# Maximising value and purpose

Annual Report 2016

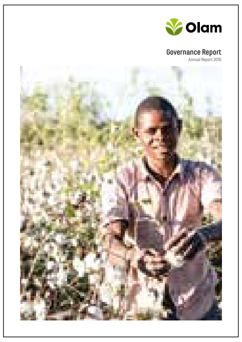
## About this report

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

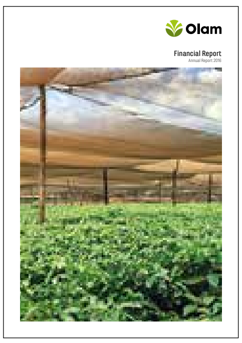
This chapter offers narrative about our performance, strategy and market factors. Information has been grouped into 3 sections, i) economic, ii) social, and iii) environment.

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




### Governance Report

Introduced by Non-Executive Chairman, and Independent Director Kwa Chong Seng, this section of the report gives detailed information about our rigorous governance framework and those responsible for ensuring it is followed. Shareholder information is also held within this chapter.




### Financial Report

Our figures and respective notes are enclosed within this chapter. It should be read in conjunction with the Strategy Report to give a balanced account of internal and external factors.

### Cover image

**Top:** Harvesting wheat for our dairy herd, Russia

**Middle:** Smallholder farmers picking certified cotton to supply our operations, Mozambique

**Bottom:** Cultivating coffee plants in our nursery to supply Olam Aviv's plantation and local smallholders, Tanzania

Olam

# Strategy Report

Annual Report 2016

## Contents



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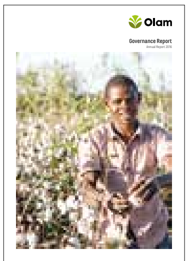
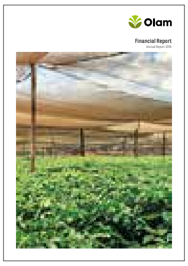



### Governance Report




### 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 69,800[1] 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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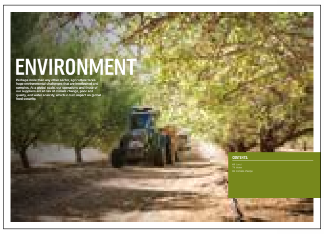


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**Sunny Verghese**
Co-Founder and Group CEO

## 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.

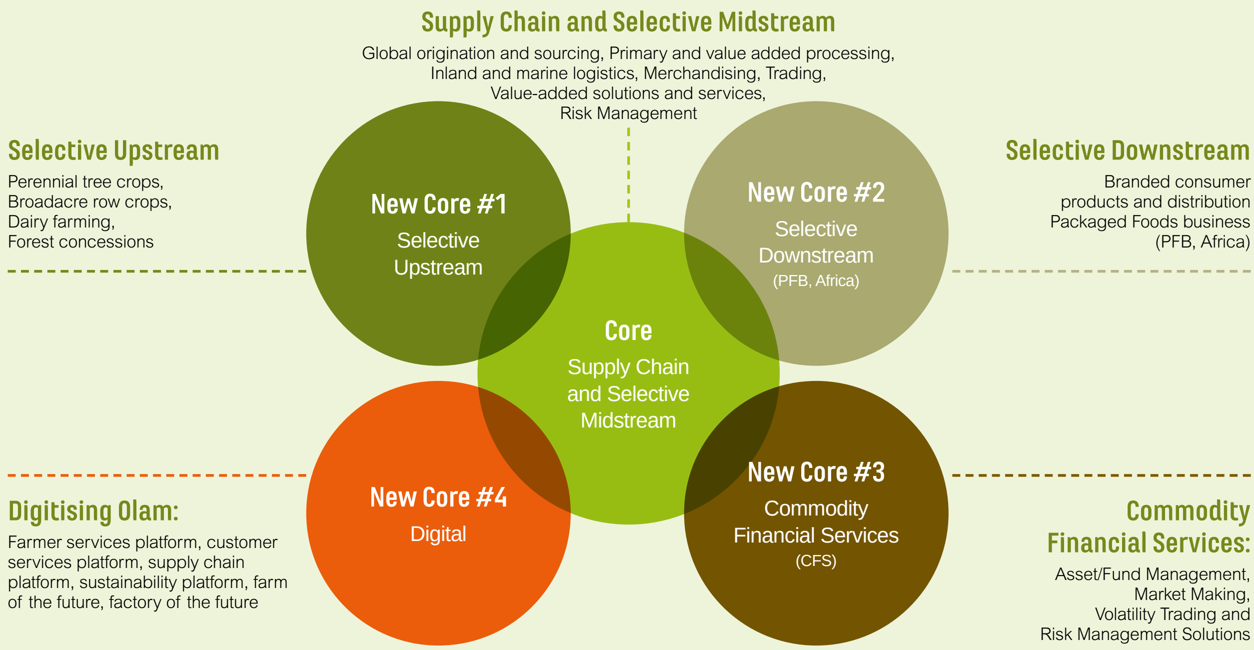
Strengthening this Core is akin to strengthening the core of your body – the central set of muscles that helps a body maintain its power, balance and overall health. This has helped us build leadership positions in our core business over time, and in 2016 we have continued to strengthen this Core.

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.

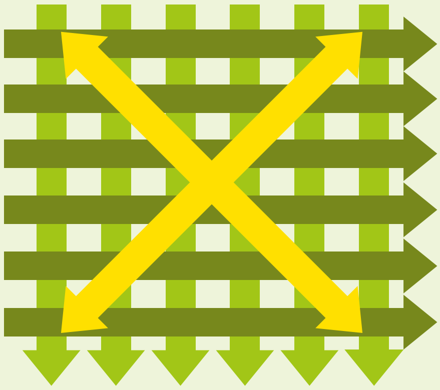
Over the course of 2016, we became acutely aware of how digital technologies are fundamentally transforming the way we farm, live, work and consume. Digital is changing not only the way that we operate as companies, but also significantly changing the way we interact with our service providers, farmer 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 FSC[1] and RSPO[2], 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

| Material areas | Social | | | | Environment | | |
|---|---|---|---|---|---|---|---|
| | Livelihoods page 42 | Labour page 48 | Food Security and Nutrition page 56 | Food Safety and Quality page 60 | Land page 68 | Water page 74 | Climate Change page 80 |
| **Pledge** | Supporting thriving communities | Providing a safe workplace where everyone's rights are respected | Improving access to affordable food | Improving food safety and quality across our business | Selecting and managing land responsibly | Responsible use of water for our own needs without impacting the needs of others | Adapting to climate risks and opportunities for Olam and communities |
| **Goals** | **Goal 1:** Economic opportunity and inclusion | **Goal 3:** Zero-harm workplace | **Goal 5:** Food security and nutrition | **Goal 6:** Safe and reliable foods for our customers | **Goal 7:** Sustainable development and use of land-based ecosystems | **Goal 8:** Sustainable water use | **Goal 9:** Reduced GHG emissions |
| | **Goal 2:** Good health and well-being | **Goal 4:** Respect for workers' rights | | | | | **Goal 10:** Increased resilience to climate-related risks |
| **Policies** | | Health and Safety<br>Human Resources[1] | | Quality and Food Safety | Environment | | |
| **Standards** | | | | | | | |
| **Farmers** | Olam Livelihood Charter | | | | | | |
| **Plantations** | Olam Plantations, Concessions and Farms Code | | | | | | |
| **Suppliers** | Supplier Code | | | Supplier Code | | | |
| **Factories and worksites** | | QEHS[2] Standards | | QEHS[2] Standards | | | |
| **Delivering through partnerships** | Customers, Investors, Farmers, Donors/Foundations, NGOs, Governments, Industry Associations | | | | | | |

[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.

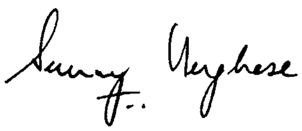
We will continue to invest in building leadership positions in our 6 prioritised platforms in Cluster 1, establish proof-of-concept and selectively scale our Cluster 2 businesses, remain asset light and maximise returns in our Cluster 3 businesses and partially sell down our stakes in our Cluster 4 businesses 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

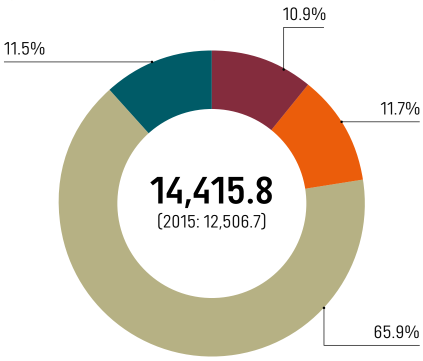
## Highlights

# FINANCIAL AND PERFORMANCE HIGHLIGHTS

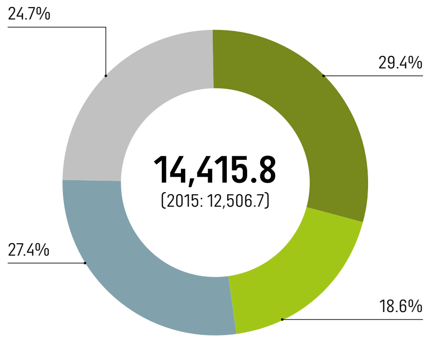
## Volume

| | '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)



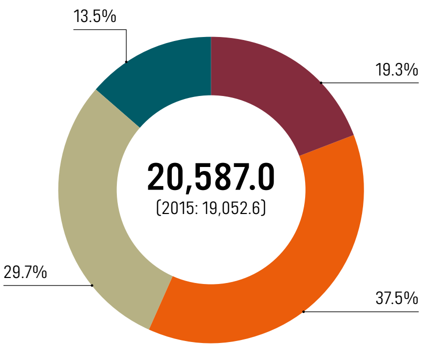

### Sourcing volume by region
('000 Metric Tonnes)



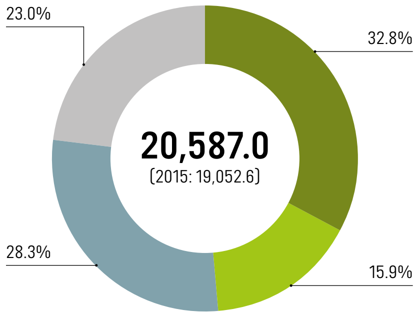

## Revenue

| | 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
(S$ million)



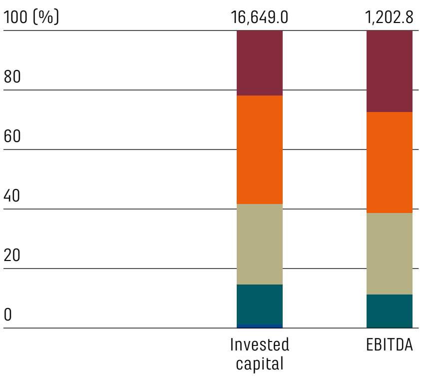

### Sales revenue by region
(S$ million)



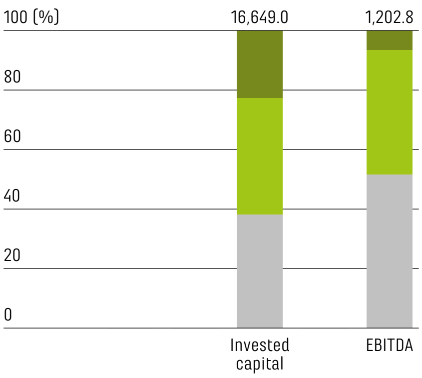

## Invested capital and EBITDA
(S$ million)

| | 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
(S$ million)




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



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

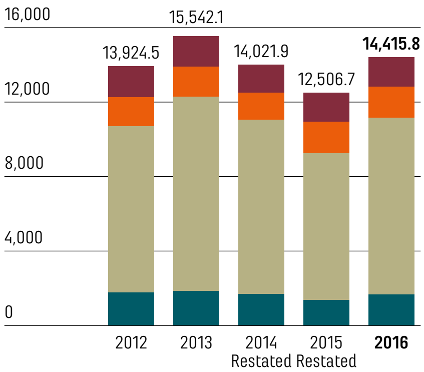
| | 2016 | 2015 Restated | % Change |
|---|---|---|---|
| **Profit and Loss Statement** | | | |
| Sales Volume ('000 Metric Tonnes) | **14,415.8** | 12,506.7 | 15.3 |
| Sales Revenue | **20,587.0** | 19,052.6 | 8.1 |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)[1] | **1,202.8** | 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.

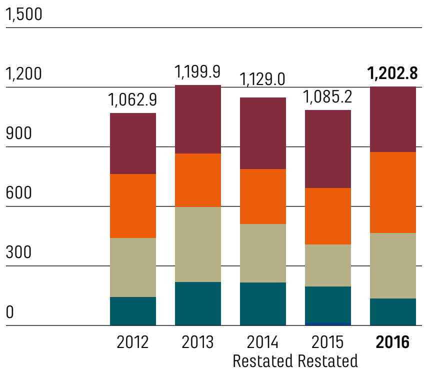
# Highlights

## Sales volume
('000 Metric Tonnes)



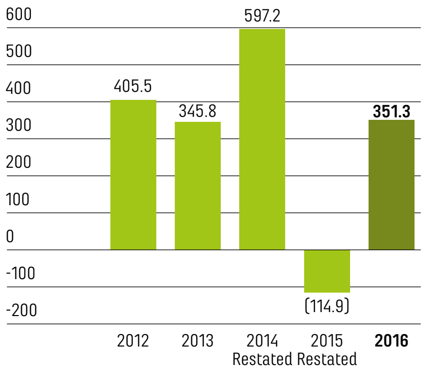

| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| ● | 1,650.3 | 1,657.7 | 1,527.2 | 1,549.2 | 1,569.7 |
| ● | 1,580.1 | 1,592.8 | 1,437.1 | 1,689.5 | 1,687.5 |
| ● | 8,920.4 | 10,450.7 | 9,356.4 | 7,904.9 | 9,496.1 |
| ● | 1,773.7 | 1,840.9 | 1,701.2 | 1,363.1 | 1,662.5 |

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

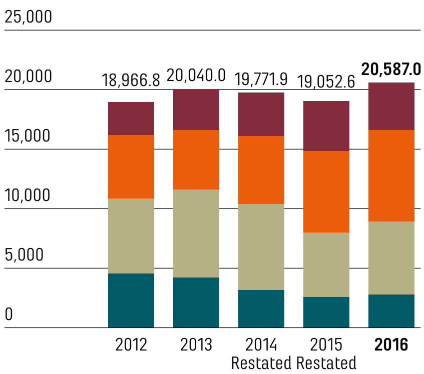



| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| ● | 308.5 | 346.7 | 360.5 | 393.5 | 331.8 |
| ● | 322.6 | 268.5 | 275.6 | 284.0 | 407.3 |
| ● | 296.0 | 378.2 | 295.2 | 212.1 | 330.2 |
| ● | 143.5 | 218.6 | 215.6 | 185.1 | 135.2 |
| ● | (7.7) | (12.1) | (17.9) | 10.6 | (1.6) |

## Profit After Tax and Minority Interest
(S$ million)

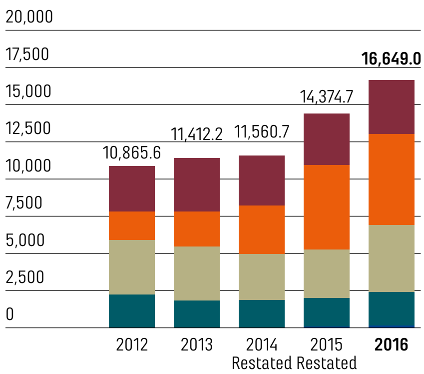



## Sales revenue
(S$ million)



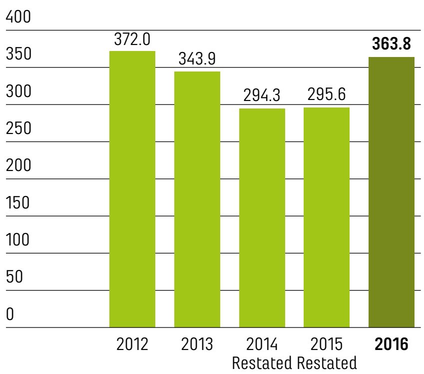

| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| ● | 2,764.8 | 3,465.0 | 3,692.3 | 4,227.2 | 3,981.1 |
| ● | 5,363.2 | 4,968.0 | 5,721.8 | 6,859.6 | 7,711.0 |
| ● | 6,311.8 | 7,406.1 | 7,187.3 | 5,391.2 | 6,110.8 |
| ● | 4,525.6 | 4,199.5 | 3,170.6 | 2,574.6 | 2,784.1 |
| ● | 1.4 | 1.4 | (0.1) | 0.0 | 0.0 |

## Invested capital
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| ● | 3,049.2 | 3,610.0 | 3,363.6 | 3,463.0 | 3,642.7 |
| ● | 1,913.9 | 2,346.6 | 3,246.9 | 5,680.9 | 6,109.5 |
| ● | 3,691.3 | 3,612.8 | 3,075.1 | 3,230.6 | 4,522.1 |
| ● | 2,193.9 | 1,839.4 | 1,872.0 | 1,917.5 | 2,220.9 |
| ● | 17.4 | 3.4 | 3.2 | 82.6 | 153.8 |

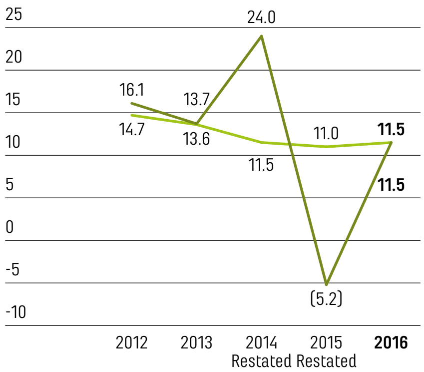
## Operational Profit After Tax and Minority Interest
(S$ million)




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

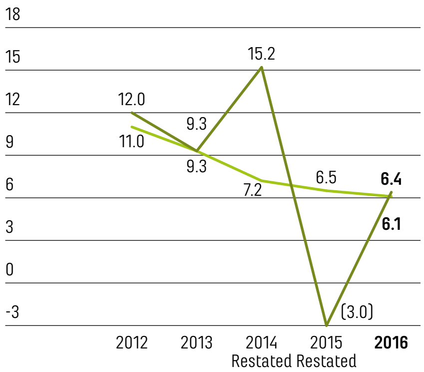
Key
- Edible Nuts, Spices and Vegetable Ingredients
- Confectionery and Beverage Ingredients
- Food Staples and Packaged Foods
- Industrial Raw Materials, Ag Logistics and Infrastructure
- Commodity Financial Services

## Earnings Per Share
(cents)



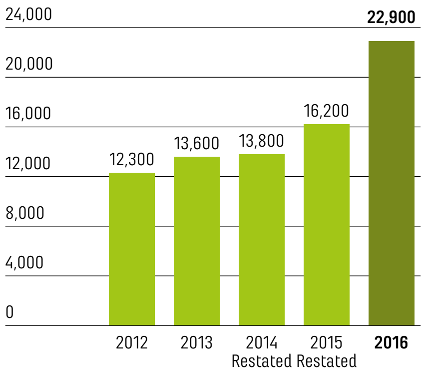

- Earnings Per Share (cents)
- Operational Earnings Per Share (cents)

## Return On Equity
(%)



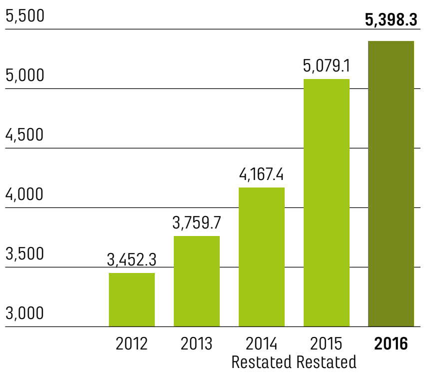

- Return on Beginning-of-period equity
- Return on Beginning-of-period equity excluding exceptional items

## Number of customers

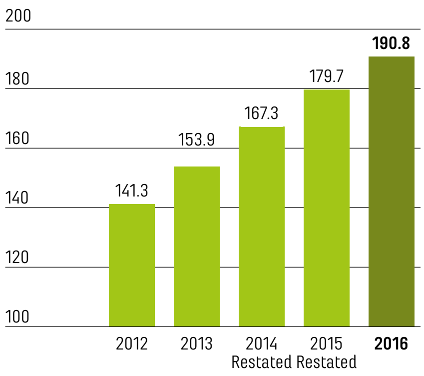



Figures for 2012-2014 are computed based on 30 June year-end basis

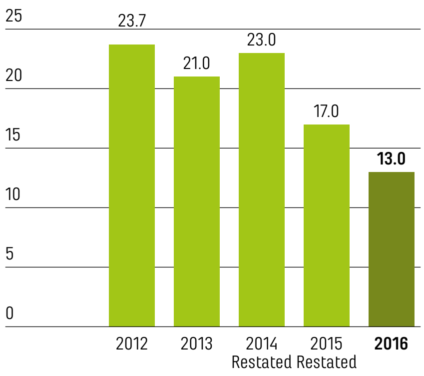
## Shareholders' equity
(S$ million)




## 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

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 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

**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

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

GAA

Global Agri-business Alliance

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

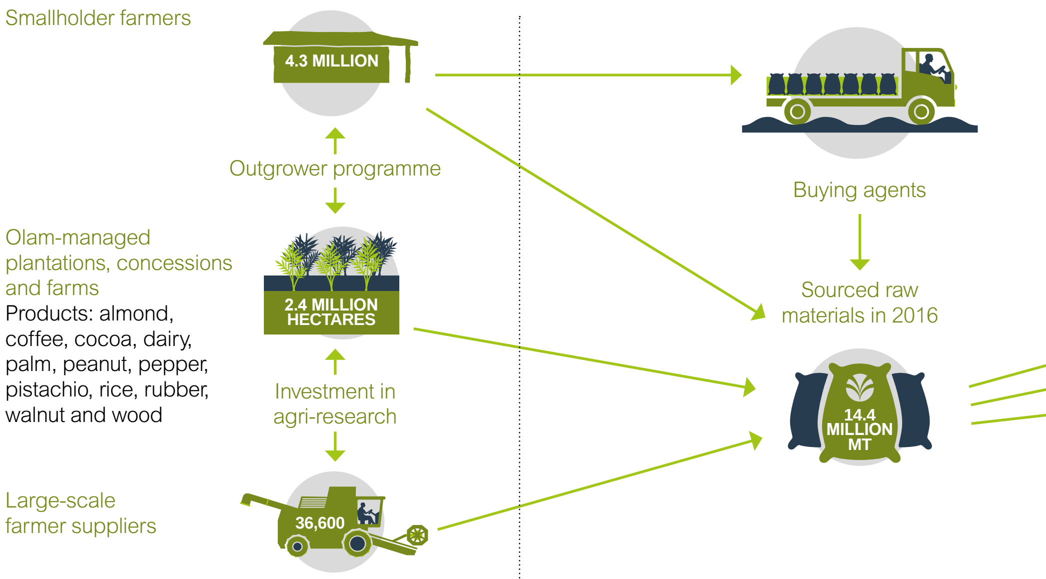
# WHERE WE PARTICIPATE AND HOW WE WIN

Where we participate

## Value chain

### Selective upstream
- Perennial tree crops
- Broadacre row crops
- Dairy farming
- Forest concessions

### Supply chain
- Global origination and sourcing
- Primary processing
- Inland and marine logistics
- Merchandising




## Product platforms

| Product platforms | Selective upstream | Supply chain |
|---|---|---|
| Edible Nuts, Spices and Vegetable Ingredients | Edible Nuts | |
| | Spices and Vegetable Ingredients | |
| Confectionery and Beverage Ingredients | Cocoa | |
| | Coffee | |
| Food Staples and Packaged Foods | Dairy | |
| | Grains and Animal Feed | |
| | Edible Oils | |
| | Rice | |
| | | Sugar and Sweeteners |
| Industrial Raw Materials, Ag Logistics and Infrastructure | | Cotton |
| | Wood Products | |
| | Rubber | |
| | Fertiliser | |
| Commodity Financial Services | | Risk Management Solutions |
| | | Market-Making, Volatility Trading and Asset Management |
| | | Trade and Structured Finance |

How we win

## Strategy

The pathway to achieving our vision

**Competitive strategy**

At the grower end, we 'out-origin' our competition by buying from the lowest level of aggregation possible. At the customer end, we offer value added solutions and services including traceability, certified raw materials, risk management solutions, vendor managed inventory solutions etc.

## Core competencies

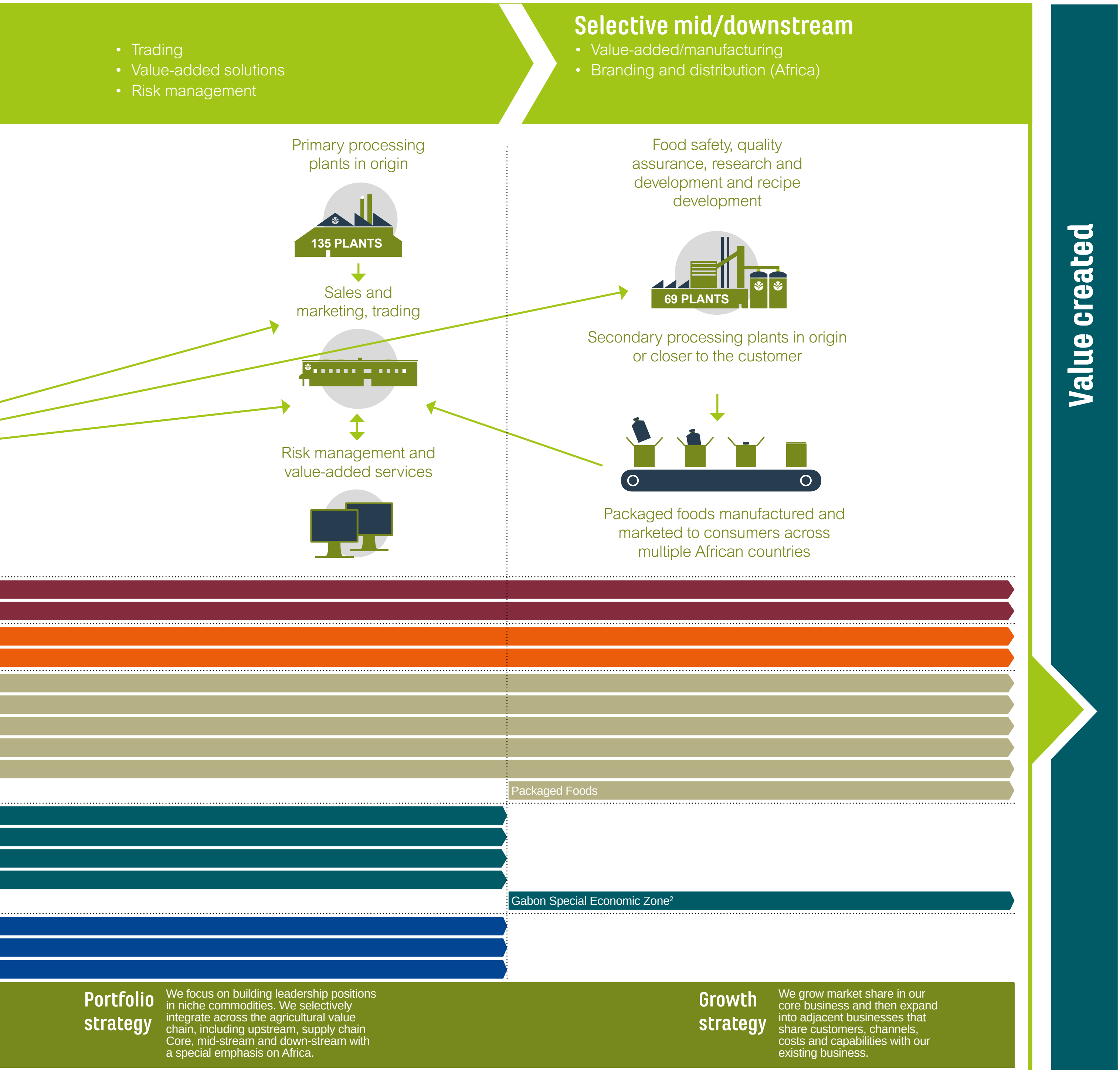
We have built distinctive capabilities in 4 areas:

1. Business Specific skills (Origination, Trading, Processing and Logistics).
2. Growth Enabling skills (Talent Management, M&A[1], Risk Management and Capital Raising)

## People

We attract and retain talented individuals whom we engage and inspire.

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




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.

# ECONOMIC

## CONTENTS:

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.

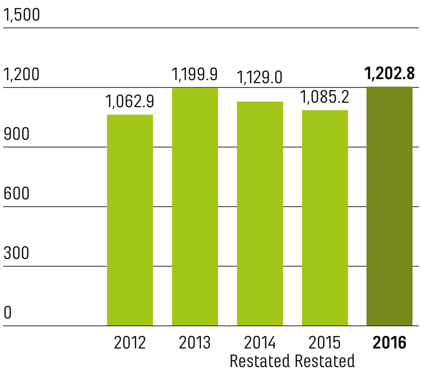
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) grew 10.8% year-on-year to S$1.2 billion, driven by growth in Confectionery and Beverage Ingredients and Food Staples and Packaged Foods, which offset lower contributions from other segments.

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

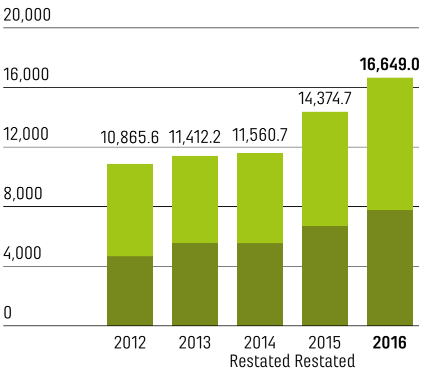
*"Strong growth from the Confectionery and Beverage Ingredients and Food Staples and Packaged Foods segments demonstrates that our strategy of accelerating investments and addressing specific areas of underperformance to strengthen our leadership positions in these segments is working."*

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




| EBITDA/IC (%) | 10.7 | 10.8 | 9.8 | 8.4 | 7.8 |
|---|---|---|---|---|---|

### Invested capital
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| Working capital | 6,202.2 | 5,840.2 | 6,017.2 | 7,652.8 | 8,852.8 |
| Fixed capital | 4,663.4 | 5,572.0 | 5,543.5 | 6,721.8 | 7,796.2 |

## 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 Katsuhiro 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.

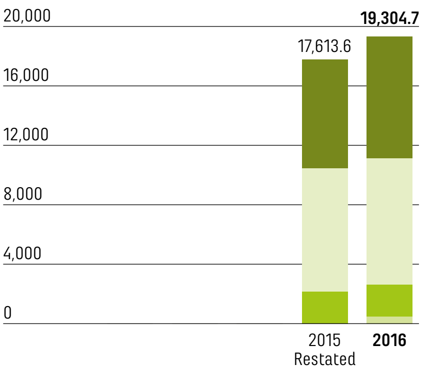
Compared with 2015, our overall balance sheet grew by S$1.7 billion due to the acquisition of the wheat milling and peanut shelling assets and working capital increase, as well as other capital expenditure (Capex) investments.

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.

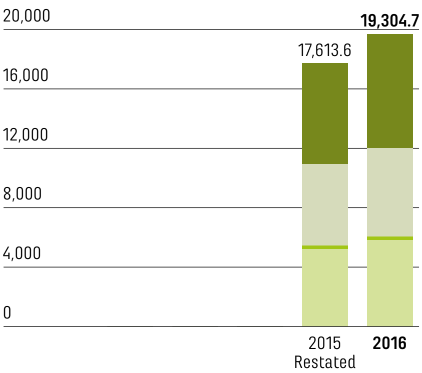
Following the acquisitions of MMI (2014) and Brooks (2016) Olam has become the most vertically integrated supplier in the US peanut industry with strategic assets in shelling, blanching and ingredients in the most cost competitive peanut origin.

### Use of funds
(S$ million)



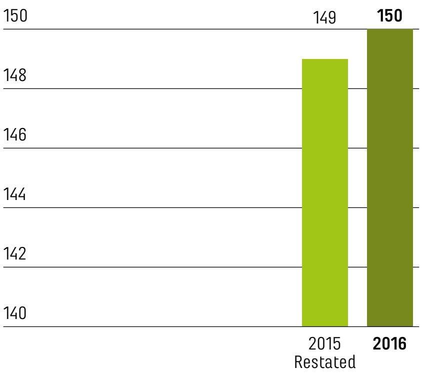

| | 2015 Restated | 2016 |
|---|---|---|
| Fixed capital | 7,340.5 | 8,169.5 |
| Working capital | 8,295.6 | 8,517.7 |
| Cash | 2,143.1 | 2,144.0 |
| Others | (165.8) | 473.5 |

### Source of funds
(S$ million)




| | 2015 Restated | 2016 |
|---|---|---|
| Long-term debt | 6,781.7 | 7,687.5 |
| Short-term debt | 5,512.1 | 5,983.0 |
| Non-controlling interests | 240.5 | 235.9 |
| Equity and reserves | 5,187.0 | 5,797.1 |
| Fair value reserve | (107.9) | (398.8) |

### 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

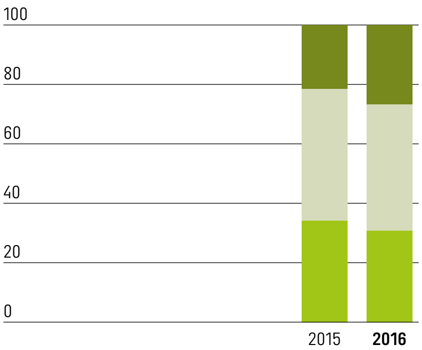
| S$ million | 2016 | 2015 Restated | Change |
|---|---|---|---|
| Operating Cash Flow (before Interest and Tax) | **1,243.5** | 1,150.8 | 92.7 |
| Changes in Working Capital | **(227.7)** | (995.9) | 768.2 |
| **Net Operating Cash Flow** | **1,015.8** | 154.9 | 860.9 |
| Tax paid | **(48.4)** | (127.8) | 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<br>US$325.0 million RCF | 1-year due 2017<br>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<br>US$800.0 million RCF<br>US$800.0 million RCF | 1-year due 2017<br>2-year due 2018<br>3-year due 2019 | – |
| 6 December 2016 | US$175.0 million fixed rate notes | 5-year due 2021 | 3.90% |

### Borrowing mix
(%)

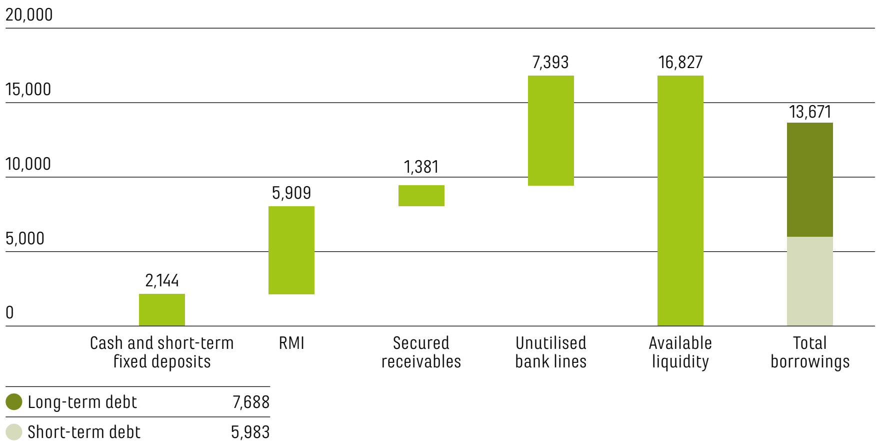



| | 2015 | 2016 |
|---|---|---|
| Bilateral banking lines | 26.7 | 21.6 |
| Bank syndication | 42.5 | 44.2 |
| Debt capital markets | 30.8 | 34.2 |

## 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

| | Sales Volume ('000 MT) | | Revenue | | EBITDA | | Invested Capital (IC) | | EBITDA/IC (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| Segment S$ million | 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

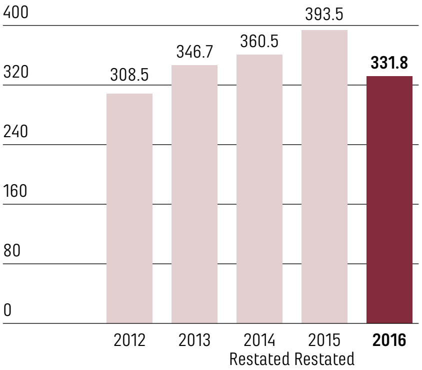
(b) Long-term Investment (31 December 2016: S$148.4 million, 31 December 2015: S$269.2 million).

