial guidance and explore opportunities for best practice development, a member of the WBCSD's water team undertook a 1-week learning mission to Olam's palm oil plantations in Gabon in June 2016.

The plantations employ more than 6,500 people, primarily from rural villages which have no running water. A baseline assessment was conducted in collaboration with local staff, mapping WASH provisions already put in place, and identifying action points. During the mission, it was revealed that a large part of absenteeism was attributed to water-related and water-borne diseases.

The action points are being developed into a work plan for implementation during 2017, which will provide additional focus on sanitation provision, along with employee awareness-raising on hydration and heat stress.

Encouraging employees to put their health first

Our focus on health is not just for rural communities. Increasingly, we see the impacts of poor nutrition and sedentary lifestyles across both developed and developing nations.

In the USA, our team embraced the 2016 World Health Day theme of Beat Diabetes, inviting a nutritionist to the office to speak about diabetes, launching a walking club, and hosting a 'Hidden Sugar Demo' unveiling the high sugar levels in the most commonly consumed foods.

Meanwhile, in Tanzania's Dar es Salaam head office, a nutritionist delivered a wellness talk on how to choose and keep a healthy lifestyle. Voluntary medical check-ups were provided and a blood donation station was set up courtesy of a local blood bank.

The Zika virus also emerged in South and Central America in 2016. We immediately issued guidance to employees and we are pleased to report that nobody was impacted. In addition to personal protection, employees were advised to empty, clean or cover containers that can hold water, such as buckets, flower pots or tyres, so that places where mosquitoes could breed were removed.



In 2016, Olam reached 106,700 people with HIV and AIDs awareness and prevention workshops, which included this workshop with cashew communities in Koboko village, Côte d'Ivoire.



Progress on goals

2016 – 2020 objectives	2020 target	2016 achievement	Outlook for 2020 target
GOAL 1. Economic opportunity and inclusion (Material area: Livelihoods)			
1.1. Smallholder farmers are supported through the Olam Livelihood Charter (OLC) principles	Bring 1 million hectares under the OLC with an estimated 500,000 farmers.	302,552 farmers over 671,784 ha (Due to a change in business strategy, we are no longer sourcing directly from 66,000 OLC cotton farmers in Zambia).	On target
1.2. Suppliers comply with the Olam Supplier Code	100% of priority products covered by the Supplier Code: cashew, cocoa, coffee, cotton, hazelnut, palm and rubber.	All priority products are working with suppliers to implement the Supplier Code. 58% of priority product volumes procured by origins in FY16 are covered by the Olam Supplier Code.	On target
1.3. Women are economically empowered within our supply chain	Support 100,000 women to access economic opportunities, including female farmers, processors, distributors, and workers supported or employed by Olam.	55,192 women farmers under the OLC. Côte d'Ivoire cotton: 688 "farmers' wives" – vegetable projects and business training Côte d'Ivoire cocoa: 800 "farmers' wives" – fortified cassava projects and business training. Around 11,600 women employed in the cashew supply chain in emerging markets. Data collection process being reviewed regarding other women empowered, e.g. distributors.	On target
1.4. Elimination of child labour	No breaches in compliance reported or observed in audits.	1 breach of Olam child labour standards on plantations was identified by Internal Audit. Corrective action has been taken to ensure legal age restrictions are observed, and that age-appropriate roles are assigned. At the time of writing the FLA had not issued its audit report for the 2016 hazelnut harvest. No breaches were identified by the FLA in the cocoa monitoring.	On target
1.5. People have improved livelihoods potential through enhanced skills, economic resources and infrastructure	750,000 beneficiaries, including an estimated 500,000 smallholders, plus other beneficiaries of capacity-building, cooperative support, school support, access to finance, producer goods, and economic infrastructure initiatives.	302,552 farmers have benefited from livelihood support through the OLC. Appropriate metrics for assessing beneficiaries of Olam's projects (including dependents of OLC farmers, and non-OLC livelihood projects) will be explored in 2017.	Behind target
GOAL 2. Good health and wellbeing (Material area: Livelihoods – some overlap with Labour)			
2.1. Ensuring provision of access to health, water and sanitation infrastructure, as a minimum, meets the Olam WASH Standard	100% of Olam's direct operations are compliant with the Olam WASH Standard.	Leading the development of guidance on employee WASH access in agricultural and forestry operations with WBCSD. WASH field study conducted in Olam's palm plantations, Gabon by Olam and WBCSD. Learnings to be implemented in FY17 and rolled out to all Olam plantations.	On target
2.2. People have improved health and wellbeing	Olam Healthy Living Campaign positively impacting on 250,000 people, including community beneficiaries of health, water and sanitation infrastructure, health education campaigns, HIV testing, health check-ups, access to insurance initiatives, and similar services.	Reached 190,000 people in Africa.	On target

Our material areas

LABOUR

We depend on the engagement, motivation and safety of our workforce to create responsible growth. Equally, we are working with suppliers to ensure that human rights are respected in their supply chains.

Highlights for the year



69,772

Full-time, seasonal, contract and temporary workers



95

New managers trained in the CEO Core Process



203,696

OLC farmers trained in good labour practices

Key 2016 focus areas

- Employee engagement and talent development
- Zero-harm workplace
- Human rights across our own and third-party supply chains

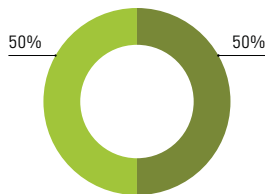
Key sector collaborations and commitments

- CocoaAction – help eradicate child labour
- International Cocoa Initiative
- Fair Labor Association (FLA) partnership to eliminate exploitation in the cocoa and hazelnut supply chains

We are guided by

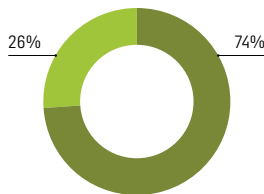
- UN Declaration on Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- Olam Plantations, Concessions and Farms Code
- Olam Health and Safety Policy
- Olam Supplier Code
- Olam Livelihood Charter
- Olam Code of Conduct
- Fair Labor Association affiliate membership

Workforce



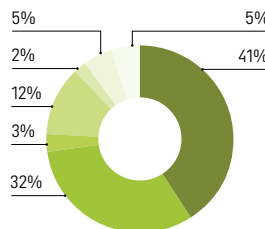
● Full-time	35,045
● Seasonal, contract or temporary	34,727

Gender diversity of full-time employees



● Men	26%
● Women	74%

Managerial talent by region



● Africa	961
● Asia	734
● Australia	67
● Europe	283
● Middle East	37
● North America	112
● South America	112

Relevant SDGs





Employee engagement

Q&A with Joydeep Bose, President and Global Head, Human Resources

How do you see the role of HR at Olam?

We focus on working shoulder-to-shoulder with business heads and the leadership team. HR has the responsibility to manage the talent-related risks of our business and foster the Olam values. At the same time, with guidance from our CEO and the leadership team, we are focusing on how we want to shape the organisation going forward – from a cultural perspective as well as ensuring we have a set of lasting shared values and vision for the company.

How important is culture?

It is not a soft, touchy-feely matter but rather a fundamental part of our business. We realised early on in our journey that our unique culture was what has driven and will continue to drive our business growth, allowing us to gain a competitive advantage in the marketplace.

This unique culture included, firstly, being very entrepreneurial; secondly, demonstrating a high level of stretch and ambition; and thirdly, ensuring every individual in the company takes strong ownership of their work. These factors have underpinned our success so far and we believe this very same culture will propel us forward.

Considering Olam is so diverse and large, how do you align the culture across the entire organisation?

It comes down to a unifying culture and vision – both of which are very clear. We want to be the most valuable and differentiated agri-business globally. This has been well received by the entire organisation. We also ensure that all employees in the company, whether they are from Colombia or Singapore, should have a similar experience working in the organisation.

One way is through our signature processes that cut across all parts of the organisation. These are high-impact initiatives that differentiate us from our competitors. Our Core Process brings together new managers, usually within their first 6 months, to have a 4-day training session with our CEO¹. In these sessions, Sunny, and other leaders in the organisation, take them through the business and Olam's values and culture. We have close to a dozen signature processes to build a shared experience across various aspects of our business. In 2016, 95 employees attended Core Process sessions.

How do you develop leadership?

Leadership for Olam embodies the 3 major elements of our culture. When we assess an employee's leadership ability, we look at whether he or she is risk-taking, entrepreneurial, and has an ownership mindset in taking accountability for outcomes.

In our industry, you can get buffeted by external challenges outside your control. But it is important for our leaders to deliver, regardless of what is happening around them.

With that in mind, we create an environment for employees to display leadership values, to blossom and to succeed. When we hire employees, we look for 'fit' and aptitude for these values. Some people prefer working in a very top-down environment, but that's not Olam.

Empowering employees is a key engagement driver. Within a safety net, we typically give responsibilities earlier than at other organisations – such as defining financial and decision-making terms.

We also support our leaders throughout their career journey with a strong mentoring culture. Managers at all levels are trained to coach and have constant communication sessions with their reports.

In this way, they receive feedback and can reflect on what went well, and what did not, drawing on the strengths and experiences of others.

How do you maintain engagement among your employees?

We measure engagement rates every 2 years. Currently, it is at 77%, down from 83%. We believe it has dropped because our teams have had to navigate strong commodity headwinds, plus acquisitions can be unsettling.

One way in which we have been addressing this is through our revamped performance management framework Aspire, which no longer has ratings, so that staff conversations can happen without any anxiety.

Aspire is geared towards making the employee the chief beneficiary of the performance management process – not the organisation or his or her boss. Aspire aligns feedback on performance across the business, taking into account personal development and career progression.

The process responds to 3 key questions for employees. Firstly, am I doing a job that is meaningful? Secondly, how am I currently performing in my role and what can I do to improve? Thirdly, what does the future hold for me in the company? The process begins with discussions at the beginning of the year between the individual and the manager on the meaning of the individual's role. Throughout the rest of the year, we will have regular conversations on the progress against their targets.

This system has been in place for a year and a half, and we believe it will help our employees engage more with the company in the future.

¹ Sunny George Verghese

Our material areas: Labour

"When we assess an employee's leadership ability, we look at whether he or she is risk-taking, entrepreneurial, and has an ownership mindset in taking accountability for outcomes."

Nurturing regional talent

Wherever possible, we are committed to employing locally and building capacity, although it can be a challenge in emerging markets.

We invest from the ground up and, over the years, we have built a robust early career hiring and training programme. In 2016, we hired more than 50 trainees across Africa in Sales, Manufacturing and Finance. We believe that this pool of talent will be our pipeline for the future. The Africa Finance Trainee (AFT) Programme is one such initiative and is designed to provide meaningful experiences through exposure to a variety of Olam operations. In 2016, we recruited 8 qualified accountants from Kenya and Cameroon.

Catalysing change in Africa through scholarships

Olam's scholarship programme supports up to 10 African post-graduates each year to study at Harvard Business School, the London School of Economics and Political Science, INSEAD and the Lee Kuan Yew School of Public Policy. Our ambition is to see these graduates catalyse change through business, economic development and good governance in Africa.

Global gender breakdown in our primary workforce (%)



Bankole Makanju is a Master of Business Administration Student at the Harvard Business School in Massachusetts. Read his article on olamgroup.com, "How to maximise Africa's demographic dividend".



Designing top class courses and an academy

The Almonds team in Australia worked with HR and one of the largest education providers in Australia – TAFE – to develop a tailored diploma course for the Irrigation Controllers and Operations Supervisors. Run over 1-2 years, it is based on specific job competencies and provides the field teams with a development pathway leading to a recognised qualification. It has been well received by the teams and in 2016 it led to Olam being recognised by the TAFE as its 'Employer of the Year'.

October 2016 marked a milestone for the Manufacturing and Technical Services (MATS) function with the launch of its virtual Academy – a purpose-built learning platform. The comprehensive curriculum is intended to help increase knowledge and skills, and ultimately help employees improve their personal performance and prepare for the next career opportunity.



Almonds Australia TAFE Certificate IV graduates who have completed the diploma course for Irrigation Controllers and Operations Supervisors.

Our shared values

Our 6 values and everyday behaviours build a distinctive culture, shaping how we work, and set the standard for what it means to be part of Olam



Entrepreneurship

We dare to dream



Stretch and Ambition

Our passion for doing more



Mutual Respect and Teamwork

We treat each other the way we want to be treated



Ownership

We take responsibility as if we were the founders of the business



Integrity

We stay true to what we believe, say and do



Partnerships

We strive to develop positive and long-term relationships with our partners



Rob Wheatley (right), Vice President, Almonds, receiving the Employer of the Year Award from the Sunraysia TAFE Institute in Australia.

Ensuring a safe workplace

Olam is committed to providing a healthy and safe workplace for our employees, contractors and visitors. Our vision of embedding a 'zero harm culture' is delivered through safety leadership and embodied in 'Our Shared Values'.

By the end of 2016, most employees had received training through our internal programme 'A Safe Olam' which is based on the elimination of unsafe conditions and unsafe behaviours. The remaining employees had localised focused training relating to specific risks and hazards. For new or returning seasonal workers, we have

developed a new Safety Induction Programme. Some emerging market countries do not have the same regulatory frameworks for safety so we must be constantly vigilant and reinforce the importance of safe behaviour including regular audits and review.