Group COO's review

# EDIBLE NUTS, SPICES AND VEGETABLE INGREDIENTS

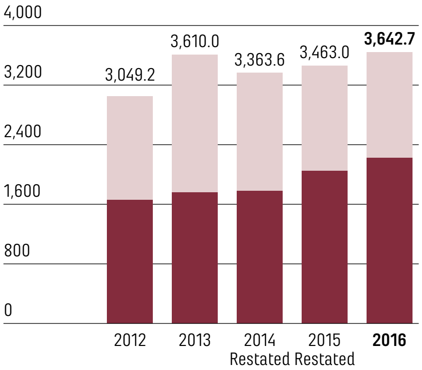
## Key highlights for the year

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




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| EBITDA/IC (%) | 11.0 | 10.4 | 10.3 | 11.5 | **9.3** |

### Invested capital
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| Working capital | 1,391.8 | 1,850.4 | 1,587.1 | 1,415.0 | 1,421.0 |
| Fixed capital | 1,657.4 | 1,759.6 | 1,776.5 | 2,048.0 | 2,221.7 |

**Volume**
1,569,700
Metric Tonnes

**Invested capital**
S$3,642.7
million

**Revenue**
S$4.0
billion

**EBITDA**
S$331.8
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

More information available online @ olamgroup.com

Peanut processing, USA.

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

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.

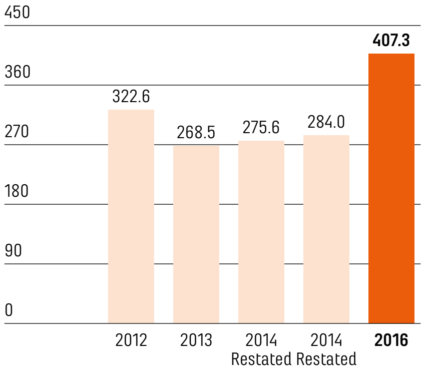
Onion processing, USA.

Group COO's review

# CONFECTIONERY AND BEVERAGE INGREDIENTS

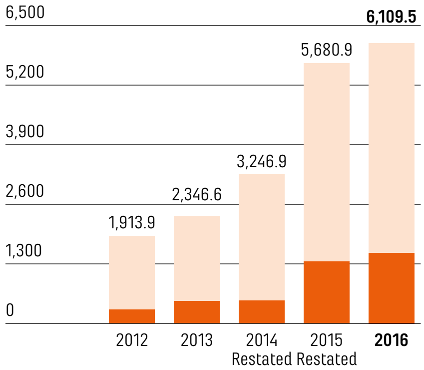
## Key highlights for the year

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




| | 2012 | 2013 | 2014 Restated | 2014 Restated | 2016 |
|---|---|---|---|---|---|
| EBITDA/IC (%) | 18.5 | 12.6 | 9.9 | 6.4 | 6.9 |

### Invested capital
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| Working capital | 1,615.4 | 1,855.4 | 2,745.4 | 4,329.7 | 4,568.7 |
| Fixed capital | 298.5 | 491.2 | 501.5 | 1,351.2 | 1,540.8 |

### Products
- Cocoa
- Coffee

**Volume**
1,687,500
Metric Tonnes

**Invested capital**
S$6,109.5
million

**Revenue**
S$7.7
billion

**EBITDA**
S$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.

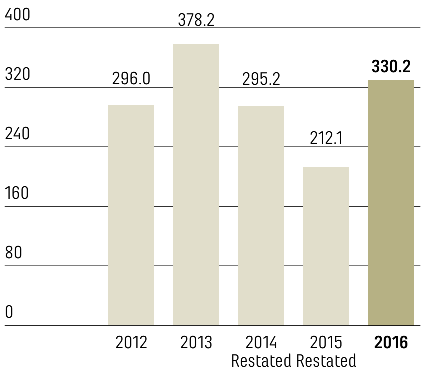
Olam's coffee plantation in Tanzania.

Group COO's review

# FOOD STAPLES AND PACKAGED FOODS

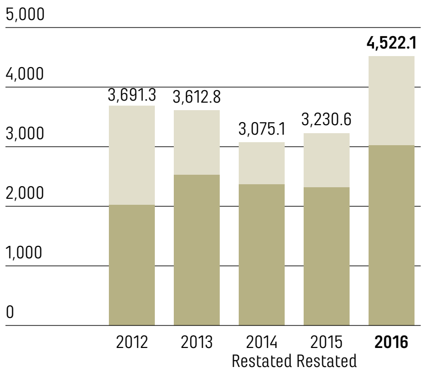
## Key highlights for the year

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




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| EBITDA/IC (%) | 9.4 | 10.4 | 8.8 | 6.7 | 8.5 |

### Invested capital
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| Working capital | 1,670.9 | 1,088.2 | 708.7 | 915.0 | 1,498.3 |
| Fixed capital | 2,020.3 | 2,524.6 | 2,366.4 | 2,315.6 | 3,023.8 |

### 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.

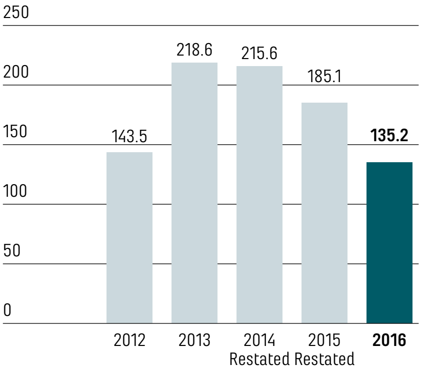

Olam's palm oil refinery in Beira, Mozambique.

Group COO's review

# INDUSTRIAL RAW MATERIALS, AG LOGISTICS AND INFRASTRUCTURE

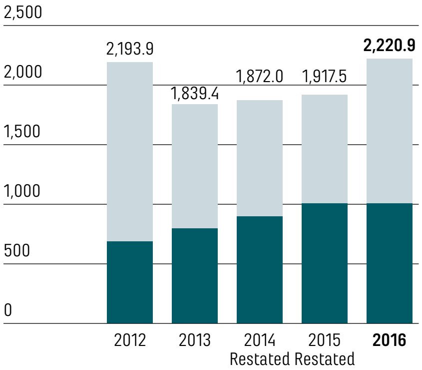
## Key highlights for the year

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




| | | | | | |
|---|---|---|---|---|---|
| EBITDA/IC (%) | 6.5 | 10.8 | 11.6 | 9.8 | 6.5 |

### Invested capital
(S$ million)




| | | | | | |
|---|---|---|---|---|---|
| Working capital | 1,507.7 | 1,043.6 | 974.2 | 911.9 | 1,212.7 |
| Fixed capital | 686.2 | 795.8 | 897.8 | 1,005.6 | 1,008.2 |

**Volume**
1,662,500
Metric Tonnes

**Invested capital**
S$2,220.9
million

**Revenue**
S$2.8
billion

**EBITDA**
S$135.2
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.

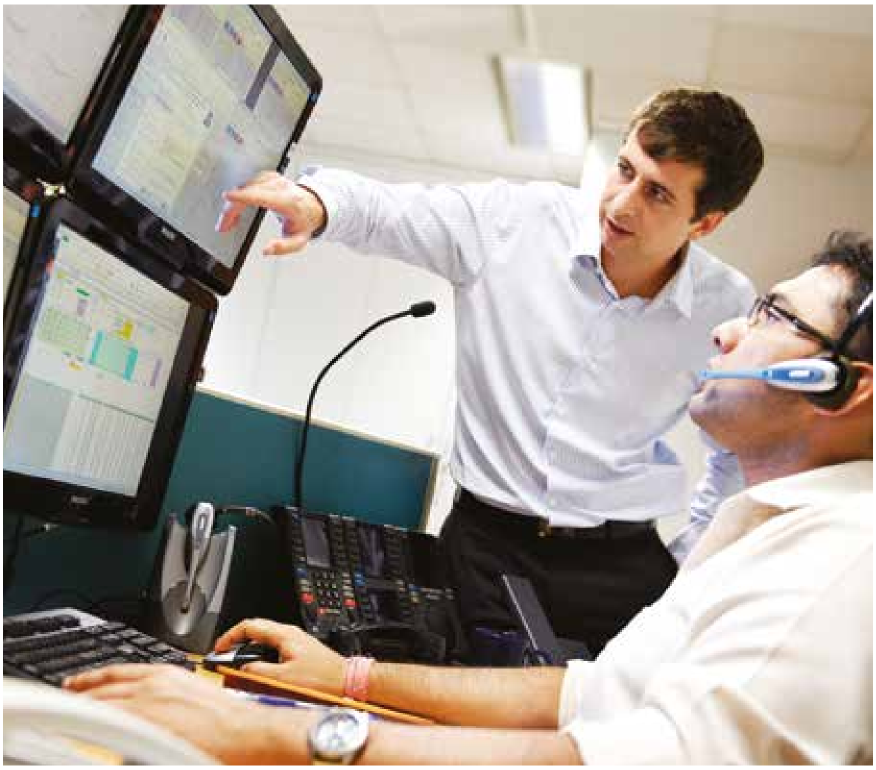
However, despite increased GSEZ contribution, overall segment EBITDA for the year declined by 27.0% due to margin pressures in Cotton and Wood Products.

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.

# COMMODITY FINANCIAL SERVICES

## Key highlights for the year



### 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.

**EBITDA**
S$(1.6)
million

**Invested capital**
S$153.8
million

More information available online @ olamgroup.com

## Group COO's review

# VALUE CHAIN REVIEW AND ANALYSIS

## Overview

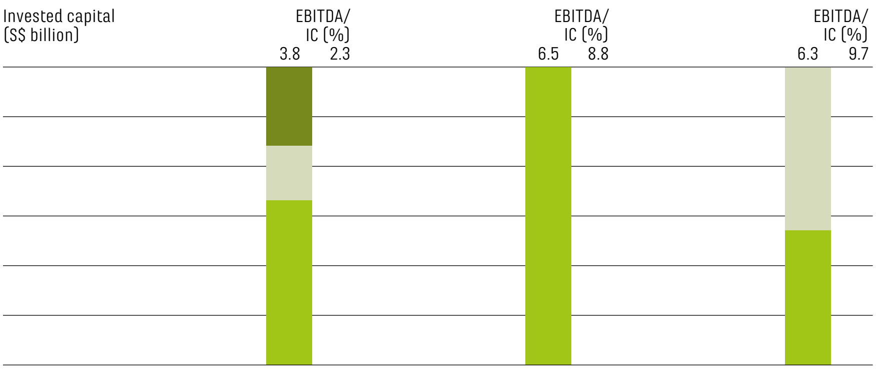
| Segment S$ million | Sales Volume ('000 MT) 2016 | Sales Volume ('000 MT) 2015 | Revenue 2016 | Revenue 2015 | EBITDA 2016 | EBITDA 2015 Restated | Invested Capital (IC) 2016 | Invested Capital (IC) 2015 Restated | EBITDA/Avg IC (%) 2016 | EBITDA/Avg IC (%) 2015 Restated |
|---|---|---|---|---|---|---|---|---|---|---|
| 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)




| | 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.

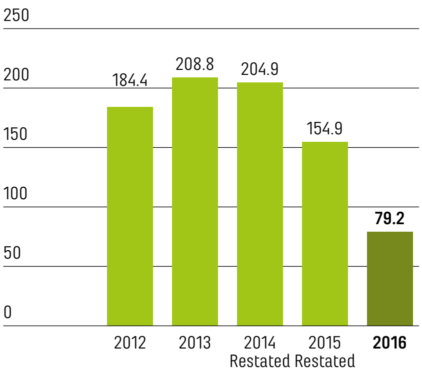
The revenue decline was primarily on account of lower almond prices. EBITDA was dragged down by reduced contribution from almond plantations in Australia and the USA as well as Wood Products, although this was partly offset by improved performance in NZFSU.

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.

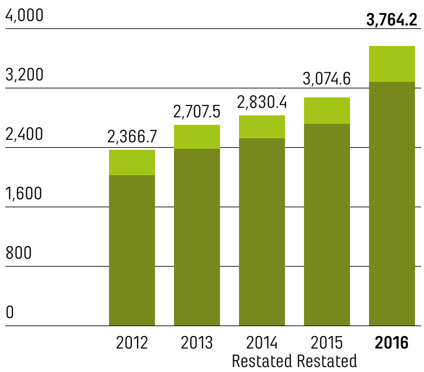
The S$2.1 billion fully contributing assets delivered a lower EBITDA/IC of 5.1% on a higher asset base in 2016 compared with 2015. These assets now include NZFSU and Rusmolco which were treated as partly contributing assets in 2015 and had not yet reached their full potential in 2016.

### EBITDA
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| EBITDA/IC (%) | 8.7 | 8.2 | 6.6 | 5.2 | 2.3 |

### Invested capital
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| Working capital | 340.9 | 322.6 | 304.0 | 358.9 | 481.2 |
| Fixed capital | 2,025.8 | 2,384.9 | 2,526.5 | 2,715.7 | 3,283.0 |

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

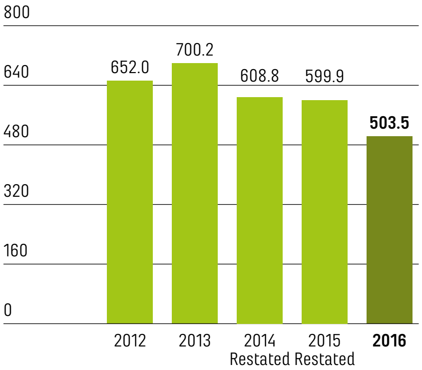
## Group COO's review

## 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%.

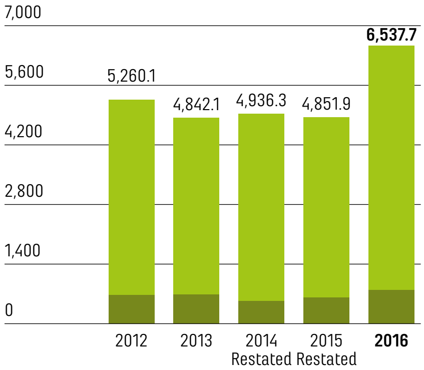
EBITDA declined by 16.1% arising from lower contribution from the Cotton, CFS and Cocoa supply chain due to the shift in bean volumes to captive processing. However, invested capital in the segment rose by S$1.7 billion owing to larger working capital in Coffee, Cotton and Cocoa beans carried as feedstock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

### EBITDA
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| EBITDA/IC (%) | 12.4 | 13.9 | 12.5 | 12.3 | 8.8 |

### Invested capital
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| Working capital | 4,584.8 | 4,156.8 | 4,396.6 | 4,230.3 | 5,749.8 |
| Fixed capital | 675.3 | 685.3 | 539.7 | 621.6 | 787.9 |

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

## Mid/Downstream

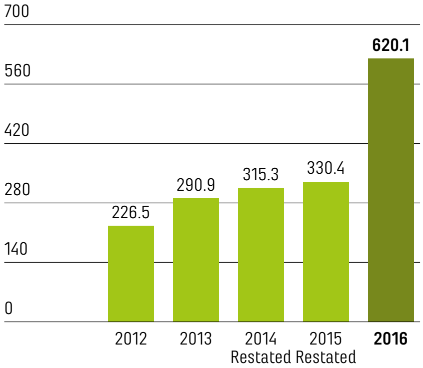
The Mid/Downstream segment recorded a strong growth of 51.6% and 93.4% in volumes and revenues respectively. The growth in volumes was driven by larger volumes of processed Cocoa products and flour from wheat milling. Revenues were up as a result of these higher volumes.

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.

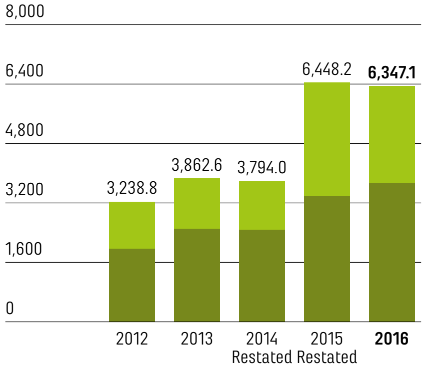
About S$3.4 billion of invested capital was partly contributing, generating a significantly higher EBITDA/IC of 9.9% compared with the previous year. This was due to the addition of the Cocoa processing assets and the acquired wheat milling and pasta manufacturing assets well as Brooks, all of which 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)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| EBITDA/IC (%) | 9.0 | 8.2 | 8.2 | 6.5 | 9.7 |

**Invested capital**
(S$ million)




| | 2012 | 2013 | 2014 Restated | 2015 Restated | 2016 |
|---|---|---|---|---|---|
| Working capital | 1,276.5 | 1,360.8 | 1,316.6 | 3,063.7 | 2,621.8 |
| Fixed capital | 1,962.3 | 2,501.8 | 2,477.4 | 3,384.5 | 3,725.3 |


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** | | |
| • Price Risk<br>• Basis Risk<br>• Structure Risk<br>• Arbitrage Risk<br>• Derivative Risk<br>• Liquidity Risk | 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.<br><br>Olam hedges price risk on the world's commodities exchanges, both through derivatives and tendering. | Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report. |
| **Operational risks** | | |
| • Credit Risk[1]<br>• Counterparty Risk[1]<br>• Stock Risk[2]<br>• Quality Risk[2]<br>• Systems and Controls Failure Risk[2]<br>• Fraud Risk[2]<br>• Project Execution Risk[3]<br>• Asset Utilisation Risk[3] | Field operating control and primary sourcing infrastructure is in place in every country where Olam operates.<br><br>Olam's credit/counterparty rating system defines credit limits and controls, promoting fragmentation of credit exposure on short tenors.<br><br>Insurance is taken to provide inventory cover as well as credit defaults. | 1. Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report.<br><br>2. Read more about the Audit Committee's responsibilities and members on page 17 of the Governance Report.<br><br>3. Read more about the Capital and Investment Committee's responsibilities and members on page 20 of the Governance Report. |
| **Currency risks** | | |
| • Transactional Currency Risk[4]<br>• Translational Currency Risk[5] | 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. | 4. Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report.<br><br>5. Read more about the Capital and Investment Committee's responsibilities and members on page 20 of the Governance Report. |
| **Agricultural risks** | | |
| • Weather Risk<br>• Pests and Diseases Risk<br>• Agronomy/GAP (Good Agricultural Practices) Risk | Olam employs advanced crop-monitoring technology and agronomy experts, irrigation facilities, flood control measures and crop insurance. | Read more about the Corporate Responsibilities and Sustainability Committee's responsibilities and members on page 21 of the Governance Report. |
| **Political and sovereign risks** | | |
| • Asset Nationalisation Risk<br>• Selective Discrimination Risk<br>• Forced Abandonment Risk<br>• Duty/Tariff and Export/Import Ban Risk<br>• Terrorism/Kidnapping Risk | 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. | Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report. |

| Risk category | Key controls and mitigation | Board Committee overseeing specific risk |
|---|---|---|
| **Reputational risks** | | |
| • Food Safety/Hygiene and Product Recall Risk<br>• Health and Safety Risk<br>• Social Risk – Labour<br>• Social Risk – Livelihoods<br>• Environmental Risk – Land<br>• Environmental Risk – Water<br>• Environmental Risk – Climate Change<br>• 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** | | |
| • Market Compliance Risk[6]<br>• Bribery/Corruption Risk[7.]<br>• Transfer Pricing Risk[7.]<br>• Taxation Risk[7.]<br>• Other Regulatory Risk[7.] | Olam's Market Compliance Office is a global function whose primary role is to ensure that we are fully compliant within all external regulation. | [6.] Read more about the Board Risk Committee's responsibilities and members on page 16 of the Governance Report.<br><br>[7.] Read more about the Audit Committee's responsibilities and members on page 17 of the Governance Report. |
| **Capital structure and financing risks** | | |
| • Interest Rate Risk<br>• Funding Liquidity/Margin Call Risk<br>• Credit Metrics Risk<br>• Activist Investor Risk<br>• 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** | | |
| • Pandemic Risk<br>• Fire Risk<br>• Flood Risk<br>• Earthquake Risk<br>• 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** | | |
| • Key Person Risk (succession planning)[8]<br>• Cybersecurity Risk[9]<br>• IT Risk[9] | 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. | [8.] Read more about the Human Resource and Compensation Committee's responsibilities and members on page 14 of the Governance Report.<br><br>[9.] Read more about the Audit Committee's responsibilities and members on page 17 of the Governance Report. |
| **Strategic risks** | | |
| • 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:

*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.*

*"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

1 NO POVERTY
2 ZERO HUNGER
4 QUALITY EDUCATION
5 GENDER EQUALITY
17 PARTNERSHIPS FOR THE GOALS

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 Commission[1] in a film hosted on the Economist Films website[2] 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.

**79%**
of cocoa farmers report an increase in the amount of money earned from cocoa since they started working with Olam.

**81%**
of cocoa farmers report an increase in the amount of cocoa produced since they started working with Olam.

**70%**
are satisfied with the payment for cocoa and 21% are very satisfied.

**58%**
of cocoa farmers believe they are wealthier this year than the previous year.

**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<br>(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.<br>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.<br>Côte d'Ivoire cotton: 688 "farmers' wives" – vegetable projects and business training<br>Côte d'Ivoire cocoa: 800 "farmers' wives" – fortified cassava projects and business training.<br>Around 11,600 women employed in the cashew supply chain in emerging markets.<br>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.<br>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.<br>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.<br>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

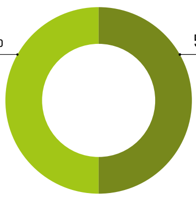
95

New managers trained in the CEO Core Process

203,696

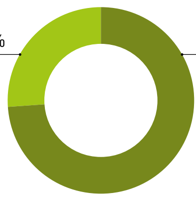
OLC farmers trained in good labour practices

### Workforce



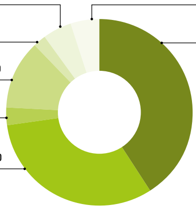

| | |
|---|---|
| Full-time | 35,045 |
| Seasonal, contract or temporary | 34,727 |

### Gender diversity of full-time employees




| |
|---|
| Men |
| Women |

### Managerial talent by region




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

### Relevant SDGs


### 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

## 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 CEO[1]. 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, Janakiramapuram 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:

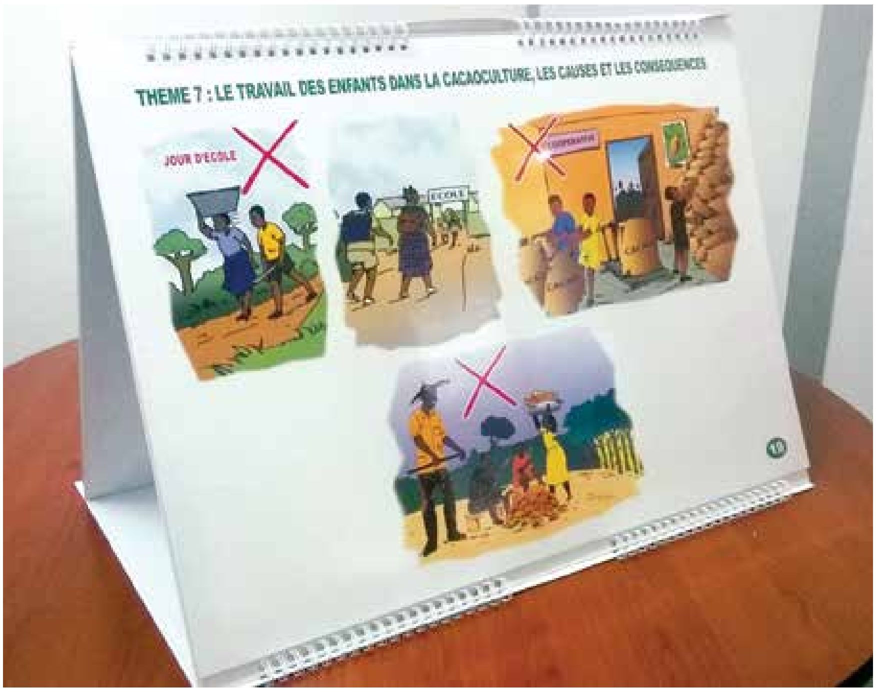
- Training farmers in good labour practices through the Olam Livelihood Charter (203,696 in 2016)
- Helping farmers to increase yields through the provision of pre-finance, agri-inputs and training in Good Agricultural Practices, enabling them to hire adult labour
- Identifying child labour risk factors 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.<br>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 (FPIC[1] procedures)

Relevant SDGs

[1] FPIC – Free, Prior and Informed Consent.

"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.

*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.*

## 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.

## 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

GRAINE[1] 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.

Jean Lirois Anizok, from the Earth Promise Cooperative.

"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."

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. | Olam Workplace Nutrition Guidelines drafted and under final review.<br>Olam Healthy Living programme implemented in 19 businesses across Africa. This initiative targets improved health and nutrition for workers and communities. | 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 HACCP[1] 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

3 GOOD HEALTH AND WELL-BEING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

[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-GMO[1] 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:

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

*"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 Hungary[1]. 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 Code[2]

**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

Relevant SDGs

2 ZERO HUNGER
13 CLIMATE ACTION
15 LIFE ON LAND

### Key 2016 focus areas

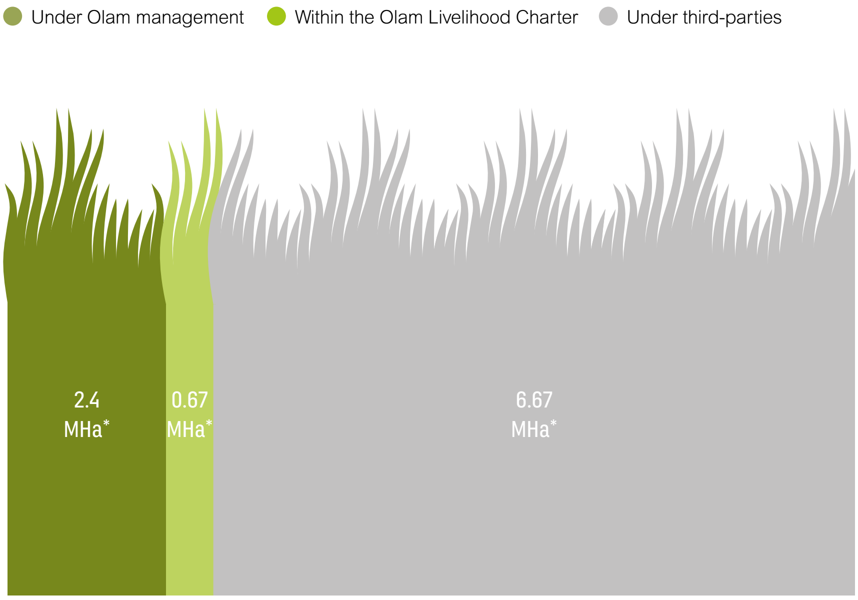
- Protect High Conservation Value ecosystems and High Carbon Stock Forests
- Ensure community rights and participative decision-taking
- Reduce indirect impacts on land from third-party farmers and suppliers

### Key sector collaborations and commitments

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

[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




* 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.

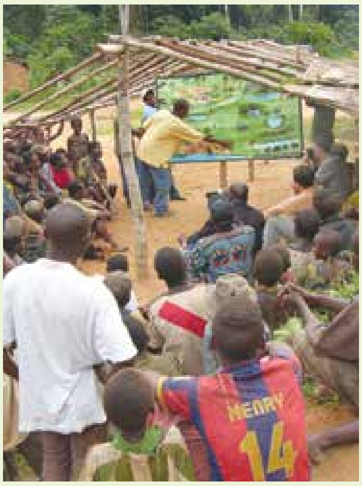
NCCL is situated at Kasama, in Zambia's Northern Province, and has planted over 1,825 ha. A further 1,400 ha of conservation areas are being protected. Volumes for both plantations will be supplemented with smallholder coffee programmes, which will be supported for future certification efforts.

### 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® certified[1] – 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 Kabo – 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 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.<br>A Global Forest Policy is in consultation Q1 2017.<br>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.<br>Formal Grievance Procedures are in place for established coffee plantations in Tanzania, Zambia and Laos.<br>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.<br>Priority products: cashew, cocoa, coffee, cotton, hazelnut, palm, rubber. | All priority products are working with suppliers to implement the Supplier Code.<br>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

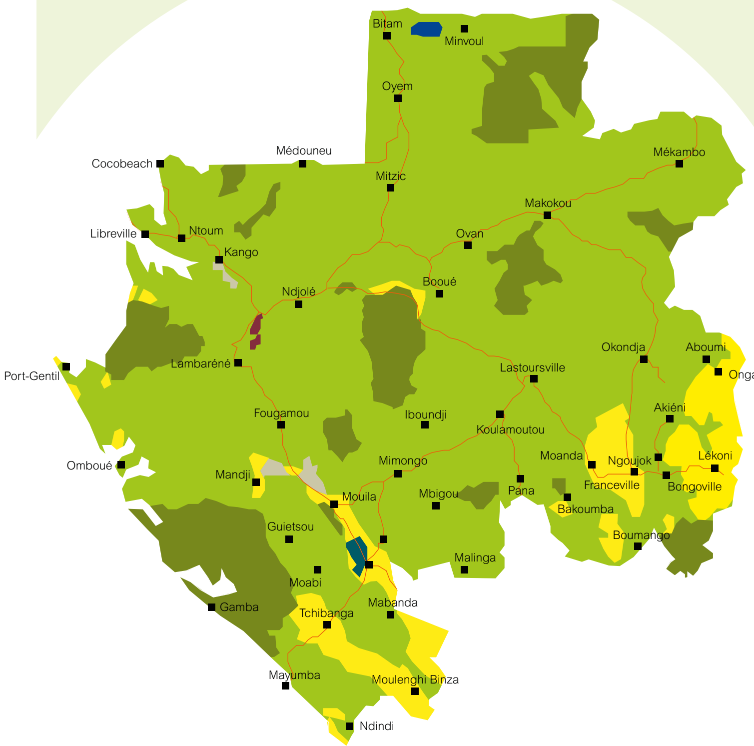
All of our palm and rubber plantation developments are in joint ventures with the Republic of Gabon. The Government was looking for a business partner to help develop an agricultural economy, to reduce its reliance on finite oil and gas exports and food imports (60%) and create jobs (33% live at or below 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% RSPO[1] 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 water[1] 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

2 ZERO HUNGER

6 CLEAN WATER AND SANITATION

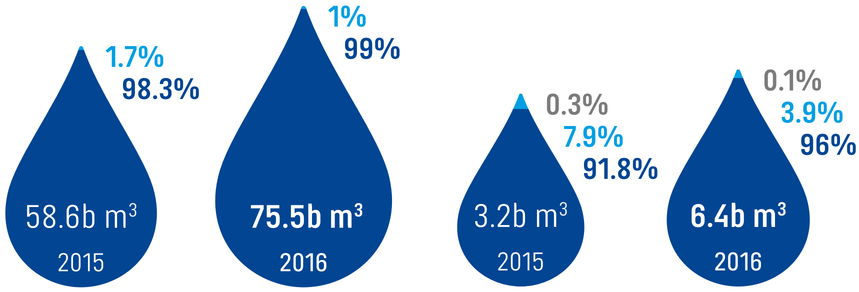
[1] Irrigation and process water is from surface and groundwater sources. Olam's own operations are plantations, concessions, farms and Tier 1 processing and manufacturing plants.

## FY16 value chain water footprint

Our water footprint for FY16 was 82 billion m$^3$ (comparable to 33 million Olympic swimming pools[2]), estimated using the Water Footprint Network's Assessment Tool.

### Rainwater
### 75.5 billion m$^3$

### Surface and Groundwater
### 6.4 billion m$^3$




| Rainwater 2015 | Rainwater 2016 | Surface and Groundwater 2015 | Surface and Groundwater 2016 |
|---|---|---|---|
| 0% processing | 0% processing | 0.3% processing | 0.1% processing |
| 1.7% Olam-managed plantations, concessions and farms | 1% Olam-managed plantations, concessions and farms | 7.9% Olam-managed plantations, concessions and farms | 3.9% Olam-managed plantations, concessions and farms |
| 98.3% supply chain | 99% supply chain | 91.8% supply chain | 96% supply chain |

**Total value chain water intensity increased by 1.6% from 4,265m$^3$ per tonne of product in FY15 to 4,331m$^3$ 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

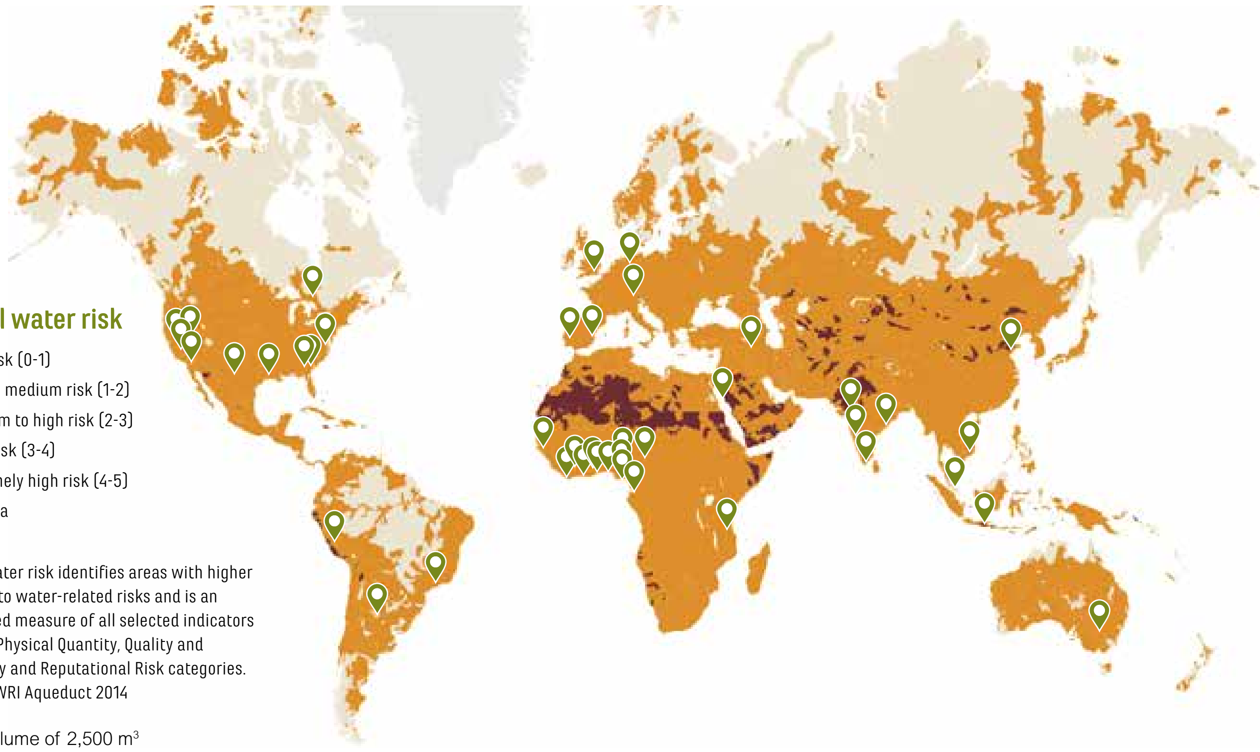
In 2016, we mapped our exposure to current water stress. Using the World Resources Institute Aqueduct risk mapping tool, we screened OLC programmes, our upstream farming and plantations operations and our secondary processing facilities. This enables us to implement enhanced water management and water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



### Overall water risk

- Low risk (0-1)
- Low to medium risk (1-2)
- Medium to high risk (2-3)
- High risk (3-4)
- Extremely high risk (4-5)
- No data

**Definition**
Overall water risk identifies areas with higher exposure to water-related risks and is an aggregated measure of all selected indicators from the Physical Quantity, Quality and Regulatory and Reputational Risk categories.
**Sources:** WRI Aqueduct 2014

[2] Pool volume of 2,500 m$^3$

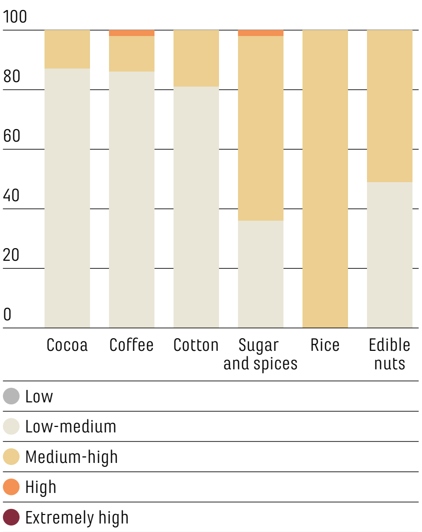
# Our material areas: Water

## 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 $m^3$ 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 Maharastra 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 AWS[1] 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.<br>Supplementary science-based targets to be developed on a water risk basis. | Partnership developed to set science-based targets.<br>Improved water metering at 100% of factories.<br>Baseline and target to be reviewed in light of improved data from metering and business restructuring. | On target |
| **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.<br>OLC programme water risk mapping completed.<br>Extend risk mapping to non-OLC in 2017. | Started |
| **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.<br>Monthly reporting on discharge for Tier 1 and coffee plantations.<br>Olam's upstream Farming Community of Practice established to support the development of erosion, nutrient and integrated pollution management programmes. | On target |
| **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 operations[1]
- 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

2 ZERO HUNGER

13 CLIMATE ACTION

[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 2ºC 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 5ºC, 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 2ºC 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.

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 $CO_2e$ per year.

Solar investment during 2017 in the Ghana biscuit processing facility will reduce emissions by 56 tonnes of $Co_2$ per year. Preliminary feasibility studies have been undertaken for another 4 plants in Ghana.

## 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.

# 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 $CO_2e$) | 0.70 | 1.76 | 1.52 |
| **Scope 2** – Indirect GHG emissions from consumption of purchased electricity, heat or steam (million tonnes of $CO_2e$) | 0.06 | 0.08 | 0.06 |
| **Scope 1 + 2** (million tonnes of $CO_2e$) | 0.76 | 1.84 | 1.58 |
| **For every tonne of product produced, this many tonnes of $CO_2e$ 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 $CO_2e$) | 0.67 | 0.33 | 0.38 |
| **Scope 2** – Indirect GHG emissions from consumption of purchased electricity, heat or steam (million tonnes of $CO_2e$) | 0.19 | 0.12 | 0.18 |
| **Scope 1 + 2** (million tonnes of $CO_2e$) | 0.86 | 0.45 | 0.56 |
| **For every tonne of product produced, this many tonnes of $CO_2e$ 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.

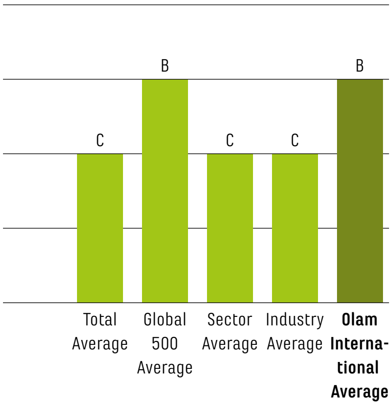
## Supporting healthy, carbon-rich soil

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.

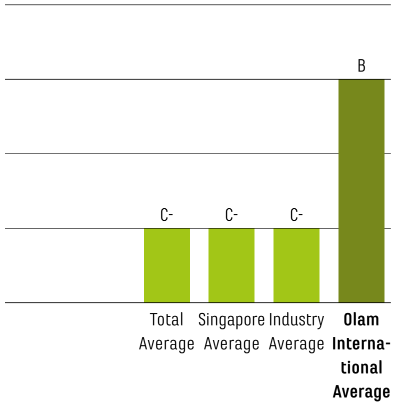
## Reporting to CDP[1]

### Average CDP scores



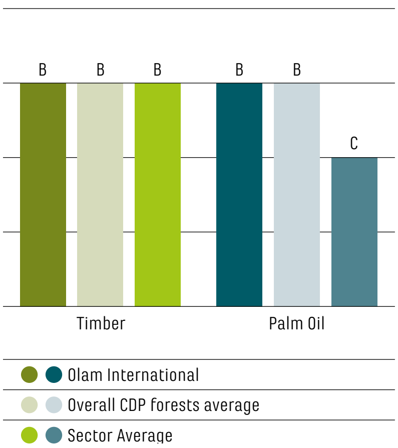

CDP awarded Olam a 'B' for climate change, including emissions management, governance and strategy, risk and opportunity management and verification.

### Average CDP supplier engagement rating



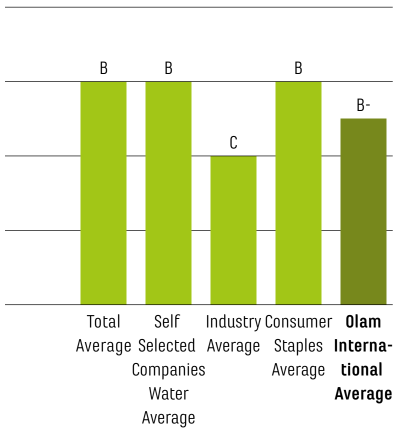

CDP piloted an assessment in 2016 evaluating the ability of organisations to engage with their supply chain on climate change to incentivise significant environmental changes. However, in 2016 just 23% of companies (which includes Olam) reported that they engaged with their own suppliers on GHG emissions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




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<br>(1) operational efficiency<br>(2) Avoid High Carbon Stocks for land development<br>(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.<br>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.<br>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)<br>2. Spices and Vegetable Ingredients (including pepper, onion, garlic, capsicums and tomato) |
| **Confectionery and Beverage Ingredients** | 3. Cocoa<br>4. Coffee |
| **Food Staples and Packaged Foods** | 5. Rice<br>6. Sugar and Sweeteners<br>7. Grains and Animal Feed<br>8. Edible Oils<br>9. Dairy<br>10. Packaged Foods |
| **Industrial Raw Materials, Ag Logistics and Infrastructure** | 11. Cotton<br>12. Wood Products<br>13. Rubber<br>14. Fertiliser<br>15. Gabon Special Economic Zone (GSEZ including ports and infrastructure) |
| **Commodity Financial Services (CFS)** | 16. Risk Management Solutions<br>17. Market-making, Volatility Trading and Asset Management<br>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 entitles 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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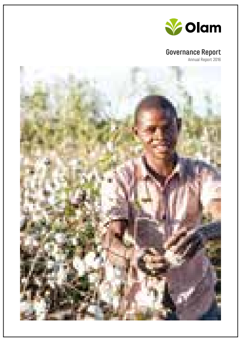
# Governance Report
Annual Report 2016

## Contents



## About this report

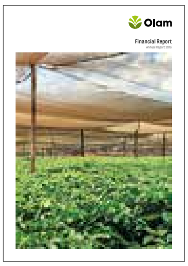
This annual report has 3 chapters. These can be read independently; however, for the purpose of compliance they are intended to be viewed as a single document.




### Governance Report

Introduced by Non-Executive Chairman, and Independent Director Kwa Chong Seng and Lim Ah Doo, this section of the report gives detailed information about our rigorous governance framework and those responsible for ensuring it is followed. Shareholder information is also held within this chapter.


### Strategy 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

Smallholder farmers picking certified cotton to supply our operations, Mozambique.

# PURSUING PROFITABLE GROWTH TO DRIVE LONG-TERM SHAREHOLDER VALUE

### Financial Performance

2016 was another difficult year for the global economy characterised by low growth, the rise of populism, unfolding of unexpected events including Brexit, and the unwelcome prospects of a return to protectionism. Global trade slowed down as a proportion of global GDP. All of this combined to create difficult trading conditions and posed strong headwinds for our business.

Despite this volatile and challenging backdrop, we are pleased to report that Olam has delivered strong earnings growth in 2016 with Operational PATMI growth of 23.1% to S$363.8 million. We believe that this consistency of performance, particularly under times of uncertainty demonstrates the strength of Olam's differentiated strategy, its stable and long term shareholder base and an outstanding management team.

During the course of the year the company returned S$94.4 million to the shareholders through share buybacks and the Board of Directors has recommended a final ordinary dividend of 3 cents per share, bringing total dividends to 6 cents per share for the 12 months FY2016 compared to total dividend payout of 6 cents per share for the previous financial year of 18 months.

### Strategic Progress

We made solid progress in implementing our three year strategic plan (FY2016 to 2018) by making selective and targeted organic and inorganic investments in 2016 to accelerate growth in our prioritised platforms. We entered the animal feeds business in Nigeria by setting up two plants to produce poultry and fish feed and a hatchery for producing day-old-chicks. We made targeted investments to expand our upstream plantation footprint across almonds, pistachios, walnuts, coffee, palm, rubber and black pepper. During the year, we also successfully integrated strategic and transformational acquisitions that we had made in the cocoa, peanut and grains businesses.

We have also invested in understanding the impact of the digital revolution on our business by setting up a Digital Task Force within the company with two objectives: 1) Adopt digital solutions that can transform our existing business in terms of improving efficiencies and reducing costs, and 2) Explore digital opportunities that can potentially disrupt our industry.

*"Our continued performance is predicated on the strength and depth of Olam's leadership and management team. Succession planning, talent management and development is therefore taken very seriously at Olam."*

## Building a Sustainable Business

Olam's commitment to sustainability and responsible growth remained unwavering in 2016, and in such times of uncertainty, became even more of a differentiator.

We are proud that Olam in October 2016 became one of the founding members of the Global Agri-business Alliance, a powerful industry initiative that will work together to alleviate environmental and social challenges in agricultural supply chains across the world.

In April 2016, our Co-Founder and Group CEO Sunny George Verghese spoke at the United Nations General Assembly on achieving its Sustainable Development Goals (SDGs) as a representative of the private sector. Sunny also became a member of the Business and Sustainable Development Commission, demonstrating that Olam is active in contributing to global efforts in building a sustainable future.

## Talent Development and Succession Planning

Our continued performance is predicated on the strength and depth of Olam's leadership and management team. Succession planning, talent management and development is therefore taken very seriously at Olam.

In this regard, the Board of Directors took steps to ensure Olam's continuing success with the promotion of Shekhar Anantharaman in April 2016 to the newly created position of Group Chief Operating Officer (GCOO). In this role, Shekhar will assist the Group CEO to oversee all aspects of Olam's business. In addition, the Board also promoted N. Muthukumar as the new Group Chief Financial Officer.

## Board Composition and Chairman Transition

We are delighted to welcome Rachel Eng Yaag Ngee as an Independent and Non-Executive Director of Olam with effect from April 2016. We believe Rachel's extensive legal background and Board experience will be a good complement to our Board.

Kwa Chong Seng stepped down with effect from 31 December 2016 as Olam's Independent, Non-Executive Chairman and Director of the Board following his appointment as the Chairman of Singapore Exchange Limited (SGX). Lim Ah Doo was appointed as an Independent Non-Executive Director and Chairman-designate with effect from 1 November 2016 and became the Non-Executive Chairman of the Board with effect from 1 January 2017.

The Board provided oversight of the company's strategy, capital allocation and investment decisions, performance, risk management, compliance, control and assurance framework, audit, people and sustainability through its various committees and Board meetings. The Board visited the company's operations in Nigeria and Russia during the course of the year. These visits allow Board members to develop their own understanding of the company's operations and its senior leadership and management team. The Board has regular open and constructive discussions with the Management Team on all matters pertinent to the Group's performance.


## Acknowledgements

On behalf of the Board, we would like to thank our 69,800 employees for their commitment to Olam. Their alignment to the 'Olam Way' and our Strategy, combined with their dedication and hard work enables us to deliver on our commitments. We also want to thank all our shareholders for your continued support, confidence and trust. We would also like to take this opportunity to thank all our partners, including our farmer suppliers, service providers, customers and civil society partners in creating mutual value for all our stakeholders and making Olam what it is – a company you can be proud of for delivering profitable growth in a responsible way.


**Kwa Chong Seng**
Chairman, Non-Executive and Independent Director

**Lim Ah Doo**
Chairman, Non-Executive and Independent Director

**Kwa Chong Seng** **Lim Ah Doo**

## Board of Directors

# AN EXPERIENCED BOARD

### Kwa Chong Seng, 70

C G H

Chairman, Non-Executive and Independent Director*

**Date of first appointment as Director and Deputy Chairman:** 1 October 2014

**Date of appointment as Chairman:** 31 October 2015

**Date of resignation:** 31 December 2016*

**Date of last re-election:** 30 October 2014

**Length of service as a Director (as at 31 December 2016):** 3 years 3 months

**Academic and professional qualification:**

Bachelor of Engineering (Mechanical), University of Singapore
Fellow of the Academy of Engineering Singapore

**Present Directorship:**

**Listed company**

Singapore Exchange Ltd (Chairman)

Singapore Technologies Engineering Ltd (Chairman)

**Non-listed company**

Seatown Holdings Pte Ltd (Director)

**Major appointment (other than Directorship):**

Advisory Committee of Dymon Asia Capital Ltd (Chairman)

Public Service Commission, Singapore (Deputy Chairman)

Defence Science and Technology Agency (Board Member)

**Past Directorships held over the preceding three years:**

APL Logistics Ltd (Chairman)

Delta Topco Limited (Director)

Fullerton Fund Management Company Ltd. (Chairman)

Neptune Orient Lines Limited (Chairman)[1]

Singapore Technologies Holdings Pte Ltd (Director)

**Additional information:**

Kwa Chong Seng was the Deputy Chairman of Temasek Holdings Pte Ltd from 1997 to 2012 and a Non-Executive Director of DBS Group Holdings Ltd and DBS Bank Ltd from 2003 to 2012. Chong Seng has more than 40 years of experience in the petroleum industry. He started his career with Esso Singapore Pte Ltd in 1969, holding various roles in Logistics, Marketing and other parts of the downstream business before becoming Chairman and Managing Director in 1992. He held this post until 1999 when he became Chairman and Managing Director of ExxonMobil Asia Pacific Pte Ltd. He retired from this position in 2011. Chong Seng was awarded the Distinguished Engineering Alumni Award by the National University of Singapore. He has been awarded the Honorary Ningbo Citizenship, the Singapore Public Service Star and also the Singapore Public Service Star (Bar).

### Lim Ah Doo, 67

C G H

Chairman, Non-Executive and Independent Director

**Date of first appointment as Director and Chairman-designate:** 1 November 2016

**Date of appointment as Chairman:** 1 January 2017

**Length of service as a Director (as at 31 December 2016):** 2 months

**Academic and professional qualification:**

Degree (Honours) in Engineering, Queen Mary College, University of London

Master in Business Administration, Cranfield School of Management

**Present Directorship:**

**Listed company**

ARA-CWT Trust Management (Cache) Limited (Director) *(Manager of Cache Logistics Trust)*

GDS Holdings Ltd (Director)

GP Industries Ltd (Director)

SembCorp Marine Ltd (Director)

Singapore Technologies Engineering Ltd (Director)

SM Investments Corporation (Director)

**Non-listed company**

Singapore Technologies Marine Ltd (Chairman)

STT GDC Pte. Ltd. (Director)

Tata Communications Data Centers Private Limited (Director)

U Mobile Sdn Bhd (Director)

**Major appointment (other than Directorship):**

Nil

**Past Directorships held over the preceding three years:**

Linc Energy Limited

Bracell Limited

**Additional information:**

Lim Ah Doo had an 18-year banking career at Morgan Grenfell, which included being the Chairman of Morgan Grenfell (Asia) Limited from 1993 to 1995. He also chaired the Singapore Investment Banking Association in 1994. Between 2003 and 2008, he was President and then Vice Chairman of the RGE Group, a global resource group. Ah Doo was previously an Independent Director at EDB Investments and an Independent Commissioner and Chairman of the Audit Committee of PT Indosat (Indonesia).

### Sunny George Verghese, 57

C B

Executive Director, Co-Founder and Group CEO

**Date of first appointment as Director:** 11 July 1996

**Date of last re-election:** 25 April 2016

**Length of service as a Director (as at 31 December 2016):** 20 years 5 months

**Academic and professional qualification:**

Postgraduate Degree in Business Management, Indian Institute of Management, Ahmedabad

Advanced Management Program, Harvard Business School

**Present Directorship:**

**Listed company**

Société SIFCA (Non-Executive Director)

**Non-listed company**

Caraway Pte. Ltd. (Director)

**Major appointment (other than Directorship):**

Human Capital Leadership Institute (Chairman)

**Past Directorships held over the preceding three years:**

International Enterprise Singapore (Chairman)

National University of Singapore (Trustee)

PureCircle Limited (Director)

**Additional information:**

Sunny Verghese had been with the Kewalram Chanrai Group (K.C. Group) for nearly 3 decades and in 1989 was mandated to start the Company with a view to building an agricultural products business. Before joining the K.C. Group, he worked for Unilever in India. Sunny has won several awards including Ernst & Young Entrepreneur of the Year for Singapore in 2008 and Best CEO of the Year 2011 at the Singapore Corporate Awards. He was also awarded the Public Service Medal by the Government of the Republic of Singapore in 2010. Sunny also serves as a commissioner of the Business and Sustainable Development Commission.

[1] Including its subsidiaries, namely, APL Co. Pte Ltd (Chairman), APL (Bermuda) Ltd. (Chairman), Automar (Bermuda) Ltd. (Chairman), APL Limited (Chairman), NOL Liner (Pte.) Ltd. (Chairman)

## Jean-Paul Pinard, 66

CRS C H

Independent Non-Executive Director

**Date of first appointment as Director:**
29 October 2008

**Date of last re-election:** 30 October 2013

**Length of service as a Director (as at 31 December 2016):** 8 years 2 months

### Academic and professional qualification:

PhD in Economics, University of California

Diplôme d'Ingénieur, École Polytechnique, Paris

### Present Directorship:

**Listed company**
Nil

**Non-listed company**
Nil

### Major appointment (other than Directorship):

Nil

### Past Directorships held over the preceding three years:

Yantai Changyu Pioneer Wine Company Limited (Director)

Zalagh Holding
(Member of the Supervisory Board)

### Additional information:

Jean-Paul Pinard, prior to joining Olam, spent 17 years with the International Finance Corporation, Washington, DC (IFC), becoming Director of the Agribusiness Department, responsible for managing IFC's global investment portfolio in agri-business and food sectors.

Key

- A Audit Committee
- B Board Risk Committee
- C Capital and Investment Committee
- CRS Corporate Responsibility and Sustainability Committee
- G Governance and Nomination Committee
- H Human Resource and Compensation Committee
- Denotes Committee Chairman

## Sanjiv Misra, 56

C B H

Independent Non-Executive Director

**Date of first appointment as Director:**
1 November 2013

**Date of last re-election:** 30 October 2014

**Length of service as a Director (as at 31 December 2016):** 3 years 2 months

### Academic and professional qualification:

Bachelor's Degree in Economics, St Stephen's College, University of Delhi, India

Postgraduate Degree in Management, University of Delhi, Indian Institute of Management, Ahmedabad

Master in Management, JL Kellogg Graduate School of Management, Northwestern University

### Present Directorship:

**Listed company**
Edelweiss Financial Services Ltd (Director)

OUE Hospitality REIT Management Pte. Ltd. (Director) *(Manager of OUE Hospitality Real Estate Investment Trust)*

**Non-listed company**
Edelweiss Capital (Singapore) Pte Ltd (Director)

EDBI Pte Ltd (Director)

OUE Hospitality Trust Management Pte. Ltd. (Director)

Phoenix Advisers Pte. Ltd.
(President and Director)

### Major appointment (other than Directorship):

Apollo Management Asia Pacific Advisory Board (Chairman)

### Past Directorships held over the preceding three years:

National University Health System (Director)

### Additional information:

Sanjiv Misra's career featured several senior positions including Chief Executive Officer of Citigroup's Global Corporate and Investment Banking Group in Singapore and Brunei and Country Officer in Singapore, Head of Asia Pacific Investment Banking and Head of the Asia Pacific Corporate Bank, in a career spanning 11 years with Citigroup. His career prior to Citigroup included 10 years with Goldman Sachs & Co in New York, Hong Kong and Singapore. He was previously a member of the Board of Trustees of the Singapore Management University.

## Nihal Vijaya Devadas Kaviratne CBE, 72

A CRS

Independent Non-Executive Director

**Date of first appointment as Director:**
1 October 2014

**Date of last re-election:** 25 April 2016

**Length of service as a Director (as at 31 December 2016):** 2 years 3 months

### Academic and professional qualification:

Bachelor of Arts, Economics (Honours), Bombay University, India

### Present Directorship:

**Listed company**
Akzo Nobel India Limited (Chairman)

DBS Group Holdings Ltd (Director)

GlaxoSmithKline Pharmaceuticals Ltd (Director)

StarHub Ltd (Director)

**Non-listed company**
Caraway Pte. Ltd. (Chairman)

DBS Bank Ltd (Director)

DBS Foundation Ltd (Director)

### Major appointment (other than Directorship):

Bain & Company SE Asia, Inc (Member, Advisory Board for South East Asia/Indonesia)

Private Sector Portfolio Advisory Committee in India of the UK Government's Department for International Development (Member)

### Past Directorships held over the preceding three years:

TVS Motor (Singapore) Pte. Limited (Director)

PT TVS Motor Company
(President Commissioner)

SATS Ltd (Director)

Titan Company Limited (Director)

Wildlife Reserves Singapore Pte Ltd (Director)

### Additional information:

Nihal Kaviratne CBE career with the Unilever Group spanned 40 years during which he held various senior level management positions in sales, marketing, brand and strategic planning and development, and as Chairman/CEO across Asia, Europe and Latin America. He retired from Unilever in 2005. He was cited in HM Queen Elizabeth II's 2004 New Year Honours List in the UK and has been made a Commander of the Order of the British Empire (CBE) for services to UK business interests and to sustainable development in Indonesia.

He was one of "25 leaders at the forefront of change" chosen by Business Week in 2002 for the Stars of Asia Award. In its year end 2010 issue, Forbes India listed him as one of the "5 top names to have on your Board".

# Board of Directors

## Yap Chee Keong, 56

A B G

### Independent Non-Executive Director

**Date of first appointment as Director:**
1 December 2015

**Date of last re-election:** 25 April 2016

**Length of service as a Director (as at 31 December 2016):** 1 year 1 month

**Academic and professional qualification:**

Bachelor of Accountancy, National University of Singapore

Fellow, Institute of Singapore Chartered Accountants and Certified Public Accounts, Australia

**Present Directorship:**

**Listed company**

ARA Asset Management Limited (Director)

The Straits Trading Company Limited (Director)

Malaysia Smelting Corporation Berhad (Director)

Sembcorp Industries Ltd (Director)

**Non-listed company**

Certis CISCO Security Pte Ltd (Director)

Citibank Singapore Limited (Director)

CityNet Infrastructure Management Pte Ltd* (Chairman) *(Trustee-Manager of NetLink Trust, a business trust wholly owned by Singapore Telecommunications Ltd)*

MediaCorp Pte Ltd (Director)

Rahman Hydraulic Tin Sdn Bhd (Director)

**Major appointment (other than Directorship):**

Board Member, Accounting and Corporate Regulatory Authority*

Member, Public Accountants Oversight Committee*

**Past Directorships held over the preceding three years:**

CapitaMalls Asia Limited (Director)

Hup Soon Global Corporation Limited (Director)

Interoil Corporation (Director)

Tiger Airways Holdings Limited (Director)

**Additional information:**

Yap Chee Keong was previously an Executive Director of Straits Trading Limited and the CFO of the Singapore Power Group.

* Directorship/Committee membership until 31 March 2017.

## Marie Elaine Teo, 50

B C CRS

### Independent Non-Executive Director

**Date of first appointment as Director:**
1 December 2015

**Date of last re-election:** 25 April 2016

**Length of service as a Director (as at 31 December 2016):** 1 year 1 month

**Academic and professional qualification:**

Bachelor of Arts (Honours) in Experimental Psychology, Oxford University
MBA, INSEAD

**Present Directorship:**

**Listed company**

Nil

**Non-listed company**

Caregivers Alliance Ltd (Director)

Mapletree Investments Pte Ltd (Director)

**Major appointment (other than Directorship):**

Member, International Development Group of the Jesuit Refugee Service

**Past Directorships held over the preceding three years:**

Nil

**Additional information:**

Marie Elaine Teo was previously a Senior Advisor and Partner at the Hakluyt & Company (formerly Holdingham Group Ltd). Elaine has over 20 years of investment experience, primarily with the Capital Group companies where she focused on Asian banks and global emerging markets, both as an analyst and an investment manager. She was formerly the Chairman of Capital International Research Group and Managing Director of Capital International Inc., Asia.

## Rachel Eng Yaag Ngee, 48

A G H

### Independent Non-Executive Director

**Date of first appointment as Director:**
25 April 2016

**Length of service as a Director (as at 31 December 2016):** 8 months

**Academic and professional qualification:**

Bachelor of Law (Honours), National University of Singapore

Diploma in Accounting and Finance, Chartered Association of Certified Accountants (UK)

**Present Directorship:**

**Listed company**

StarHub Ltd

**Non-listed company**

Certis Cisco Security Pte. Ltd. (Director)

SPH REIT Management Pte Ltd (Director)

Wopa Services Pte Ltd (Director)

89 Holdings Pte. Ltd. (Director)

**Major appointment (other than Directorship):**

Member, Supervisory Committee of ABF Singapore Bond Index, Monetary Authority of Singapore

Member, Appeals Panel, Abu Dhabi Global Market

Member, Committee on Future Economy, Ministry of Trade & Industry

Board Member, Public Utilities Board

Council Member, Singapore Business Federation

Member, Board of Trustees, Singapore Institute of Technology

**Past Directorships held over the preceding three years:**

Nil

**Additional information:**

Rachel Eng is the Deputy Chairman of WongPartnership effective 1 March 2016. She is involved in initial public offerings by companies and REITs on the Singapore Exchange Securities Trading Limited. She also handles corporate advisory and corporate governance work.

## Katsuhiro Ito, 57

A CRS G

### Non-Executive Director

**Date of first appointment as Director:**
1 November 2015

**Date of last re-election:** 25 April 2016

**Length of service as a Director (as at 31 December 2016):** 1 year 2 months

**Academic and professional qualification:**

Degree in Economics, Yokohama National University

Advanced Management Program, Harvard Business School

**Present Directorship:**

**Listed company**
Nil

**Non-listed company**
Nil

**Major appointment (other than Directorship):**
Nil

**Past Directorships held over the preceding three years:**
Nil

**Additional information:**

Katsuhiro Ito is a Senior Vice President of Mitsubishi Corporation. He has been with the Mitsubishi Group since 1982 and has held senior positions within Mitsubishi in New York, and other central functional roles in Tokyo. Before his current appointment, Ito san was the Senior Vice President and Chief Financial Officer of Mitsubishi Corporation Americas from 2012 to 2014.

## Yutaka Kyoya, 54

C B H

### Non-Executive Director

**Date of first appointment as Director:**
1 November 2015

**Date of last re-election:** 25 April 2016

**Length of service as a Director (as at 31 December 2016):** 1 year 2 months

**Academic and professional qualification:**

Degree in Commerce, Waseda University, Tokyo

Advanced Management Program, Harvard Business School

**Present Directorship:**

**Listed company**
Lawson, Inc. (Director)

Mitsubishi Shokuhin Co., Ltd. (Director)

**Non-listed company**
Nil

**Major appointment (other than Directorship):**
Nil

**Past Directorships held over the preceding three years:**

Thai Union Group Public Company Limited (Director)

Kadoya Sesame Mills Inc. (Director)

Rokko Butter Co., Ltd. (Director)

**Additional information:**

Yutaka Kyoya is Executive Vice President of Mitsubishi Corporation (MC) and Chief Executive Officer of its Living Essential Group. He joined MC in 1984 and has since been engaged in the food business. Kyoya san has held various roles in MC, in Tokyo as well as in its overseas offices, including the USA, Malaysia and Singapore. Prior to his current position, Kyoya san was General Manager of the Global Consumer Business Development Unit in 2012 before he was promoted to Senior Vice President of the MC and Chief Operating Officer of its Living Essential Resources Division in 2014.

## Shekhar Anantharaman, 53

C CRS

### Executive Director and Group Chief Operating Officer

**Date of first appointment as Director:**
1 April 1998

**Date of last re-election:** 30 October 2014

**Length of service as a Director (as at 31 December 2016):** 18 years 8 months

**Academic and professional qualification:**

Degree in Aeronautical Engineering, Panjab University, India

Postgraduate Degree in Business Management, Panjab University, India

Advanced Management Program, Harvard Business School

**Present Directorship:**

**Listed company**
Nil

**Non-listed company**
Caraway Pte Ltd (Director)

**Major appointment (other than Directorship):**
Nil

**Past Directorships held over the preceding three years:**
Nil

**Additional information:**

Shekhar Anantharaman is currently the Group Chief Operating Officer of the Company jointly overseeing all aspects of the Company's global business with the Group CEO. Shekhar joined Olam in 1992. Prior to his current role, he was the Executive Director – Finance and Business Development for the Group leading the Company's overall Strategy and Business Development activities along with responsibility for various functions including the Group's Finance and Accounts, Treasury and IR, IT and Shared Services, Legal and Corporate Secretarial and Manufacturing and Technical Services. He has incubated and managed various global businesses for the Group including Edible Nuts, Spices and Vegetable Ingredients and Packaged Foods. As the Global Head of these businesses, Shekhar has been directly involved in identifying and leading many of the Company's organic and inorganic growth initiatives. He has also played a variety of country management and regional roles across Africa, Asia, Russia, South and North America.

Corporate governance report

# HARNESSING CORPORATE GOVERNANCE PRACTICES FOR SUSTAINABLE PROFITABLE GROWTH

The 2012 Code of Corporate Governance (the **Code**) is applicable to the Company for its 2016 Annual Report. Olam complies increasingly with the principles and guidelines of the Code. Today, the Board comprises more than 50% independent directors with the Board Chair being independent since 2015. With the optimal mix of expertise and experience including gender diversity, the Board is equipped to effectively lead and direct the Company's business and strategy, ensuring the long-term success of the Company.

This Corporate Governance report cross-references other reports and statements made in certain sections of the 2016 Annual Report such as the detailed profile of the Board that may be found in the section on Board of Directors, details on the Company's risk governance framework and the corporate responsibility and sustainability strategy as well as highlights that may be found in the Strategy Report. For completeness, this Corporate Governance report should be read in conjunction with the various sections of the 2016 Annual Report.

The Company continues to focus on the substance and spirit of the Code, while continuing to deliver on the Company's vision and objectives. Where there are differences between the Code and the Company's practices, we have clarified them within the report.