Our top 100 facilities now report leading and lagging safety indicators and we are progressively extending this to all our key sites – processing, warehouses and plantations. Whilst still not where we want to be, we are making steady progress in changing behaviours and reducing safety incidents. The Lost Time Injury Frequency rate was reduced to 0.43 in 2016 (from 0.60 in 2015 and 1.15 in

2014). This data now starts to include a wider view of the Olam world and includes some key primary upstream processing plants, warehouses and plantations in addition to the 69 core manufacturing plants which are known as Tier 1 (See the goals table for the specific targets for processing and Olam-managed plantations, concessions and farms.) Unfortunately, while it was our lowest incident fatality rate in 5 years, we experienced 4 fatalities in 2016, which all took place in Africa. Three were due to non-observance of safe working practices, and the fourth was due to a road accident. All incidents are fully investigated and any action points addressed.

Our material areas: Labour

Respect for diversity

Although diversity has always been encouraged in Olam, we recognise that we did not have a formal policy or strategies for implementation. By 2020, all businesses with more than 100 employees must have a documented and reported diversity strategy. A draft policy with strategy guidance is currently being reviewed.

Respect for workers' rights

Our commitment to human rights is guided by the United Nations Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and related international covenants.

We commit to the following labour practices across our supply chains:

- Compliance to relevant labour national laws and international agreements (covering wages, working hours and conditions, freedom of association, collective bargaining, no discrimination, gender and age equality)
- A grievance mechanism accessible to all workers without retribution
- An accessible communication framework of policies for the workforce
- The application of these requirements to contracted, seasonal and migrant workers where relevant.

As with any business, restructuring is sometimes necessary. Whenever this occurs we seek to ensure that employees and their representatives are given notice of any significant changes. This may vary between countries and also on the significance of the change, so it might be 2–4 weeks or a few months. Based on data from our key operating countries, at the end of 2016, about 30% of our primary workforce were covered by collective bargaining agreements. In early 2017, Olam Gabon signed a collective bargaining agreement with our palm and rubber plantation workers – over 9,500 people.

Following the introduction of mechanisation to increase output and efficiency at our Bouaké cashew processing facility in Côte d'Ivoire, our team met with union and government representatives regarding the redundancy of around 150 employees

from the 2,000-strong team. At the end of 2016, the union had made a formal representation to the Ministry of Labour over the redundancy process. However, the independent advisory body on labour affairs (Le Conseil National du Dialogue Social) cleared our process as fair and correct.

Wages and incentives for workers

A considerable proportion of Olam's workforce are engaged in relatively low-skilled plantation work or manual to semi-manual processing. These are often located in regions that have had very little structured work experience, which can mean that, after payment, a few workers may not return until they have spent their wages. Couple this with high labour needs for products such as cashew (we employ around 15,000 people in processing across Asia and Africa) and we have to balance wages with the cost of

productivity and what the customer, and ultimately the consumer, is willing to pay. We operate in accordance with all payment laws but, rather than just relying on the minimum wage, we are exploring productivity-based incentives to make our operations more sustainable and better able to withstand competition. This in turn secures jobs in the region.

Indeed, this has been recognised by the Government in India, where the Labour Department has classified the cashew industry under productivity-linked wage to help motivate workers. This is definitely helping to improve productivity as seen in our 3 cashew processing facilities at Amalapuram, Janakirampuram and Gajapathinagaram. We are paying our workers above the Government stipulated wages over unit of output.



More HR information can be found in our GRI Report on olamgroup.com.



Members of the USA GROW initiative at their mentoring mid-point event.

Globally Reaching Olam Women (GROW)

GROW's mission is 'women driving a globally inclusive work environment'. With 116 members (both women and men) in the USA, the employee resource group and mentoring programme spans all business units and functions. In 2016, the group expanded into Côte d'Ivoire and Uganda. Areas of focus include communication, time management, negotiation skills and calculated risk-taking.



Addressing human rights issues in third-party supply chains

Olam's sourcing network of over 4.33 million farmers, of whom the vast majority are smallholders in emerging markets, means that eliminating poor labour practices in our supply chains is an ongoing focus. Poor practices include the potential for:

- Forced adult labour
- Child labour
- Poor management practices, such as not providing protective equipment or unfair working hours or pay.

Tackling exploitation of adult workers in third-party supply chains

A number of investigations by NGOs into the palm industry have uncovered human rights abuses. In 2016, we reduced our suppliers from 48 to 14 based on our Supplier Code risk factors. Although our Supplier Code clearly stipulates that third-party suppliers should ensure human rights are protected, we are updating our policies in 2017 to include the explicit industry term 'no exploitation' and will roll out third-party verification of mills at risk.



See page 70 for more information on the palm supply chain.

Update on Uzbekistan cotton

Cotton is a key source of income for Uzbekistan. In recent years, the country has made progress in eradicating child labour from its cotton harvest, thanks to a programme supported by ILO and the World Bank. However, the international community continues to be concerned by reports of civil servants being forced to pick cotton due to a lack of mechanisation. Along with other international cotton merchants, Olam has chosen to maintain our sourcing (at low levels) and attempt to influence positive change in the supply chain. As well as lobbying collectively with our peers, we will be stepping up engagement with the ILO and the World Bank directly in 2017 to maintain momentum in changing labour practices.



For more information on these issues, please contact crs@olamnet.com or visit olamgroup.com/sustainability.



Unlike other major cotton growing origins, Uzbekistan does not have mechanised harvesting for its fields so the cotton must be hand-picked.

Our material areas: Labour



Olam trainers demonstrate safe pesticide handling practices to smallholders.



Since the Aviv coffee plantation in Tanzania started employing villagers, pupils have increased from 50 to 80 at the Lipokela school as parents can afford to send them.

How we tackle child labour

The UN Food and Agriculture Organization (FAO) defines child labour as “work that is inappropriate for a child’s age, affects children’s education, or is likely to harm their health, safety or morals. It should be emphasised that not all work carried out by children is considered child labour. Some activities may help children acquire important livelihood skills and contribute to their survival and food security. However, much of the work children do in agriculture is not age-appropriate, is likely to be hazardous or interferes with children’s education. For instance, a child under the minimum age for employment who is hired to herd cattle, a child applying pesticides, and a child who works all night on a fishing boat and is too tired to go to school the next day would all be considered child labour”.

Olam is against all forms of child exploitation and the use of forced or trafficked labour, respecting and abiding by the ILO conventions No. 182 on the Worst Forms of Child Labour and No. 138 on the Minimum Age for Admission to Employment and Work. In addition to ensuring this is applied across all of our direct operations (plantations, farms and processing units), Olam works proactively with others, including our suppliers, governments, specialist

NGOs such as the International Cocoa Initiative, and industry peers, to progressively eliminate these abuses in agricultural supply chains.

Olam follows, and expects its suppliers to follow, the table below as a direct reference to ILO Convention No. 138 defining child labour by the following categories:

	Minimum age for admission to employment or work	
	Developed countries	Developing countries
Regular work	16 years	16 years
Hazardous work	18 years	18 years
Light work	15 years	15 years (or 14 years subject to exceptions allowed by the ILO or national law)

This is clearly stated in the Olam Supplier Code, which is being rolled out across our supply chains, setting out minimum and non-negotiable standards to which all our suppliers must adhere. Signing our Supplier Code represents a commitment to follow the fair employment practices in compliance with all applicable local government rules and regulations regarding Child Labour Laws, and an understanding that regular audits will be carried out. In addition, Olam undertakes a raft of measures to mitigate the risk of child labour; these include:

- Training farmers in good labour practices through the Olam Livelihood Charter (203,696 in 2016)
- Helping farmers to increase yields through the provision of pre-finance, agri-inputs and training in Good Agricultural Practices, enabling them to hire adult labour
- Identifying child labour risk factors through the Olam Farmer Information System and collaborating with governments and partners to provide access to schooling and long-term availability of teachers
- Scaling-up initiatives by working with partners including customers, foundations, governments and NGOs.

Tackling child labour in cocoa and hazelnut production with the Fair Labor Association (FLA)

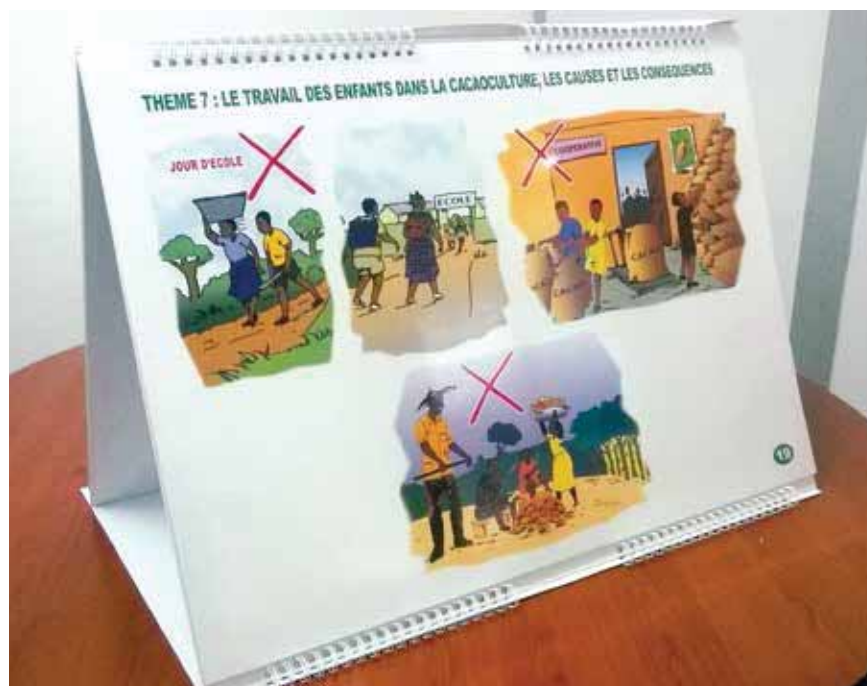
As an affiliate member of FLA, we have programmes to help eradicate child labour from cocoa and hazelnut supply chains in Côte d'Ivoire and Turkey. For 2016, FLA conducted audits at 3 cocoa cooperatives in Côte d'Ivoire with no instances of child labour identified. We believe this is due to the consistent messaging and support we give to farmers about child labour.

Since one of the root causes of child labour is lack of money, Olam Cocoa has intensified support to women's associations. We assist them in



developing income-generating activities such as fortified cassava nurseries (see page 57 for more information). This year, we will extend the activities to poultry and animal production, as well as literacy and savings and loan schemes.

Turkish hazelnut farmers have larger farms than traditional smallholders in Africa and Asia, but they still require Olam Livelihood Charter support, particularly in terms of environmental and social practices. Migrant labour moving through Turkey to support the harvests brings increased labour risks, from child labour to fair payment for adults. The FLA monitors the success of our awareness and remediation programmes. The FLA report from the 2016 harvest monitoring will be available later in 2017.



Olam field staff use picture aids to help smallholders understand child labour issues.

Progress on goals

2016 – 2020 objectives	2020 target	2016 achievement	Outlook for 2020 target
GOAL 3. Zero-harm workplace (Material area: Labour)			
3.1. Eliminate serious incidents	Reduce LTIFR to 0.3 in Olam processing operations (50% reduction from 2015 actual).	LTIFR was further reduced to 0.43 in our 69 Tier 1 processing plants, a 30% year on year reduction.	On target
	Reduce LTIFR in Olam-managed plantations, concessions and farms by 50% from baseline determined in 2016.	Primary focus in 2016 has been in the expanding palm and rubber plantations in Gabon, with new professional resources, extensive training, several audits and corrective actions. This has significantly improved the focus on safety behaviours with positive benefits. It is too early to quantify the improvement in lagging indicators.	On target
3.2. Sustain health and safety behaviour change programme	All locations routinely report unsafe acts and unsafe conditions, and near misses.	Olam Imperative 3 Reporting, Recording, Review and Compliance Checklist has now been rolled out to all key locations, so leading and lagging safety indicators will be routinely reported from Q1 2017. Leading indicators include unsafe acts and near misses.	On target
GOAL 4. Respect for workers' rights (Material area: Labour)			
4.1. Olam complies with ILO principles	No moderate or severe breaches of compliance reported or observed in audits.	We identified 4 cases in processing operations where ILO principles were breached. These related to non-compliance on statutory dues, working hours, minimum wages, and overtime. One breach of Olam child labour standards on plantations was identified by Internal Audit. Corrective action has been taken to ensure legal age restrictions are observed, and that age-appropriate roles are assigned.	Behind target
4.2. Diversity strategies are implemented	100% of businesses with >100 employees to have a documented and reported diversity strategy.	Draft policy undergoing review.	Behind target

Our material areas

FOOD SECURITY AND NUTRITION

Olam's focus is on improving access to safe, affordable and nutritious food for our farmer suppliers and in the workplace, so that their dietary needs and preferences are met. This enables them to live an active and healthy life, which in turn supports productivity and livelihoods.

Highlights for the year



226,030

Smallholders trained in Good Agricultural Practices (GAP)



26 billion

Servings of micro-nutrient fortified foods in Africa



92

Entries received for the 2016/2017 Olam Prize for Innovation in Food Security

Key 2016 focus areas

- Continue to support smallholders with crop diversification for improved income and food security
- Increase nutrition training for communities through partnerships
- Increase fortification of food stuffs in Africa

Key sector collaborations and commitments

- Hosted the Building Sustainable Futures Forum in Singapore
- Jointly launched the Global Agri-business Alliance which will focus in particular on SDG 2: 'End hunger, achieve food security and improved nutrition, and promote sustainable agriculture'
- Member of Champions 12.3 on food waste

We are guided by

- Olam Livelihood Charter
- Commitment to continuous engagement with communities around our developments to understand needs (FPIC¹ procedures)

¹ FPIC – Free, Prior and Informed Consent.