## BOARD LEADERSHIP TRANSITION

Mr. Kwa Chong Seng stepped down from Olam's Board as its Independent, Non-Executive Chairman on 31 December 2016. Chong Seng's tenure, first as Deputy Chairman from October 2014, and then as Chairman from October 2015 has had a significant impact on Olam's strategy and business. During this term, he oversaw the landmark strategic partnership with Mitsubishi Corporation which is expected to provide several sources of synergy that will help 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. The Board and Management records its appreciation to Chong Seng for his contribution, stewardship, guidance and motivation to the Board and the Management Team during his tenure.

Mr. Lim Ah Doo was appointed to the Board on 1 November 2016 as the new Independent, Non-Executive Chairman-designate. Ah Doo assumed chairmanship with effect from 1 January 2017. Ah Doo has extensive experience in banking, natural resources, infrastructure development and emerging markets from both banker and operator standpoints. His deep insights and broad experience will be directly relevant and useful in providing leadership and stewardship to Olam's development.

## Board matters

### Principle 1: The Board's conduct of affairs

Olam is led by an experienced Board with representatives from varied nationalities and diverse international business backgrounds. The Board oversees the affairs of the Company and provides leadership and guidance to the Senior Management Team. Collectively, the Board and the Senior Management Team ensure the long-term success of the Company and discharge their statutory and fiduciary responsibilities, both individually and collectively. The key functions of the Board are:

- To provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives, as well as to regularly review the execution and the implementation of the Strategic Plan;
- To oversee the process and framework for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and satisfy itself as to the adequacy and effectiveness of such processes and framework;
- To ensure the Company's compliance with such laws and regulations as may be relevant to the business;
- To assume responsibility for corporate governance;
- To set the Company's values and standards, and ensure that obligations to shareholders and others are understood and met, at all times;
- To review the performance of the Senior Management and the compensation framework for the Board, Executive Directors and Senior Management;
- To oversee the succession plans for the Board, Group CEO, Group COO, Group CFO and Senior Management;
- To oversee and consider corporate responsibility and sustainability issues, policies, standards and strategy in the context of the Company's activities which may have an impact on environmental and social issues; and
- To identify key stakeholder groups and consider their perceptions.

As an established practice, the material matters that require the specific review and approval of the Board are designated as Reserved Matters and include:

- Acquisitions, divestments and capital expenditure exceeding the authority limits established under an internal policy adopted by the Board, while delegating authority for transactions below those limits to Board Committees, the Executive Committee and Senior Management;
- Capital planning and raising, annual budgets and updates to the Strategic Plan;
- Key policy decision-making process and control;
- Banking facilities and corporate guarantees;
- Changes to capital, dividend distribution, issuance and buy-back and changes to shares and other securities;
- Matters considered not in the ordinary course of business of the Group; and
- Any matter which the Board considers significant enough to require the Board's direct attention or would be critical to the proper functioning of the Company or its business.

The Board is assisted by various Board Committees for the effective discharge of its responsibilities. To date, these include the Audit Committee (AC), Board Risk Committee (BRC), Capital and Investment Committee (CIC), Corporate Responsibility and Sustainability Committee (CRSC), Governance and Nomination Committee (GNC), and the Human Resource and Compensation Committee (HRCC).

Each Board Committee has clear written terms of reference which set out its role, authority, procedures and qualifications for membership. All of the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company.

The terms of reference of the Board Committees may be reviewed from time to time by each Committee, taking into consideration the changing needs of the business and operations of the Company, relevant laws and regulations. They are ratified by the GNC and approved by the Board.

Ad hoc committees of the Board may also be formed from time to time as part of the Board's commitment to engage and provide leadership to management in the business and operations of the Company. These ad hoc committees, formed by Independent Directors and supported by the Executive Team, add to the effectiveness and strength of the Company's governance practices as well as reflecting the interests and perspectives of the various stakeholders of the Company.

Directors are expected to exercise independent and objective judgement in the best interests of the Company. In the annual Board and peer performance evaluation exercise, the ability to discharge duties and responsibilities at all times as fiduciaries in the interests of the Company, as well as the ability to listen and discuss issues with one another objectively, are important assessment criteria.

Where the material matters require the approval of shareholders, the Board may if required under the Companies Act and/or the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) appoint an independent valuer or independent financial adviser to evaluate the fairness of the transaction price and offer.

### Board and Board Committee meetings

Meetings of the Board and Board Committees are scheduled one year in advance. Besides the regular agenda, the Board receives briefings and updates from the key executives and senior management on developments and issues concerning the Group's business or which have an impact on the business of the Group. Regular presentations and updates by business units and functions are provided to the Board to ensure an understanding of the Group's business. The Board sets aside time at each regular Board meeting to meet without the presence of Executive Directors or management.

In addition to the four scheduled meetings each year, the Board meets as and when warranted by particular circumstances as well as engaging in informal discussions. During the year under review, 7 Board and 22 Board Committee meetings were held, with certain Directors attending via telephone or video conference, as permitted by the Company's Constitution.

In line with the Group's commitment to business sustainability, conservation of the environment and technological advancement, Directors are provided with access to the Board and Board Committee papers through electronic devices to enable them to read, annotate as well as share their comments on the Board and Board Committee papers in soft copy prior to and during meetings.

In 2016, the Board undertook detailed review of the Company's budgeting exercise, risk governance framework, and the internal control systems. Board Committees' oversight on specific risks areas was also determined under the revised risk governance framework.

To ensure that the Board has an in-depth understanding of the Group's business and activities, one or more Board offsite visits is organised in countries where the Company operates. Besides the visits to facilities, the Board meets with the local management team as well as in-country key stakeholders. Ad hoc visits by the Board Committees are organised wherever required to better facilitate the review of issues delegated by the Board. Yearly, the Board is invited to participate in the Annual ManComm Meet attended by a significant number of key executives and senior management of the Company globally, with experts in economic, policies, social, strategy, environmental areas etc. addressing the participants. The Annual Meet provides the Board with opportunities to deepen their interactions with the leadership team of the Company, and to gain insights into issues and developments that are important for the long-term success of the business.

Besides meetings of the Board, the Board pursuant to the Company's Constitution and the Board Committees under their terms of reference may also make decisions by way of resolution by circulation. The details of the Directors' membership on the Board and Board Committees are provided in the following pages.

A table showing the memberships of the Directors and number of Board, Board Committee, Non-Executive Directors' and shareholders' meetings held during the year under review along with the attendance of Directors are provided on page 8 of this report. Throughout the year, Directors individually and collectively actively engage with other members of the Board, the Group CEO and Group COO, Senior Management Team and external consultants to gain deeper insights into the industry and the business of the Company. The contribution to and involvement of Directors in Board affairs and growth of the Company cannot be quantified simply by their attendance. Their input and engagement in the affairs of the Company far outweigh their attendance at these meetings.

## Corporate governance report

# Information on Board and Board Committee Membership and Attendance at Board, Board Committees and Shareholders Meetings For the year ended 31 December 2016

| Directors | Membership / No. of Meetings Held | Board 7 | NED 5 | AC 5 | BRC 5 | CIC 5 | CRSC 4 | GNC 2 | HRCC 1 | AGM 1 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Lim Ah Doo[1]** | Chairman-designate[1] (CD) Independent Non-Executive | CD[1] 2/2 | CD[1] 1/1 | – | – | M 2/2 | – | CD[1] –[1] | CD[1] –[1] | – – |
| **Jean-Paul Pinard** | Independent | M 6/7 | M 5/5 | – | – | M 5/5 | C 4/4 | – | M 1/1 | M 1/1 |
| **Sanjiv Misra** | Independent | M 7/7 | M 5/5 | – | M 5/5 | C 5/5 | – | – | M 1/1 | M 1/1 |
| **Nihal Vijaya Devadas Kaviratne CBE** | Independent | M 7/7 | M 5/5 | M 5/5 | – | – | M 4/4 | – | – | M 1/1 |
| **Katsuhiro Ito** | Non-Executive | M 7/7 | M 5/5 | M 5/5 | – | – | M 4/4 | M 2/2 | – | M 1/1 |
| **Yutaka Kyoya** | Non-Executive | M 7/7 | M 5/5 | – | M 5/5 | M 5/5 | – | – | M 1/1 | M 1/1 |
| **Marie Elaine Teo** | Independent | M 7/7 | M 5/5 | – | C 5/5 | M 5/5 | M 4/4 | – | – | M 1/1 |
| **Yap Chee Keong** | Independent | M 7/7 | M 5/5 | C 5/5 | M 5/5 | – | – | M 2/2 | – | M 1/1 |
| **Rachel Eng Yaag Ngee[3]** | Independent | M 5/6 | M 5/5 | M 3/3 | – | – | – | M 1/2 | M – | M 1/1 |
| **Sunny George Verghese** | Executive | M 7/7 | – | – | M 5/5 | M 5/5 | – | – | – | M 1/1 |
| **Shekhar Anantharaman** | Executive | M 6/7 | – | – | – | M 5/5 | M 4/4 | – | – | M 1/1 |
| **Kwa Chong Seng[2]** | Independent Non-Executive | M 7/7 | C 5/5 | – | – | M 5/5 | – | C 2/2 | C 1/1 | C 1/1 |
| **Michael Lim Choo San[4]** | Lead Independent | M 1/1 | M 1/1 | C 2/2 | M 1/1 | – | – | C 1/2 | – | M 1/1 |
| **Robert Michael Tomlin[4]** | Independent | M 1/1 | M 1/1 | M 2/2 | C 1/1 | – | M 1/1 | – | – | M 1/1 |

"M" Member
"C" Chairman
"NED" Non-Executive Director
"AC" Audit Committee
"BRC" Board Risk Committee
"CIC" Capital and Investment Committee
"CRSC" Corporate Responsibility and Sustainability Committee
"GNC" Governance and Nomination Committee
"HRCC" Human Resource and Compensation Committee
"AGM" Annual General Meeting

1. **Lim Ah Doo was appointed Independent Non-Executive Director and Chairman-designate and member of the CIC, GNC and HRCC on 1 November 2016. He assumed Chairmanship on 1 January 2017 where he also became Chairman of GNC and HRCC. The GNC and HRCC meetings held during the year were held prior to 1 November 2016.**
2 Kwa Chong Seng assumed Chairmanship of GNC on 25 April 2016 and stepped down as Independent Non-Executive Chairman and all his appointments on the Board Committees on 31 December 2016.
3. Rachel Eng was appointed as Independent Non-Executive Director at the last AGM held on 25 April 2016.
4. Michael Lim Choo San and Robert Michael Tomlin stepped down as Board members on 25 April 2016.

### Induction and orientation of Directors

Upon their appointment, Directors are issued with a formal appointment pack which outlines their Board and Board Committee membership details and term of office, fiduciary duty and legal obligations of a director, other vital information regarding their appointment and on the Company. Newly appointed directors undergo a comprehensive and tailored induction programme which includes briefings by the Board Chairman, Group CEO and Group COO, industry, business and operations briefings by Senior Management; visits to the Group's key operations; and briefing on governance matters, etc. The newly appointed Directors are further assisted by the Group Corporate Secretarial office to enable them to appropriately discharge their statutory and fiduciary duties.

### Directors' training

To keep the Directors abreast of developments in the Group's diverse industries as well as the Company's global operations, country visits and interactions with business and geography teams are amongst the different types of exposure provided. Directors are invited to participate in sessions and talks conducted by specific industry specialists and experts on trends, developments and issues concerning the sectors in which the Company operates. Directors are routinely briefed via detailed presentations on the development and progress of the Group's key operations. Regular updates on Directors' duties and responsibilities, and changes to any relevant laws and regulations such as the Listing Rules of the SGX-ST, the Code, the Companies Act, etc. are provided to the Board.

During the year under review, the Board was briefed on the global sustainability issues and developments, changes and developments in financial reporting standards by the external auditors, policies changes in countries where the Group operates, information technology (including cyber-security) and shared services, etc.

The Board also visited the Company's operations in Russia and Nigeria which included a visit to the processing facilities, plantations, dairy farms and facilities, Grains elevator and crop harvest fields. The visits included meetings with key stakeholders and government representatives.

Information on conference, seminars and programmes organised by external parties received from time to time are made available to the Directors for their participation. The Company Secretary provides Directors who may wish to participate with administrative support.

## Principle 2: Board composition and guidance

To align with the extensive geographical spread and depth of the business, the existing Board comprises Directors with diverse skills and expertise in finance and accounting, banking, investment, strategic planning, retail, infrastructure, legal and environment and sustainability issues. The size, composition and blend of experience of the Board allows discussions on matters of policy, strategy and performance to be informed, critical and constructive. The profile and key information of each Director is provided in the Board of Directors section of the 2016 Annual Report.

### Board size

Our Board currently consists of 11 members, 7 of whom are Independent Non-Executive Directors, 2 of whom are Non-Independent Non-Executive Directors and the remaining 2 being Executive Directors. More than 50% of the Board are comprised of Independent Non-Executive Directors. The two Non-Independent Non-Executive Directors are appointed by Mitsubishi Corporation. The Governance and Nomination Committee (GNC) examines the size of the Board to ensure that it is appropriate for effective decision-making. The review takes into consideration the variety, magnitude, nature and depth of the Group's business and operations. Based on the factors considered and the composition of the existing Board who collectively possess sufficient depth and breadth to discharge duties and responsibilities effectively as well as to make objective decisions, the current Board size of 11 members is appropriate.

### Board diversity

The composition of the Board today is a testimony to what it believes is important; diversity for an optimal mix of expertise and experience. The importance of diversity stretches across skills, industry experience, geographic exposure, training and gender. The Board today has 2 women Directors with the nationalities of the Directors spanning 5 countries. The Board is well-appointed for the foreseeable future.

### Independence

The GNC determines on an annual basis each Director's independence bearing in mind the definition of an Independent Director under the Code and guidance as to relationships that may exist which would cause a Director to be deemed non-independent. A Director who has no familial or commercial relationship with the Group or its officers and substantial shareholders of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of the Company, is considered to be independent.

The Code further requires the independence of any Director who has served on the Board beyond 9 years to be rigorously reviewed. The basis of determination by the GNC takes into account the annual confirmation of independence (the 'Confirmation') completed by each Independent Director. He or she is required to critically assess their independence by examining the existence of any relationships or dealings that may compromise their independence.

Having carried out its review for the year under review and taking into account the views of the GNC, the Board has determined that, with the exception of the 2 Non-Executive Directors and 2 Executive Directors, the remaining 7 Directors are to be considered as independent.

## Corporate governance report

In its review, the GNC has considered the independence of Ms. Rachel Eng Yaag Ngee who is the Deputy Chairman and an equity partner of WongPartnership LLP (WongP). WongP is engaged by the Company to provide professional legal services from time to time and, for the financial year ended 31 December 2016, the professional fees billed to the Company exceeded S$200,000. Notwithstanding the above, Ms. Rachel Eng does not hold 10% or more interests in WongP, and is not the partner overseeing the legal services (rendered to the Company) that were billed. The GNC considered whether the professional legal services provided by WongP is in the ordinary course of business on an arm's length basis and based on normal commercial terms; and whether Ms. Rachel Eng is able to exercise strong independent business judgement with a view to acting in the best interests of our Company. The GNC concluded with the concurrence of the Board that Ms. Rachel Eng is to be considered as independent and objective.

#### Ongoing renewal of the Board

The ongoing renewal of the Board is in line with the Board's policy on tenure of directorships. Since 2013, long-serving independent directors were retired gradually at each AGM with new independent directors who possess the required skills and capabilities appointed to fill these vacancies. All newly appointed independent directors will be subject to a term of office comprising two terms of 3 years each, with an additional term of 3 years at the sole discretion of the Board subject to a maximum tenure of no more than 9 years. All directors whether executive, non-executive or independent remain subject to an annual evaluation notwithstanding the term of office. Independent directors may be retired prior to completion of the term of office if so determined by the Board, taking into consideration the recommendation of the GNC.

#### Non-Executive Independent Directors

The Non-Executive Independent Directors fulfil a pivotal role in corporate accountability. Their role is particularly important as they provide unbiased and independent views, advice and judgement to protect the interests not only of the Company but also of shareholders, employees, customers, suppliers and the many communities in which the Company conducts business. The Board has since 2013 maintained the number of Executive Directors at 2 to have a greater proportion of independent representation on the Board.

### Principle 3: Chairman and Group Chief Executive Officer

Mr. Kwa Chong Seng stepped down as the Independent and Non-Executive Chairman and Director of the Company on 31 December 2016. On 1 January 2017, Mr. Lim Ah Doo who joined the Board on 1 November 2016 as Chairman-designate and Independent and Non-Executive Director, assumed the role of Chairman with effect from 1 January 2017.

Both Mr. Kwa Chong Seng and Mr. Lim Ah Doo are Non-Executive Directors and are not related to the Group CEO, Mr. Sunny George Verghese, or other members of the Senior Management Team. There is a clear division of responsibility between the Chairman and Group CEO to ensure a balance of power and authority.

The Chairman is responsible for ensuring the effectiveness of the Board and Board Committees as well as the governance process. The Group CEO is at the helm of the Management Team and has overall responsibility for the Company's operations and organisational effectiveness. The Group CEO remains accountable to the Board for the decisions and actions taken, as well as for the performance of the Group. The Chairman works closely with the Group CEO on matters to be tabled at meetings and matters arising from the meetings as well as in ensuring that Board members receive accurate, timely and clear information.

Under the leadership of the Chairman, the Board holds robust, open and constructive discussions at its meetings with adequate time allocated to sufficiently review the issues tabled. The Chairman chairs the quarterly Non-Executive Directors' discussions after each Board meeting and may organise offsite meetings of the Non-Executive Directors. Along with the Group CEO, the Chairman monitors the translation of the Board's decisions, requests and recommendations into executive action. As part of the Chairman's oversight, he ensures that constructive communication and engagement with shareholders take place at every General Meeting. The Chairman may direct members of the Board to participate in briefings and meetings with other stakeholders to explain publicly available material information.

### Principle 4: Board membership

## Governance and Nomination Committee (GNC)

**Lim Ah Doo**
Chairman
(appointed 1 November 2016 and Chairman from 1 January 2017)

| | |
|---|---|
| **Katsuhiro Ito** | |
| **Yap Chee Keong** | |
| **Rachel Eng Yaag Ngee** | (appointed 25 April 2016) |
| **Kwa Chong Seng** | (stepped down 31 December 2016) |
| **Michael Lim Choo San** | (stepped down 25 April 2016) |

The GNC is chaired by an Independent and Non-Executive Director. The GNC comprises only Non-Executive Directors, the majority of whom are Independent Directors. The GNC is guided by its written terms of reference with principal functions as follows:

- To review the size, skills and composition of the Board to ensure there is adequate representation in respect of issues and challenges, without compromising Board effectiveness and participation. In addition, the GNC seeks to identify the critical needs in terms of expertise and skills, as well as knowledge of the jurisdictions in which Olam operates;
- To recommend the appointment and re-appointment of Directors with a view to refreshing the Board;
- To conduct an annual review of the independence of each Director bearing in mind the relationships and the tenure limits under the Code;
- To assess the effectiveness of the Board and its members;
- To review and recommend performance criteria for evaluating the Board's performance;
- To recommend membership for Board Committees;
- To consider and review the Company's corporate governance principles;
- To consider any possible conflicts of interest experienced by any Board members and senior executives; and
- To review and recommend to the Board the induction programme for new Directors and ongoing training and development needs of the Directors and the Board as a whole.

#### Succession planning

The review of Board succession plans, including the role of Chairman, is the primary responsibility of the GNC; while review of the succession plans for key positions in the Group, including the Group CEO and Senior Management, is within the purview of the Human Resource and Compensation Committee (HRCC). The GNC actively reviews the Board's and Board Committees' composition and the necessity of refreshing the Board. The GNC is of the view that any renewal and refreshment of the Board must be carried out progressively and in an orderly manner to ensure continuity. A formal plan for the renewal of the Board and the process for selection of new Directors were put in place after having been recommended to and approved by the Board in 2012. The key recommendations, approved by the Board for implementation, are effective from 1 July 2013 and were announced in October 2013. They are as follows:

- Longest-serving Independent Director will be retired gradually at each AGM commencing with the 2013 AGM;
- New Independent Directors who possess the required skills and capabilities will be appointed to fill the vacancies created by outgoing Independent Directors after such appointment is reviewed by the GNC in concurrence with the Board;
- All newly appointed Independent Directors are subject to a term of office comprising 2 terms of 3 each, with an additional term of 3 years at the sole discretion of the Board, subject to a maximum tenure of no more than 9 years; and
- All Directors, whether Executive, Non-Executive or Independent, remain subject to an annual performance evaluation notwithstanding the term of office. Independent Directors may be retired prior to completion of the term of office if so determined by the Board, taking into consideration the recommendation of the GNC.

#### Retirement and re-election

All Directors submit themselves for retirement and re-election at least once every 3 years. Pursuant to the Constitution of the Company, one-third of the Directors shall retire from office at the Company's AGM. A retiring Director is eligible for re-election at the AGM. The Group Managing Director/CEO, as a Director, is subject to the same retirement by rotation provision as the other Directors. In addition, the Company's Constitution also provides that a newly appointed Director must submit himself or herself for re-election at the AGM following his or her appointment (unless such appointment was voted upon by shareholders at a general meeting).

At the 2017 AGM, Lim Ah Doo who was appointed as an Independent and Non-Executive Director on 1 November 2016 will submit himself for re-election in accordance with Article 109 of the Articles of Association comprising part of the Company's Constitution.

Jean-Paul Pinard, Sanjiv Misra, Shekhar Anantharaman and Sunny George Verghese will retire pursuant to Article 103 of the Articles of Association comprising part of the Company's Constitution and will be eligible for re-election by the shareholders at the AGM.

# Corporate governance report

### New appointments, selection and re-nomination of Directors

All new appointments, selection and re-nomination of Directors are reviewed and proposed by the GNC. The GNC has access to external search consultants and resources to identify potential candidates. Board members may also make recommendations to the GNC. Shortlisted candidates are met by the GNC Chairman along with the Board Chairman and Group CEO prior to approval at Board level. Some of the criteria considered by the GNC while evaluating Directors' appointments are:

- The candidate should possess knowledge and experience in a particular area of value to the Group, namely accounting or finance, business or management, industry knowledge, strategic planning, customer-based experience or knowledge or environment and sustainability;
- The candidate should have the aptitude or experience to understand fully the fiduciary duties of a Director and the governance processes of a publicly listed company;
- Independence of mind;
- Capability and how he/she could meet the needs of the Company and simultaneously complement the skillset of other Board members;
- Experience and track record in multinational companies;
- Ability to commit time and effort to discharging his/her responsibilities as a Director; and
- Reputation and integrity.

In 2016, the GNC reviewed the proposed appointment of a new director to replace the long serving Directors as part of the Board's ongoing renewal process, and reviewed the proposed candidate for filling the role of the Board Chairman. The GNC considered and deliberated on the capability, experience, skillset and the principal commitment of the candidates. Interviews and discussions by the GNC Chair, Board Chair and the Group CEO are also held with the proposed candidates.

### Membership of other boards

The GNC, in assessing the performance of the individual Director, considers whether sufficient time and attention has been given by the Director to the affairs of the Company. It has regard to the Director's other board memberships and commitments. No limit on the number of board representations which a Director may hold has been imposed by the GNC as Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest caused by serving on other boards.

### Key information regarding Directors

Key information regarding Directors, such as academic and professional qualifications, Board Committees served on (as a member or Chairman), date of first appointment as a Director, date of last re-election as a Director, directorships both present and past held over the preceding 3 years in other listed companies and other major appointments, is disclosed in the section on Board of Directors of the 2016 Annual Report. Information relating to Directors' shareholding and interests in the Group is disclosed in the Financial Report.

## Principle 5: Board performance

The Board considers the importance of putting the right people with the right range of skills, knowledge and experience together for effective governance of the Group's business. The GNC assists the Board in ensuring that the Board is comprised of individuals whose background, skills, experience and personal characteristics enhance the effectiveness of the current Board and meet its future needs.

In 2016, the GNC reviewed the method of Board evaluation and discussed the appropriateness of engaging an external facilitator. It was opined that the Board was recently refreshed and it would be more appropriate to consider an external facilitator at a later period.

Based on the recommendations of the GNC, the Board has laid down a preliminary set of assessment criteria to assess the effectiveness of the Board as a whole. There are 12 broad sections and a total of 49 assessment areas for the Board evaluation covering, amongst others, Board composition and leadership, Board processes, strategy and implementation, risk and crisis management, effectiveness of Board Committees and, stakeholder management, The assessment of the Board Chair and Director individually is conducted on an 'exception' basis with broad criteria on their individual contribution, involvement, conduct of and at meetings, execution of agreed matters, interaction with the Board, industry and functional expertise, etc.

During the year, the GNC carried out an evaluation of the effectiveness of the Board, the individual Board members and the Chairman of the Board. The results of the evaluations are critically reviewed by the GNC and the Board with proposed follow-up actions led by the GNC Chair. Meetings between the individual Director and the Board Chairman, as well as the GNC Chairman, may be set up to share feedback and comments received and to work out action plans to address specific issues raised.

### Principle 6: Access to information

### Principle 10: Accountability

To enable the Directors to fulfil their responsibilities, pre-meeting discussions are held between the Chairman of the Board and/or Committees with Senior Management for the construction of the agenda and the preparation of Board materials. The agenda for each Board and Board Committee meeting along with all Board papers, related materials and background materials are sent to the Directors in a timely manner to enable the Directors to obtain further details and explanations where necessary. The Board is briefed and updated on the execution of the Company's Strategic Plan, performance of its investments, financing plan, variance in budgets, etc. Members of the Management Team are invited to be present at Board and Board Committee meetings to provide additional insight into the matters tabled for deliberation. Global heads of business units are scheduled wherever required to update the Board on platform-wise performance and plans.

Non-Executive Directors meet with Senior Management independently to be briefed on various issues. Additional information, documents and materials are provided to the Directors as and when required to enable them to make informed decisions.

Board members are invited to participate in the annual Management Committee Meeting to interact with management as well as to gain industry insight through external speakers. Presentations on the Group's business and activities are provided to the Board throughout the year by the Company's Management Team.

The Board has separate and independent access to the Senior Management and the Company Secretary at all times. Directors and Board Committees may, where necessary, seek independent professional advice, paid for by the Company.

The Board has adopted a policy of openness and transparency in the conduct of the Company's affairs while preserving the commercial interests of the Company. The Company reports its financial results quarterly and holds media and analyst meetings to coincide with the announcements.

Financial results and other price-sensitive information are disseminated to shareholders via SGXNET, to the SGX-ST, via press releases, on the Company's website (olamgroup.com) and through media and analyst briefings.

The Company has in place a comprehensive investor relations programme to keep investors informed of material developments in the Company's business and affairs beyond that which is prescribed, but without prejudicing the business interests of the Company.

#### Role of the Company Secretary

Directors have separate and independent access to the Company Secretary. The Company Secretary advises the Board through the Board Chair on governance matters, and facilitates the effective functioning of the Board and Board Committees in accordance with their terms of reference including any best practices. Meetings of the Board and Board Committees are scheduled at least a year in advance. Beyond scheduling meetings, the Company Secretary works closely with the Board Chair and Chairman of the Board Committees and key executives of the Company to proactively manage the agenda and the materials provided in advance of and at meetings. The Company Secretary pursues and manages follow-up actions and reports on matters arising from the meetings. The Company Secretary assists the Board Chair with Board development and Board processes including Board evaluation, induction and training. She takes the lead in organising the appointment letter and information pack and in developing tailored induction plans for new Directors, working with the Board Chair and new Directors.

The Company Secretary acts as the sounding board for matters of corporate governance and monitors overall compliance with the law and regulations adhered to by the Group. The Company Secretary is also responsible for ensuring the Company's compliance with the Listing Rules of the SGX-ST, for interaction with shareholders and for facilitating the convening of general meetings. The appointment and removal of the Company Secretary is subject to the approval of the Board.

### Remuneration matters

### Principle 7: Procedures for developing remuneration policies

### Principle 8: Level and mix of remuneration

### Principle 9: Disclosure on remuneration

## Corporate governance report

## Human Resource and Compensation Committee (HRCC)

**Lim Ah Doo**
Chairman
(appointed 1 November 2016 and Chairman from 1 January 2017)

| | |
|---|---|
| **Jean-Paul Pinard** | |
| **Sanjiv Misra** | |
| **Yutaka Kyoya** | |
| **Rachel Eng Yaag Ngee** | (appointed 25 April 2016) |
| **Kwa Chong Seng** | (stepped down 31 December 2016) |

The existing members of the HRCC, including the HRCC Chairman, are Independent and Non-Executive Directors, except for Yutaka Kyoya, who is Non-Executive. The HRCC is established by the Board with the following principal functions:

- To review the executive leadership development process and programme;
- To review and recommend executives' compensation framework and equity-based plans;
- To review succession plans for key executives, including the Group CEO;
- To establish and oversee the process for evaluating the performance of the Group CEO, Group COO and other key executives in the fulfilment of their responsibilities, and the meeting of objectives and performance targets; and
- To review annually the remuneration framework and the adequacy of the fees paid to Non-Executive Directors.

The HRCC carries out regular discussions with the Group CEO and the Board on succession planning at the Senior Management level including that of the Group CEO.

During the year, the HRCC reviews with the Group CEO the succession plans for key executives and the progress, the compensation framework and the deliverables of the Group CEO and Group COO. The HRCC also reviews and approves the recommendation for the issuance and allocation of new share grants under the Olam Share Grant Plan.

### Remuneration policy for Non-Executive Directors

The existing remuneration framework for Non-Executive Directors adopted by the HRCC is a comprehensive framework consisting of base fee for membership on the Board and each Board Committee, Chairmanship, Lead Independent Director's fee and attendance fee.

Details of the fees for Non-Executive Directors approved at the previous Annual General Meeting of the Company in April 2016 are provided below. The remuneration for Non-Executive Directors is in line with peer companies and those whom Olam was benchmarked against. The fees framework for Non-Executive Directors reflects an equitable and adequate remuneration on account of increased responsibilities and increases in the average amount of time spent by a Director at Board and Board Committee meetings, as well as their separate discussions with management in the discharge of their responsibilities.

| Nature of appointment | | S$ |
|---|---|---|
| **Board of Directors** | | |
| Base fee (Chairman) | | 180,000 |
| Base fee (Deputy Chairman) | | 130,000 |
| Base fee (Member) | | 70,000 |
| Lead Independent Director | | 25,000 |
| **Audit Committee**<br>**Capital and Investment Committee** | | |
| Chairman's fee | | 50,000 |
| Member's fee | | 25,000 |
| **Board Risk Committee**<br>**Human Resource and Compensation Committee** | | |
| Chairman's fee | | 35,000 |
| Member's fee | | 20,000 |
| **Governance and Nomination Committee**<br>**Corporate Responsibility and Sustainability Committee** | | |
| Chairman's fee | | 30,000 |
| Member's fee | | 15,000 |
| **Attendance fee** | **Board** | **Committee** |
| Home city meeting | 3,000 | 1,500 |
| Out-of-region meeting | 4,500 | 2,250 |
| Conference call | 600 | 400 |
| Odd hours | 1,200 | 750 |
| Board offsite | | 6,000 |

To facilitate timely payment of Directors' fees, the fees are paid in arrears on a quarterly basis for the current financial year once approval is obtained from shareholders at the Annual General Meeting.

### Fees for Non-Executive Directors

The aggregate Directors' fees for Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting. The Non-Executive Directors will refrain from making any recommendation on and, being shareholders, shall abstain from voting on the ordinary resolution for the aggregate Directors' fees. Other than the Chairman who will be voting for proxies under the Listing Rules of the SGX-ST, the Directors shall also decline to accept appointment as proxies for any shareholder to vote in respect of this resolution unless the shareholder concerned shall have given instructions in his or her proxy form as to the manner in which his or her votes are to be cast in respect of this resolution.

The aggregate fees paid quarterly in arrears to the Non-Executive Directors for the financial year ended 31 December 2016 entirely in cash amounted to S$1,806,232.00 (excluding fees paid to a Director for his directorship with the subsidiary of the Company). The breakdown of the fees paid to the Non-Executive Directors for the financial year ended 31 December 2016 is tabled below.

### Fees paid to the Non-Executive Directors for the financial year ended 31 December 2016

| Name | Directors' fees paid in FY 2016 (S$) |
|---|---|
| **Current Directors** | |
| Lim Ah Doo[1] | 29,166 |
| Jean-Paul Pinard | 184,700 |
| Sanjiv Misra | 202,300 |
| Nihal Vijaya Devadas Kaviratne CBE | 137,900 |
| Katsuhiro Ito | 151,200 |
| Yutaka Kyoya | 163,100 |
| Yap Chee Keong | 195,683 |
| Marie Elaine Teo | 178,250 |
| Rachel Eng Yaag Ngee[2] | 113,433 |
| **Past Directors** | |
| Kwa Chong Seng[3] | 319,167 |
| Michael Lim Choo San[4] | 74,000 |
| Robert Michael Tomlin[4] | 57,333 |
| **Directorship on Subsidiary:** | |
| Nihal Vijaya Devadas Kaviratne CBE[5] | 60,000 |

1. Appointed on 1 November 2016.
2. Appointed on 25 April 2016.
3. Stepped down on 31 December 2016.
4. Stepped down on 25 April 2016.
5. Fees paid as Independent and Non-Executive Chairman of Caraway Pte. Ltd., a 75:25 joint venture subsidiary of the Company.

The Non-Executive Directors only receive directors' fees and do not receive any other benefits.

### Remuneration policy for Executive Directors and other key executives

Executive Directors are not entitled to either base fees or fees for membership on Board Committees. Remuneration for Executive Directors currently comprises a base salary, a performance bonus tied to the Company's and the individual's performance, and participation in the Olam Share Grant Plan.

The Company advocates a performance-based remuneration system that is flexible and responsive to the market. The total remuneration comprises 3 components: an annual fixed cash component, an annual performance incentive and a long-term incentive. The annual fixed component consists of the annual basic salary and other fixed allowances. The annual performance incentive is tied to the Company's and individual executive's performance, while the long-term incentive is granted based on the individual's performance and contribution made.

To remain competitive, it would be our aim to benchmark our executives' compensation with that of similar performing companies and remain in the top 25 percentile. The compensation structure has been designed so that, as one moves up the corporate ladder, the percentage of total remuneration at risk increases. The Company currently has 10 top key executives who are not also Directors.

Information on the compensation paid to directors and key executives is summarily provided in the notes to the Financial statements of the Financial Report.