Relevant SDGs





"The project is beneficial for the ladies because it provides financial support through the tuber sales. With this support we can assist our husbands to pay our children's schooling and better manage the household expenses." Awa Ouattara, Mebifon Women's Association, in a Côte d'Ivoire cocoa growing community.

Olam's role in food security

Around 500 million smallholders produce 80% of all the food consumed in Asia and Sub-Saharan Africa. Yet, as a sector, agriculture has the highest incidence of families living below the poverty line. Given that many of our products (aside from rice, dairy and wheat) could be termed as niche ingredients, or raw materials such as rubber, our role in driving food security might not seem obvious. But our close working relationships with farmer suppliers, and our expertise across the value chain, enable us to equip farmers and their communities with the knowledge and tools for sustainable and profitable agriculture, including staple food crops.

Promoting crop diversification to increase incomes and food access

Just as a balanced diet is nutritionally diverse, so a healthy livelihood shouldn't be overly reliant on one crop. Encouraging farmers to diversify crops helps to stagger income and spread risk. It is also good for the soil. Farmers can grow other crops for cash or for family needs. In Côte d'Ivoire, a cocoa programme, with various customer partners, is supporting women to grow cassava, a food staple. In 2016, we helped 11 women's groups establish nurseries from 5,000 vitamin A fortified high-yielding cassava plants. These nurseries can now each produce 50,000 cassava plants every year. We plan to support a further 9 groups in 2017.

By 2030 we will need to feed 8.3 billion people, over 1 billion more than today. Left unresolved, our inability to solve food insecurity will constrain our ability to feed a growing world while leaving millions in poverty.

Small changes in Cameroon rice logistics make a big impact on food waste

Cameroon currently imports over 80% of its rice. In 2012, Olam's rice team put in place protocols to reduce losses across the segments of the supply chain under its control:

- Stronger bags
- Ensure re-bagging of torn bags as soon as possible
- Labour training for bag handlers
- Laying tarpaulin underneath bagging operation
- Maintaining pallet quality
- Surprise audits.

From 2012 to 2016, losses in logistics reduced from 1.25% to 0.8%. The amount of edible rice saved equates to around 2 bowls each for the 23 million people of Cameroon.

Olam's priorities to increase global food security

- Increase productivity on smallholder farms
- Increase productivity on large-scale farms while catalysing food production in the region through outgrower programmes
- Better nutrition through education, crop diversification, and producing healthy packaged foods
- Reduce immediate post-harvest losses and food waste
- Invest in agri-infrastructure
- Improve water usage/irrigation efficiency
- Invest in research to improve farm productivity
- Reduce land degradation through zero till farming
- Support policy frameworks that seek inclusive and sustainable growth for all countries
- Lead private and public partnerships to enable initiatives to scale up and replicate.

Our material areas: Food security and nutrition

Educating farmers about nutrition

Smallholder communities need support beyond yield improvements, and that includes nutrition education.

Vegetables and protein-rich foods grow in most regions but smallholders often don't understand the benefits of a balanced diet. Pilot modules started in Côte d'Ivoire were expanded in 2016.

Promoting nutrition in the workplace

Many adults eat at least 1 meal a day at work, which makes it a logical place for health intervention.

In 2016, as per our Goals, we continued to develop and review an internal Standard to apply to the Global Nutrition for Growth Compact.

Fortifying foods in Africa

One of the most cost-effective strategies to improve nutrition, fortification is sometimes mandatory, such as for our wheat processing in Nigeria and Ghana; however, often the choice lies with the manufacturer.

In 2016, our Packaged Foods and Grains businesses produced over 26 billion servings of fortified foods. These included:

- 419.6 million servings of fortified Milky Magic and All Milk biscuits
- 25.6 billion servings of fortified wheat flour in Ghana, Nigeria, Senegal and Cameroon
- 42.86 million servings of fortified tomato paste.

Oil palm is native to the West and Central African regions. Palm oil is an essential part of many traditional African cuisines. In early 2016, our refinery in Mozambique started fortifying palm oil with vitamin A. 74% of children under 5 in Mozambique are vitamin A deficient, with negative impacts on growth, immunity and development. Recognising palm oil as a strong delivery for vitamin A, in November 2016 the Government of Mozambique made fortification mandatory.

Land tenure and food security in Gabon

GRAINE¹ is a pioneering JV initiated by the Government of Gabon. Its twin goals are reducing reliance on imported food – 60% is imported – and supporting rural livelihoods (33% live at or below the poverty line). The Government identifies, allocates and transfers parcels of environmentally and socially suitable land to cooperatives (with title certificates). Olam manages the project, providing technical expertise and supporting cooperatives with training and improved planting stock, inputs and logistics to manage profitable plantations for palm oil and food crops such as cassava, banana, tomatoes and pepper. By the end of 2016, almost 16,000 people in over 775 cooperatives had signed up to the scheme. In terms of starting to grow produce, around 2,400 members (of whom 61% are women) had planted bananas and cassava.

Jean Lirois Anizok is from the Earth Promise Cooperative which has 18 women and 25 men. They have 30 ha which by the end of 2016 had been planted with 8.17 ha of bananas and 13 ha of cassava.

"GRAINE is a good programme for rural people because it brings work and income for the people. We have seen changes in our lives: the money means we can send our children to school and feed our families. It should extend to all other villages and embrace more crops for planting, especially sweet potato, yam, corn, peanuts and so on."



Jean Lirois Anizok, from the Earth Promise Cooperative.



Watch the film about the GRAINE project at olamgroup.com.



See the Land section on the due diligence process to avoid deforestation by smallholders.

¹ GRAINE, which means 'seed' in French, stands for 'Gabonaise des Réalisations Agricoles et des Initiatives des Nationaux Engagés' (Gabonese Initiative for Achieving Agricultural Outcomes with Engaged Citizenry).

² 70,000 ha to be developed for palm plantations and 8,000 ha for food crops.



The second Olam Prize for Innovation in Food Security launched

Sponsored with our international scientific partner, Agropolis Fondation, the US\$50,000 prize rewards an outstanding research project for its potential impact on the availability, affordability, accessibility or adequacy of food. Over 90 applications have been received and the winner will be announced in 2017 on olamgroup.com.

The winner of the 2014/15 Prize SRI International Network and Resources Center (SRI-Rice) used the funds to develop an international network of System of Rice Intensification (SRI) researchers in 45 countries.

The platform facilitates collaboration across borders on the SRI methodology that enhances rice productivity, water conservation, livelihoods, soil health, and crop resilience to climate stress.

Creating the future we want – learning from experts and collaborating with peers

In September 2016, Olam convened more than 300 delegates in Singapore to attend the Building Sustainable Futures Forum (BSFF). Our intent was to gather our peers across the agri-value chain to identify areas for collaboration in alleviating global hunger and nutrition as part of the SDGs. We recognise that solving food security without depleting natural resources or impacting climate change can only be achieved by harnessing our collective strengths.

A key highlight of the BSFF was the launch of the Global Agri-business Alliance (GAA), also initiated by Olam. Its aim is to collectively address sustainability, social, labour and environmental issues where the agri-sector has a shared responsibility. The first meeting of the GAA in December 2016 initiated a series of working groups which will tackle the systemic issues identified by the sector.



Watch the panel videos of the BSFF at olamgroup.com. For more on the GAA visit globalagribusinessalliance.com.



Marking the beginning of the Global Agri-business Alliance.

Progress on goals

2016 – 2020 objectives	2020 target	2016 achievement	Outlook for 2020 target
GOAL 5. Food security and nutrition (Material area: Food Security)			
5.1. Workers are educated on, and can access, nutritious foods	Conduct nutrition education or access initiatives for the workplace for 100% of target businesses, to be determined in the Standard.	<p>Olam Workplace Nutrition Guidelines drafted and under final review.</p> <p>Olam Healthy Living programme implemented in 19 businesses across Africa. This initiative targets improved health and nutrition for workers and communities.</p>	Behind target
5.2. Increased availability of micronutrient fortified foods	Produce 40 billion servings of micronutrient fortified foods.	Over 26 billion servings of fortified biscuits, flour and tomato paste (Africa).	On target

Our material areas

FOOD SAFETY AND QUALITY

Ensuring our ingredients and products are delivered to customers without contamination or adulteration is the bedrock of our quality and compliance programmes.

Highlights for the year



1.36m MT

Product volumes sourced under the Olam Livelihood Charter (OLC)



US\$32.24m

Paid in premiums to OLC smallholders



57,884

Smallholders received training on reduction and optimisation of synthetic fertilisers



6.4m

Seedlings distributed to OLC farmers (e.g. cocoa, coffee, cashew) for improved quality



82%

Of relevant Tier 1 food processing facilities certified to BRC/ FSSC 22000



1st

Cashew processing facility in India to get BRC certification

Key 2016 focus areas

- Improving traceability in the supply chain
- Supporting smallholders to improve quality
- Enforcing HACCP¹ and pursuing certification for top tier processing facilities

We are guided by

- Olam Quality Policy and Food Safety System
- Good Manufacturing Practice (GMP)
- Hazard Analysis and Critical Control Points (HACCP)
- BRC/FSSC 22000
- International food safety regulations

Relevant SDGs



¹ HACCP – Hazard Analysis Critical Control Point, a preventative approach to physical, chemical and biological hazards.



Drying floors or mats for these chilli peppers in India prevent contamination from the soil, yet many smallholders do not have the funds to buy one.



Rusmolco: our dairy teams provide high quality feeds for the cows, and regularly check water for nutrient quality, heavy metals, or any other contaminants that might affect animal or human health.

Integrated supply chains enhance food safety

The safety and quality of our products are non-negotiable for our business. We operate highly integrated supply chains working with smallholders to provide training, seeds and other inputs. This is coupled with the highest standards of quality and microbiological control at our processing plants in origin, and in destination markets, reducing food safety risks. This structure also means we can more easily accommodate changes in regulation, such as the Foreign Supplier Verification Program, which requires importers of food products into the USA to undertake verification programmes to ensure preventative controls for supply chains outside the country. This is part of the Food Safety Modernization Act, which was implemented in the USA in 2016.

Ensuring product integrity through traceability

Traceability is of increasing importance to our customers who want to know about the products they are buying: where they are from, who grew them, and under what conditions. Many of our products such as cocoa, chilli,

coffee and black pepper are sourced from a vast, fragmented network of hundreds of thousands of smallholder farmers in remote parts of the developing world.

Tracing products back to individual farmers is challenging – often the quantities they produce are too small to be marked and processed as a separate batch in a factory and there are middlemen involved in buying and selling.

Through the OLC, we strengthen traceability by buying directly from the farmer groups. By helping them to improve their agricultural practices, we also help them to improve product integrity and quality. This includes using natural methods of pest control and organic fertiliser coupled with judicious pesticide use. Under the Olam Livelihood Charter, almost 95,000 small-scale farmers were trained specifically on Integrated Pest Management (IPM). This focuses on natural methods of pest control, such as planting maize as a border crop, using other crop and pheromone traps, and deploying hygienic drying techniques that minimise contamination of the harvest.

In 2016, 1.34 million metric tonnes of product under the OLC were traceable.

Applying internationally recognised processing standards across the world

A large part of our processing footprint is in emerging markets, which do not necessarily have the same regulatory frameworks for Quality, Environment, Health and Safety as developed nations – for example, a lack of Occupational, Safety and Health norms, or a regulatory authority with strict standards. Perception of risk and legal compliance can sometimes be relatively low as consequences may be limited due to weak enforcement.

Olam therefore instils international standards and behaviours across our global operations. By the end of 2016, Cocoa, Coffee, Dairy, Rice, SVI and Sugar businesses had achieved 100% BRC/FSSC 22000 certification. This means that 82% of relevant top tier food processing facilities are now BRC/FSSC 22000 certified.

Primary processing units are governed by our mandated QEHS policies, standards and codes of practice. In addition to self-audit, they are subject to regular audits by regional Environment, Health and Safety managers and customers.

Our material areas: Food safety and quality

Following international standards

In processing, we employ the systematic preventative approach called Hazard Analysis Critical Control Point (HACCP). It addresses physical, chemical and biological hazards across the operation as a means of prevention rather than relying on finished product inspection. Some of the hazards we manage include the adulteration of raw materials, processing contamination by foreign bodies or pathogens and labelling errors. This approach enables us to determine key controls over processes and concentrate resources on activities that are critical to ensuring safe food.



The Nutrifoods biscuit factory in Ghana produces 3 popular biscuit brands for consumers – Royal King Cracker, Royal Milky Magic and Perk Milk Shortcake.

In 2016, the Packaged Foods Business (PFB) was working towards FSSC 22000 accreditation for 2 sites – the Nutrifoods Biscuit factory and the Tasty Tom tomato paste plant in Ghana.

In Nigeria, both the tomato paste and noodles facilities successfully completed the first surveillance audit.

The FSSC 22000 certification is a Global Food Safety Initiative (GFSI), which provides thought leadership and guidance on food safety management systems, helping to embed best practice and build customer confidence. GFSI benchmarks the various food safety standards against a basic set of criteria, which enables

universal recognition and credibility. Both Ghana facilities have now achieved FSSC 22000 certification with Nutrifoods being the first biscuit factory in West Africa to do so.

In India, Olam's integrated semi-mechanised cashew processing facility at Vizianagaram was honoured with the National Award for Food Safety 2016 by the Confederation of Indian Industry. This was in recognition of its holistic approach in establishing, running and managing the Food Safety and Quality Systems. The plant is the first and only cashew plant in India to get BRC certification (A grade) from receipt of raw cashew nuts to production and packing.

Continuous training for the highest food safety standards

Olam is committed to ensuring employees receive ongoing training, particularly with regard to food safety. One example is Olam SVI's annual Continuous Excellence (CE) Workshop organised by the Innovation and Quality (IQ) team. The one and a half day workshop was attended by 53 team members from operations and Quality and Assurance teams from SVI's global plant locations, who shared best practice and learnings. A combined mock recall exercise was completed with 4 different scenarios taken on by cross-functional teams from Supply Chain (Planning and Customer Service), Legal, Finance, Engineering, Plant Operations, QA and IQ. The exercise rehearsed decision-making processes in timebound situations. The 2016 Olam SVI 6 Star Award for excellence in contributions towards food safety and quality was awarded to Olam SVI's Gilroy plant in California (garlic) and the Key Food Ingredients (dehydrated vegetables) plant in China.



Fresh garlic harvested by our Gilroy plant, USA.

Keeping it natural

Increasingly, consumers are looking for clean, natural and healthy products. As well as sourcing individual ingredients, Olam SVI also makes own label recipes for customers such as salsas. In 2016, Olam SVI achieved non-GMO¹ and gluten-free certifications.

In October, as part of the celebrations commemorating the 70th anniversary of Olam Cocoa's Joanes brand in Brazil, and the opening of the new Cocoa Innovation Centre, we launched

AJ11PK, a new, black cocoa powder that has no added sodium (Sodium is traditionally added as an alkalising agent during processing for dark cocoa powders to achieve the desired colour).

Developed for the Brazilian and South American markets, this cocoa powder aligns with the Pan-American Health Organization (PAHO) policy to reduce dietary salt intake among South American consumers.



Opening of Olam Cocoa's Innovation Centre, Brazil.



AJ11PK black cocoa powder, innovative because sodium has not been added to achieve the colour.

Progress on goals

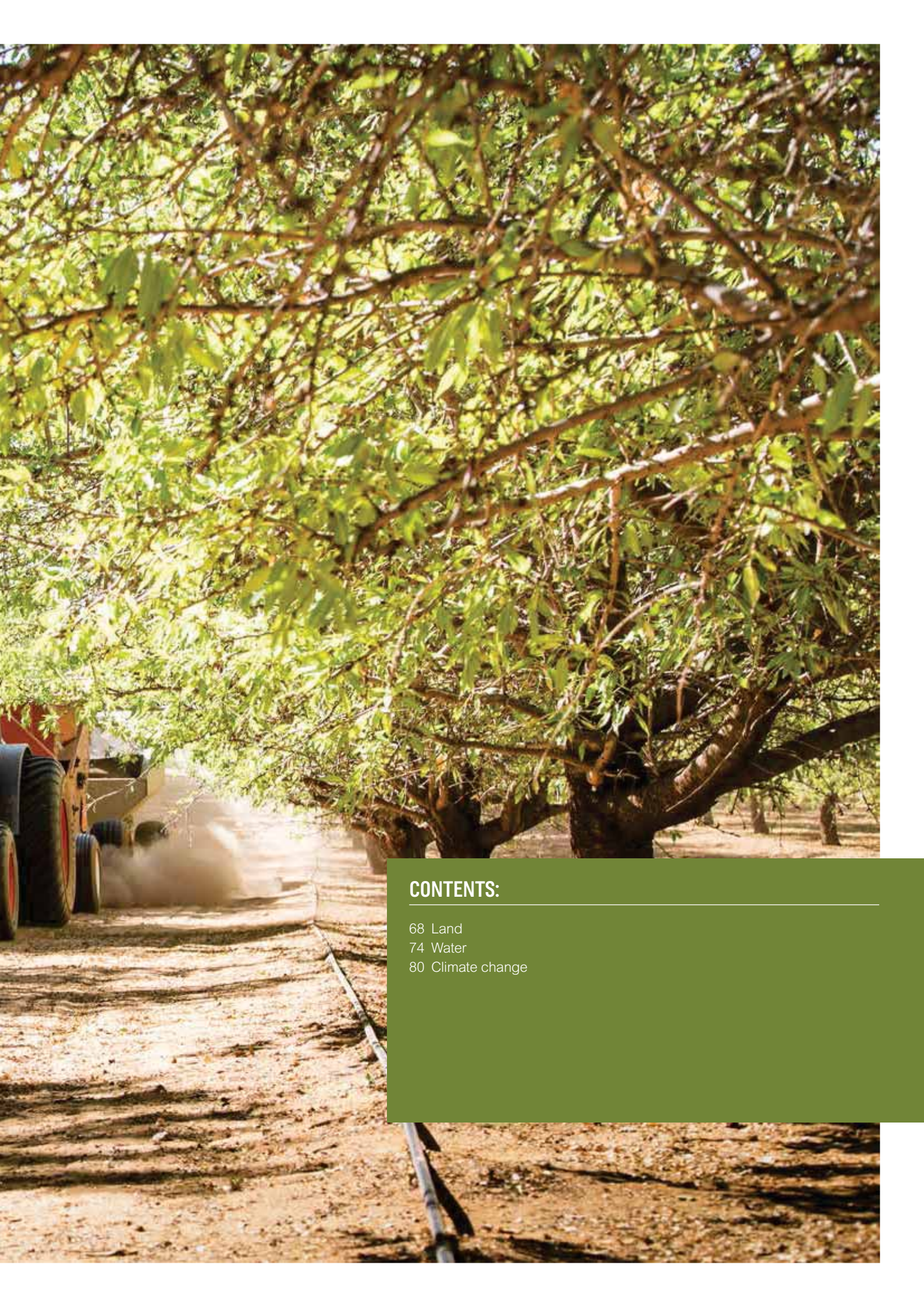
2016 – 2020 objectives	2020 target	2016 achievement	Outlook for 2020 target
GOAL 6. Safe and reliable foods for our customers			
6.1. Food processing facilities meet international quality and food safety standards	100% of relevant processing facilities to be FSSC 22000 or BRC certified.	82% of relevant top tier food processing facilities are FSSC 22000 or BRC certified.	On target

¹ Overall, Olam International does not encourage Genetically Modified crops entering our food supply chains.

ENVIRONMENT

Perhaps more than any other sector, agriculture faces huge environmental challenges that are interlocked and complex. At a global scale, our operations and those of our suppliers are at risk of climate change, poor soil quality, and water scarcity, which in turn impact on global food security.





CONTENTS:

- 68 Land
- 74 Water
- 80 Climate change

This section explores our achievements and challenges in 3 of our material areas that focus on environmental impacts: land, water and climate change.



Land
68



Water
74



Climate change
80

"Maintaining sustainable yields and growing our business means that we have to act as responsible stewards of the environment and encourage third-parties to do the same."

Dr Christopher Stewart

Head of Corporate Responsibility and Sustainability



Q&A with Dr Christopher Stewart, Head of Corporate Responsibility and Sustainability

Olam is a member of the UN Global Compact. How do you fulfil Principle 7 of taking a precautionary approach to environmental challenges?

As a global agri-business we, and our suppliers, are dependent on the earth's natural resources. Maintaining sustainable yields and growing our business means that we have to act as responsible stewards of the environment and encourage third-parties to do the same. Our own operations must avoid or mitigate potential negative impacts, therefore all investment cases for any new developments must undergo environmental and social impact assessments and implement the relevant management plans. For our existing operations, we are guided by our Risk Scorecard, as well as a suite of Policies, Codes and Standards. Our Governance structure ensures that we adhere to these principles and that we undertake regular audits and gap assessments.

How did Olam perform against its environment goals in 2016?

Our carbon footprint for our own operations continues to improve. We are also making good progress with our Climate-Smart Agriculture training programmes for smallholders, and we have undertaken ground-breaking work on water stewardship, for example in coffee.

We increased the overall tonnage covered under the Olam Supplier Code (OSC). The Code covers social, as well as environmental requirements, and we're updating it in 2017 to reflect the evolution of our global policies.

Managing the impact of our third-party supply chains is a 3-step process: firstly, we need to complete the roll-out of our Supplier Code; then we need to verify that suppliers are upholding the Code; and finally, we must work with suppliers to address any issues that we identify in this process. This can be straightforward when we have direct engagement with the supplier but it is much more challenging when we are procuring through a third-party, as we don't have the direct link to producers. With a supplier base of more than 4 million smallholder farmers, verifying that each one is upholding the Code is impossible. Our big challenge this year is how to combine risk assessment, partnerships and pre-competitive verification platforms to ensure compliance with the Code, building on the extraordinary development of remote sensing technology and traceability systems.

Which environmental issues were stakeholders particularly interested in?

As an organisation that sources from thousands of farmers in developing countries, many of the issues in our supply chains are social problems, linked to poverty and lack of services, rather than strictly speaking environmental – but clean water, fertile land and climate suitability are essential for these communities to thrive. Climate-Smart farming and Water Stewardship practices are examples of the ways we are responding to these concerns.

As we have moved upstream, stakeholders are increasingly asking us to demonstrate a much broader form of responsibility, taking on community development and large-scale conservation issues within the landscapes where our plantations are sited. Social contracts that recognise community land rights are the key platform for our continuous engagement plans, upheld by robust grievance procedures. Eliminating deforestation from palm and rubber supply chains was raised by the NGO Mighty Earth in 2016 (see the Land section of this report), whilst deforestation is increasingly recognised as a major issue in the cocoa sector. Building on our existing upstream policies, in 2017 we have developed a Global Forest Policy to eliminate unsustainable practices across all our supply chains.

We have tried to ensure that the majority of the points raised by stakeholders have been addressed in this report.



More information can be found on sustainability progress in our GRI Report and Olam Livelihood Charter on olamgroup.com.

Our material areas

LAND

The land required to supply the 14.4 million metric tonnes of product in 2016 is estimated at just under 10 million hectares. This is slightly larger than the size of Hungary¹. Ensuring the sustainable development and use of land-based ecosystems in both our direct and indirect supply chains is therefore a continuing imperative.

Highlights for the year



58%

Of priority product volumes procured by origins in FY16 are covered by the Olam Supplier Code²



4th

Most transparent company globally according to the Sustainable Palm Oil Transparency Tool (SPOTT)³



120,464

Smallholders trained in soil fertility



179,991

Smallholder hectares GPS mapped under the Olam Farmer Information System (cocoa)



130,157

Smallholders trained on forest conservation, including the impact of converting forest through burning, along with other Climate-Smart Agricultural practices



10,474

Individual farm management plans for cocoa smallholders generated under OFIS in 2016

Key 2016 focus areas

- Protect High Conservation Value ecosystems and High Carbon Stock Forests
- Ensure community rights and participative decision-taking
- Reduce indirect impacts on land from third-party farmers and suppliers

Key sector collaborations and commitments

- UN Guidelines on Responsible Land Tenure
- 4th year Forest Footprint Disclosure – B
- Member of the Natural Capital Coalition

Relevant SDGs



¹ 9.3 million hectares.

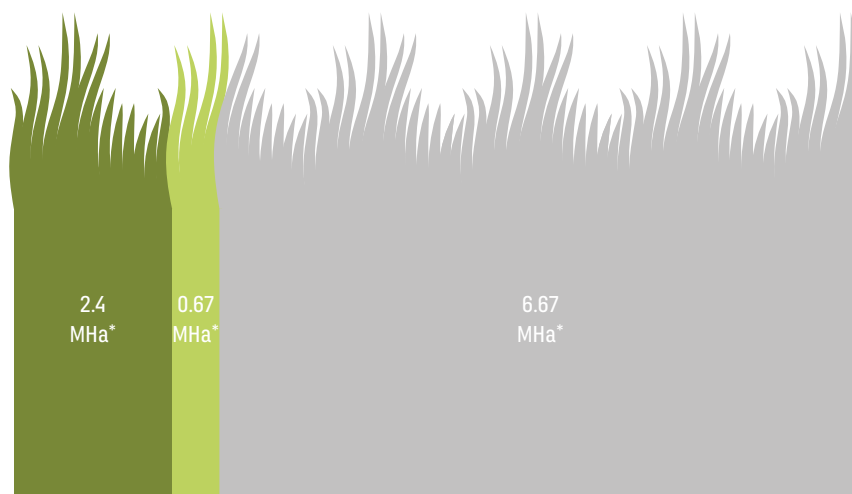
² Cashew, cocoa, coffee, cotton, hazelnut, palm and rubber.

³ Compiled by the Zoological Society of London (ZSL).



Estimated breakdown of land footprint

● Under Olam management ● Within the Olam Livelihood Charter ● Under third-parties



* Million hectares

Olam-managed land

- Natural forest concessions (Republic of Congo)
- Almond orchards (Australia and USA)
- Dairy (pasture and grain in Russia and Uruguay)
- Planted coffee plus High Conservation Value (HCV) set-asides (Laos, Brazil, Tanzania and Zambia)
- Planted palm plus HCV set-asides (Gabon)
- Planted rubber plus HCV set-asides (Gabon)
- Cocoa plantation (Indonesia)
- Rice farm (Nigeria)
- Black pepper plantation (Brazil)

Land stewardship

Olam has always understood that we have significant responsibility in terms of land and biodiversity stewardship, coupled with ensuring that the rights of communities are upheld. This responsibility is also a business benefit, helping to ensure we do not jeopardise our own operations through soil degradation, loss of pollinators and increasing global temperatures through the loss of carbon sequestration by forests. Many issues relating to land are also interconnected with livelihoods, water and climate change.