In considering the disclosure of remuneration of the Executive Directors and top 10 key executives, the HRCC considered the industry conditions in which the Group operates, as well as the confidential nature of the Executive Directors' and key executives' remuneration.

In view of the highly competitive industry conditions the Group operates within, and as many of our competitors do not publish details of the specific remuneration of key executives, the Board is of the view that detailed publication of the remuneration of the Group's key executives should not be made. Given the general sensitivity and confidentiality of remuneration matters, it would be disadvantageous to the interests of the Group to divulge remuneration of Executive Directors, CEO and key executives in such detail as recommended by the Code.

### Level and mix of remuneration of Executive Directors for the year ended 31 December 2016

| Remuneration band | Base/ fixed salary | Variable or performance related income/ bonuses | Benefits in kind | Total | Options | Share Grant |
|---|---|---|---|---|---|---|
| S$2,000,000 and above | | | | | | |
| Sunny George Verghese | 21% | 75% | 4% | 100% | 15,000,000[1] | 1,220,000[3] |
| Shekhar Anantharaman | 32% | 68% | – | 100% | 5,000,000[2] | 832,000[4] |

1. The subscription/exercise price of S$2.35 per share for 15,000,000 share options is the price equal to the average of the last dealt prices for a share for the 5 consecutive market days preceding the date of grant.
2. The subscription/exercise price of S$2.28 per share for 1,750,000 share options and S$1.76 per share for 3,250,000 share options is the price equal to the average of the last dealt prices for a share for the 5 consecutive market days preceding the date of grant.
3. Share grant of 1,220,000 comprised of 810,000 Performance Share Awards and 410,000 Restricted Share Awards granted pursuant to the Olam Share Grant Plant. The actual number of shares to be delivered pursuant to the Performance Share Awards granted will range from 0% to 192.5% of the base award and is contingent on the achievement of pre-determined targets set out in the 3 year performance period and other terms and conditions being met.
4. Share grant of 832,000 comprised of 600,000 Performance Share Awards and 232,000 Restricted Share Awards granted pursuant to the Olam Share Grant Plant. The actual number of shares to be delivered pursuant to the Performance Share Awards granted will range from 0% to 192.5% of the base award and is contingent on the achievement of pre-determined targets set out in the 3 year performance period and other terms and conditions being met.

### Remuneration band of the top key executives for the year ended 31 December 2016

| Remuneration band | No. of executives |
|---|---|
| S$1,000,000 and above | 10 |

# Corporate governance report

### Remuneration of employees who are immediate family members of a Director or the Group CEO

No employee of the Company and its subsidiaries whose remuneration exceeded S$50,000 during the year under review was an immediate family member of a Director or the Group CEO. Immediate family member is defined as a spouse, child, adopted child, step-child, brother, sister or parent.

### Employee Share Grant Plan

The Company had adopted the new Olam Share Grant Plan (OSGP) at the 2014 Annual General Meeting. The OSGP involves the award of fully-paid shares, when and after pre-determined performance or service conditions are accomplished. Any performance targets set under the OSGP are intended to be based on longer-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. Details of the OSGP including its objectives, key terms, potential size of grants, methodology of valuation, market price of shares that were granted as well as outstanding, and the vesting schedule may be read as part of the Financial Report.

## Accountability and audit

## Principle 11: Risk management internal control

## Principle 12: Audit Committee

The Board, supported by the AC and BRC, oversees the Group's system of internal controls and risk management.

## Board Risk Committee (BRC)

**Marie Elaine Teo**
Chairman

| | |
|---|---|
| **Sunny George Verghese** | |
| **Sanjiv Misra** | |
| **Yutaka Kyoya** | |
| **Yap Chee Keong** | |
| **Robert Michael Tomlin** | (stepped down 25 April 2016) |
| **Michael Lim Choo San** | (stepped down 25 April 2016) |

The Board is responsible for the governance of risk. To assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies, the Board Risk Committee was established in 2005. The BRC met 5 times during the year under review and it has oversight of the following matters:

- To review with management the Group's guidelines, policies and systems to govern the process for assessing and managing risks;
- To review and recommend risk limits and trading risk budgets;
- To review benchmarks for, and major risk exposures from, such risks;
- To request, receive and review reports from management on risk exposures;
- To identify and evaluate new risks at an enterprise level and to table a report to the Board;
- To review the Enterprise Risk Scorecard bi-annually and determine the risks to be escalated to the Board;
- To review the framework and effectiveness of the Enterprise Risk Scorecard; and
- To review market compliance updates and issues reported.

The Company complies with the recommendations contained in the Code and the Risk Governance Guidelines issued by the Corporate Governance Council in the approach to risk governance for the Group. The Company has robust mechanisms and systems to identify risks inherent in the Group's business model and strategy, risks from external factors and other exposures, and to monitor the Company's exposure to key risks that could impact the business sustainability, strategy, reputation and long-term viability of the Group. The Board along with the BRC supported by the Chief Risk and Compliance Officer and the Risk Office instils the right culture throughout the Company for effective risk governance. During the year under review, as part of the effort in developing a stronger culture of compliance, a 'Tone from the Top' approach through the issuance of a joint statement by the Group CEO and BRC Chair to the employees of the Group on zero tolerance for compliance violations was issued.

The BRC Chair actively engages with the risk management team on various risk matters as well as the matters to be discussed at each BRC meeting. The BRC has in the course of the year reviewed its terms of reference against the Risk Governance Guidelines and the Code, taking into consideration the changing needs of the organisation. In 2016, the BRC reviewed the risk framework – the approach to risk governance through an integrated assurance system and the implementation of the risk dashboard for risk monitoring and Board oversight of the different categories of risks. A comprehensive review of all risks and the identification as well as quantification of risk drivers were undertaken, including the engagement of an external consultant to quantify earnings at risk.

A comprehensive risk induction programme was conducted for the BRC on areas such as risk governance, risk identification, risk monitoring and control, risk management tools, market compliance, environmental and social risks, health and safety and the Enterprise Risk Framework. The BRC Chair and AC Chair also participated in the Annual Meet of the Risk, Internal Audit and Market Compliance team held in October 2016.

Please refer to the section on Risk and Market Compliance in the Strategy Report of this 2016 Annual Report and the section on internal control in this report.

## Audit Committee (AC)

**Yap Chee Keong**
Chairman
(assumed role on 25 April 2016)

| | |
|---|---|
| **Nihal Kaviratne CBE** | |
| **Katsuhiro Ito** | |
| **Rachel Eng Yaag Ngee** | (appointed on 25 April 2016) |
| **Michael Lim Choo San** | (stepped down 25 April 2016) |
| **Robert Michael Tomlin** | (stepped down 25 April 2016) |

All the members of the Audit Committee (AC) are Non-Executive Directors with a majority of members including the AC Chair being independent. Members of the AC have significant and varied experience and backgrounds in accounting, financial management-related and legal fields.

Besides the formal briefing to the full Board held once in FY 2016, the external auditors also update the AC at its quarterly meetings on any changes to accounting standards and developments in issues with a direct impact on financial statements.

The AC met 5 times during the year under review. The AC has established terms of reference approved by the Board and has explicit authority to investigate any matter within its terms of reference. The key functions of the AC are to:

- Assist the Board in discharging its statutory and other responsibilities on internal controls, financial and accounting matters, operational and compliance controls, and business and financial risk management policies and systems; and to ensure that a review of the effectiveness of the same (which may be carried out by the external or internal auditors) is conducted at least annually;
- Review with the external auditors their audit plan, their evaluation of the system of internal controls, their report and management letter to the AC, management's response, and the allocation of audit resources according to the key business and financial risk areas as well as the optimum coverage and efforts between the external and internal auditors;
- Review the quarterly and annual financial statements before submission to the Board of Directors for approval, focusing in particular on changes in accounting policies and practices, major operating risk areas, the overview of all Group risk on an integrated basis, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards, and compliance with any SGX and statutory/regulatory requirements;

## Corporate governance report

- Review the proposed scope of the Internal Audit function, the performance of the Internal Audit function, Internal Audit findings and the Internal Audit Plan semi-annually;
- Review the internal controls and procedures and ensure coordination between the external auditors, the internal auditors and management, reviewing the assistance given by management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);
- Review and discuss with the internal auditors, external auditors and management on any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has, or is likely to have, a material impact on the Group's operating results or financial position, and management's response to the same;
- Consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- Review the scope and results of the audit and its cost-effectiveness, and the independence and objectivity of the external auditors, annually;
- Review interested party transactions falling within the scope of Chapter 9 of the Singapore Exchange Listing Rules for potential conflicts of interest;
- Undertake such other reviews and projects as may be requested by the Board of Directors and report to the Board of Directors its findings from time to time on matters arising and requiring the attention of the AC; and
- Undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC has clear authority to investigate any matter within its terms of reference, full access to and cooperation of the management and full discretion to invite any Director, key executive or officers of the Company to attend its meetings. The Group COO, Group CFO, Global Head for Corporate Finance, the Chief Risk & Compliance Officer, the President and Head of Internal Audit and the external auditors are invited to attend these meetings.

To enable it to discharge its functions properly, the AC, through management, has access to external counsels and consultants.

### Financial Reporting and Key Audit Matters

For the year under review, the AC discussed with Management and the external auditors, changes in accounting policies and practices, major operating risk areas, the overview of all Group risk on an integrated basis, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards, compliance with any SGX and statutory/regulatory requirements, and reviewed with Management and the external auditors the matters of significance in the audit of the financial statements (Key Audit Matters). The AC concurs with the basis and assessment of the Key Audit Matters disclosed in the Independent Auditor's Report of the Financial Report section of the Annual Report 2016.

### Evaluation of the effectiveness of the AC

During the year under review, the AC carried out an evaluation of the effectiveness of the AC. AC members were each given a checklist, which is adapted from the checklist from the Guidebook for AC in Singapore, to self-assess AC's performance. The AC evaluated 7 areas, namely, (i) creating an effective AC; (ii) running an effective AC; (iii) professional development; (iv) overseeing financial reporting; (v) overseeing risk management and internal control; (vi) overseeing external audit and (vii) overseeing internal audit. The results of the evaluation were discussed at the AC meeting.

### Internal audit

The AC regularly reviews the areas of audit undertaken by Internal Audit, key findings by Internal Audit, complaints received from the whistleblowing channel, the resource adequacy and the effectiveness of the Internal Audit function. During the year, the AC along with Internal Audit reviewed the Internal Audit Charter incorporating the recommendations under the Second Edition of the Audit Committee Guidebook and relevant best practices. Discussions were also held to revise and align the internal audit framework with the nature of the Group's business and the introduction of the in-business control (IBC) auditing framework. The AC is satisfied that the Internal Audit team has appropriate standing within the Company. During the year, the Committee met twice with Internal Audit, without the presence of management, to discuss any issues of concern.

### External auditors

The external auditors report its findings and recommendations independently to the AC. During the year, the AC reviewed the unaudited financial statements of the Company before the announcement of the financial results and the audited financial statements prior to despatch to shareholders. During the year, the AC along with management reviewed the adequacy, structure and content of its results announcements to enable easier interpretation and analysis by its stakeholders. The AC also reviewed with the external auditors, changes and proposed changes, to the financial reporting standards and the impact on the Company's financial statements, tax matters, policies and global developments and their audit on the Company's systems of internal control.

The Committee met with the external auditors 3 times during the year under review, without the presence of the Management Team, to discuss with them any issues of concern. The AC reviewed the nature and extent of all non-audit services performed by the external auditors to establish their independence and objectivity. From the review, the AC has confirmed that the non-audit services performed by the external auditors would not affect their independence. Details of the fees payable to the external auditors in respect of audit and non-audit services are set out in the notes to the financial statements of the Financial Report. The Company has complied with Rule 712, and Rule 715 read with Rule 716 of the Listing Manual of the SGX-ST in relation to its auditing firms.

During the year, the AC carried out a review of the external audit services provided and met with management without the presence of the external auditors. Taking all relevant factors into consideration, the Committee made its recommendation to the Board to re-appoint the current auditors, which was endorsed by the Board.

### Whistleblowing

On the recommendation of the AC and the approval of the Board, the Company has formalised a Code of Conduct (CoC) for the Group with the objective of conducting business in compliance with the letter and spirit of the law and other accepted standards of business conduct and to maximise shareholder value for its continuing shareholders in an ethical and environmentally sustainable manner. It provides the key standards and policies that everyone working in and for Olam, including Directors, should adhere to. The CoC also encourages and provides a channel for employees to report possible improprieties, unethical practices, etc. in good faith and confidence, without fear of reprisals or concerns. All information and reports are received confidentially to protect the identity and the interest of all whistleblowers. To ensure that all incidents that are reported are adequately brought to the notice of the stakeholders concerned as well as to initiate corrective action, a reporting structure is provided in detail in the CoC.

A simple communication channel to allow anonymous reporting of any fraud, misappropriation, improprieties, unethical practices is set out in the CoC. A completely anonymous online report may be made using a simple reporting link http://www.jotform.me/iaolamint/FraudInformationChannel. Any report so made reaches the Internal Audit department immediately. An alternative to the above for reporting a fraud can be by email sent directly to the Internal Audit department at ia@olamnet.com. Report can also be made by mail to the Head of Risk and Compliance. The phone line to the Compliance Officer is 65 6339 4100 (ask for the compliance officer).

To safeguard the whistleblower from retaliation, should any employees suspect that they are being targeted or have actions taken against them in retaliation for raising a compliance or integrity issue, they should immediately report such suspicions using the communication channels provided in the CoC and as set out above.

The CoC may be referred to on the Company's website at www.olamgroup.com.

### Internal controls

The Company's internal controls structure consists of the policies and procedures established to provide reasonable assurance that the organisation's related objectives will be achieved, the IBC framework implemented across the geography and entities where the Company operates, the audit by internal auditors including any specialised audit commissioned and the work done by external auditors.

Olam has established authorisation and financial approval limits for operating and capital expenditure, the procurement of goods and services, and the acquisition and disposal of investments. Apart from reserved matters that require the Board's specific approval, such as the issue of equity and dividend and other distributions, Board approval is required for transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Board Committees and management to optimise operational efficiency.

The Standard Operating Procedure (SOP) and Field Operations Manual (FOM) policies prescribe the process and documentation requirement for all our procurement, grading, sorting, processing, storage, transits and shipment of our products. Strict adherence to the SOP and FOM is the key to our control over financial and operational risks. To ensure compliance, periodical internal and external audit reviews are routinely carried out.

In 2016, management in consultation with the AC implemented an IBC framework to capture the inherent level of risk, its impact, the monitoring frequency and the risk owners. The 5 risk areas covered under the IBC Framework are, (i) capex execution and monitoring; (ii) credit control-trade debtors; (iii) credit control-advance to suppliers; (iv) inventory control and (v) statutory compliance and risks. The IBC Framework forms part of the integrated assurance matrix, which includes the Risk Dashboard and the work done by Internal Audit. The internal audit findings are tracked and included as key performance indicators in managers' performance evaluation systems, to ensure the desired influence on behaviour.

During the year under review, management in consultation with the BRC and AC Chair assessed the Enterprise Risk Management (ERM) Framework and put forth changes to the ERM Framework by identifying the key risk categories and risk events, strengthening risk governance through Board Committees, oversight of risk categories and the analysis of risks.

### Integrated assurance

The Company has in place an integrated assurance framework to ensure the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

The Board has received assurance from the Group CEO, the Group COO and the Group CFO that:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- from their review with the risk owners of their assessments of the standard operating procedures framework, escalation reporting, breaches and assurance processes, they are satisfied with the adequacy and effectiveness of the Company's risk management and internal control systems.

Based on the work performed under the integrated assurance framework, the work performed by the internal and external auditors, the assurance received from the Group CEO, the Group COO and the Group CFO as well as the regular reviews undertaken by various Board Committees:

- the Board, with the concurrence of the BRC, is of the view that the Group's risk management systems are adequate and effective; and
- the Board, with the concurrence of the AC, is of the opinion that the internal controls, addressing the financial, operational, compliance and information technology risks of the Company, are adequate and effective to meet the needs of the Group in its current business environment.

## Corporate governance report

Whilst the internal audit and the internal controls systems put in place by management provide reasonable assurance against material financial misstatements or loss, and assurance reliability, relevance and integrity of information (including financial information), completeness of records, safeguarding of assets, effectiveness and efficiency of operations and compliance with applicable policies, laws and regulations, it is opined that such assurance cannot be absolute in view of the inherent limitations of any internal audit and internal controls system against the occurrence of significant human and system errors, poor judgement in decision-making, losses, fraud or other irregularities.

### Principle 13: Internal audit

The Internal Audit function is an important line of defence for the Company; central to the overall integrated assurance framework as well as the governance process. Internal Audit provides a source of confidence to both management and the AC that there is sound managerial control over all aspects of the operations of the Group including statutory compliance, accounting, asset management and control systems.

Rajeev Kadam, President and Head of Internal Audit reports directly to the Chairman of the AC and administratively to the Group CEO. The Chief Risk & Compliance Officer, Jagdish Parihar, primarily reports to the Chairman of the BRC with direct reporting to the AC Chair on matters of internal audit. The AC participates in the appointment, replacement or dismissal, the evaluation and the compensation of the Head of Internal Audit. The Internal Audit team includes members with relevant qualifications and experience. Internal audit is carried out according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Audit team has full, free and unrestricted access at all times to all books, personnel, documents, accounts, property, vouchers, records, correspondence and other data of the Company. The internal auditors also have the right to enter any premises of the Group and to request any officer to furnish all information and such explanations deemed necessary for them to form an opinion on the probity of action and adequacy of systems and/or controls.

The scope of the internal audit carried out by the Internal Audit team is comprehensive, to enable the effective and regular review of all operational, financial and related activities. The internal audit coverage extends to all areas of the Company and its controlled entities and includes financial, accounting, administrative, computing and other operational activities. An internal compliance monitoring system has also been developed as a self-assessment tool for monitoring the performance of the business units on key control aspects and processes.

The AC reviews the proposed scope and performance of the Internal Audit function, Internal Audit findings and management response, and the Internal Audit Plan, semi-annually. It ensures that no limitation on audit has been imposed. Internal audit summary of findings, recommendations and actions taken are reviewed and discussed at AC meetings.

## Capital and Investment Committee (CIC)

**Sanjiv Misra**
Chairman

| | |
|---|---|
| **Lim Ah Doo** | (appointed 1 November 2016) |
| **Jean-Paul Pinard** | |
| **Sunny George Verghese** | |
| **Shekhar Anantharaman** | |
| **Yutaka Kyoya** | |
| **Marie Elaine Teo** | |
| **Kwa Chong Seng** | (stepped down 31 December 2016) |

The CIC meets every quarter, and more often if required, either by way of physical meetings or via telephone conference. The CIC is governed by established terms of reference and has oversight of the following matters:

- To review the financial strategies, policies, gearing, financial risks and capital structure of the Company;
- To review and recommend equity capital-raising plans;
- To review and recommend debt capital-raising plans and significant banking arrangements;
- To review investment policy guidelines and capital expenditure plans;
- To review and assess the adequacy of foreign currency management;
- To review and recommend on mergers, acquisitions and divestments;
- To evaluate periodically the performance of the businesses in relation to the capital allocated; and
- To review and recommend the annual budget.

In 2016, the CIC met 5 times. The CIC reviewed its terms of reference, the policy governing the authority limits of management, the CIC and the Board in respect of capital expenditure and divestments, and the financing plans and authority of management arising thereto. A semi-annual review of the progress of all investments made to date was also carried out by the Committee. Under the revised Enterprise Risk Management framework, the CIC also provides oversight on certain risk category and risk events.

The Committee has access to any member of the Team in its review of investments and divestments, and actively engages the Management Team and consultants when deliberating on any investment or divestment proposal.

## Corporate Responsibility and Sustainability Committee (CRSC)

**Jean-Paul Pinard**
Chairman

| | |
|---|---|
| **Shekhar Anantharaman** | |
| **Nihal Kaviratne CBE** | |
| **Katsuhiro Ito** | |
| **Marie Elaine Teo** | |
| **Robert Michael Tomlin** | (stepped down 25 April 2016) |

At Olam, we believe that profitable growth, as a way of doing business, needs to incorporate creating value on an ethical, socially responsible and environmentally sustainable basis. We have called this 'Growing Responsibly'.

The CRSC met 4 times during the year. The terms of reference of this Committee include:

- To review and recommend to the Board the Corporate Responsibility and Sustainability (CR&S) vision and strategy for the Group;
- To oversee the integration of CR&S perspectives into the Company's strategy and businesses;
- To review global CR&S issues and trends and assess their potential impact on the Group;
- To review the state of the Group's health and safety measures and status;
- To monitor implementation, through the CR&S function, strategy as well as policies and investments in the CR&S area;
- To review the progress made on various initiatives;
- To support management's response to crisis, where required;
- To review the Company's annual Sustainability Report and its (Olam) Livelihood Charter; and
- To review the adequacy of the CR&S function.

The CRSC actively engages the CR&S function headed by Dr. Christopher Stewart with oversight by Gerard Manley, a member of the Executive Committee, in the formulation and implementation of various sustainability policies and projects.

The Committee plays a pivotal role in monitoring the state of health and safety within the Group, ensuring a culture of zero tolerance to fatality, and reviews the health and safety report from MATS on a quarterly basis.

In 2016, the Committee reviewed and discussed the Company's engagement with the Non-Governmental Organisations in the sustainability sphere as well as the approach to the global issues concerning environment and sustainability.

The Committee actively monitors corporate responsibility and sustainability issues and the reporting by management on such issues in the Company's pursuit of various investments. As part of the CRSC's vigorous engagement with corporate responsibility and sustainability matters concerning the Group's business and operations, the Chairman of the CRSC may visit some of the Company's global operations, along with members of the Management Team, to gain deeper insights into the CR&S activities on the ground.

### Principle 14: Shareholders' rights

### Principle 15: Communication with shareholders

### Principle 16: Conduct of shareholder meetings

#### Enhancing investor communication

At Olam, we believe it is important for us to communicate our business, strategic developments, financial, environmental, social and governance and other non-financial information to shareholders, investors, analysts (collectively referred to as the investing community) and key intermediaries (including financial media, brokers and independent research organisations) who provide research and information on the Company. Concurrently, we aim to understand their perspectives and requirements for decision-making and improve two-way communication.

Since the 2014-2016 Strategic Plan, one of our strategic priorities has been to promote a better understanding of Olam's business by enhancing stakeholder communication. To achieve this, we have supplemented our Company disclosure with details on investment performance and held investor days and field visits to Olam's operational sites. We improved the structure and content of our results announcements to facilitate better understanding and analysis. We also produced additional corporate literature, such as 'Olam Insights' since 2015, a quarterly newsletter for investors that features our different business platforms and profit centres around the world.

The Group Investor Relations department has lead responsibility for enhancing communication with the investing community, with the active involvement of the Group CEO, Group COO and Group CFO, and in consultation with the Global Corporate Responsibility and Sustainability department on environmental, social and governance issues.

#### Delivering quality and timely information in a transparent manner

Since Q3 2013, we have published a quarterly Management Discussion and Analysis (MD&A) statement, which includes a business commentary, key operational and financial highlights and a detailed review of financial performance. In order to track and measure progress against our targets as stated in the Strategic Plan, we have also introduced new key financial metrics and enhanced the quality of our financial information.

# Corporate governance report

We aim to deliver information to the investing community and key intermediaries in a timely manner. We hold media and analysts' conferences quarterly to announce our financial and operating results. These quarterly results briefings are webcast live to cater to global audiences. (The full financial statements, press release, MD&A and presentation materials provided at the conferences are disseminated through the SGXNET onto the SGX website outside trading hours, uploaded onto the Company's website and disseminated by email to subscribers to our news alerts.)

In addition to these quarterly events, we hold media and analysts' conferences and teleconference calls to communicate important corporate developments. Such media and analyst conferences are also webcast live.

### Engaging the investing community

Apart from these forums, we hold meetings, telephone and video conference calls with the investing community and organise investor days to facilitate their understanding of the Company's business model and growth strategies.

We conduct investment roadshows and participate in investment conferences on a selective basis. Where necessary, the frequency of conducting roadshows and attending investment conferences may increase to meet the Company's requirements of communicating important key messages and addressing market concerns.

### Investor Relations activities in 2016

| Date | Event |
|---|---|
| 7 January | Credit Suisse ASEAN Conference, Singapore |
| 29 February | Briefing on 2015 results |
| 14 April | Maybank Kim Eng Invest ASEAN Singapore Conference |
| 25 April | 21st Annual General Meeting |
| 13 May | Briefing on Q1 2016 results |
| 2 June | Citi 2016 ASEAN C-Suite Forum, Singapore |
| 12 August | Briefing on Q2 2016 results |
| 14 November | Briefing on Q3 2016 results |
| 16 November | Morgan Stanley Asia Pacific Summit, Singapore |

The Group Investor Relations department periodically receives investor/analyst requests for meetings or conference calls to discuss the Company. Generally, we accede to all requests for meetings/calls where our schedule permits, provided these meetings/calls do not fall within the closed periods prior to the announcement of financial results.

In addition to outreach programmes targeted at institutional investors, we maintain communication with our employee and retail shareholders, through our employee portal and shareholder communication services facilitated by the Securities Investors' Association of Singapore (SIAS) respectively.

### Tracking changes in the shareholder base and interaction with the investing community

We track and monitor changes in our shareholder base regularly to help us tailor our shareholder engagement and targeting programmes.

We maintain an active electronic database of the investing community, which allows us to target investors and track every investor meeting so that we can measure the frequency and quality of conversations. This system also enables us to deliver our Company results and announcements to the investing community electronically at the same time as these are disseminated through SGXNET so that investors have access to our information on a timely basis.

As the internet, social media and other mobile applications have become more accessible, we continue to leverage such means to achieve a greater and faster reach to the investing community and facilitate their research by providing online easy-to-access financial and non-financial information, resources and tools.

### Obtaining and acting on feedback from the investing community

We conduct investor perception surveys to seek the investing community's feedback on the Company. The study we undertook in 2013 formed our 2013 Strategy Review and helped formulate our 2014-2016 Strategic Plan.

### Encouraging greater shareholder participation at Annual General Meetings (AGMs)

We regard the AGM as an opportunity to communicate directly with shareholders. We are committed to establishing more effective ways of communicating with our shareholders around the AGM. Shareholders are informed of these meetings through notices published in the newspapers or through circulars. To encourage more shareholder participation, our AGMs are held in Singapore's city centre, which is easily accessible by most shareholders.

Board members including the Chairman of the Audit Committee, the Human Resource and Compensation Committee, and the Governance and Nomination Committee, and key executives of the Senior Management Team, attend the AGM. Our external auditors are also present to assist the Directors in addressing shareholders' queries.

We treat shareholder issues, particularly those that require shareholders' approval, such as the re-election of Directors and approval of Directors' fees, as distinct subjects and submit them to the AGM as separate resolutions.

In support of greater transparency and an efficient voting system, the Company has been conducting electronic poll voting since 2011. Shareholders who are present in person or represented at the meeting will be entitled to vote on a one-share, one-vote basis on each of the resolutions by poll, using an electronic voting system. Voting and vote tabulation procedures are declared and presented to shareholders in a video before the AGM proceeds. The Company appoints an independent scrutineer to count and validate the votes at the AGM. The independent scrutineer for the 21st Annual General Meeting was RHT Corporate Advisory. The results of all votes cast for and against in respect of each resolution, including abstaining votes, are instantaneously displayed at the meeting and announced on SGX after the AGM.

The following Board members were present at the 21st Annual General Meeting. They were:

### Chairman of the Board Committees

**Kwa Chong Seng**, Chairman of the HRCC (stepped down on 31 December 2016)

**Michael Lim Choo San**, Chairman of the AC and GNC (retired on 25 April 2016)

**Robert Michael Tomlin**, Chairman of the BRC (retired on 25 April 2016)

**Jean-Paul Pinard**, Chairman of the CRSC

**Sanjiv Misra**, Chairman of the CIC

### Board Members

**Sunny George Verghese**, Executive Director and Co-Founder and Group CEO

**Nihal Vijaya Devadas Kaviratne CBE**, Independent and Non-Executive Director

**Yap Chee Keong**, Independent and Non-Executive Director

**Katsuhiro Ito**, Non-Executive Director

**Yukaka Kyoya**, Non-Executive Director

**Shekhar Anantharaman**, Executive Director and Group COO

### Newly Appointed Director

**Rachel Eng Yaag Ngee**, Independent and Non-Executive Director

During the AGM, shareholders are given the opportunity to ask questions or raise issues. The questions and answers are recorded and detailed in the minutes, which are available to shareholders upon request.

Voting in absentia by mail or electronic means requires careful study and is only feasible if there is no compromise to either the integrity of the information and/or the true identity of the shareholder.

Detailed minutes of the AGM are prepared and are available to shareholders upon request.

### Accolades

#### Asia's Best Sustainability Report

Olam received the 'highly commended award' for Asia's Best Sustainability Report (Stand Alone) in 2016 at the Asia Sustainability Reporting Awards (ASRA). The Awards celebrate best practices in sustainability reporting, transparency and communications. The winners are selected by an independent panel of judges. The ASRA are offered in 14 categories including Asia's Best Sustainability Report, Asia's Best Integrated Report, Asia's Best Sustainability Report (SME) and Asia's Best Carbon Disclosure.

### Recognition

Olam has received accolades from the investment community for excellence in corporate governance. More details are included on our website at olamgroup.com/about-us/accolades.

### Securities transactions

The Company is committed to transparency, fairness and equity in dealing with all shareholders and in ensuring adherence to all laws and regulations that govern a company listed and trading on the SGX-ST. The Employee Share Dealing Committee ('ESDC') was set up to formulate and review best practice in the dealing of securities by Directors, executives and employees. The ESDC is chaired by a Senior Management Team member, Ranveer Singh Chauhan with members, V. Srivathsan, Joydeep Bose and N. Muthukumar. The ESDC reports to the Group CEO.

## Corporate governance report

Through the ESDC, the Company has a policy on dealings in securities of the Company in line with the SGX-ST Listing Rules for its Directors and employees, setting out the implications of insider trading and guidance on such dealings. The policy provides that the Company, its Directors and employees must not deal in the Company's securities at any time after a price-sensitive development has occurred, or has been the subject of a decision, until the price-sensitive decision has been publicly announced. Directors and employees are discouraged from short-term speculative trading in the Company's securities; personal investment decisions should be geared towards long-term investment. In particular, the Company, its Directors and executives will not deal in the Company's securities during the following periods:

- commencing two weeks prior to making public the quarterly financial results and ending at the close of trading on the date of the announcement of the relevant results; and
- commencing one month prior to making public the annual financial results and ending at the close of trading on the date of the announcement of the relevant results.

In keeping with the policy, Directors and employees of the Company are notified of close periods for dealing in the Company's securities as well as any special dealing restriction that may be imposed from time to time.

Directors who deal in the shares and any other securities of the Company are required to notify the Company within 2 business days of becoming aware of the transaction.

### Material contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder.

### Interested person transactions

All transactions with interested persons are reviewed by the internal auditors and reported to the AC for approval. The transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders. The Company's disclosures in respect of interested person transactions (IPT) for the financial year ended 31 December 2016 are as follows:

| Parties | FY 2016 S$ |
|---|---|
| Singapore Telecommunications Limited | 954,066 |
| Singapore Airlines Limited | – |
| SP Services Ltd | 9,343 |
| StarHub Ltd | 18,458 |
| DBS Bank Limited | 3,101,504 |
| Standard Chartered Bank | 3,034,724 |
| Mitsubishi Corporation | 48,614,351 |
| Mitsubishi International Corporation | 455,704 |
| MC Agri Alliance, Ltd | 224,037 |
| **Total** | **56,412,186** |

In the event that any of the AC members has an interest in an IPT under review or any business or personal connection with the parties or any of its associates, the relevant AC member shall abstain from any decision-making procedure in respect of that IPT, and the review and approval of that IPT will be undertaken by the remaining members of the AC where applicable. If there is only 1 member of that approving authority or where all the members of the relevant approving authority of the IPT are conflicted, the approval from the next higher approving authority shall be sought.

Shareholders of the Company who are interested persons of an IPT shall also abstain from voting their shares on a resolution put to the vote of shareholders in relation to the approval of such IPT.

Directors who are deemed an interested person of an IPT that requires the approval of shareholders will abstain from voting his/her holding of shares (if any) on any resolution put to the vote of shareholders in relation to the approval of any IPT. Directors will also decline to accept appointment as proxy for any shareholder to vote in respect of such resolution unless the shareholder concerned shall have given specific instructions in his/her proxy form as to the manner in which his/her votes are to be cast in respect of such resolution.

## Board Committee Membership – At a Glance

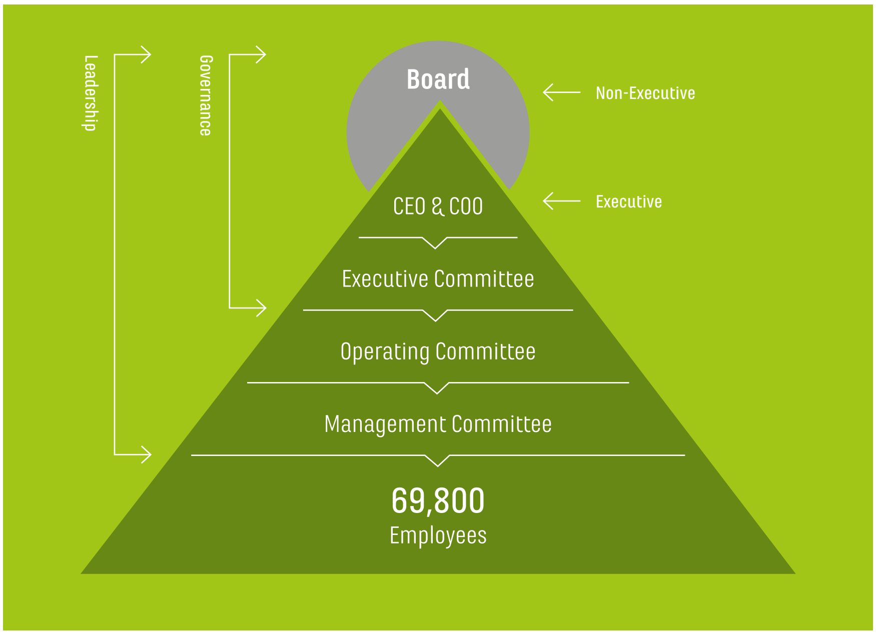
as at 1 January 2017

| Directors | Membership | Board Committees | Date of first appointment |
|---|---|---|---|
| Lim Ah Doo | Chairman, Independent | Governance and Nomination Committee (C)<br>Human Resource and Compensation Committee (C)<br>Capital and Investment Committee (M) | **1 November 2016 (assumed Chairmanship on 1 January 2017)** |
| Sunny George Verghese | Executive | Board Risk Committee (M)<br>Capital and Investment Committee (M) | **11 July 1996** |
| Jean-Paul Pinard | Independent | Corporate Responsibility and Sustainability Committee (C)<br>Capital and Investment Committee (M)<br>Human Resource and Compensation Committee (M) | **29 October 2008** |
| Sanjiv Misra | Independent | Capital and Investment Committee (C)<br>Board Risk Committee (M)<br>Human Resource and Compensation Committee (M) | **1 November 2013** |
| Nihal Vijaya Devadas Kaviratne CBE | Independent | Audit Committee (M)<br>Corporate Responsibility and Sustainability Committee (M) | **1 October 2014** |
| Yap Chee Keong | Independent | Audit Committee (C)<br>Board Risk Committee (M)<br>Governance and Nomination Committee (M) | **1 December 2015** |
| Marie Elaine Teo | Independent | Board Risk Committee (C)<br>Capital and Investment Committee (M)<br>Corporate Responsibility and Sustainability Committee (M) | **1 December 2015** |
| Katsuhiro Ito | Non-Executive | Audit Committee (M)<br>Governance and Nomination Committee (M)<br>Corporate Responsibility and Sustainability Committee (M) | **1 November 2015** |
| Yutaka Kyoya | Non-Executive | Capital and Investment Committee (M)<br>Board Risk Committee (M)<br>Human Resource and Compensation Committee (M) | **1 November 2015** |
| Rachel Eng Yaag Ngee | Independent | Audit Committee (M)<br>Governance and Nomination Committee (M)<br>Human Resource and Compensation Committee (M) | **25 April 2016** |
| Shekhar Anantharaman | Executive | Capital and Investment Committee (M)<br>Corporate Responsibility and Sustainability Committee (M) | **1 April 1998** |

# Summary of Disclosures of Code of Corporate Governance 2012

Specific principles and guidelines in the Code with express disclosure requirements pursuant to the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015.

# LEADERSHIP TEAM




## Executive Commitee

Sunny George Verghese
Shekhar Anantharaman
Jagdish Parihar
Gerard Anthony Manley
Vivek Verma
Ashok Krishen
Ashok Hegde
Srivathsan Venkataramani
Ranveer Chauhan
Greg Estep
KC Suresh
Joe Kenny

## Operating Commitee

Anupam Jindel
Ashok Hegde
Ashok Krishen
Devashish Chaubey
Gagan Gupta
Gerard Anthony Manley
Greg Estep
Jagdish Parihar
Jayant Parande
Joe Kenny
Joydeep Bose
KC Suresh
Mahesh Menon
MD Ramesh
Mukul Mathur
Neelamani Muthukumar
Raja Saoud
Rajeev Kadam
Ramanarayanan Mahadevan
Ranveer Chauhan
Ravi Pokhriyal
S. Venkita Padmanabhan
Shekhar Anantharaman
Srivathsan Venkataramani
Stephen Driver
Sunny George Verghese
Supramaniam Ramasamy
Suresh Sundararajan
Vivek Verma

## Management Committee

Abhishek Sahai
Alain Fredericq
Amit Agrawal
Amit Khirbat
Anupam Gupta
Anupam Jindel
Aravind VR
Arouna Coulibaly
Arun Sharma
Ashish Govil
Ashok Hegde
Ashok Krishen
Bikash Prasad
Brijesh Krishnaswamy
Chris Beetge
Chris Thompson
Chye Yeong
Damien Houlahan
Darshan Raiyani
Dave De Frank
David Watkins
Deepak Kaul
Devashish Chaubey
G. Srinivasakumar
Gagan Gupta
George Joseph
Gerard Anthony Manley
Girish Kumar Nair
Greg Estep
Heemskerk Rinus
Jagdish Parihar
Janaky Grant (Dr)
Jayant Parande
Jeff Pfalzgraf
Jeronimo Antonio Pereira
Jim Fenn
Joe Kenny
Joseph West
Joydeep Bose
Juan Antonio Rivas
KC Suresh
Kameswar Ellajosyula
Kaushal Khanna
L. G. Moorthy
Mahesh Menon
Manish Dhawan
Manoj Vashista
Manvinder Singh
MD Ramesh
Mehra Saurabh
Michael J Smyth
Mukul Mathur
Munish Minocha
Naveen Sharma
Neelamani Muthukumar
Partheeban Theodore
Paul Hutchinson
Prakash Jhanwer
Prakash Kanth
Premender Sethi
Raj Vardhan
Raja Saoud
Rajeev Kadam
Ramanarayanan Mahadevan
Ranjan Naik
Ranveer Chauhan
Ravi Pokhriyal
Raymond G Steitz
Rishi Kalra
Robert Dall'Alba
S. Venkita Padmanabhan
Sachin Sachdev
Sameer Kaushal
Sameer Patil
Sandeep Daga
Sandeep Hota
Sandeep Jain
Sanjay Sacheti
Sathyamurthy Mayilswamy
Shankar Rao
Sharad Gupta
Shekhar Anantharaman
Sridhar Krishnan
Sriram Subramanian
Srivathsan Venkataramani
Stephen Driver
Sumanta De
Sunil Agarwal
Sunny George Verghese
Supramaniam Ramasamy
Suresh Ramamurthy
Suresh Sundararajan
Syed Abdul Azeez
Thiagaraja Manikandan
Tejinder Singh
Thomas Gregersen
Vasanth Subramanian
Vibhu Nath
Vinayak Narain
Vipan Kumar
Vivek Verma

## Company Secretary

Victor Lai Kuan Loong

## Registered office

9 Temasek Boulevard
#11-02 Suntec Tower Two
Singapore 038989

Telephone: (65) 6339 4100
Fax: (65) 6339 9755

## Auditor

Ernst & Young LLP
One Raffles Quay North Tower, Level 18
Singapore 048583

Partner in charge:
Vincent Toong Weng Sum
(since financial year 30 June 2013)

## Principal bankers

Australia and New Zealand Banking Group Limited

Banco Bilbao Vizcaya Argentaria S.A

BNP Paribas

Commerzbank AG

Credit Suisse Group AG

DBS Bank Ltd

ING Bank N.V.

JPMorgan Chase Bank N.A.

National Australia Bank Limited

Natixis

Rabobank International

Standard Chartered Bank

The Bank of Tokyo-Mitsubishi UFJ, Ltd

The Hongkong and Shanghai Banking Corporation Limited

Commonwealth Bank of Australia

Mizuho Bank, Ltd

Westpac Banking Corporation

## Substantial shareholders

### (As recorded in the Register of Substantial Shareholders as at 16 March 2017)

| Name of Shareholder | Direct Number of Shares[1] | Deemed Number of Shares[1] |
|---|---|---|
| 1. Breedens Investments Pte. Ltd.[2] | 1,196,809,904 | – |
| 2. Aranda Investments Pte. Ltd.[2] | 228,331,313 | – |
| 3. Seletar Investments Pte Ltd[2] | – | 1,425,141,217 |
| 4. Temasek Capital (Private) Limited[2] | – | 1,425,141,217 |
| 5. Temasek Holdings (Private) Limited[2] | – | 1,425,141,217 |
| 6. Mitsubishi Corporation[3] | 554,689,829 | – |
| 7. Orbis Group[4] | – | 213,677,451 |

**Notes:**

(1) Percentages of shareholdings are calculated based on the total number of issued ordinary shares (excluding treasury shares) being 2,728,610,024 as at 16 March 2017.

(2) Temasek Holdings (Private) Limited's ("**Temasek**") interest arises from the direct interest held by Breedens Investments Pte. Ltd. ("**Breedens**") and Aranda Investments Pte. Ltd. ("**Aranda**").

(A) Temasek's deemed interest through Breedens 43.86%

(i) Breedens has a direct interest in 43.86% of voting shares of the Company.

(ii) Breedens is a wholly-owned subsidiary of Seletar Investments Pte Ltd ("**Seletar**").

(iii) Seletar is a wholly-owned subsidiary of Temasek Capital (Private) Limited ("**Temasek Capital**").

(iv) Temasek Capital is a wholly-owned subsidiary of Temasek.

(B) Temasek's deemed interest through Aranda 8.37%

(i) Aranda has a direct interest in 8.37% of voting shares of the Company.

(ii) Aranda is a wholly-owned subsidiary of Seletar.

(iii) Seletar is a wholly-owned subsidiary of Temasek Capital.

(iv) Temasek Capital is a wholly owned subsidiary of Temasek.

Total deemed interest of **Temasek** **52.23%**

(3) Total interest of **Mitsubishi Corporation** **20.33%**

(4) As a result of a restructuring exercise of the Orbis Group ("**Restructuring Exercise**"), Orbis Allan Gray Limited and Allan & Gill Gray Foundation (Guernsey) have on completion of the Restructuring Exercise, become substantial shareholders of the Company by virtue of their deemed interest in the shares managed by their indirect subsidiary, Orbis Investment Management Limited ("**OIML**"), who is a fund manager of the Orbis funds. The fund manager has the ability to vote and acquire/dispose of the Company's shares for and on behalf of the Orbis funds.

On 1 January 2017, OIML sub-delegated some of its portfolio management duties, including the authority to dispose of securities, to Orbis Investment Advisory (Hong Kong) Limited ("**OIAHK**"), the substantial shareholder. By virtue of the sub-delegation, OIAHK has deemed interest in the voting shares of the Company. OIML still retains overall investment management oversight, including voting shares in the Company, held by the portfolios.

OIML is part of the Orbis Group. OIML is a substantial shareholder of the Company as it has deemed interests in the shares of the Company held by the following Orbis funds:

1. Orbis Global Equity Fund (Australia Registered)
2. Orbis Global Emerging Markets Equity Fund (Australia Registered)
3. Orbis Global Equity LE Fund (Australia Registered)
4. Orbis Global Emerging Markets LP
5. Orbis Institutional Global Equity LP
6. Orbis Institutional International Equity LP
7. Orbis Institutional Global Equity Fund
8. Orbis Global Equity Fund Limited
9. Orbis Optimal SA Fund Limited
10. Orbis SICAV — Global Balanced Fund
11. Orbis SICAV — Global Equity Fund
12. Orbis SICAV — International Equity
13. Orbis OEIC Global Equity Fund
14. Orbis OEIC Global Balanced Fund
15. Orbis SICAV Emerging Markets Fund (formerly Orbis SICAV — Asia Ex-Japan Fund)

by virtue of OIML's ability to make or execute investment decisions on behalf of these entities.

None of the above Orbis funds individually holds 5% or more of the Company's shares.

Total deemed interest of **Orbis Group** **7.83%**

# Statistics of shareholdings
as at 16 March 2017

| | |
|---|---|
| Issued and fully Paid-up Capital | $3,160,677,838.00 |
| Number of Ordinary Shares in issue (including Treasury Shares) | 2,829,775,124 |
| Number of Treasury Shares held | 101,165,100 |
| Class of Shares | Ordinary |
| Voting Rights | One vote per share |

## Distribution of Shareholdings

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 98 | 1.70 | 2,537 | 0.00 |
| 100 – 1,000 | 687 | 11.92 | 594,082 | 0.02 |
| 1,001 – 10,000 | 3,896 | 67.62 | 18,748,535 | 0.69 |
| 10,001 – 1,000,000 | 1,064 | 18.47 | 41,548,317 | 1.52 |
| 1,000,001 and above | 17 | 0.29 | 2,667,716,553 | 97.77 |
| **Total** | **5,762** | **100.00** | **2,728,610,024** | **100.00** |

## Twenty Largest Shareholders

| No. | Name | No. Of Shares | % |
|---|---|---|---|
| 1 | Breedens Investments Pte Ltd | 1,196,809,904 | 43.86 |
| 2 | HSBC (Singapore) Nominees Pte Ltd | 570,263,028 | 20.90 |
| 3 | Citibank Nominees Singapore Pte Ltd | 334,107,222 | 12.24 |
| 4 | Aranda Investments Pte Ltd | 228,331,313 | 8.37 |
| 5 | Kewalram Singapore Limited | 133,498,532 | 4.89 |
| 6 | DBS Nominees (Private) Limited | 64,219,933 | 2.35 |
| 7 | Raffles Nominees (Pte) Limited | 54,662,025 | 2.00 |
| 8 | Daiwa Capital Markets Singapore Limited | 50,000,000 | 1.83 |
| 9 | DBSN Services Pte. Ltd. | 12,100,891 | 0.44 |
| 10 | UOB Kay Hian Private Limited | 7,359,469 | 0.27 |
| 11 | ABN Amro Clearing Bank N.V. | 5,395,461 | 0.20 |
| 12 | United Overseas Bank Nominees (Private) Limited | 2,885,169 | 0.11 |
| 13 | OCBC Securities Private Limited | 2,799,838 | 0.10 |
| 14 | Maybank Kim Eng Securities Pte. Ltd. | 1,639,422 | 0.06 |
| 15 | OCBC Nominees Singapore Private Limited | 1,504,374 | 0.06 |
| 16 | DB Nominees (Singapore) Pte Ltd | 1,139,576 | 0.04 |
| 17 | Thomas Gregersen | 1,000,396 | 0.04 |
| 18 | Cosmic Insurance Corporation Limited – Sif | 743,409 | 0.03 |
| 19 | ABN Amro Nominees Singapore Pte Ltd | 704,865 | 0.03 |
| 20 | Devashish Chaubey | 697,000 | 0.03 |
| | **Total** | **2,669,861,827** | **97.85** |

## Public Float

Approximately 15.06% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

## Statistics of warrantholdings
as at 16 March 2017

### Distribution of Warrantholdings

| Size of Warrantholdings | No. of Warrantholders | % | No. Of Warrants | % |
|---|---|---|---|---|
| 1 – 99 | 98 | 7.26 | 4,179 | 0.00 |
| 100 – 1,000 | 294 | 21.78 | 168,959 | 0.04 |
| 1,001 – 10,000 | 779 | 57.70 | 2,330,107 | 0.54 |
| 10,001 – 1,000,000 | 168 | 12.44 | 10,707,513 | 2.50 |
| 1,000,001 and above | 11 | 0.82 | 415,010,207 | 96.92 |
| **Total** | **1,350** | **100.00** | **428,220,965** | **100.00** |

### Twenty Largest Warrantholders

| No. | Name | No. Of Warrants | % |
|---|---|---|---|
| 1 | Breedens Investments Pte Ltd | 191,144,169 | 44.64 |
| 2 | Kewalram Singapore Limited | 87,383,322 | 20.41 |
| 3 | Aranda Investments Pte Ltd | 81,780,167 | 19.10 |
| 4 | Citibank Nominees Singapore Pte Ltd | 20,169,212 | 4.71 |
| 5 | HSBC (Singapore) Nominees Pte Ltd | 12,326,127 | 2.88 |
| 6 | DBS Nominees (Private) Limited | 5,803,844 | 1.36 |
| 7 | Raffles Nominees (Pte) Limited | 3,921,069 | 0.92 |
| 8 | Mak Seng Fook | 3,882,477 | 0.91 |
| 9 | DBSN Services Pte. Ltd. | 3,428,139 | 0.80 |
| 10 | DB Nominees (Singapore) Pte Ltd | 3,159,375 | 0.74 |
| 11 | CIMB Securities (Singapore) Pte. Ltd. | 2,012,306 | 0.47 |
| 12 | DBS Vickers Securities (Singapore) Pte Ltd | 848,181 | 0.20 |
| 13 | Fong Soon Yong | 625,983 | 0.15 |
| 14 | Lim & Tan Securities Pte Ltd | 519,543 | 0.12 |
| 15 | UOB Kay Hian Private Limited | 473,089 | 0.11 |
| 16 | Rajeev Pandurang Kadam | 450,176 | 0.11 |
| 17 | Anupam Jindel | 442,934 | 0.10 |
| 18 | June Song Pte Ltd | 439,647 | 0.10 |
| 19 | Narasimhan Sundaram Ramadoss | 359,902 | 0.08 |
| 20 | BNP Paribas Securities Services Singapore Branch | 332,667 | 0.08 |
| | **Total** | **419,502,329** | **97.99** |

Exercise Price: US$1.14 for each New Share on the exercise of a Warrant

Exercise Period: Commencing on and including the date falling 36 months after 29 January 2013 and expiring at 5.00 p.m. on a date falling 60 months after 29 January 2013, excluding such period(s) during which the register of Warrantholders may be closed pursuant to the Deed Poll.

Warrant Agent: Boardroom Corporate & Advisory Services Pte. Ltd
50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623

## Notice of Annual General Meeting

Olam International Limited
(Company Registration No. 199504676H)
(Incorporated in The Republic of Singapore with limited liability)

**NOTICE IS HEREBY GIVEN** that the Twenty-Second Annual General Meeting of Olam International Limited (the "**Company**") will be held at Room 331-332, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Tuesday, 25 April 2017 at 10.00 a.m. for the following purposes:

| ORDINARY BUSINESS | Ordinary Resolutions |
|---|---|
| 1. To receive and adopt the Directors' Statement and the Audited Consolidated Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon.<br>Please refer to the explanatory note (i) provided. | **Resolution 1** |
| 2. To declare a second and final dividend of 3 cents per share, tax exempt (one-tier), for the financial year ended 31 December 2016.<br>Please refer to the explanatory note (ii) provided. | **Resolution 2** |
| 3. To re-elect the following Directors retiring pursuant to Article 103 of the Articles of Association of the Company comprising part of the constitution of the Company (the "**Constitution**"), and who, being eligible, offer themselves for re-election: | |
| (a) Mr. Jean-Paul Pinard | **Resolution 3** |
| (b) Mr. Sanjiv Misra | **Resolution 4** |
| (c) Mr. Sunny George Verghese | **Resolution 5** |
| (d) Mr. Shekhar Anantharaman | **Resolution 6** |
| Please refer to the explanatory note (iii) provided. | |
| 4. To re-elect Mr. Lim Ah Doo who will cease to hold office in accordance with Article 109 of the Constitution, and who, being eligible, offers himself for re-election.<br>Please refer to the explanatory note (iv) provided. | **Resolution 7** |
| 5. To approve the payment of Directors' fees of up to S$2,000,000 for the financial year ending 31 December 2017 ("**FY 2017**") (2016: S$2,090,000).<br>Please refer to the explanatory note (v) provided. | **Resolution 8** |
| 6. To re-appoint Messrs Ernst & Young LLP as the auditors of the Company and to authorise the Directors to fix their remuneration.<br>Please refer to the explanatory note (vi) provided. | **Resolution 9** |

## Notice of Annual General Meeting

| ## SPECIAL BUSINESS | Ordinary Resolutions |
|---|---|

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. **General Authority to Issue Shares** — **Resolution 10**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Listing Manual**"), the Directors be authorised and empowered to:

(a) (i) issue ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed ten per cent. (10%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:

(A) new Shares arising from the conversion or exercise of any convertible securities;

(B) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(C) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company ("**AGM**") or the date by which the next AGM is required by law to be held, whichever is the earlier.

Please refer to the explanatory note (vii) provided below.

| SPECIAL BUSINESS | Ordinary Resolutions |
|---|---|

8. **Renewal of the Share Buyback Mandate** — **Resolution 11**

That:

(a) for the purposes of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:

(i) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(b) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors pursuant to this Resolution may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM is held or required by law to be held; or

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated,

whichever is the earlier; and

(c) in this Resolution:

"**Maximum Limit**" means that number of issued Shares representing not more than five per cent. (5%) of the total number of issued Shares (excluding treasury shares) as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as defined below), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of passing of this Resolution and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier; and

## Notice of Annual General Meeting

| SPECIAL BUSINESS | Ordinary Resolutions |
|---|---|
| "**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:<br>(i) in the case of a Market Purchase, 105% of the Average Closing Price; and<br>(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,<br>where:<br>"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days (a "**Market Day**" being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days; and<br>"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and<br>(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.<br>Please refer to the explanatory note (viii) provided. | |
| 9. **Authority to issue Shares under the Olam Scrip Dividend Scheme**<br>That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to allot and issue such number of Shares as may be required to be allotted and issued from time to time pursuant to the Olam Scrip Dividend Scheme.<br>Please refer to the explanatory note (ix) provided. | **Resolution 12** |

## SPECIAL BUSINESS

**Ordinary Resolutions**

10. **Authority to issue Shares under the Olam Share Grant Plan** — **Resolution 13**

That the Directors be and are hereby authorised to:

(a) grant awards in accordance with the provisions of the Olam Share Grant Plan; and

(b) allot and issue from time to time such number of fully paid-up Shares as may be required to be delivered pursuant to the vesting of awards under the Olam Share Grant Plan,

provided that the total number of Shares which may be allotted and issued and/or Shares which may be delivered pursuant to awards granted under the Olam Share Grant Plan on any date, when added to:

(i) the total number of new Shares allotted and issued and/or to be allotted and issued, and issued Shares delivered and/or to be delivered in respect of all awards granted under the Olam Share Grant Plan; and

(ii) all Shares, options or awards granted under any other share schemes of the Company then in force,

shall not exceed ten per cent. (10%) of the total number of issued Shares (excluding treasury shares) from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is the earlier.

Please refer to the explanatory note (x) provided.

By Order of the Board

Lai Kuan Loong Victor
Company Secretary
Singapore

Date: 10 April 2017

# Notice of Annual General Meeting

**Please read the following notes and the explanation of the resolutions before deciding how to vote.**

## Appointment of Proxy

a. A member entitled to attend and vote at the AGM, and who is not a Relevant Intermediary (as hereinafter defined) is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A member of the Company who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend and vote in his place, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. A proxy need not be a member of the Company.

   "**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act.

b. The instrument appointing a proxy must be deposited at the registered office of the Company at 9 Temasek Boulevard, #11-02 Suntec Tower Two, Singapore 038989, or at the office of the Share Registrar of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding the AGM. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

c. Personal data privacy:

   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## Voting

a. In compliance with Rule 730A(2) of the Listing Manual, the Company intends to call a poll on all resolutions to be passed at the AGM. The Company intends to conduct the poll electronically. Voting and vote tabulation procedures will be read and explained at the start of the AGM before voting begins. An independent scrutineer will be appointed to count and validate the votes at the AGM. If an electronic poll is conducted, the results of each resolution will be instantaneously displayed at the AGM, showing the total number of shares represented by votes cast for and against each resolution as well as abstentions. Shareholders who are unable to attend the AGM may refer to the Company's announcement on SGXNet after the AGM.

b. Shareholders who are unable to attend the AGM are entitled to appoint proxies to attend and vote at the AGM on their behalf by duly completing the Proxy Form. All valid votes cast by proxies on each resolution will be counted. Accordingly, shareholders may ensure that their views are counted by appointing a proxy to cast the votes on their behalf. The duly completed Proxy Form must be deposited at the Company's registered office at 9 Temasek Boulevard, #11-02 Suntec Tower Two, Singapore 038989, or at the office of the Company's share registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Please complete and return your Proxy Form as soon as possible and in any event not less than 48 hours before the time appointed for the AGM. Please refer to the Proxy Form for further information.

## Website

The Company's website, www.olamgroup.com, provides more information about the Company, including the latest Annual Report, the Notice of AGM and the Proxy Form.

## Admission to the AGM

Please arrive with sufficient time to allow registration. Please bring your attendance and identification documentation with you.

**Explanatory Notes of the resolutions to be proposed at the AGM**

Resolutions 1 to 13 are proposed as Ordinary Resolutions. For an ordinary resolution to be passed, more than half of the votes cast must be in favour of the resolution.

*(i) Ordinary Resolution 1*

The Companies Act requires that the audited consolidated financial statements of Company for each financial year to be tabled before the shareholders in a general meeting. The audited consolidated financial statements are to be accompanied by the Directors' Statement and the Auditors' Report thereon.

*(ii) Ordinary Resolution 2*

Ordinary Resolution 2 is to declare a final tax exempt dividend of 3 cents per share for the financial year ended 31 December 2016 ("FY 2016"). Together with the sum of 3 cents per share of interim dividend declared in the second quarter of FY 2016, the total dividend for FY 2016 is 6 cents per share (approximately S$164 million). The Company does not have a fixed dividend policy. The Directors' policy is to recommend dividends consistent with the Company's overall governing objective of maximising intrinsic value for its continuing shareholders. Dividend payments are affected by matters such as the level of the Company's future earnings, results of operations, capital requirements, cash flows, financial conditions, the Company's plans for expansion, general business conditions and other factors, including such legal or contractual restrictions as may apply from time to time or which our Directors may consider appropriate in the interest of our Company. The Directors will consider all these factors before proposing any dividends. The Company may, by ordinary resolution at a general meeting of shareholders, declare dividends, but the amount of such dividends shall not exceed the amount recommended by the Directors. The Directors may also declare an interim dividend without seeking shareholders' approval. Potential investors should note that this statement is a statement of the Company's present intention and shall not constitute a legally binding commitment in respect of the Company's future dividends and dividend pay-out ratio which may be subject to modification (including reduction or non-declaration thereof) in the Directors' sole and absolute discretion. All dividends are distributed as tax-exempt dividends in accordance with the Income Tax Act, Chapter 134 of Singapore.

*(iii) Ordinary Resolutions 3, 4, 5 and 6*

Mr. Jean-Paul Pinard will, upon re-election as a Director, continue his office as Non-executive and Independent Director. He will remain Chairman of the Corporate Responsibility and Sustainability Committee ("**CRSC**") and member of the Capital and Investment Committee ("**CIC**") and the Human Resource and Compensation Committee ("**HRCC**"). He will be considered independent.

Mr. Sanjiv Misra will, upon re-election as a Director, continue his office as Non-executive and Independent Director and will remain Chairman of the CIC and member of the Board Risk Committee ("**BRC**") and the HRCC. He will be considered independent.

Mr. Sunny George Verghese will, upon re-election as a Director, continue his office as Executive Director and will remain a member of the BRC and the CIC. He is also the Group CEO.

Mr. Shekhar Anantharaman will, upon re-election as a Director, continue his office as Executive Director and will remain a member of the CIC and the CRSC. He is also the Group COO.

Please refer to the Governance Report of the 2016 Annual Report for the profile of each of Messrs. Jean-Paul Pinard, Sanjiv Misra, Sunny George Verghese and Shekhar Anantharaman.

*(iv) Ordinary Resolution 7*

Mr. Lim Ah Doo will, upon re-election as a Director, continue his office as Non-executive and Independent Director and Chairman of the Board. He will remain as Chairman of the Governance and Nomination Committee and the HRCC and will remain a member of the CIC. He will be considered independent.

Please refer to the Governance Report of the 2016 Annual Report for the profile of Mr. Lim Ah Doo.

*(v) Ordinary Resolution 8*

Ordinary Resolution 8 seeks the payment of up to S$2,000,000 to all directors (other than the Executive Directors) as Directors' fees for FY 2017. The Directors' fees approved for FY 2016 was S$2,090,000. The exact amount of Director's fees received by each Director for FY 2016 is disclosed in full on page 15 of the Governance Report of the 2016 Annual Report. Ordinary Resolution 8, if passed, will facilitate the quarterly payment in arrears of Directors' fees during FY 2017 in which the fees are incurred. The amount of Directors' fees is computed based on the fee structure as reported on page 14 of the Governance Report of the 2016 Annual Report. The Directors' fees proposed for payment also include an additional ten per cent. (10%) to provide for unforeseen circumstances (such as additional meetings of the Board and Board Committees and Board offsite, the appointment of additional Directors and/or the formation of additional Board Committees) during FY 2017.

*(vi) Ordinary Resolution 9*

Ordinary Resolution 9 seeks the re-appointment of Ernst & Young LLP as independent auditors to the Company (the "Auditors") and requests authority for the Directors to set the remuneration of the Auditors. The Board is careful that the Auditor's independence should not be compromised and the Audit Committee takes responsibility for reviewing the performance of the Auditors and making recommendations about the scope of their work and fees. The Audit Committee has recommended to the Board that the appointment of Ernst & Young LLP should be renewed until the conclusion of the next AGM.

## Notice of Annual General Meeting

*(vii) Ordinary Resolution 10*

Ordinary Resolution 10, if passed, will empower the Directors, effective until the earlier of (1) conclusion of the next AGM, or (2) the date by which the next AGM is required by law to be held (unless such authority is varied or revoked by the Company in a general meeting) to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per cent. (50%) of the total number of issued Shares, of which up to ten per cent. (10%) may be issued other than on a *pro rata* basis to shareholders. Although the Listing Manual of the SGX-ST enables the Company to seek a mandate to permit its directors to issue shares up to the 50% Limit if made on a *pro rata* basis to shareholders, and up to a sub-limit of twenty per cent. (20%) if made other than on a pro rata basis to shareholders, the Company is nonetheless only seeking a sub-limit of ten per cent. (10%).

For determining the aggregate number of Shares that may be issued, the total number of issued Shares will be calculated based on the total number of issued Shares (excluding treasury shares) at the time this Ordinary Resolution 10 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution 10 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

*(viii) Ordinary Resolution 11*

Ordinary Resolution 11, if passed, will empower the Directors from the date of the passing of this Ordinary Resolution 11 until the earlier of the date of the next AGM, or the date by which the next AGM is required by law to be held, to purchase or otherwise acquire, by way of Market Purchases or Off-Market Purchases, up to five per cent. (5%) of the total number of issued Shares (excluding treasury shares) as at the date of the passing of this Ordinary Resolution 11 on the terms of the Share Buyback Mandate as set out in the Letter to Shareholders dated 10 April 2017 accompanying this Notice of AGM (the "**Letter**"), unless such authority is earlier revoked or varied by the shareholders of the Company in a general meeting.

The Company may use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of Shares pursuant to the Share Buyback Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of AGM as these will depend on, *inter alia*, the aggregate number of Shares purchased, whether the purchase is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares. For illustrative purposes only, the financial effects of an assumed purchase or acquisition of the maximum number of Shares, at a purchase price equivalent to the Maximum Price per Share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited financial statements of the Company and its subsidiaries for FY 2016 and certain assumptions, are set out in paragraph 2.4.6 of the Letter.

*(ix) Ordinary Resolution 12*

Ordinary Resolution 12, if passed, will empower the Directors to issue Shares from time to time pursuant to the Olam Scrip Dividend Scheme to shareholders who, in respect of a qualifying dividend, have elected to receive Shares in lieu of the cash amount of that qualifying dividend. Unless varied or revoked by the Company in a general meeting, such authority shall remain effective until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is the earlier. Please refer to the circular to shareholders of the Company dated 7 October 2009 for the terms and conditions of the Olam Scrip Dividend Scheme.

*(x) Ordinary Resolution 13*

The Olam Share Grant Plan was adopted at the AGM held on 30 October 2014. Other than the Olam Share Grant Plan, the Company does not have any other share scheme which is currently in force. Ordinary Resolution 13, if passed, will empower the Directors to grant awards under the Olam Share Grant Plan and to issue new Shares in respect of such awards, subject to the limitations described in this Ordinary Resolution 13. Unless such authority has been varied or revoked by the Company in a general meeting, such authority shall expire at the conclusion of the next AGM, or the date by which the next AGM is required by law to be held, whichever is the earlier.

More details on Olam Share Grant Plan may be read in the Governance Report and the Financial Report of the 2016 Annual Report.

### NOTICE OF BOOKS CLOSURE

As stated in the Notice of Books Closure set out in the Company's announcement dated 28 February 2017, the Company wishes to notify shareholders that the Share Transfer Books and Register of Members of the Company will be closed at **5.00 p.m. on 4 May 2017** for the preparation of dividend warrants. Duly completed registrable transfers of Shares received by the Company's Share Registrar, Boardroom Corporate & Advisory Services (Pte) Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to **5.00 p.m. on 4 May 2017** will be registered to determine members' entitlements to the proposed final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at **5.00 p.m. on 4 May 2017** will be entitled to the proposed final dividend. Payment of the final dividend, if approved by the members at the AGM to be held on 25 April 2017, will be made on **15 May 2017**.

# Proxy form

## Olam International Limited

(Company Registration No. 199504676H)

(Incorporated in The Republic of Singapore with limited liability)

**IMPORTANT:**

For Central Provident Fund ("CPF") and/or Supplementary Retirement Scheme ("SRS") investors who have used their CPF/SRS monies to buy ordinary shares in the capital of Olam International Limited ("Shares"), this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries as to how they may be appointed as proxies.

*(Please see notes overleaf before completing this Form)*

*I/We, ______________________________

Of ______________________________

being a *member/members of Olam International Limited (the "Company"), hereby appoint:

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or *(delete as appropriate)*

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing *him/her, the Chairman of the Twenty-Second Annual General Meeting of the Company (the "Meeting") as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Meeting to be held on Tuesday, 25 April 2017 at 10.00 a.m. at Room 331-332, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

(If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick [✓] within the box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant Resolution, please indicate the number of Shares in the boxes provided.)

| No. | Resolutions relating to: | For | Against |
|---|---|---|---|
| | **Ordinary Business** | | |
| 1. | Directors' Statement and the Audited Consolidated Financial Statements of the Company for the financial year ended 31 December 2016 ("**FY 2016**") together with the Auditors' Report thereon | | |
| 2. | Payment of a second and final dividend of 3 cents per share for FY 2016 | | |
| 3. | Re-election of Mr. Jean-Paul Pinard as a Director retiring under Article 103 | | |
| 4. | Re-election of Mr. Sanjiv Misra as a Director retiring under Article 103 | | |
| 5. | Re-election of Mr. Sunny George Verghese as a Director retiring under Article 103 | | |
| 6. | Re-election of Mr. Shekhar Anantharaman as a Director retiring under Article103 | | |
| 7. | Re-election of Mr. Lim Ah Doo as a Director retiring under Article 109 | | |
| 8. | Approval of payment of Directors' fees of up to S$2,000,000 for the financial year ending 31 December 2017 | | |
| 9. | To re-appoint Messrs Ernst & Young LLP as the auditors of the Company | | |
| | **Special Business** | | |
| 10. | General authority to issue Shares | | |
| 11. | Renewal of the Share Buyback Mandate | | |
| 12. | Authority to issue Shares under the Olam Scrip Dividend Scheme | | |
| 13. | Authority to issue Shares under the Olam Share Grant Plan | | |

Dated this __________ day of __________ 2017

| Total number of Shares Held |
|---|
| |

______________________________

Signature of Shareholder(s) or
Common Seal of Corporate Shareholder

** Delete where inapplicable*

**IMPORTANT: Please read the notes overleaf before completing this Proxy Form.**

## Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017.