Land under our direct control

Our selective integration into plantations, concessions and farms began in 2010. From the start, we recognised that they would only be successful if they adhered to strict environmental and social criteria. Most of our operations are in rural areas of developing nations. Each locale has its own challenges, and we have learned many lessons along the way. However, by working with expert partners and listening continually to our stakeholders, we are seeing our operations have positive impacts.

Coffee plantations in Tanzania and Zambia gain Rainforest Alliance and UTZ certification

Subsidiaries Aviv in Tanzania and the Northern Coffee Corporation Ltd (NCCL) in Zambia now meet the growing demand for single-estate, certified, traceable volumes. Aviv is a 2,000 ha plantation with over 1,025 ha of planted Arabica coffee and a wet mill processing facility. Protected areas, including buffer zones, represent over 15% of the land under Aviv management.

NCCL is situated at Kasama, in Zambia's Northern Province, and has planted over 1,825 ha. A further 1,400 ha of conservation areas are being protected. Volumes for both plantations will be supplemented with smallholder coffee programmes, which will be supported for future certification efforts.

Pursuing international standards and certification for upstream developments

We are guided by:

- Olam Plantations, Concessions and Farms Code
- Olam Sustainable Palm Oil Policy (updated in 2016)
- Olam Global Forest Policy (new in 2017)
- Olam Environment Policy
- Olam Health and Safety Policy
- Olam Code of Conduct
- Certifications including FSC®, ISO, Rainforest Alliance, RSPO and UTZ
- International standards including Alliance for Water Stewardship (see page 76), IFC, Sustainable Natural Rubber Initiative (SNR-i) Standard
- International Labour Organization

Our material areas: Land



A social team engages regularly with semi-nomadic tribes living in the forest concessions.

Managing natural forests

In the Republic of Congo, Olam subsidiary Congolaise Industrielle des Bois (CIB) manages over 2 million hectares of natural forest of which about 1.3 million hectares are FSC® certified¹ – one of the world's largest contiguous FSC® certified tropical hardwood concessions. Our most recent concession of around 671,000 hectares, also leased from the Republic of Congo, is set to achieve certification by 2018.

¹ Licence numbers:
CIB Kobo – FSC-C128941;
CIB Pokola – FSC-C014998;
CIB Loundoungo – FSC-C104637.

Protecting biodiversity

Plants, birds, insects and mammals all help to create the ecosystems upon which we depend, so protecting biodiversity by minimising our impact and safeguarding areas of habitat is vital. All new developments are subject to independent Environmental and Social Impact Assessments, and we are committed to managing our farms and plantations according to best practice. It should be noted that we limit the use of WHO Class 1A and 1B chemicals to exceptional circumstances.



In Nigeria, our 10,000 ha rice farm and extensive network of smallholders grow rice for the domestic market. Our team has discovered the rare Northern Carmine Bee-Eater and has taken steps to preserve areas of bush, engaging with smallholders to ensure they do not disrupt the habitat.

Engaging with communities

Our aim is for all land developments to have a positive impact on local communities. Firstly, because it is the right thing to do and, secondly, because we hope local people will want to work with, or grow crops for, Olam. Social conflict is counterproductive and costly to resolve. We use the internationally recognised Free, Prior and Informed Consent process (FPIC) at the start of all new developments, and engage in a continuous process of engagement.

We also undertake Social Contracts or Long-term Village Development Plans.



See page 72, our 'Focus on Gabon' for examples of initiatives.

Responding to grievances

Grievance procedures are important for dealing with any complaints. We investigate and take appropriate action. If a complaint is submitted via a third party, we also investigate. For example, the NGO Brainforest stated in a report released in December 2016 that some communities felt they had not been adequately informed about the GRAINE programme in Gabon. These complaints were not made to Olam despite much ongoing engagement and we have not been able to identify the individuals concerned. Read more about GRAINE in the food security section of this report.

Land under the control of suppliers

About 75% of land producing crops for customers is under the control of others.

It is not possible to monitor the land management processes of all these farmers, so we prioritise high-risk products (cashew, cocoa, coffee, palm, and rubber) and use the Olam Livelihood Charter and Olam Supplier Code to extend our reach of influence. Specific product policies, such as the Olam Sustainable Palm Oil Policy, state specific product criteria to be followed. In 2017, we will launch a cross-commodity Global Forest Policy, and strengthen and clarify the requirements of our Supplier Code for all third-party suppliers. Please see olamgroup.com for more information.

Verifying our third-party palm supply chain

The palm supply chain is one of the most complex and challenging to verify. Partnerships and collaboration are essential for verifying that suppliers are upholding our requirements.

We are working with the World Resources Institute (WRI) and its Global Forest Watch Platform to help us identify high-risk mills, which we will verify according to the time-bound targets as stated in our 2020 road map in our Palm Policy. Any mills found to be sourcing from areas identified as being medium or high risk from poor production practices will be assessed, and potentially removed. As highlighted in our October Interim Progress Report, we had already reduced our supplier base from 48 in 2015 to 14 in 2016.

Given the technical aspects and complexity of the palm supply chain, we encourage stakeholders to go to olamgroup.com for our strategy and FAQs. We also welcome all contact for more information via crs@olam.net.



Committed to growing and sourcing sustainable rubber

Unlike the palm sector, the rubber industry does not have a certification scheme so, in addition to applying our own internal standards, we have been supporting the natural rubber industry in the development of an international sustainability standard.

In January 2015, the International Rubber Study Group (IRSG) launched the Sustainable Natural Rubber Initiative (SNR-i), which is a self-assessment standard covering 5 main criteria:

- Support improvement of productivity
- Enhance natural rubber quality
- Support forest sustainability
- Water management
- Respect human and labour rights.

In February 2016, we assessed our operations against the proposed SNR-i standards and completed the self-declaration. In addition, Olam presented a comprehensive sustainability framework that covers upstream operations and engagement

with farmers in the downstream supply chain to SNR-i stakeholders in mid-2016.

Responding to Mighty Earth

In December 2016, the NGO Mighty Earth issued a report with allegations of deforestation in our Gabon palm and rubber plantations, and third-party palm oil sourcing business. We published a full technical response, accepting many positive recommendations related to transparency in the third-party supply chain but refuting the claim that our Gabon developments had not taken a responsible approach.

We met with Mighty Earth in January 2017, and then published a joint statement with a series of actions on behalf of both parties to increase mutual understanding and achieve greater transparency.

This includes Mighty Earth suspending its current palm and rubber campaign for a year, and its complaint to FSC regarding Policy for Association (see our statement on olamgroup.com). It should be noted that, while we have agreed to pause development in

Gabon for our rubber plantation, this is to allow time for both parties to support a multi-stakeholder process to develop further specific criteria for responsible agricultural development in countries that have most of their land covered by forests. It does not imply that we agree with Mighty Earth's allegations on our Gabon operations, which we believe to have been developed to the highest environmental and social standards applicable in the national context. We firmly believe that we have demonstrated a different and more sustainable model for our plantations and will be hosting stakeholder visits in 2017. For more context, please see overleaf, as well as the response on olamgroup.com from Professor Lee White, Director of Gabon's National Parks and the UNFCCC Forests and Agriculture negotiator for Gabon.

Progress on goals

2016 – 2020 objectives	2020 target	2016 achievement	Outlook for 2020 target
Goal 7: Sustainable development and use of land-based ecosystems (Material area: Land)			
7.1. Protection of ecosystems, high carbon stock forests, and high conservation value forests	100% of Olam-managed plantations, concessions and farms to have implemented their Land Management Plan.	Due Diligence, Environmental and Social Impact Assessments (ESIA) completed for all plantations currently in operation. A Global Forest Policy is in consultation Q1 2017. Full response to Mighty Earth regarding allegations of deforestation available on olamgroup.com .	On target
7.2. No community based conflict on Olam-managed plantations, concessions and farms	100% of Olam-managed plantations, concessions and farms to have implemented their FPIC process and their Social Action Plan.	Free Prior Informed Consent, Social Contracts and Grievance Procedure were established and achieved for all new Olam plantations in Gabon since 2011. Formal Grievance Procedures are in place for established coffee plantations in Tanzania, Zambia and Laos. A gap analysis will be conducted in 2017 to ensure suitable processes are in place to avoid, mitigate and manage any potential conflict across all upstream operations.	On target
7.3. Reduce indirect land impacts from third-party farmers and suppliers	100% of third-party supplier volume complies with the Supplier Code based on a prioritised product approach. Priority products: cashew, cocoa, coffee, cotton, hazelnut, palm, rubber.	All priority products are working with suppliers to implement the Supplier Code. 58% of priority product volumes procured by origins in FY16 are covered by the Olam Supplier Code.	On target

Our material areas: Land

FOCUS ON GABON



Setting the standard for responsible plantation development in Africa

All of our palm and rubber plantation developments are in joint ventures with the Republic of Gabon. The Government was looking for a business partner to help develop an agricultural economy, to reduce its reliance on finite oil and gas exports and food imports (60%) and create jobs (33% live at or below the poverty line) as well as support cooperative smallholder programmes. From our side, Olam recognised that Gabon had ideal agri-climatic conditions and soil for growing oil palm and rubber, and that the Government shared our strong sustainability ethic.

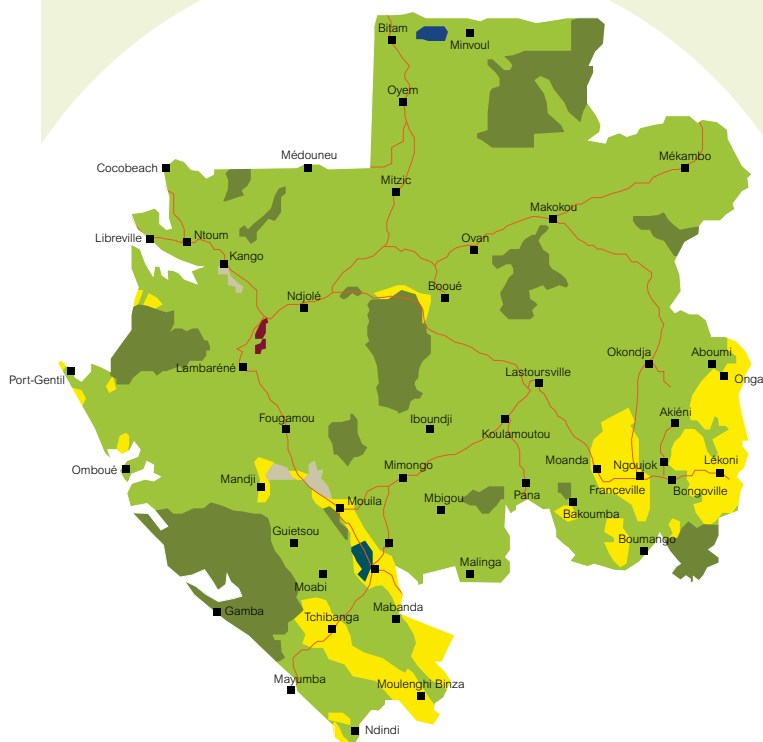
As Gabon is 88% forest cover, the Government decided to make available a small percentage of its most degraded forests for large-scale agriculture, which has already provided thousands of jobs.

How we approach sustainable palm plantation development in a highly forested country

- Select broad areas in landscapes that are far from national parks and where the natural environment has already been degraded
- Within specific sites, ensure that we identify the land that is of High Conservation Value (HCV) for biodiversity, community or cultural reasons
- Prioritise the 'least value' land for development and invest heavily in conserving the high value areas. We actively manage these HCV areas, helping to prevent poaching and illegal hunting

- Engage the local communities to ensure that they agree with our analysis and with the project
- Validate our assessments through broad-based consultations with NGOs and experts
- Create positive social and economic impact in the local communities through employment, capacity building, and rural infrastructure development
- Ensure we are 100% RSPO¹ compliant from new planting through to mill completion with no burning for land clearance
- All of the above applies to the smallholder programme GRAINE. Cooperatives receive ongoing training in environmental practices including the conservation of forests.

¹ Roundtable on Sustainable Palm Oil



- Main road
- ORG Bitam
- SOTRADER GRAINE
- OPG Makouke (ex Siat)
- OPG Awala and Mouila lot 1, 2 & 3
- National parks
- Forest
- Savannah and grassland

Gabon is 88% forest with the remainder being largely infertile savannah or swamp. Our total planted area for palm and rubber represents less than 0.25% of Gabon's land area. Over 50% of each shaded area indicating the location of a plantation is protected as High Conservation Value forest.



Our palm and rubber plantations in Gabon conserve large blocks of high-value forests, connected with natural corridors to create an ecological network, protecting essential core habitat and allowing free movement of wildlife within the landscape.

Environmental mapping: our technical approach

Olam uses plane-based laser imaging technology known as LiDAR for large-scale, high resolution mapping of our concessions to support spatial planning of plantations, conservation areas and buffer zones.

LiDAR allows us to map the terrain (slopes, elevation, streams, rivers and water bodies), and provides rich information on the vegetation cover including biomass and carbon estimates. These can be 'ground-truthed' (checked by collecting information from the features at the location) by field observations made through traditional biodiversity surveys, allowing accurate large-scale mapping of land cover types.



As a result of our Environmental and Social Impact Assessment Surveys for rubber, we were able to identify 12,000 ha of plantable lands on the flatter hills, favouring wherever possible the rattan scrub, but also including some areas of secondary forests. The best-quality habitats (maturing and high-biomass forests), as well as all wetlands, have been protected in an extensive, well connected network of core habitat and buffer zones (approximately 13,400 ha of conserved terra firma forest, including some village use areas, and 11,500 ha of swamp forests and wetlands). A strict no-hunting policy has been put in place to ensure that these forests gradually recover from historical over-hunting.

First new palm development in Africa to achieve RSPO certification

The Awala plantation of 6,822 ha lies within a 20,000 ha lease, the remainder of which is actively managed by Olam Palm Gabon for conservation of biodiversity and forest carbon, and protection of water catchments, in fulfilment of RSPO requirements. At the time of certification, Awala boosted Africa's RSPO certified production hectares by 30%. Once fully developed, the Mouila plantations (Lots 1-3) will achieve certification by 2021.

Helping villages to thrive – Olam Rubber Gabon

As with our palm operations, Olam Rubber Gabon has signed social contracts – there are 3 contracts with 24 villages (Bitam – 7 villages, Bikondom – 7 villages, and Minvoul – 10 villages). The Social Contract is based on 3 pillars:

- Development of basic social infrastructure
- Establishment of a programme to support income-generating activities

carried out by local populations (including support for smallholder farmers and a fresh produce market)

- Priority hiring of local populations on an equal skills basis.

Olam has supported social projects in the villages at a cost to date of more than 1.3 billion CFA (> US\$2 million), addressing priority needs such as schools and educational materials, teacher housing, dispensaries, water pumps, solar lighting, a fresh produce market, road maintenance, bridges, and various sports and leisure facilities.



Cameras monitor apes and elephants in the forest around our palm plantations in Gabon. At the start of development we had commissioned independent experts to conduct great ape surveys and consulted extensively with the Gabon National Parks Agency, and NGOs such as WWF and the Wildlife Conservation Society, to share best practice. We created a connected network of High Conservation Value habitats for apes totalling 55,000 ha. These areas are directly connected to adjacent forests, allowing free movement of animals through the landscape.

"When I visited Gabon in 2015 with the leading team of scientists involved in the High Carbon Stock Study, I was hugely impressed by the overall approach adopted by Olam in developing its concession areas, by the level of engagement with local communities in implementing the RSPO's new Planting Procedures, and by the methodology it used to minimise emissions of greenhouse gases from forest conversion. I saw for myself how Olam is developing a new model for palm plantations in the 21st century. One that is climate positive, and ecologically and socially integrated."

Sir Jonathon Porritt,

Co-Founder Director of Forum for the Future
and Co-chair of the High Carbon Stock Science Study

Our material areas

WATER

Water plays a crucial role in global food security and is essential for the resilience of Olam's international agri-supply chains. Water scarcity is already an issue in many world regions. Successful companies of the future will be those which plan ongoing operations and investments with water at the centre – costing it into their business plans, modelling future availability and collaborating with local stakeholders for equitable access and usage.

Highlights for the year

1st

Agri-business globally and first business in Africa to have a site achieve the Alliance for Water Stewardship Standard for Aviv Coffee Plantation in Tanzania



27,370

Farmers benefited from water stewardship programmes



31%

Improvement in irrigation and process water¹ per tonne of product (intensity) for Olam's own operations for FY16 versus FY15

Key 2016 focus areas

- Mapping exposure to water stress
- Supporting smallholders vulnerable to water scarcity
- Implementing processing plant improvement plans

Key sector collaborations and commitments

- Appointed to the Board and Technical Committee of the Alliance for Water Stewardship
- Member of UN CEO Water Mandate and California Water Action Collaborative
- Completed 4th year Carbon Disclosure Project (CDP) Water Module: B- (Ind ave: C)

We are guided by

- Water risk and footprint assessments included in all new investment cases
- Enterprise Risk Scorecard
- Olam Environment Policy
- Olam Livelihood Charter
- Olam Supplier Code
- Olam Plantations, Concessions and Farms Code
- Water Footprint Network's Assessment Tool
- Alliance for Water Stewardship Standard

Relevant SDGs



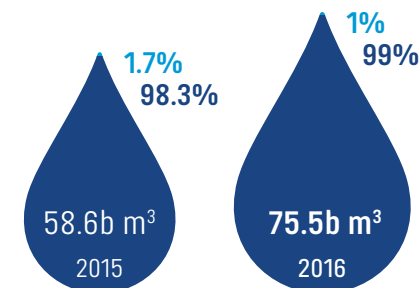
¹ Irrigation and process water is from surface and groundwater sources. Olam's own operations are plantations, concessions, farms and Tier 1 processing and manufacturing plants.



FY16 value chain water footprint

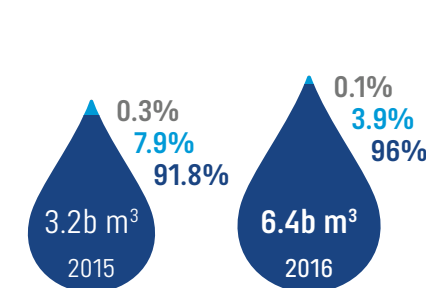
Our water footprint for FY16 was 82 billion m³ (comparable to 33 million Olympic swimming pools²), estimated using the Water Footprint Network's Assessment Tool.

Rainwater 75.5 billion m³



- 0% processing
- 1.7% Olam-managed plantations, concessions and farms
- 98.3% supply chain

Surface and Groundwater 6.4 billion m³



- 0.3% processing
- 7.9% Olam-managed plantations, concessions and farms
- 91.8% supply chain
- 0.1% processing
- 3.9% Olam-managed plantations, concessions and farms
- 96% supply chain

Total value chain water intensity increased by 1.6% from 4,265m³ per tonne of product in FY15 to 4,331m³ per metric tonne of product in FY16. This is due to greater volumes of perennial crops such as coffee and cashew that consume more water.

Additional comparative data available for FY14 at olamgroup.com/sustainability/water.

Mapping our wider water risks

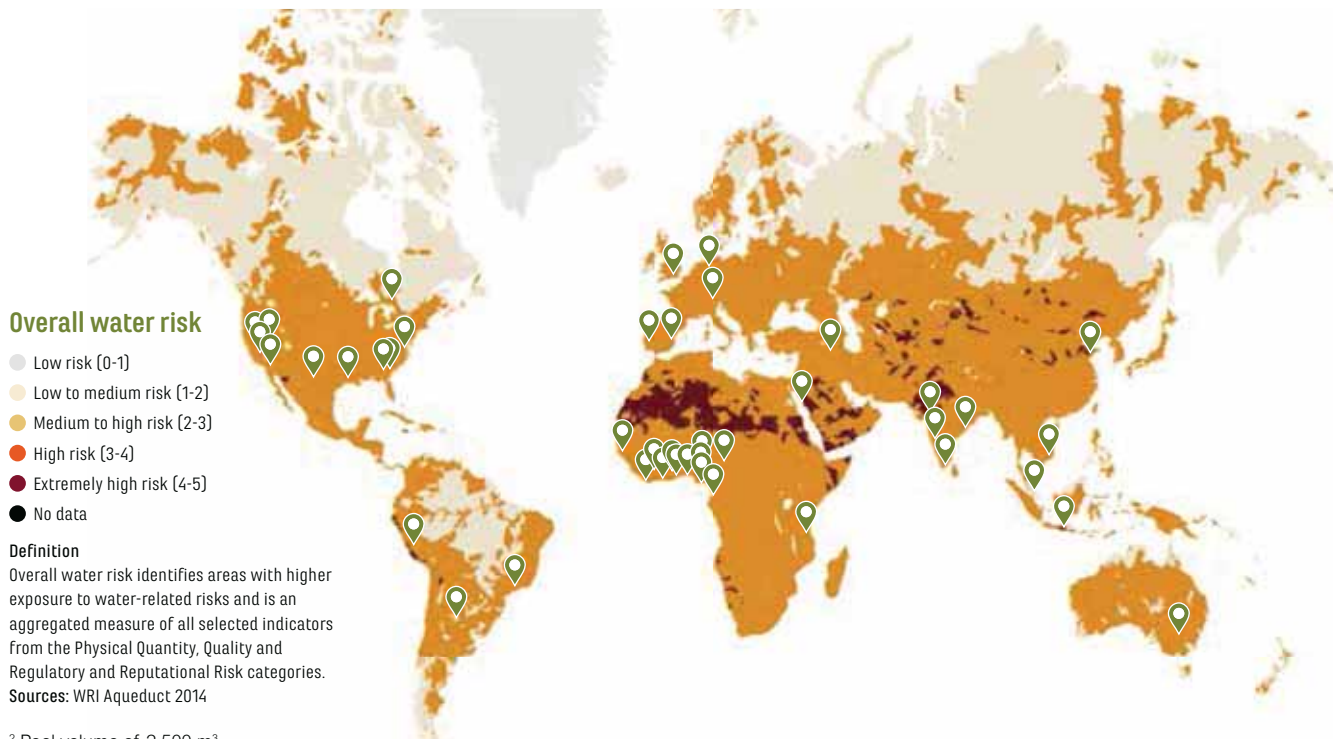
In 2016, we mapped our exposure to current water stress. Using the World Resources Institute Aqueduct risk mapping tool, we screened OLC programmes, our upstream farming and plantations operations and our secondary processing facilities. This enables us to implement enhanced water management and water stewardship approaches.

Globally, we aim to implement the Alliance for Water Stewardship Standard at all processing sites and their supply chains in medium to extremely high water risk locations, and continue to manage low to medium risk sites through ISO 14001.

Helping smallholders reduce water while improving yields

Although many smallholder crops are naturally rain fed such as cocoa and cotton, others such as rice and sugar are renowned for water consumption, either because they are thirsty or because water is used liberally in production methods. And with weather impacts (either from climate change or El Niño) bringing much drier weather in certain areas in 2016, the rain fed crops require extra moisture.

Water risk screening of top tier processing and manufacturing plants using the World Resources Institute Aqueduct Water Risk Atlas tool.



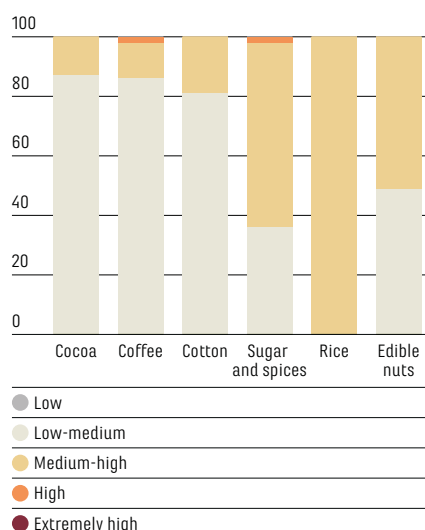
² Pool volume of 2,500 m³

Our material areas: Water

Overall water risk results for OLC products

Through the OLC and other initiatives, we train farmers to develop water management plans that mitigate risk and minimise adverse impacts on water supply. In 2016, we reached over 100,000 smallholders with water conservation education and support. Over 8,600 were supported specifically with water infrastructure such as bore wells.

Olam Livelihood Charter farmers in areas of water risk [%]



The dam at the Olam Aviv coffee plantation in Tanzania holds 1.5 million m³ and is part of the Integrated Water Management Plan for the Ruvuma river basin. In the background is the Olam Aviv Arabica coffee plantation with shade trees.

Water reduction in India sugarcane production

In India, cultivating 1 kg of sugar cane can require between 1,500 and 3,000 litres of water. With the support of partners IFC, Hindustan Unilever Foundation, Solidaridad and New Holland, Olam's smallholder OLC programme in Maharashtra and Madhya Pradesh, which began in 2013, has reached around 20,500 farmers across 22,500 ha of land. Overall productivity has increased by 15% while thanks to water stewardship programmes, about 62 billion litres have been saved (water avoidance) over 3 years. In 2016, the initiative was awarded the Most Notable Project of the Year by the Confederation of Indian Industry.

Ensuring our operations do not impact on the water security of others, Olam is the first agri-business globally to achieve AWS certification

In 2016, our Aviv coffee plantation in southern Tanzania became the first agri-business site in the world to achieve Alliance for Water Stewardship

(AWS) certification. This strengthened our existing efforts to adhere to global best practice in collaborative water management, and helped to ensure long-term water security for the 300,000 people living in the Ruvuma River Basin.

With the assistance of Water Witness International, the International Water Stewardship Programme (IWaSP), GIZ and SGS, we have worked in partnership with water users including communities in the Ruvuma River Basin. Collaboratively, we developed a scenario plan for extreme weather events such as droughts, ensuring the fair use of water in times of scarcity or water stress. The process helped increase transparency, providing added reassurance on quality and water-footprinting for customers. Additionally, we provided further Water, Hygiene and Sanitation (WASH) facilities for coffee plantation workers.



The Lemoore tomato processing facility in California has made considerable progress on reducing water consumption and food waste.

Our material areas: Water

"Committed to growing responsibly, Olam was already addressing water risks. Implementing the AWS¹ Standard in Tanzania has strengthened that effort and advanced collaboration in pursuit of long-term water security in the region. The example of Olam's implementation of the Standard will be a springboard for rolling out AWS across Africa, as well as providing critical learning for the global AWS network."

Adrian Sym,
AWS Chief Executive



With almond plantations in both the northern and southern hemispheres, Olam offers customers year round supply.

Precision irrigation through cutting edge technology

In our almond orchards in the USA and Australia, technology helps us monitor plant health and needs in real-time, enabling optimum irrigation efficiency. In 2016, this technology helped to reduce water use by up to 10% while maximising growth rate and maintaining non-stress conditions for the tree.