## Notes:

1. Please insert the total number of Shares held by you. If you only have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you only have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you (in both the Register of Members and the Depository Register).
2. A member of the Company (other than a relevant intermediary*) entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote instead of him/her. A proxy need not be a member of the Company. Any appointment of a proxy by an individual member attending in person shall be null and void and such proxy shall not be entitled to vote at the meeting.
3. Where a member (other than a relevant intermediary*) appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. A relevant intermediary may appoint more than two (2) proxies to attend and vote at a meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 9 Temasek Boulevard, #11-02 Suntec Tower Two, Singapore 038989, or at the office of the Share Registrar of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the Meeting.
5. (i) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing.

   (ii) Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

   (iii) Where the instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified true copy thereof shall (failing previous registration with the Company), if required by law, be duly stamped and be deposited at the registered office of the Company or at the office of the share registrar, not less than 48 hours before the time for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. Subject to note 8, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

* The term "relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

## General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. The Company shall not be responsible to confirm nor be liable for the rejection of any incomplete or invalid proxy instrument. In addition, in the case of Shares entered in the Depository Register, the Company shall reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# STAY UP TO DATE

olamgroup.com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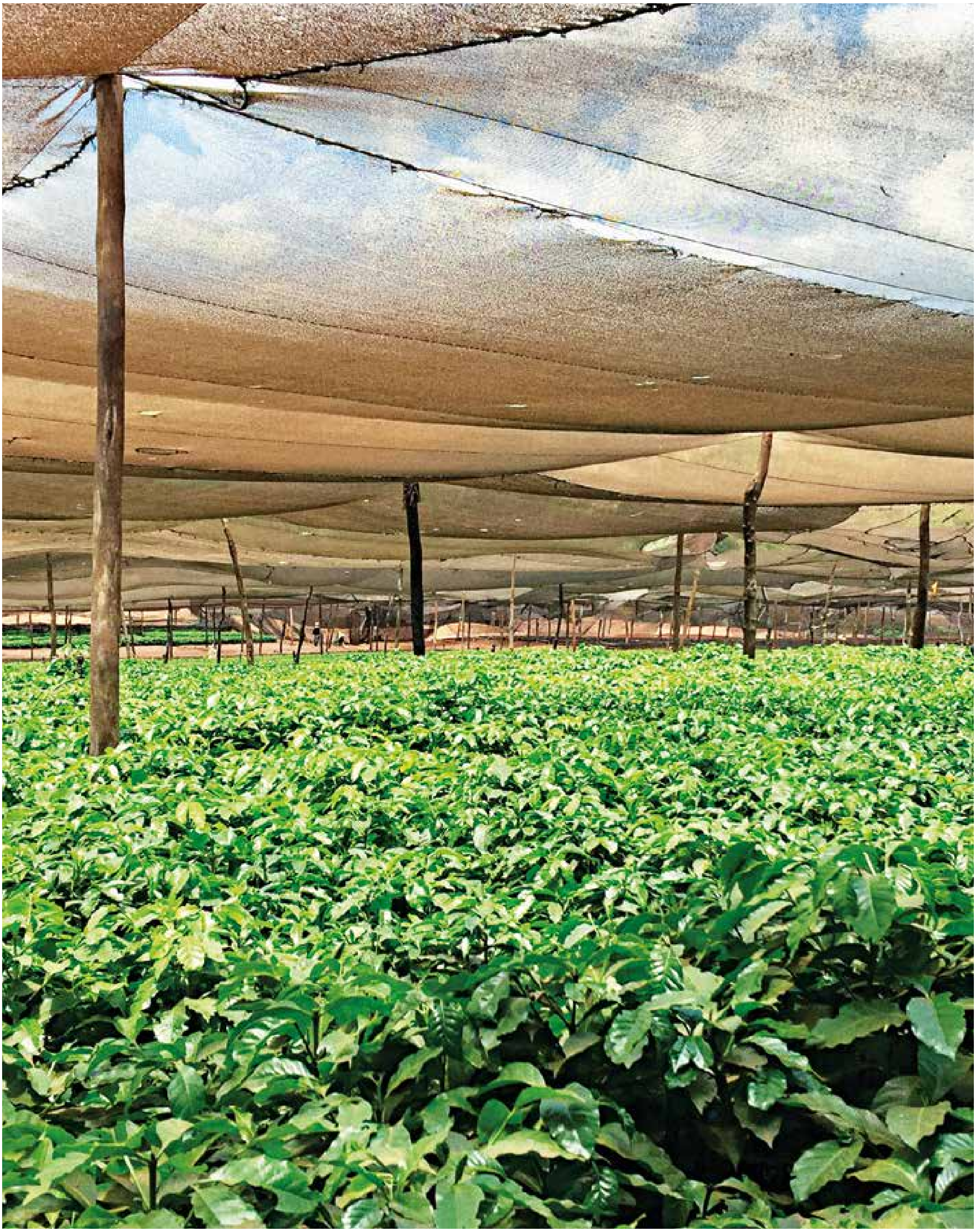
# Financial Report

Annual Report 2016



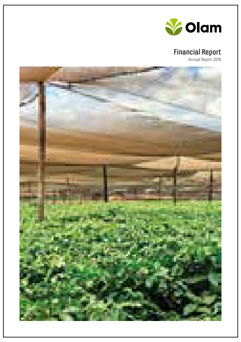
## Contents

**Annual financial statements**



## About this report

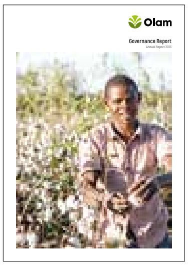
This annual report has 3 chapters. These can be read independently, however for the purpose of compliance they are intended to be viewed as a single document.




### Financial Report

Our figures and respective notes are enclosed within this chapter. It should be read in conjunction with the Strategy Report to give a balanced account of internal and external factors.


### Strategy Report




### Governance 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

Cultivating coffee plants in our nursery to supply Olam Aviv's plantation and local smallholders, Tanzania

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Olam International Limited (the 'Company') and its subsidiary companies (the 'Group') and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

## 1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements set out on pages 10 to 86 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity of the Group and of the Company, and the cash flows of the Group for the financial year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Directors

The directors of the Company in office at the date of this statement are:-

| | |
|---|---|
| Lim Ah Doo | (Appointed on 1 November 2016) |
| Sunny George Verghese | |
| Jean-Paul Pinard | |
| Sanjiv Misra | |
| Nihal Vijaya Devadas Kaviratne CBE | |
| Yap Chee Keong | |
| Marie Elaine Teo | |
| Yutaka Kyoya | |
| Katsuhiro Ito | |
| Rachel Eng Yaag Ngee | (Appointed on 25 April 2016) |
| Shekhar Anantharaman | |

In accordance with the Company's Articles of Association comprising part of the Constitution of the Company, Messrs. Jean-Paul Pinard, Sanjiv Misra, Sunny George Verghese and Shekhar Anantharaman will retire under Article 103 and Mr. Lim Ah Doo will retire under Article 109. They being eligible, offer themselves for re-election.

## 3. Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year ended 31 December 2016 was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Directors' Statement continued

## 4. Directors' interests in shares and debentures

According to the register of the directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Held in the name of the director or nominee | | | Deemed interest | | |
|---|---|---|---|---|---|---|
| Name of directors | As at 1.1. 2016 or date of appointment, if later | **As at 31.12.2016** | **As at 21.1.2017** | As at 1.1.2016 or date of appointment, if later | **As at 31.12.2016** | **As at 21.1.2017** |
| **The Company** | | | | | | |
| **Olam International Limited** | | | | | | |
| **(a) Ordinary shares** | | | | | | |
| Sunny George Verghese | 111,646,477 | **111,646,477** | **111,646,477** | – | – | – |
| Shekhar Anantharaman | 12,619,672 | **12,619,672** | **12,619,672** | – | – | – |
| **(b) $275,000,000 7.0% Perpetual Capital Securities ('Capital Securities') issued in denominations of $250,000 and in higher integral multiples of $1,000 in excess thereof** | | | | | | |
| Jean-Paul Pinard | $250,000 | **$250,000** | **$250,000** | – | – | – |
| **(c) 428,934,252 Warrants issued at an exercise price of US$1.14 for each new share [1]** | | | | | | |
| Sunny George Verghese | 19,421,192 | **20,178,230** | **20,178,230** | – | – | – |
| Shekhar Anantharaman | 2,684,452 | **2,789,093** | **2,789,093** | – | – | – |
| Jean-Paul Pinard | 751,647 | **780,949** | **780,949** | – | – | – |
| **(d) Euro Medium Term Note Programme** | | | | | | |
| Nihal Vijaya Devadas Kaviratne, CBE [2] | US$200,000 | **US$200,000** | **US$200,000** | – | – | – |
| **(e) Options to subscribe for ordinary shares** | | | | | | |
| Sunny George Verghese | 15,000,000 | **15,000,000** | **15,000,000** | – | – | – |
| Shekhar Anantharaman | 5,000,000 | **5,000,000** | **5,000,000** | – | – | – |
| **Subsidiaries of the Company's holding company** | | | | | | |
| **Temasek Group of companies** | | | | | | |
| **(a) Mapletree Greater China Commercial Trust Management Ltd** | | | | | | |
| **(Unit holdings in Mapletree Greater China Commercial Trust)** | | | | | | |
| Sunny George Verghese | – | **510,000** | **510,000** | – | – | – |
| **(b) Mapletree Logistics Trust Management Ltd** | | | | | | |
| **(Unit holdings in Mapletree Logistics Trust)** | | | | | | |
| Sunny George Verghese | – | **505,000** | **505,000** | – | – | – |
| Lim Ah Doo [3] | 185,000 | **185,000** | **185,000** | – | – | – |
| **(c) Mapletree Commercial Trust Management Ltd.** | | | | | | |
| **(3.25% Bonds Maturity 3 February 2023)** | | | | | | |
| Yap Chee Keong | $250,000 | **$250,000** | **$250,000** | – | – | – |
| **(d) Singapore Technologies Engineering Ltd** | | | | | | |
| Lim Ah Doo [3] | 31,300 | **31,300** | **31,300** | – | – | – |
| **(e) Starhub Ltd** | | | | | | |
| **(Ordinary Shares)** | | | | | | |
| Nihal Vijaya Devadas Kaviratne, CBE [4] | 37,900 | **19,000** | **19,000** | – | – | – |
| Sanjiv Misra [5] | 60,000 | **60,000** | **60,000** | – | – | – |
| Rachel Eng Yaag Ngee | 6,900 | **6,900** | **6,900** | – | – | – |

1. On 29 January 2013, the Company undertook a renounceable underwritten rights issue (the 'Rights Issue') of US$750,000,000 6.75 per cent. Bonds due 2018 (the 'Bonds'), with 387,365,079 free detachable warrants (the 'Warrants'). The Warrants were listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited ('SGX-ST'). Each Warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company (the 'New Share') at an original exercise price of US$1.291 for each New Share. These Warrants are exercisable from 29 January 2016 to 28 January 2018. The Company has fully redeemed the Bonds. These Warrants are exercisable from 29 January 2016 to 29 January 2018. Under the terms and conditions of the Warrants, the exercise price of the Warrants and the number of Warrants may be adjusted as a result of certain events. At the end of the financial year, the exercise price of the Warrants was adjusted to US$1.14 and a total of 428,934,252 Warrants were outstanding.
2. This refers to the Notes issued under Series 006 of the US$5,000,000,000 Euro Medium Term Note Programme ('EMTN') established by the Company on 6 July 2012 and subsequently updated on 14 July 2014 and 21 August 2015, comprising US$300,000,000 in principal amount of 4.50 per cent fixed rate notes due 2020.
3. Lim Ah Doo was appointed as director of the Company on 1 November 2016.
4. Partial interest held through The Kaviratne Family Trust which was disposed in the course of the year.
5. Held in trust by Windsor Castle Holding Ltd for Sanjiv Misra and spouse.

## 5. Olam employee share option scheme and Olam share grant plan

The Company offers the following share plans to its employees:

(a) Olam Employee Share Option Scheme, and

(b) Olam Share Grant Plan.

These share plans are administered by the Human Resource & Compensation Committee ('HRCC'), which comprises the following directors:-

| | |
|---|---|
| Lim Ah Doo | (Appointed on 1 November 2016) |
| Yutaka Kyoya | |
| Jean-Paul Pinard | |
| Sanjiv Misra | |
| Rachel Eng Yaag Ngee | (Appointed 25 April 2016) |

### Olam Employee Share Option Scheme

The Olam Employee Share Option Scheme ('the ESOS') was approved by the shareholders on 4 January 2005 at the Extraordinary General Meeting of the Company. The ESOS Rules were amended on 29 October 2008 at the Extraordinary General Meeting of the Company. Under the amended rules, the directors (including Non-Executive directors and Independent directors) and employees of the Group are eligible to participate in the ESOS, and all subsequent options issued to the Group's employees and Executive directors shall have a life of ten years instead of five. For options granted to the Company's Non-Executive directors and Independent directors, the option period shall be no longer than five years. Controlling Shareholders and associates of Controlling Shareholders are not eligible to participate in the ESOS.

Pursuant to the voluntary conditional cash offer by Breedens International Pte Ltd approval was sought and granted on 8 April 2014 such that all outstanding options which have not been exercised at the expiry of the accelerated exercise period shall not automatically lapse and become null and void but will expire in accordance with their original terms. The ESOS has expired on 3 January 2015. The terms of the ESOS continue to apply to outstanding options granted under the ESOS. The ESOS rules amended on 29 October 2008 may be read in the Appendix 1 of the Company's circular dated 13 October 2008.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS outstanding as at 31 December 2016 are as follows:-

| Expiry date | Exercise price ($) | Number of options |
|---|---|---|
| 21 July 2019 | 2.28 | 33,010,000 |
| 17 February 2020 | 2.35 | 15,000,000 |
| 23 July 2020 | 2.64 | 3,425,000 |
| 17 December 2020 | 3.10 | 650,000 |
| 14 March 2021 | 2.70 | 1,295,000 |
| 30 December 2021 | 2.16 | 2,690,000 |
| 15 June 2022 | 1.76 | 16,672,000 |
| **Total** | | **72,742,000** |

The details of options granted to the directors, are as follows:-

| Name of Participant | Options granted during financial year under review | Exercise Price for options granted during the financial year under review | Aggregate options granted since the commencement of the scheme to the end of financial year under review | Aggregate options exercised since the commencement of the scheme to the end of financial year under review | Aggregate options outstanding as at the end of financial year under review |
|---|---|---|---|---|---|
| Sunny George Verghese | – | – | 30,000,000 | 15,000,000 | 15,000,000 |
| Shekhar Anantharaman | – | – | 5,800,000 | 800,000 | 5,000,000 |

The 15,000,000 options granted to Sunny George Verghese in financial year 2010 were exercisable in three equal tranches of 5,000,000 each on or after the first, second and third anniversaries of the grant date (17 February 2010) at the exercise price of $2.35 where the vesting conditions were met. The options will expire ten years after the date of grant.

The 1,750,000 options granted to Shekhar Anantharaman in financial year 2010 were exercisable in tranches of 25% and 75% at the end of the third and fourth anniversary from the date of grant (21 July 2009) at the exercise price of $2.28 where the vesting conditions were met. The 3,250,000 options granted to Shekhar Anantharaman in financial year 2012 are exercisable in tranches of 25% and 75% at the end of the third and fourth anniversary respectively from the date of grant (15 June 2012) at the exercise price of $1.76 if the vesting conditions are met. The options will expire ten years after the date of grant.

## Directors' Statement continued

## 5. Olam employee share option scheme and Olam share grant plan continued

### Olam Share Grant Plan

The Company had adopted the Olam Share Grant Plan ('OSGP') at the 2014 Annual General Meeting.

The OSGP helps retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding employees and executive directors of the Group who have contributed to the growth of the Group. The OSGP gives participants an opportunity to have a personal equity interest in the Company and will help to achieve the following positive objectives:

- motivate participants to optimise their performance standards and efficiency, maintain a high level of contribution to the Group and strive to deliver long-term shareholder value;
- align the interests of employees with the interests of the Shareholders of the Company;
- retain key employees and executive directors of the Group whose contributions are key to the long-term growth and profitability of the Group;
- instill loyalty to, and a stronger identification by employees with the long-term prosperity of, the Company; and
- attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders of the Company.

An employee's Award under the OSGP will be determined at the absolute discretion of the HRCC. In considering an Award to be granted to an employee, the HRCC may take into account, inter alia, the employee's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skills set. The OSGP contemplates the award of fully-paid Shares, when and after pre-determined performance or service conditions are accomplished. Any performance targets set under the OSGP are intended to be based on longer-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. Examples of performance targets include targets based on criteria such as total shareholders' return, return on invested capital, economic value added, or on the Company meeting certain specified corporate target(s). It is also currently intended that a Retention Period, during which the Shares awarded may not be transferred or otherwise disposed of (except to the extent set out in the Award Letter or with the prior approval of the HRCC), may be imposed in respect of Shares awarded to the employees under the OSGP.

Details of the Awards granted to the directors, are as follows:-

| Type of Grant | | Performance share awards ('PSA') | Restricted share awards ('RSA') |
|---|---|---|---|
| Date of Grant | 7 April 2015 | 15 April 2016 | 15 April 2016 |
| Number of Shares which are subject of the Awards granted(*) | 11,817,500 | 10,397,000 | 5,423,000 |
| Number of employees receiving Shares Awards | 280 | 297 | 294 |
| Market Value of Olam Shares on the Date of Grant | $1.985 | $1.72 | $1.72 |
| Number of Shares awarded Granted to directors and Controlling Shareholders (and their Associates) of the Company, if any. | Sunny George Verghese 400,000 | Sunny George Verghese 410,000 | Sunny George Verghese 410,000 |
| | Shekhar Anantharaman 250,000 | Shekhar Anantharaman 350,000 | Shekhar Anantharaman 232,000 |
| Vesting Date of Shares awarded | April 2018 | April 2019 | Tranche 1 – 25%: 1 April 2017<br>Tranche 2 – 25%: 1 April 2018<br>Tranche 3 – 25%: 1 April 2019<br>Tranche 4 – 25%: 1 April 2020 |

The actual number of shares to be delivered pursuant to the PSA granted will range from 0% to 192.5% of the base award and is contingent on the achievement of pre-determined targets set out in the three year performance period and other terms and conditions being met.

Apart from that which is disclosed above, no directors or employees of the Group received 5% or more of the total number of options/shares available under the ESOS/OSGP.

The options/shares granted by the Company do not entitle the holder of the options, by virtue of such holding, to any right to participate in any share issue of any other company.

There were no incentive options/shares granted from commencement of ESOS/OSGP to the financial year end under review.

There were no options/shares granted at a discount.

There were no options/shares granted to controlling shareholders of the Company and their associates.

## 6. Audit Committee

The Audit Committee (the 'AC') comprises three Independent directors and a Non-Executive director. The members of the AC are Yap Chee Keong (Chairman), Katsuhiro Ito, Nihal Vijaya Devadas Kaviratne CBE and Rachel Eng Yaag Ngee (appointed on 25 April 2016). The AC performed the functions specified in section 201B(5) of the Singapore Companies Act, Chapter 50, the Singapore Code of Corporate Governance and the Listing Manual of the SGX-ST.

The AC held five meetings during the year under review. The AC met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and their evaluation of the Company's internal accounting control systems.

The AC reviewed the following:

- audit plans of the internal and external auditors of the Company, and ensured the adequacy of the Company's system of accounting controls and the cooperation given by the Company's management to the external and internal auditors;
- quarterly and annual financial statements of the Group and the Company prior to their submission to the board of directors for adoption;
- the Company's material internal controls, including financial, operational, compliance controls and risk management via reviews carried out by the internal auditors;
- legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes, and any reports received from regulators;
- independence and objectivity of the external auditors;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST); and
- the scope and results of the audit.

Further, the AC

- held meetings with the external auditors and the management in separate executive sessions to discuss any matters that these groups believed should be discussed privately with the AC;
- made recommendations to the board of directors in relation to the external auditor's reappointment and their compensation for the renewed period; and
- reported actions and minutes of the AC meetings to the board of directors with such recommendations as the AC considered appropriate.

The AC had full access and cooperation of the management and full discretion to invite any director or executive officer to attend its meetings.

The AC also reviewed the cost effectiveness of the audit conducted by the external auditors and the nature and extent of all non-audit services performed by the external auditors, and has confirmed that such services would not affect their independence.

The AC has recommended to the Board that Ernst & Young LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting. In appointing the auditors of the Company and its subsidiaries, the Company has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST.

Further details regarding the functions of the AC are disclosed in the Corporate Governance Report in the Company's Annual Report to shareholders.

## 7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as independent auditor.

On behalf of the board of directors,

**Lim Ah Doo**
Director

**Sunny George Verghese**
Director
20 March 2017

# Independent Auditor's Report

**For the financial year ended 31 December 2016**
**To the Members of Olam International Limited**

## Report on the financial statements

We have audited the accompanying financial statements of Olam International Limited (the 'Company') and its subsidiaries (collectively, the 'Group') set out on pages 10 to 86, which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1 **Valuation of goodwill, intangible assets and tangible assets/liabilities through business combinations**

During the year, the Group completed various acquisitions as disclosed in Note 11. The Group has determined these acquisitions to be business combinations for which the purchase price is to be allocated between acquired assets and liabilities, identified intangible assets and contingent liabilities, and leading to the resultant recognition of goodwill at their respective fair values. As a policy, for significant acquisitions, independent professional valuers were engaged by the Group to perform purchase price allocation exercise, fair valuation of acquired assets and liabilities and/or identification and valuation of intangible assets. The identification of such assets and liabilities, including contingent assets and liabilities and their measurement at fair value is inherently judgemental, thus we considered this area to be a key audit matter.

We have obtained the valuations prepared by management or independent valuers engaged by the Group. We, together with our valuation specialists, assessed the competence and capabilities of the valuers and objectivity of the valuers, and assessed the reasonableness of their conclusions having regard to the key assumptions including forecast cash flows focusing on revenues and earnings before interest, tax depreciation and amortisation ('EBITDA'), appropriateness of discount and growth rates and cross-checking valuation calculations against comparable companies, whilst considering the risk of management bias.

We have also assessed the Group's determination of the fair value of the remaining assets and liabilities having regard to the completeness of assets and liabilities identified and the reasonableness of any underlying assumptions in their respective valuations and this would also include assessment on the reasonableness of the useful lives of the intangible and tangible assets and the consideration given. We also considered the adequacy of disclosures on contingent liabilities and assets in relation to the acquisition.

## Key audit matters continued

### 2 Impairment assessment of goodwill, indefinite life intangible assets and fixed assets

The Group makes and has significant investments in fixed assets, goodwill and intangible assets that are associated with its operations and business units around the world. Management performs an annual impairment review of goodwill and intangible assets with indefinite life and performs an impairment assessment of the identified fixed assets when there are indicators of impairment. These valuations of the fixed assets, goodwill and indefinite life intangible assets are performed by management with the help of independent professional valuers where applicable. Valuation models based on the business units' cash flow forecast are used to determine the realisable values for the purposes of the impairment assessments. Due to the element of judgement exercised in forecasting and discounting future cash flows, we have considered this to be a key audit matter. Details of fixed assets and goodwill and indefinite life intangible assets are disclosed in Notes 10 and 11 respectively.

We have obtained the value in use assessment prepared by management and assessed the reasonableness of management's conclusions having regard to the key assumptions including forecast cash flows focusing on revenues and earnings before interest, tax depreciation and amortisation ('EBITDA'), appropriateness of discount and growth rates to historical trends to assess the reliability of management's forecast, in addition to comparing forecast assumptions to external market analysis and confirming the mathematical accuracy of the underlying calculations, whilst considering the risk of management bias.

We also reviewed the Group's disclosures of the application of judgement in estimating cash-generating units cash flows and the sensitivity of the results of those estimates adequately reflect the risks associated with goodwill, indefinite life intangible assets and fixed assets impairment.

### 3 Valuation of biological assets

The Group operates various farms and plantations for which either the livestock, agricultural produce ('fruits on trees') or annual crops are subject to valuation. These biological assets, where significant, are fair valued by professional independent valuers engaged by the Group using industry/ market accepted valuation methodology and approaches. Due to the measurement of fair value being inherently judgemental, we have considered this to be a key audit matter.

We had obtained the valuations of biological assets prepared by management and independent professional valuers engaged by the Group. The fair value reports are reviewed by us together with our valuation specialists for appropriateness of the fair value methodology used and reasonableness of the assumptions used which include forecast cash flows, discount rates and yield rates for the plantations and market prices of the fruits or nuts/crop and livestock. We assessed the competence, capabilities and objectivity of the independent professional valuers and assessed the reasonableness of their conclusions having regard to the key assumptions mentioned above.

We also reviewed the Group's disclosures of the application of judgement in estimating cash-generating units cash flows and the sensitivity of the results of those estimates adequately reflect the risks associated with biological assets valuation.

### 4 Valuation of financial instruments

In the ordinary course of business, the Group enter into various financial instruments which are required to be carried at fair value. The fair value of financial instruments which are not measured by quoted prices (unadjusted) in active market are determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. Due to the significance of financial instruments and the related judgement in estimation, this is considered a key audit matter.

We have reviewed and assessed the controls over identification, measurement and management of valuation risk, and evaluating the methodologies, inputs and assumptions used by the Group in determining fair values. The review also included comparisons of observable inputs against independent sources and externally available market data.

For financial instruments with significant unobservable valuation inputs and with the assistance of our own valuation specialists, we have reviewed and assessed the assumptions and models used or re-performed an independent valuation assessment to assess the reasonableness of the computed fair value. Additionally, we reviewed the appropriateness and adequacy of disclosures of fair value risks and sensitivities in Note 34 and 35 to the financial statement to reflect the Group's exposure to valuation risk.

# Independent Auditor's Report continued

**For the financial year ended 31 December 2016**

**To the Members of Olam International Limited**

## Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information in the Annual Report 2016 comprises the information included in (i) Strategy Report, (ii) Governance Report and (iii) Shareholding Information (within the Financial Report) sections, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Vincent Toong.

Ernst & Young LLP

**Ernst & Young LLP**
Public Accountants and Chartered Accountants
Singapore
20 March 2017

# Consolidated Profit and Loss Account

## For the financial year ended 31 December 2016

| | | Group | |
|---|---|---|---|
| | Note | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 (As restated) $'000 |
| Sale of goods and services | 4 | **20,587,032** | 28,230,586 |
| Other income | 5 | **47,265** | 142,237 |
| Cost of goods sold | 6 | **(18,363,777)** | (25,045,117) |
| Net gain/(loss) from changes in fair value of biological assets | 12 | **14,141** | (101,980) |
| Depreciation and amortisation | 10, 11 | **(353,481)** | (387,058) |
| Other expenses | 7 | **(1,103,939)** | (1,877,463) |
| Finance income | | **30,248** | 49,992 |
| Finance costs | 8 | **(446,248)** | (835,733) |
| Share of results from jointly controlled entities and associates | 14 | **22,160** | 2,285 |
| **Profit before taxation** | | **433,401** | 177,749 |
| Income tax expense | 9 | **(94,314)** | (125,808) |
| **Profit for the financial year** | | **339,087** | 51,941 |
| **Attributable to:** | | | |
| Owners of the Company | | **351,312** | 54,193 |
| Non-controlling interests | | **(12,225)** | (2,252) |
| | | **339,087** | 51,941 |
| **Earnings per share attributable to owners of the Company (cents)** | | | |
| Basic | 25 | **11.54** | 1.17 |
| Diluted | 25 | **11.14** | 1.12 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Consolidated Statement of Comprehensive Income

### For the financial year ended 31 December 2016

| | Group | |
|---|---|---|
| | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 (As restated) $'000 |
| **Profit for the financial year** | **339,087** | 51,941 |
| **Other comprehensive income** | | |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Net loss on fair value changes during the financial year | **(44,170)** | (189,049) |
| Reclassification of fair value changes from equity to profit and loss account (Note 15) | **–** | 192,612 |
| Recognised in the profit and loss account on occurrence of hedged transactions | **(54,111)** | (51,290) |
| Foreign currency translation adjustments | **(306,122)** | 97,953 |
| Share of other comprehensive income of jointly controlled entities and associates | **(19,616)** | (12,839) |
| **Other comprehensive income for the year, net of tax** | **(424,019)** | 37,387 |
| **Total comprehensive income for the year** | **(84,932)** | 89,328 |
| **Attributable to:** | | |
| Owners of the Company | **(80,320)** | 86,649 |
| Non-controlling interests | **(4,612)** | 2,679 |
| | **(84,932)** | 89,328 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Balance Sheets

## For the financial year ended 31 December 2016

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | Note | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | 1 July 2014 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 10 | **5,367,039** | 4,721,980 | 3,910,125 | **12,581** | 19,172 |
| Intangible assets | 11 | **1,313,608** | 1,114,339 | 648,758 | **304,573** | 218,851 |
| Biological assets | 12 | **450,564** | 336,146 | 341,923 | **–** | – |
| Subsidiary companies | 13 | **–** | – | – | **5,550,460** | 4,731,656 |
| Deferred tax assets | 9 | **95,735** | 62,219 | 22,983 | **–** | 2,622 |
| Investments in jointly controlled entities and associates | 14 | **889,838** | 898,895 | 835,393 | **724,826** | 740,663 |
| Long-term investments | 15 | **148,492** | 269,207 | 407,685 | **136,321** | 257,146 |
| Other non-current assets | 21 | **30,400** | 30,966 | 23,148 | **–** | – |
| | | **8,295,676** | 7,433,752 | 6,190,015 | **6,728,761** | 5,970,110 |
| **Current assets** | | | | | | |
| Amounts due from subsidiary companies | 16 | **–** | – | – | **3,583,148** | 1,789,599 |
| Trade receivables | 17 | **1,656,457** | 1,495,246 | 1,613,223 | **385,620** | 447,430 |
| Margin accounts with brokers | 18 | **164,958** | 189,724 | 225,499 | **153,544** | 122,589 |
| Inventories | 19 | **7,414,311** | 6,691,668 | 4,685,698 | **1,144,986** | 827,397 |
| Advance payments to suppliers | 20 | **880,602** | 714,972 | 706,652 | **142,456** | 128,680 |
| Advance payments to subsidiary companies | 20 | **–** | – | – | **2,196,193** | 3,084,849 |
| Cash and short-term deposits | 33 | **2,144,051** | 2,143,172 | 1,590,075 | **1,274,672** | 1,418,255 |
| Derivative financial instruments | 34 | **1,926,151** | 783,864 | 554,617 | **1,118,686** | 442,400 |
| Other current assets | 21 | **986,678** | 1,402,495 | 740,814 | **151,116** | 173,144 |
| | | **15,173,208** | 13,421,141 | 10,116,578 | **10,150,421** | 8,434,343 |
| **Current liabilities** | | | | | | |
| Trade payables and accruals | 22 | **(2,201,494)** | (1,753,711) | (1,587,626) | **(949,283)** | (505,829) |
| Borrowings | 24 | **(5,983,035)** | (5,512,179) | (4,503,756) | **(3,632,631)** | (4,212,428) |
| Derivative financial instruments | 34 | **(987,942)** | (540,094) | (382,163) | **(681,162)** | (368,303) |
| Provision for taxation | | **(84,949)** | (82,030) | (80,213) | **(24,739)** | (17,289) |
| Other current liabilities | 23 | **(383,731)** | (444,705) | (428,322) | **(115,176)** | (107,873) |
| | | **(9,641,151)** | (8,332,719) | (6,982,080) | **(5,402,991)** | (5,211,722) |
| **Net current assets** | | **5,532,057** | 5,088,422 | 3,134,498 | **4,747,430** | 3,222,621 |
| **Non-current liabilities** | | | | | | |
| Deferred tax liabilities | 9 | **(505,876)** | (420,782) | (266,035) | **(8,103)** | (6,817) |
| Borrowings | 24 | **(7,687,553)** | (6,781,736) | (4,836,150) | **(6,435,337)** | (4,818,091) |
| | | **(8,193,429)** | (7,202,518) | (5,102,185) | **(6,443,440)** | (4,824,908) |
| **Net assets** | | **5,634,304** | 5,319,656 | 4,222,328 | **5,032,751** | 4,367,823 |
| **Equity attributable to owners of the Company** | | | | | | |
| Share capital | 26 | **3,087,894** | 3,082,499 | 2,162,642 | **3,087,894** | 3,082,499 |
| Treasury shares | 26 | **(190,465)** | (96,081) | (96,081) | **(190,465)** | (96,081) |
| Perpetual capital securities | 26 | **930,416** | 237,525 | 237,379 | **930,416** | 237,525 |
| Reserves | | **1,570,498** | 1,855,140 | 1,896,246 | **1,204,906** | 1,143,880 |
| | | **5,398,343** | 5,079,083 | 4,200,186 | **5,032,751** | 4,367,823 |
| Non-controlling interests | | **235,961** | 240,573 | 22,142 | **–** | – |
| **Total equity** | | **5,634,304** | 5,319,656 | 4,222,328 | **5,032,751** | 4,367,823 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity
## For the financial year ended 31 December 2016