We use Phytech Plantbeat technology which combines sensor hardware installed in the field with data analysis and algorithms to predict exact irrigation requirements across the farm, up to 5 days in advance. Instead of having to wait to see water stress impacting the tree, we can irrigate at the first sign of stress, thus protecting the tree and improving water efficiency.

Minimising water in California processing

At our Lemoore tomato processing plant:

- 584,830 metric tonnes of tomatoes produce 92,942 metric tonnes of tomato paste and 56,831 metric tonnes of diced tomato per season
- This requires about 596,744,593 litres of water per year
- During the paste evaporation process, 6,042,658 litres of water a day are removed from the tomatoes, and used in the factory to reduce demand for further water inputs
- A closed-loop condensate return and cooling system reduces water and energy consumption
- This water is discharged to Westlake Farms and used to grow alfalfa
- Zero landfill for food waste – all tomato pomace and vine material is received by Gilton Resource Recovery.

¹ AWS – Alliance for Water Stewardship.



Rather than let domestic wastewater seep into the ground or down the drain, the team at the Kochi spices processing plant in India treat and use it to irrigate the garden. The trees – including coconut and jackfruit – are flourishing as water from the 30 KL water treatment plant, recycled each day, is sprinkled over the garden which is used by the 450 workers to spend their breaks. The coconuts are auctioned off every few months at a fraction of the market price.



Olam Palm Gabon team assessing a buffer zone of low density forest. Buffer zones are areas preserved between a plantation and a river. They ensure that any fertiliser run-off, for example, doesn't enter the watercourse.

Improving wastewater management for farms and factories

In our farms and plantations, water can run off the surface of the land, washing away valuable top soil, nutrients, fertilisers and insecticide, which in turn can then impact on the quality of nearby watercourses.

We incorporate all activities that could affect wastewater quality into our Integrated Water Resource Management plans and our Soil Management plans.

In our plantations, we use remote sensing, sophisticated modelling and ground surveys to map streams, rivers and seasonal wetlands, which we protect with a system of interconnected buffer zones.

In our factories we have wastewater quality standards for the water we discharge. It goes without saying that all Olam locations must comply with their legal licence to operate.

In 2016, we did not receive any environmental fines for water management.

Progress on goals

2016 – 2020 objectives	2020 target	2016 achievement	Outlook for 2020 target
Goal 8: Sustainable use of water resources (Material area: Water)			
8.1. Increased water use efficiency in Olam's direct operations	New science-based water targets for 2020 to be developed in 2017.	Partnership developed to set science-based targets for Olam-managed plantations, concessions and farms.	On target
	10% reduction in process water intensity in Olam Tier 1 factories from 2013 baseline.	Partnership developed to set science-based targets.	On target
	Supplementary science-based targets to be developed on a water risk basis.	Improved water metering at 100% of factories.	
		Baseline and target to be reviewed in light of improved data from metering and business restructuring.	
8.2. Increased water use efficiency in priority supply chains	100% of priority supply chains to have Water Resource Management plans.	On track for OLC volumes.	Started
		OLC programme water risk mapping completed.	
		Extend risk mapping to non-OLC in 2017.	
8.3. Improved water discharge quality from Olam's direct operations	100% compliance with wastewater discharge limits.	Water discharge limits in place for Olam Tier 1 factories.	On target
		Monthly reporting on discharge for Tier 1 and coffee plantations.	
		Olam's upstream Farming Community of Practice established to support the development of erosion, nutrient and integrated pollution management programmes.	
8.4. Long-term equitable water access and usage	100% of Olam's direct operations in high water risk areas to participate in a water stewardship programme.	Olam is first agri-business globally and first business in Africa to have a site achieve the Alliance for Water Stewardship Standard for its Aviv Coffee Plantation in Tanzania.	On target

Our material areas

CLIMATE CHANGE

Climate change has profound effects on agriculture and global food security in terms of its availability, accessibility and stability of supply. Conversely, agriculture is a major contributor to climate change. Agriculture, forestry and other land use are responsible for 24% of global greenhouse gas emissions (GHG). Mitigating and adapting to climate change is an ever increasing focus for our own operations and for our farmer suppliers.

Highlights for the year



29%

Improvement on our 2015 carbon footprint from Olam's own operations



55,374

Smallholders trained on Climate-Smart practices under the Olam Livelihood Charter



6th year

Reporting to the Carbon Disclosure Project – scored level B

Key 2016 focus areas

- Reducing GHG emissions from our own farming and processing operations¹
- Adapting our own farming operations to build in climate resilience
- Encouraging our farmer suppliers and logistics providers to reduce their GHG emissions and build in climate resilience

Key sector collaborations and commitments

- 2nd year as joint Co-Chair of the World Business Council for Sustainable Development (WBCSD) Climate-Smart Agriculture project. Olam is leading the development of Priority Area 1: building smallholder/ family farmer resilience
- Presented at the UN Climate Talks in Marrakesh (COP22) and the 2016 Global Landscapes Forum

We are guided by

- Olam Environment Policy
- Olam Plantations, Concessions and Farms Code
- Paris Climate Agreement

Relevant SDGs



¹ Olam's plantations, concessions, farms and Tier 1 processing and manufacturing facilities.



“Olam is already actively undertaking valuation studies in collaboration with other companies and agencies to determine a viable carbon-pricing framework.”

Chris Brown

Vice President, Corporate Responsibility and Sustainability



Incentivising the transition to a low carbon economy

If something is free, we will use it indiscriminately. And the global community has.

Fossil-fuelled growth, and the emission of greenhouse gases that accompanies it, has led the world to climate change that will have major consequences for millions of people and the natural world around us.

This is why we, despite being a profit-driven company, have called for a tax on carbon. Commercial enterprises must be incentivised to decouple growth from carbon – and there must be a higher cost to doing ‘business as usual’ if companies are unwilling to change.

Only then can we stimulate a concerted effort to increase fossil-fuel efficiency and, more crucially, encourage innovation into alternative energies and efficiency measures.

On our part, Olam is already actively undertaking valuation studies in collaboration with other companies and agencies to determine a viable carbon-pricing framework. Based on our work so far, we believe it would be fair to set an initial global tax of US\$35 – US\$50 per tonne. This would take into account the social costs linked with impacts of greenhouse gas emissions, such as subsidies for crop failure or for health costs as a result of pollution.

We are exploring 3 types of carbon pricing: shadow pricing for our investment cases and business models to test planned projects under a range of potential carbon prices;

internal pricing where a fixed price is assigned to each metric tonne of emissions which could then be incorporated into profit-and-loss statements; and finally internal taxes which could be levied upon the business units for their direct operational emissions to support investment in clean technologies.

We are already making good progress, having consistently cut our carbon footprint year-on-year, and we will continue to limit our footprint even as we grow to scale. But even with this progress, we know more needs to be done.

Energy efficiency on its own is not sufficient to limit the global temperature rise to 2°C by 2100, as described by the Paris Climate Agreement at COP21 in 2015. It may sound insignificant but given the difference between today’s average global temperature and the average global temperature during the last Ice Age is only about 5°C, it really isn’t.

Carbon pricing is one way to contribute to achievement of this objective, but there are other options that are not mutually exclusive. For example, we’re also actively exploring alternative energy, including biomass and solar.

We have also called for incentives including a greater backing for robust and validated financial mechanisms, such as REDD+¹ carbon credits to stimulate the reduction of emissions from deforestation and forest degradation.

This will foster conservation, sustainable management of forests, and enhancement of forest carbon stocks, while ensuring that indigenous communities and biodiversity are not impacted.

Our Wood Products business in the Republic of Congo has undertaken such projects and while the process is lengthy and complex, progress is being made.

But incentives must also come into play for the smallholder farmers. How do we convince them to take up these ‘new methods’ called ‘Climate-Smart Agriculture’ when their family has been farming a certain way for generations? Or help them understand why they can’t expand into the forest next door to grow more cocoa when their yields are so low after decades of under-investment? Explaining these concepts to farmers with little or no education can be very challenging. Certification premiums are one incentive but not every customer wants to pay for certification. We must therefore focus continually on helping farmers to increase yields and quality by working directly with them, while collaborating with peers, NGOs and governments at a country and sector level. For many farmers, there is no short-term incentive, rather they are putting their trust in our hands, which is not always easy to carry when disease or weather means a harvest is not as abundant as hoped.

But it is clear that incentives, in their many guises, are crucial if we are to have any hope of preventing that 2°C rise.

¹ REDD+ Reducing Emissions from Deforestation and forest Degradation in developing countries’ scheme.

Our material areas: Climate change



In logistics, McCleskey Mills reached a new milestone in its 42-year history – shipping peanuts to several major customers using the rail road. The new bulk rail loading facility at Olam Rochelle in Georgia, USA, has reduced the number of lorries per year by 699 vehicles, while maintaining all food safety requirements.

Decoupling carbon from business growth in direct operations

As we grow our business, we cannot allow emissions from our operations to grow at the same pace. By 2020, our target is to reduce GHG intensity by 10% (per tonne of product) in Olam-managed plantations, concessions and farms; Tier 1 processing and manufacturing operations; and our marine vessels. We do this through:

- Increasing operational efficiency
- Avoiding High Carbon Stock approach to lands for development (see the Land section within this report)
- Adopting Climate-Smart Agricultural (CSA) practices.

Reducing fossil fuels

At processing facilities, 'Fossil Fuel Flightpaths' are being developed to promote efficiency and renewable resources. At the Olam Cocoa processing plants in San Pedro and Abidjan in Côte d'Ivoire, the cocoa beans shells/husks are used as biomass while a proportion is going to the poultry industry, as the residual fat can be used in animal feed.



Modern dairies produce as much manure as they do milk. In our Rusmolco dairy operations in Russia, this 'waste' is recycled as nitrogen fertiliser for the soil growing the cow's feed. Over 120,000 MT of manure is put to good use replacing over 1,500 MT of chemical fertilisers each year, reducing GHGs by 2,200 MT CO₂e per year.



Solar investment during 2017 in the Ghana biscuit processing facility will reduce emissions by 56 tonnes of CO₂ per year. Preliminary feasibility studies have been undertaken for another 4 plants in Ghana.

Olam's carbon footprint

We have seen a 29% improvement on FY15 in our carbon footprint per tonne of product produced (intensity). This has been driven by our upstream productivity and the carbon positive

result of our palm plantations in Gabon. In processing, the intensity has increased due to 8 new processing facilities made through the ADM acquisition at the end of 2015, as well as the Brooks peanut shelling acquisition in 2016.

Carbon footprint for Olam-managed plantations, concessions and farms

	FY16	FY15	FY14
Scope 1 – All direct GHG emissions (million tonnes of CO ₂ e)	0.70	1.76	1.52
Scope 2 – Indirect GHG emissions from consumption of purchased electricity, heat or steam (million tonnes of CO ₂ e)	0.06	0.08	0.06
Scope 1 + 2 (million tonnes of CO ₂ e)	0.76	1.84	1.58
For every tonne of product produced, this many tonnes of CO₂e were generated	0.98 (72% reduction on FY15)	3.54 (15% reduction on FY14)	4.15

Carbon footprint for Olam's processing

	FY16	FY15	FY14
Scope 1 – All direct GHG emissions (million tonnes of CO ₂ e)	0.67	0.33	0.38
Scope 2 – Indirect GHG emissions from consumption of purchased electricity, heat or steam (million tonnes of CO ₂ e)	0.19	0.12	0.18
Scope 1 + 2 (million tonnes of CO ₂ e)	0.86	0.45	0.56
For every tonne of product produced, this many tonnes of CO₂e were generated	0.27 (27% increase on FY15)	0.21 (23% reduction on FY14)	0.26



Promoting Climate-Smart Agriculture in our supply chain

The majority of emissions associated with our business are not from our direct operations. Farmers, especially smallholders, are on the front line of changing weather patterns with limited capacity to adapt to its impacts. Moving to Climate-Smart Agricultural practices can play a significant role in addressing global challenges by way of 3 main pillars:

- Sustainably increasing agricultural productivity and incomes
- Adapting and building resilience to climate change
- Reducing and/or removing greenhouse gases emissions, where possible.

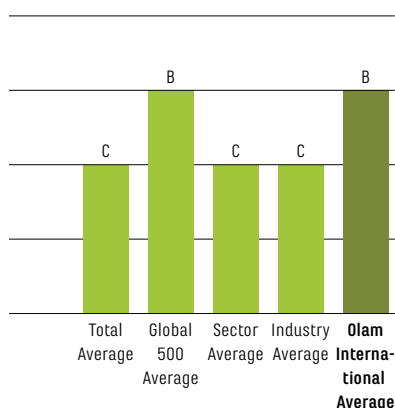
Supporting healthy, carbon-rich soil

Soil is the second biggest reservoir of carbon on the planet after the oceans, and holds 4 times more carbon than all the plants and trees in the world. However, 33% of the world's soil is moderately to highly degraded due to erosion (as topsoil is washed or blown away) and nutrient depletion. Across supply chains, we promote contour ploughing or contour tillage, micro-catchments and surface mulching, as well as crop rotation to protect the soil and achieve higher yields.

Nutrient loss is estimated to cost sub-Saharan Africa US\$68 billion per year. Although many smallholders still cannot afford to buy synthetic fertiliser, globally it is one of the fastest growing sources of agricultural emissions. Through the Olam Livelihood Charter, we help farmers to learn how to compost and mulch and, where appropriate, to use synthetic fertilisers.

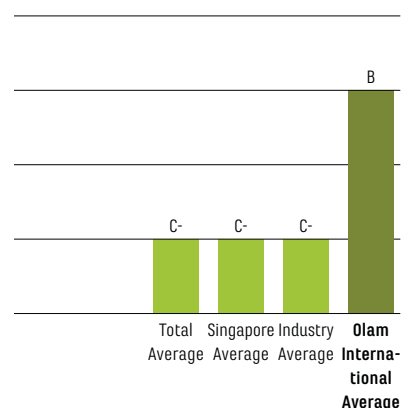
Reporting to CDP¹

Average CDP scores



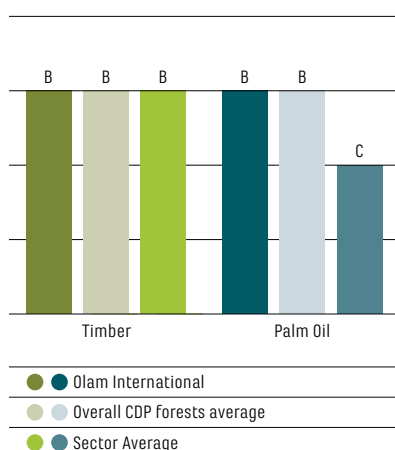
CDP awarded Olam a 'B' for climate change, including emissions management, governance and strategy, risk and opportunity management and verification.

Average CDP supplier engagement rating



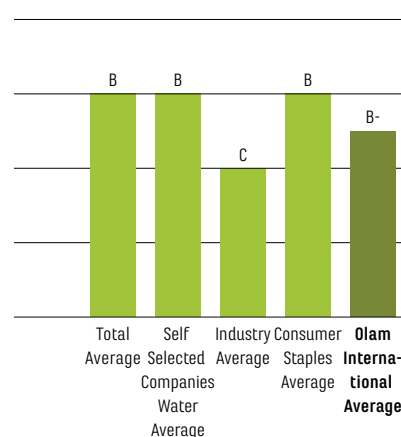
CDP piloted an assessment in 2016 evaluating the ability of organisations to engage with their supply chain on climate change to incentivise significant environmental changes. However, in 2016 just 23% of companies (which includes Olam) reported that they engaged with their own suppliers on GHG emissions and climate change strategies.

CDP Forest sector benchmark



Olam International's performance benchmarked against peer companies in the Agricultural Production sector and the 2016 CDP Forests sample.

CDP Water score peer comparison



Olam International score relative to companies responding to CDP Water; companies in the regional sample; and sector peers.

¹ Formerly the Carbon Disclosure Project.

Our material areas: Climate change



Thai rice farmers from the SRP pilot programme in Ubon Ratchathani.



Young glyricidia shade tree (smallest leaf) next to young banana (largest leaf) and young cocoa tree.

Reducing methane emissions

About 25% of global man-made warming is from methane emissions, including significant proportions from dairy and rice production. Rice is unusually water tolerant, so to prevent weeds and pests, farmers typically flood fields. However, not only does this use vast amounts of water but as submerged weeds and vegetation rot they release methane – between 50 and 100 million tonnes each year.

We partnered with UNEP, International Rice Research Institute (IRRI), German development agency GIZ, Mars and others to establish the Sustainable Rice Platform (SRP), and the first projects were vetted using the scientifically-verified SRP standard in 2016.

In Thailand, Olam has partnered with Better Rice Initiative Asia (BRIA), GIZ, Bayer and the Thai Rice Department to roll out a trial project in Ubon Ratchathani province in northeast Thailand, which 71 rice farmers joined in its pilot year. The Standard goes beyond methane reduction and helps farmers improve their farm management systems, as well as improve labour conditions,

environmental sustainability and business profitability. Our 5-year commitment will bring the Standard to 16,000 farmers in Thailand and 10,000 in Vietnam by 2022. We are currently the only private company to back the Thai Government's Nationally Appropriate (GHG) Mitigation Action (NAMA).

Ensuring livelihoods are not compromised

One of the challenges in smallholder programmes is gaining farmer's trust and motivating them to change their traditional ways of farming. For the Ubon Ratchathani project, Olam was able to reach more farmers by partnering with the well-known Thai Rice Department. We also ensured a 'best price' and quality guarantee. We engaged a specific miller and our buyers ensured the farmers could claim the highest observed paddy price to save them from risking a lower price at our delivery point.

Creating biodiverse, resilient micro-climates

Planting leguminous shade trees brings many benefits to cocoa and coffee landscapes. They increase productivity and resilience of crops, support biodiversity and natural pest deterrents, help maintain soil quality and contribute to carbon sequestration through reforestation.

Through the OLC and other initiatives, we work to educate smallholders, as shade trees often have been cut down for firewood or saplings removed during droughts as they are believed to be too 'thirsty'. In Côte d'Ivoire, in partnership with local timber companies and in-line with the new Rainforest Alliance Sustainable Agricultural Network standards, we now encourage cocoa farmers to plant 400 forestry and shade trees per hectare. This is a big ask but we are seeing improvements. In 2015, the average planted was 50 per hectare and in 2016 it had increased to 100. In 2016, cooperative farmers planted 193,000 leguminous shade trees covering 1.9 million hybrid cocoa seedlings.

Progress on goals

2016 – 2020 objectives	2020 target	2016 achievement	Outlook for 2020 target
GOAL 5. Reduced greenhouse gas emissions (Material area: Climate change)			
5.1. Increased energy efficiency	During FY17, developing science-based targets for total Olam GHG emissions from which the 2020 metric will be determined.	Energy efficiency assessments conducted. Twelve Tier 1 processing and manufacturing plants with highest potential have been selected for implementing ISO 50 001 Energy Management System.	On target
5.2. Avoided GHG emissions	All Olam farms, plantations and Tier 1 factories to have implemented their 2020 GHG reduction plans (1) operational efficiency (2) Avoid High Carbon Stocks for land development (3) Climate-Smart Agricultural practices.	Olam Palm Gabon is carbon positive.	On target
5.3. Increased share of renewable energy	25% of energy derived from renewable and biomass sources at Olam's Tier 1 factories (from 2015 baseline – 15%).	Sugar, rice and coffee Top Tier processing and manufacturing sites ≥ 15% renewable and biomass energy sources.	On target
GOAL 6. Increased resilience to climate-related risks (Material area: Climate change)			
6.1. Reduced agricultural vulnerability to climate risks for OLC farmers and Olam-managed plantations, concessions and farms	Implement the Olam 2020 Climate-Smart Agriculture (CSSA) Programme. Resilience impact to be launched in FY17 as part of WBCSD CSA programme.	Climate-Smart Agriculture measures incorporated into OLC principles of Environment, Social Investment and Improved Yield. CSA measures incorporated into Olam Plantations, Concessions and Farms Code.	On target

General information

This General Information is intended to help readers understand the bases of our financial reporting and analysis contained in this Annual Report 2016.

Important changes

Change in fiscal year-end to 31 December

In 2015, the Company (Olam International Limited) changed its fiscal year-end from 30 June to 31 December. With this change, the Company's fiscal year 2015 (FY2015) was an 18-month period from 1 July 2014 to 31 December 2015. Starting with 2016 (FY2016), the Company follows a January to December fiscal year. To facilitate like-for-like comparison, the financial results for the 12-month FY2016 are presented in the Financial and performance highlights (pages 8 to 11) and the Group COO's review (pages 18 to 35) against those for the same corresponding 12-month period in 2015, as well as 2012 to 2014, unless otherwise indicated.

The audited statutory accounts on pages 1 to 86 of the Financial Report present the Financial Statements and Notes for the 12-month FY2016 against the preceding the 18-month FY2015. The financial statements presented in this section are therefore not comparable between the two periods.

Changes in accounting standards, policies and restatements

The Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. These include Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants and early adoption of FRS 109 Financial Instruments. As a result of these amendments, the Consolidated Balance Sheet of the Group as at 1 July 2014 and 31 December 2015 as well as the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the 18 months ended 31 December 2015 have been restated. These amendments and other changes in accounting standards and their impact are detailed in the Notes to Financial Statements.

Business segmentation and reporting

For financial reporting purposes, we organise our 18 business platforms into five segments – Edible Nuts, Spices and Vegetable Ingredients; Confectionery and Beverage Ingredients; Food Staples and Packaged Foods; Industrial Raw Materials, Ag Logistics and Infrastructure (renamed from Industrial Raw Materials to reflect the principal activities of the Gabon Special Economic Zone within the segment); and Commodity Financial Services. The table below shows the distribution of platforms across these five segments.

5 business segments	18 platforms
Edible Nuts, Spices and Vegetable Ingredients	1. Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts, sesame and beans including pulses, lentils and peas)
	2. Spices and Vegetable Ingredients (including pepper, onion, garlic, capsicums and tomato)
Confectionery and Beverage Ingredients	3. Cocoa
	4. Coffee
Food Staples and Packaged Foods	5. Rice
	6. Sugar and Sweeteners
	7. Grains and Animal Feed
	8. Edible Oils
	9. Dairy
	10. Packaged Foods
Industrial Raw Materials, Ag Logistics and Infrastructure	11. Cotton
	12. Wood Products
	13. Rubber
	14. Fertiliser
	15. Gabon Special Economic Zone (GSEZ including ports and infrastructure)
Commodity Financial Services (CFS)	16. Risk Management Solutions
	17. Market-making, Volatility Trading and Asset Management
	18. Trade and Structured Finance

In addition, we report our financial performance on the various value chain initiatives across three value chain segments as follows:

3 value chain segments	Value chain activity
Upstream	Includes all activities relating to farming (annual row crops), plantations (perennial tree crops), Dairy farming and forest concessions
Supply chain	Includes all activities connected with origination, sourcing, primary processing, logistics, trading, marketing (including value-added services) and risk management of agricultural products and the CFS segment
Midstream and downstream	Includes all activities relating to secondary processing, contract manufacturing, branded distribution, private label activities and Ag Logistics and Infrastructure

Note: The 2012 – 2016 results for the CFS segment do not include those of Trade and Structured Finance.

Definitions of key financial metrics

The definitions for the key financial metrics are as follows:

Sales Volume: Sale of goods in metric tonne equivalent. There are no associated volumes for CFS and GSEZ platforms

Revenue: Sale of goods and services

Other Income: Includes sale of scrap materials, commissions and claims income and fair value gain on investments held for trading. Negative goodwill, gain on sale of assets and other non-recurring items which are part of Other Income in the financial statements are treated as Exceptional Items.

Cost of Sales: Cost of goods sold, shipping and logistics, commissions and claims expenses and the net measurement of derivative assets

Overhead Expenses: Employee benefit costs, manufacturing overheads, travel expenses and other direct expenses

Other Operating Expenses: Unrealised foreign exchange gain/loss and other expenses

Net Changes in Fair Value of Biological Assets: Records changes in the fair value of agricultural produce growing on bearer plants and livestock

Exceptional Items: One-off, non-recurring items, including negative goodwill and related transaction costs, gain/loss on sale of assets/business, gain/loss on buyback of bonds, impairment loss, finance charges on pre-payment of loans and non-recurring business restructuring expenses. Tax expenses associated with these items are also presented as Exceptional Items.

PAT: Net profit after tax

PATMI: PAT less minority interest

Operational PATMI: PATMI excluding Exceptional Items

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation which includes results of jointly controlled entities and associates, minority interest, and excludes Exceptional Items

Invested Capital (IC): Excludes cash and bank balances, deferred tax assets, fixed deposits, other current/non-current assets (other than option premiums payable/receivable) and fair value of derivative assets on bonds

EBITDA/IC: EBITDA on average invested capital based on beginning and end-of-period invested capital

Net Gearing: Ratio of Net Debt (gross debt less cash) to Equity (before fair value adjustment reserves)

Net Gearing (adjusted): Net gearing adjusted for readily marketable inventories that are liquid, hedged and/or sold forward, operating as near-cash assets on the balance sheet, and secured receivables are supported by letters of credit or documents through banks

Free Cash Flow to Firm (FCFF): Operating cash flow less changes in working capital, cash taxes, capital expenditures and investments

Free Cash Flow to Equity (FCFE): FCFF less net interest paid

General information

Disclaimer

Certain sections of our Annual Report 2016 have been audited. The sections that have been audited are set out on pages 1 to 86 of the Financial Report. Readers should note that legislation in Singapore governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Except where you are a shareholder, this material is provided for information only and is not, in particular, intended to confer any legal rights on you. This Annual Report does not constitute an invitation to invest in the Company's shares. Any decision you make relying on this information is solely your responsibility. The information given is as of the dates specified, is not updated and any forward-looking statement is made subject to the reservation specified in the following paragraph.

Cautionary statement

This Annual Report may contain forward-looking statements. Words such as 'expect', 'anticipate', 'intend' or the negative use of these terms and other similar expressions of future performance or results and their negatives are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual reports to differ materially from those expressed or implied by these forward-looking statements, including among others, competitive pricing and activity, demand levels for the products that we supply, cost variances, the ability to maintain and manage key supplier and customer relationships, supply chain sources, currency values, interest rates, the ability to integrate acquisitions and complete planned divestitures, physical risks, environmental risks, the ability to manage regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory developments, political, economic and social conditions in the geographic markets where the Group operates and new or changed priorities of the Company's or its subsidiaries' Boards. Further details of potential risks and uncertainties affecting the Group are updated in the Group's Offering Circular on its US\$5.0 billion Euro Medium Term Note Programme dated 23 November 2016.

These forward-looking statements speak only as of the date of this Annual Report. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revision to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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