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 December 2016<br>Group | Share capital<br>(Note 26)<br>$'000 | Treasury shares<br>(Note 26)<br>$'000 | Perpetual capital securities<br>(Note 26)<br>$'000 | Capital reserves[1]<br>$'000 | Foreign currency translation reserves[2]<br>$'000 | Fair value adjustment reserves[3]<br>$'000 | Share-based compensation reserves[4]<br>$'000 | Revenue reserves<br>$'000 | Total reserves<br>$'000 | Total<br>$'000 | Total non-controlling interests<br>$'000 | Total equity<br>$'000 |
| **At 1 January 2016** | **3,082,499** | **(96,081)** | **237,525** | **280,647** | **(375,057)** | **(107,931)** | **106,238** | **1,990,670** | **1,894,567** | **5,118,510** | **240,573** | **5,359,083** |
| Effects of Biological assets adjustment (FRS 16, FRS 41) (Note 2.2) | – | – | – | – | 5,103 | – | – | (44,530) | (39,427) | (39,427) | – | (39,427) |
| Effects of FRS 109 early adoption | – | – | – | – | – | (192,612) | – | 192,612 | – | – | – | – |
| At 1 January 2016, as restated | 3,082,499 | (96,081) | 237,525 | 280,647 | (369,954) | (300,543) | 106,238 | 2,138,752 | 1,855,140 | 5,079,083 | 240,573 | 5,319,656 |
| Profit for the financial year | – | – | – | – | – | – | – | 351,312 | 351,312 | 351,312 | (12,225) | 339,087 |
| Other comprehensive income | | | | | | | | | | | | |
| Net loss on fair value changes during the financial year | – | – | – | – | – | (44,170) | – | – | (44,170) | (44,170) | – | (44,170) |
| Recognised in the profit and loss account on occurrence of hedged transactions | – | – | – | – | – | (54,111) | – | – | (54,111) | (54,111) | – | (54,111) |
| Foreign currency translation adjustments | – | – | – | – | (313,735) | – | – | – | (313,735) | (313,735) | 7,613 | (306,122) |
| Share of other comprehensive income of jointly controlled entities and associates | – | – | – | – | (19,616) | – | – | – | (19,616) | (19,616) | – | (19,616) |
| **Other comprehensive income for the financial year, net of tax** | – | – | – | – | (333,351) | (98,281) | – | – | (431,632) | (431,632) | 7,613 | (424,019) |
| **Total comprehensive income for the year** | – | – | – | – | (333,351) | (98,281) | – | 351,312 | (80,320) | (80,320) | (4,612) | (84,932) |
| Contributions by and distributions to owners | | | | | | | | | | | | |
| Buy back of shares (Note 26) | – | (94,384) | – | – | – | – | – | – | – | (94,384) | – | (94,384) |
| Issue of shares on exercise of warrants (Note 26) | 5,096 | – | – | – | – | – | – | – | – | 5,096 | – | 5,096 |
| Issue of shares on exercise of share options (Note 26) | 299 | – | – | – | – | – | – | – | – | 299 | – | 299 |
| Issue of capital securities, net of transaction costs (Note 26) | – | – | 675,874 | – | – | – | – | – | – | 675,874 | – | 675,874 |
| Share-based expense | – | – | – | – | – | – | 13,282 | – | 13,282 | 13,282 | – | 13,282 |
| Dividends on ordinary shares (Note 27) | – | – | – | – | – | – | – | (184,036) | (184,036) | (184,036) | – | (184,036) |
| Accrued capital securities distribution | – | – | 33,568 | – | – | – | – | (33,568) | (33,568) | – | – | – |
| Payment of capital securities distribution | – | – | (16,551) | – | – | – | – | – | – | (16,551) | – | (16,551) |
| **Total contributions by and distributions to owners** | 5,395 | (94,384) | 692,891 | – | – | – | 13,282 | (217,604) | (204,322) | 399,580 | – | 399,580 |
| **Total transactions with owners in their capacity as owners** | 5,395 | (94,384) | 692,891 | – | – | – | 13,282 | (217,604) | (204,322) | 399,580 | – | 399,580 |
| **At 31 December 2016** | 3,087,894 | (190,465) | 930,416 | 280,647 | (703,305) | (398,824) | 119,520 | 2,272,460 | 1,570,498 | 5,398,343 | 235,961 | 5,634,304 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity continued

## For the financial year ended 31 December 2016

| 31 December 2015 (As restated) Group | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 26) $'000 | Treasury shares (Note 26) $'000 | Perpetual capital securities (Note 26) $'000 | Capital reserves[1] $'000 | Foreign currency translation reserves[2] $'000 | Fair value adjustment reserves[3] $'000 | Share-based compensation reserves[4] $'000 | Revenue reserves $'000 | Total reserves $'000 | Total $'000 | Total non-controlling interests $'000 | Total equity $'000 |
| **At 1 July 2014** | 2,162,642 | (96,081) | 237,379 | 142,525 | (450,137) | (60,204) | 99,846 | 2,164,216 | 1,896,246 | 4,200,186 | 22,142 | 4,222,328 |
| Profit for the financial year, as previously restated | – | – | – | – | – | – | – | 98,723 | 98,723 | 98,723 | (2,252) | 96,471 |
| Effects of Biological assets adjustment (FRS 16, FRS 41) (Note 2.2) | – | – | – | – | – | – | – | (44,530) | (44,530) | (44,530) | – | (44,530) |
| Profit for the financial year, as restated | – | – | – | – | – | – | – | 54,193 | 54,193 | 54,193 | (2,252) | 51,941 |
| Other comprehensive income | | | | | | | | | | | | |
| Net loss on fair value changes during the financial year | – | – | – | – | – | 3,563 | – | – | 3,563 | 3,563 | – | 3,563 |
| Recognised in the profit and loss account on occurrence of hedged transactions | – | – | – | – | – | (51,290) | – | – | (51,290) | (51,290) | – | (51,290) |
| Foreign currency translation adjustments | – | – | – | – | 93,022 | – | – | – | 93,022 | 93,022 | 4,931 | 97,953 |
| Share of other comprehensive income of jointly controlled entities and associates | – | – | – | – | (12,839) | – | – | – | (12,839) | (12,839) | – | (12,839) |
| **Other comprehensive income for the financial year, net of tax** | – | – | – | – | 80,183 | (47,727) | – | – | 32,456 | 32,456 | 4,931 | 37,387 |
| **Total comprehensive income for the year** | – | – | – | – | 80,183 | (47,727) | – | 54,193 | 86,649 | 86,649 | 2,679 | 89,328 |
| Contributions by and distributions to owners | | | | | | | | | | | | |
| Issue of shares for cash (Note 26) | 915,000 | – | – | – | – | – | – | – | – | 915,000 | – | 915,000 |
| Issue of shares on exercise of share options (Note 26) | 4,857 | – | – | – | – | – | – | – | – | 4,857 | – | 4,857 |
| Share-based expense | – | – | – | – | – | – | 6,392 | – | 6,392 | 6,392 | – | 6,392 |
| Dividends on ordinary shares (Note 27) | – | – | – | – | – | – | – | (247,297) | (247,297) | (247,297) | – | (247,297) |
| Accrued capital securities distribution | – | – | 24,972 | – | – | – | – | (24,972) | (24,972) | – | – | – |
| Payment of capital securities distribution | – | – | (24,826) | – | – | – | – | – | – | (24,826) | – | (24,826) |
| **Total contributions by and distributions to owners** | 919,857 | – | 146 | – | – | – | 6,392 | (272,269) | (265,877) | 654,126 | – | 654,126 |
| Changes in ownership interests in subsidiaries | | | | | | | | | | | | |
| Capital injection from non-controlling interest | – | – | – | 31,913[1] | – | – | – | – | 31,913 | 31,913 | 102,904 | 134,817 |
| Partial divestment of subsidiary | – | – | – | 106,209[2] | – | – | – | – | 106,209 | 106,209 | 112,848 | 219,057 |
| **Total changes in ownership interests in subsidiaries** | – | – | – | 138,122 | – | – | – | – | 138,122 | 138,122 | 215,752 | 353,874 |
| **Total transactions with owners in their capacity as owners** | 919,857 | – | 146 | 138,122 | – | – | 6,392 | (272,269) | (127,755) | 792,248 | 215,752 | 1,008,000 |
| **At 31 December 2015, as restated** | 3,082,499 | (96,081) | 237,525 | 280,647 | (369,954) | (107,931) | 106,238 | 1,946,140 | 1,855,140 | 5,079,083 | 240,573 | 5,319,656 |

1. In the previous financial year, the completion of the dilution exercise of the Company's stake in both Olam Palm Gabon SA and Olam Rubber Gabon SA resulted in a gain of $31,913,000 that has been recorded to capital reserves in the statement of changes in equity.
2. In the previous financial year, the completion of the sale of 25.0% stake in Olam's Packaged Foods business to Sanyo Foods Co. Ltd. resulted in a gain of $106,209,000 that has been recorded to capital reserves in the statement of changes in equity.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

| 31 December 2016<br>Company | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital (Note 26) $'000** | **Treasury shares (Note 26) $'000** | **Perpetual capital securities (Note 26) $'000** | **Capital reserves[1] $'000** | **Foreign currency translation reserves[2] $'000** | **Fair value adjustment reserves[3] $'000** | **Share-based compensation reserves[4] $'000** | **Revenue reserves $'000** | **Total reserves $'000** | **Total $'000** |
| **At 1 January 2016** | **3,082,499** | **(96,081)** | **237,525** | **140,486** | **175,744** | **(107,925)** | **106,238** | **829,337** | **1,143,880** | **4,367,823** |
| Effects of FRS 109 early adoption | **–** | **–** | **–** | **–** | **–** | **(192,612)** | **–** | **192,612** | **–** | **–** |
| At 1 January 2016, as restated | **3,082,499** | **(96,081)** | **237,525** | **140,486** | **175,744** | **(300,537)** | **106,238** | **1,021,949** | **1,143,880** | **4,367,823** |
| Profit for the financial year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **240,717** | **240,717** | **240,717** |
| Other comprehensive income | | | | | | | | | | |
| Net loss on fair value changes during the financial year | **–** | **–** | **–** | **–** | **–** | **(44,170)** | **–** | **–** | **(44,170)** | **(44,170)** |
| Recognised in the profit and loss account on occurrence of hedged transactions | **–** | **–** | **–** | **–** | **–** | **(54,111)** | **–** | **–** | **(54,111)** | **(54,111)** |
| Foreign currency translation adjustments | **–** | **–** | **–** | **–** | **122,912** | **–** | **–** | **–** | **122,912** | **122,912** |
| **Other comprehensive income for the financial year, net of tax** | **–** | **–** | **–** | **–** | **122,912** | **(98,281)** | **–** | **–** | **24,631** | **24,631** |
| **Total comprehensive income for the year** | **–** | **–** | **–** | **–** | **122,912** | **(98,281)** | **–** | **240,717** | **265,348** | **265,348** |
| Contributions by and distributions to owners | | | | | | | | | | |
| Buy back of shares (Note 26) | **–** | **(94,384)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(94,384)** |
| Issue of shares on exercise of warrants (Note 26) | **5,096** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **5,096** |
| Issue of shares on exercise of share options (Note 26) | **299** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **299** |
| Issue of capital securities, net of transaction costs (Note 26) | **–** | **–** | **675,874** | **–** | **–** | **–** | **–** | **–** | **–** | **675,874** |
| Share-based expense | **–** | **–** | **–** | **–** | **–** | **–** | **13,282** | **–** | **13,282** | **13,282** |
| Dividends on ordinary shares (Note 27) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(184,036)** | **(184,036)** | **(184,036)** |
| Accrued capital securities distribution | **–** | **–** | **33,568** | **–** | **–** | **–** | **–** | **(33,568)** | **(33,568)** | **–** |
| Payment of capital securities distribution | **–** | **–** | **(16,551)** | **–** | **–** | **–** | **–** | **–** | **–** | **(16,551)** |
| **Total contributions by and distributions to owners** | **5,395** | **(94,384)** | **692,891** | **–** | **–** | **–** | **13,282** | **(217,604)** | **(204,322)** | **399,580** |
| **Total transactions with owners in their capacity as owners** | **5,395** | **(94,384)** | **692,891** | **–** | **–** | **–** | **13,282** | **(217,604)** | **(204,322)** | **399,580** |
| **At 31 December 2016** | **3,087,894** | **(190,465)** | **930,416** | **140,486** | **298,656** | **(398,818)** | **119,520** | **1,045,062** | **1,204,906** | **5,032,751** |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Statements of Changes in Equity continued
### For the financial year ended 31 December 2016

| 31 December 2015 Company | Share capital (Note 26) $'000 | Treasury shares (Note 26) $'000 | Capital securities (Note 26) $'000 | Capital reserves[1] $'000 | Foreign currency translation reserves[2] $'000 | Fair value adjustment reserves[3] $'000 | Share-based compensation reserves[4] $'000 | Revenue reserves $'000 | Total reserves $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Attributable to owners of the Company | | | | | | |
| **At 1 July 2014** | 2,162,642 | (96,081) | 237,379 | 140,486 | (266,611) | (67,116) | 99,846 | 1,046,139 | 952,744 | 3,256,684 |
| Profit for the financial year | – | – | – | – | – | – | – | 55,467 | 55,467 | 55,467 |
| Other comprehensive income | | | | | | | | | | |
| Net gain on fair value changes during the financial year | – | – | – | – | – | 10,481 | – | – | 10,481 | 10,481 |
| Recognised in the profit and loss account on occurrence of hedged transactions | – | – | – | – | – | (51,290) | – | – | (51,290) | (51,290) |
| Foreign currency translation adjustments | – | – | – | – | 442,355 | – | – | – | 442,355 | 442,355 |
| **Other comprehensive income for the financial year, net of tax** | – | – | – | – | 442,355 | (40,809) | – | – | 401,546 | 401,546 |
| **Total comprehensive income for the year** | – | – | – | – | 442,355 | (40,809) | – | 55,467 | 457,013 | 457,013 |
| Contributions by and distributions to owners | | | | | | | | | | |
| Issue of shares for cash (Note 26) | 915,000 | – | – | – | – | – | – | – | – | 915,000 |
| Issue of shares on exercise of share options (Note 26) | 4,857 | – | – | – | – | – | – | – | – | 4,857 |
| Share-based expense | – | – | – | – | – | – | 6,392 | – | 6,392 | 6,392 |
| Dividends on ordinary shares (Note 27) | – | – | – | – | – | – | – | (247,297) | (247,297) | (247,297) |
| Accrued capital securities distribution | – | – | 24,972 | – | – | – | – | (24,972) | (24,972) | – |
| Payment of capital securities distribution | – | – | (24,826) | – | – | – | – | – | – | (24,826) |
| **Total contributions by and distributions to owners** | 919,857 | – | 146 | – | – | – | 6,392 | (272,269) | (265,877) | 654,126 |
| **Total transactions with owners in their capacity as owners** | 919,857 | – | 146 | – | – | – | 6,392 | (272,269) | (265,877) | 654,126 |
| **At 31 December 2015** | 3,082,499 | (96,081) | 237,525 | 140,486 | 175,744 | (107,925) | 106,238 | 829,337 | 1,143,880 | 4,367,823 |

### 1 Capital reserves
Capital reserves represent the premium paid and discounts on acquisition of non-controlling interests, gain on partial disposal of subsidiary which did not result in loss of control, residual amount of convertible bonds net of proportionate share of transaction costs, after deducting the fair value of the debt and derivative component on the date of issuance, the share of capital reserve of a jointly controlled entity and warrants arising from the Rights Issue (Note 26).

### 2 Foreign currency translation reserves
The foreign currency translation reserves are used to record exchange differences arising from the translation of the financial statements of the Company and the Group's foreign operations whose functional currencies are different from that of the Group's presentation currency as well as the share of foreign currency translation reserves of jointly controlled entities and associates.

### 3 Fair value adjustment reserves
Fair value adjustment reserves record the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that are determined to be effective hedges as well as fair value changes of available-for-sale financial assets.

### 4 Share-based compensation reserves
Share-based compensation reserves represent the equity-settled shares and share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled shares and share options and is reduced by the expiry of the share options.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement

## For the financial year ended 31 December 2016

| | 1 January 2016 to 31 December 2016 $'000 | 1 July 2014 to 31 December 2015 (As restated) $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | **433,401** | 177,749 |
| Adjustments for:- | | |
| Allowance for doubtful debts | **39,403** | 47,991 |
| Amortisation of intangible assets and depreciation of property, plant and equipment | **353,481** | 387,055 |
| Share-based expense | **13,282** | 6,392 |
| Fair value of biological assets (Note 12) | **(14,141)** | 101,983 |
| Loss/(gain) on disposal of property, plant and equipment and intangible assets | **5,405** | (25,359) |
| Fixed asset written off | **–** | 4,115 |
| Impairment of property, plant and equipment, goodwill and intangible assets | **–** | 2,664 |
| Interest income | **(30,248)** | (49,992) |
| Interest expense | **446,248** | 835,733 |
| Inventories written down, net | **18,910** | 13,389 |
| Net measurement of derivative instruments | **–** | (4,220) |
| Reclassification of fair value changes from equity to profit and loss account | **–** | 192,612 |
| Share of results from jointly controlled entities and associates | **(22,160)** | (2,285) |
| Loss on bond buy-back | **–** | 18,060 |
| **Operating cash flows before reinvestment in working capital** | **1,243,581** | 1,705,887 |
| Increase in inventories | **(259,677)** | (1,019,243) |
| Increase in receivables and other current assets | **(132,885)** | (443,772) |
| Increase in advance payments to suppliers | **(119,522)** | (3,950) |
| Decrease in margin account with brokers | **14,061** | 53,473 |
| Increase in payables and other current liabilities | **270,258** | 21,011 |
| **Cash flows from operations** | **1,015,816** | 313,406 |
| Interest income received | **30,248** | 49,992 |
| Interest expense paid | **(378,028)** | (715,286) |
| Tax paid | **(48,420)** | (166,861) |
| **Net cash flows generated from/(used in) operating activities** | **619,616** | (518,749) |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of property, plant and equipment | **31,981** | 121,904 |
| Purchase of property, plant and equipment (Note 10) | **(751,793)** | (565,944) |
| Purchase of intangibles (Note 11) | **(11,686)** | (11,739) |
| Acquisition of subsidiaries, net of cash acquired (Note 11) | **(588,137)** | (1,958,778) |
| Net proceeds from associates and jointly controlled entities | **(65,863)** | 38,368 |
| Proceeds on disposal of intangible asset | **10** | 11 |
| Capital injection from non-controlling interests | **–** | 23,681 |
| Proceeds from sale of partial divestment in subsidiary | **–** | 219,040 |
| **Net cash flows used in investing activities** | **(1,385,488)** | (2,133,457) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Consolidated Cash Flow Statement continued
### For the financial year ended 31 December 2016

| | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 (As restated) $'000 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Dividends paid on ordinary shares by the Company | **(184,036)** | (247,297) |
| Proceeds from borrowings, net | **831,556** | 4,008,021 |
| Proceeds from issuance of shares on exercise of share options | **299** | 4,857 |
| Proceeds from conversion of warrants | **5,096** | – |
| Proceeds from/(payment) of capital securities, net of distribution | **659,323** | (24,826) |
| Proceeds from issuance of shares for cash | **–** | 915,000 |
| Payment for bond buy-back | **(318,401)** | (1,451,581) |
| Purchase of treasury shares | **(94,384)** | – |
| **Net cash flows from financing activities** | **899,453** | 3,204,174 |
| **Net effect of exchange rate changes on cash and cash equivalents** | **(112,924)** | 118,521 |
| Net increase in cash and cash equivalents | **20,657** | 670,489 |
| Cash and cash equivalents at beginning of period | **1,918,761** | 1,248,272 |
| **Cash and cash equivalents at end of period (Note 33)** | **1,939,418** | 1,918,761 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

These notes form an integral part of the financial statements.

The financial statements for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on 20 March 2017.

# 1. Corporate information

Olam International Limited ('the Company') is a limited liability company, which is domiciled and incorporated in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The Company's ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The principal activities of the Company are those of sourcing, processing, packaging and merchandising of agricultural products. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The registered office and principal place of business of the Company is at 9 Temasek Boulevard, #11-02 Suntec Tower Two, Singapore 038989.

# 2. Summary of significant accounting policies

## 2.1 Basis of preparation

In 2015, the Group changed its fiscal year end from 30 June to 31 December. Accordingly, the previous financial year numbers presented in the financial statements for the Group and Company are for an 18-month period from 1 July 2014 to 31 December 2015.

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ('FRS').

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements are presented in Singapore Dollars ($ or SGD) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

## 2.2 Changes in accounting policies and restatements

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company except for FRS 109 Financial Instruments and Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants as described in Note 2.2.1 and 2.2.2.

### 2.2.1 FRS 109 Financial Instruments

On 1 January 2016, the Group early adopted FRS 109 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018. The main impacts of the new standard were on the classification and measurement of financial assets, impairment of financial assets and hedge accounting. The Group has elected to apply the limited exemption in FRS 109 and has not restated comparative periods in the year of initial application. The impact arising from FRS 109 adoption were included in the opening retained earnings at the date of initial application, 1 January 2016.

(a) Classification and measurement

As a result of the early adoption of FRS 109, the Group has classified its financial assets as measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income, depending on its business model for managing those financial assets and the assets' contractual cash flow characteristics. The previous classification at 'fair value through profit or loss', 'loans and receivables', 'available-for-sale' and 'financial liabilities at amortised cost' was discontinued from 1 January 2016.

Based on the new classification, the Group will account the quoted available-for-sale asset as 'fair value through other comprehensive income'. This has resulted in a restatement of $192,612,000 from Retained Earnings at 31 December 2015 to Fair Value Adjustment Reserves at 1 January 2016. The amount relates to the impairment recorded in the previous financial year due to a prolonged decline in the share price of the quoted available-for-sale asset. The unquoted available-for-sale asset continues to be accounted for as 'fair value through profit or loss'.

In accordance with the transitional provisions of FRS 109, the Group has not restated prior periods other than the above, but has classified the financial assets held at 1 January 2016 retrospectively according to the business model and based on facts and circumstances under which the assets were held at that date as disclosed in the tables in the next two pages and there are no further restatements.

The classification of financial liabilities remained unchanged for the Group.

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

# 2. Summary of significant accounting policies continued

## 2.2 Changes in accounting policies and restatements continued

### 2.2.1 FRS 109 Financial Instruments continued

(a) Classification and measurement continued

The following table summarises the classification and measurement changes for the Group and Company's financial assets and financial liabilities on initial application of FRS 109 (1 January 2016):

| | Original measurement category and carrying amount under FRS 39 | | | | | New measurement category and carrying Amount under FRS 109 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Group | Loans and receivables $'000 | Carried at amortised cost $'000 | Held for hedging $'000 | Available-for-sale $'000 | Fair value through profit or loss/held for trading $'000 | Remeasurements upon application of FRS 109 (1 January 2016) $'000 | Amortised cost $'000 | Fair value through Other Comprehensive Income $'000 | Fair value through Profit and Loss $'000 | Retained earnings effect on 1 January 2016 $'000 |
| **31 December 2015** | | | | | | | | | | |
| **Financial assets:** | | | | | | | | | | |
| Loans to jointly controlled entities (Note 14(a)) | 121,757 | – | – | – | – | – | 121,757 | – | – | – |
| Loan to associate (Note 14(b)) | 334,658 | – | – | – | – | – | 334,658 | – | – | – |
| Long-term investments (Note 15) | – | – | – | 269,207 | – | – | – | 257,146 | 12,061 | (192,612) |
| Trade receivables (Note 17) | 1,495,246 | – | – | – | – | – | 1,495,246 | – | – | – |
| Margin accounts with brokers (Note 18) | 189,724 | – | – | – | – | – | 189,724 | – | – | – |
| Advance payments to suppliers (Note 20) | 714,972 | – | – | – | – | – | – | – | – | – |
| Other current assets (Note 21) | 894,841 | – | – | – | 791 | – | 894,841 | – | 791 | – |
| Cash and short-term deposits (Note 33) | 2,114,805 | – | – | – | 28,367 | – | 2,114,805 | – | 28,367 | – |
| Derivative financial instruments (Note 35) | – | – | 733,767 | – | 50,097 | – | – | 27,518 | 756,346 | – |
| Other non-current assets, as restated (Note 21) | 20,370 | – | – | – | 10,596 | – | 20,370 | – | 10,596 | – |
| | 5,886,373 | – | 733,767 | 269,207 | 89,851 | – | 5,171,401 | 284,664 | 808,161 | (192,612) |
| **Financial liabilities:** | | | | | | | | | | |
| Trade payables and accruals (Note 22) | – | 1,753,711 | – | – | – | – | 1,753,711 | – | – | – |
| Other current liabilities (Note 23) | – | 438,160 | – | – | – | – | 438,160 | – | – | – |
| Borrowings (Note 24) | – | 12,293,915 | – | – | – | – | 12,293,915 | – | – | – |
| Derivative financial instruments (Note 35) | – | – | 537,069 | – | 3,025 | – | – | – | 540,094 | – |
| | – | 14,485,786 | 537,069 | – | 3,025 | – | 14,485,786 | – | 540,094 | – |

# 2. Summary of significant accounting policies continued

## 2.2 Changes in accounting policies and restatements continued

### 2.2.1 FRS 109 Financial Instruments continued

#### (a) Classification and measurement continued

| | Original measurement category and carrying amount under FRS 39 | | | | | New measurement category and carrying Amount under FRS 109 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | Loans and receivables $'000 | Carried at amortised cost $'000 | Held for hedging $'000 | Available-for-sale $'000 | Fair value through profit or loss/held for trading $'000 | Remeasurements upon application of FRS 109 (1 January 2016) $'000 | Amortised cost $'000 | Fair value through Other Comprehensive Income $'000 | Fair value through Profit and Loss $'000 | Retained earnings effect on 1 January 2016 $'000 |
| **31 December 2015** | | | | | | | | | | |
| **Financial assets:** | | | | | | | | | | |
| Loans to subsidiary companies (Note 13) | 1,013,096 | – | – | – | – | – | – | – | – | – |
| Loans to jointly controlled entities (Note 14(a)) | 121,826 | – | – | – | – | – | 121,826 | – | – | – |
| Loan to associate (Note 14(b)) | 334,658 | – | – | – | – | – | 334,658 | – | – | – |
| Long-term investments (Note 15) | – | – | – | 257,146 | – | – | – | 257,146 | – | (192,612) |
| Amounts due from subsidiary companies (Note 16) | 1,789,599 | – | – | – | – | – | 1,789,599 | – | – | – |
| Trade receivables (Note 17) | 447,430 | – | – | – | – | – | 447,430 | – | – | – |
| Margin accounts with brokers (Note 18) | 122,589 | – | – | – | – | – | 122,589 | – | – | – |
| Advance payments to suppliers (Note 20) | 3,213,529 | – | – | – | – | – | – | – | – | – |
| Other current assets (Note 21) | 89,448 | – | – | – | – | – | 89,448 | – | – | – |
| Cash and short-term deposits (Note 33) | 1,389,889 | – | – | – | 28,367 | – | 1,389,889 | – | 28,367 | – |
| Derivative financial instruments (Note 35) | – | – | 392,303 | – | 50,097 | – | – | 27,518 | 414,882 | – |
| | 8,522,064 | – | 392,303 | 257,146 | 78,464 | – | 4,295,439 | 284,664 | 443,249 | (192,612) |
| **Financial liabilities:** | | | | | | | | | | – |
| Trade payables and accruals (Note 22) | – | 505,829 | – | – | – | – | 505,829 | – | – | – |
| Other current liabilities (Note 23) | – | 107,873 | – | – | – | – | 107,873 | – | – | – |
| Borrowings (Note 24) | – | 9,030,519 | – | – | – | – | 9,030,519 | – | – | – |
| Derivative financial instruments (Note 35) | – | – | 365,278 | – | 3,025 | – | – | – | 368,303 | – |
| | – | 9,644,221 | 365,278 | – | 3,025 | – | 9,644,221 | – | 368,303 | – |

# Notes to the Financial Statements continued
For the financial year ended 31 December 2016

## 2. Summary of significant accounting policies continued

### 2.2 Changes in accounting policies and restatements continued

#### 2.2.1 FRS 109 Financial Instruments continued

(b) Impairment of financial assets

On 1 January 2016, the Group adjusted the impairment of its financial assets from the incurred loss model under FRS 39 to the expected credit loss concept under FRS 109. Until 31 December 2015, the Group estimated the incurred losses arising from the failure or inability of customers to make payments when due. These estimates were assessed on an individual basis, taking into account the aging of customers' balances, specific credit circumstances and the Group's historical default experience. Under the new approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on expected credit losses, which are present value of the cash shortfalls over the expected life of the financial assets. As at 31 December 2015, the impairment made on expected credit losses did not have any impact on the Profit and Loss Account.

(c) Hedge accounting

On early adoption of FRS 109, starting from 1 January 2016, the Group adopted fair value hedge accounting model with respect to certain commodity price risk. The model under FRS 109 facilitates better alignment of hedge accounting with risk management as it makes it possible to apply hedge accounting for specific risk components of non-financial items.

Under the new model, the Group applies the fair value option for its executory forward purchase and sale contracts (available under FRS 109) in the processing environment. This fair value option is applied for those specific contracts where the measurement eliminates or significantly reduces an accounting mismatch that would otherwise occur on own use contracts. Contracts accounted for as derivatives and commodity futures are designated as hedging instruments under the fair value hedge accounting model. This designation is done in order to hedge the commodity price risk components embedded in the processed commodity inventories (being the hedged items).

The new hedge accounting model primarily affected the amounts recognised for inventories on the balance sheet (as more inventories have become eligible for hedge accounting) and did not have a major impact on the Profit and Loss Accounts.

#### 2.2.2 Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants

Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants, distinguishes bearer plants from other biological assets. Bearer plants solely used to grow produce over their productive lives will be accounted for under FRS 16. However, the fruits on trees growing on bearer plants will remain within scope of FRS 41 and continue to be measured at fair value less cost to sell.

The Group's bearer plants include palm oil, rubber, coffee, walnut, pistachio and almond trees and as required under the standards, the change in accounting policy has been applied retrospectively to the beginning of the earliest period presented, which is 1 July 2014 and prior year financial statements have been restated as shown in the table on Page 23.

The bearer plants are now measured at cost and first depreciated from maturity to end of useful lives as disclosed in Note 2.9. As permitted under the transitional rules, the fair value of the bearer plants at 1 July 2014 were deemed to be their cost at that date.

#### 2.2.3 Completion of purchase price allocation exercise of ADM Cocoa business acquisition ('ADM Cocoa')

In the current financial year, the purchase price allocation exercise of ADM Cocoa business that was acquired in the prior financial year was completed within one year from the acquisition date as allowed under FRS 103 Business Combinations.

The completion of the purchase price allocation exercise resulted in the fair values of the assets acquired to be re-classified and residual goodwill to be recognised as this was previously provisional and recorded as 'Other non-current assets' in Note 21. Accordingly, comparative financial statements of the Group and Company for year ended 31 December 2015 have been restated as shown in the table on Page 23.

There is no change in the balance sheet of the Company as at 1 July 2014.

## 2. Summary of significant accounting policies continued

### 2.2 Changes in accounting policies and restatements continued

The following table show all adjustments recognised for each individual line item as a result of all changes discussed in Note 2.2.2 and 2.2.3 in the Group. Line items that were not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

| | Group | | | |
|---|---|---|---|---|
| | | Prior year restatements | | |
| | 1 July 2014 to 31 December 2015 (Previously stated) $'000 | **Effects of FRS 16 and 41 restatement Increase/ (decrease) $'000** | **Effects of ADM Cocoa restatement Increase/ (decrease) $'000** | 1 July 2014 to 31 December 2015 (Restated) $'000 |
| Consolidated Profit and Loss Accounts (extract): | | | | |
| Net loss from changes in fair value of biological assets | (86,762) | **(15,218)** | **–** | (101,980) |
| Depreciation and amortisation | (341,977) | **(45,081)** | **–** | (387,058) |
| Profit before taxation | 238,048 | **(60,299)** | **–** | 177,749 |
| Income tax expense | (141,577) | **15,769** | **–** | (125,808) |
| Profit after taxation attributable to owners of the Company | 96,471 | **(44,530)** | **–** | 51,941 |
| Earnings per share attributable to owners of the Company (cents) | | | | |
| Basic | 2.94 | **–** | **–** | 1,17 |
| Diluted | 2.83 | **–** | **–** | 1.12 |
| **Consolidated Balance Sheets (extract):** | | | | |
| Property, plant and equipment | 3,366,434 | **994,738** | **360,808** | 4,721,980 |
| Intangible assets | 809,321 | **–** | **305,018** | 1,114,339 |
| Biological assets | 1,386,654 | **(1,050,508)** | **–** | 336,146 |
| Other non-current assets | 557,005 | **–** | **(526,039)** | 30,966 |
| Other current assets | 1,423,973 | **–** | **(21,478)** | 1,402,495 |
| **Total assets** | 20,792,354 | **(55,770)** | **118,309** | 20,854,893 |
| Deferred tax liabilities | (318,816) | **16,343** | **(118,309)** | (420,782) |
| **Net assets** | 5,359,083 | **(39,427)** | **–** | 5,319,656 |
| Reserves | 1,894,567 | **(39,427)** | **–** | 1,855,140 |
| **Total equity** | 5,359,083 | **(39,427)** | **–** | 5,319,656 |
| **Statement of Changes in Equity (extract):** | | | | |
| Foreign currency translation reserves | (375,057) | **5,103** | **–** | (369,954) |
| Revenue reserves | 1,990,670 | **(44,530)** | **–** | 1,946,140 |
| **Total reserves** | 1,894,567 | **(39,427)** | **–** | 1,855,140 |
| **Total equity** | 5,359,083 | **(39,427)** | **–** | 5,319,656 |

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

## 2. Summary of significant accounting policies continued

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but are not yet effective:

| Description | Effective for financial year beginning on |
|---|---|
| Amendments to FRS 7: Disclosure Initiative | 1 January 2017 |
| Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Improvements to FRSs (December 2016) – Amendments to FRS 28: Measuring an Associate or Joint Venture at fair value | 1 January 2018 |
| Amendments to FRS 40: Transfers of Investment Property | 1 January 2018 |
| FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts | 1 January 2018 |
| FRS 116 Leases | 1 January 2019 |
| Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Date to be determined |
| INT FRS 122 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |

Except for FRS 115 Revenue from Contracts with Customers, Amendments to FRS 115 and FRS 116 Leases, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 Revenue from Contracts with Customers, Amendments to FRS 115 and FRS 116 Leases is described below.

#### FRS 115 Revenue from Contracts with Customers and Amendments to FRS 115

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 115 will have an impact on the Group and plans to adopt the standard on the required effective date.

#### FRS 116 Leases

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard is effective for annual periods beginning on or after 1 January 2019. The Company is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

## 2. Summary of significant accounting policies continued

### 2.4 Functional and foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Company's functional currency is the United States Dollar ('USD'), which reflects the economic substance of the underlying events and circumstances of the Company. Although the Company is domiciled in Singapore, most of the Company's transactions are denominated in USD and the selling prices for the Company's products are sensitive to movements in the foreign exchange rate with the USD.

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

#### (b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### (c) Translation to the presentation currency

The financial statements are presented in Singapore Dollar ('SGD') as the Company's principal place of business is in Singapore.

The financial statements are translated from USD to SGD as follows:-

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date;
- Income and expenses for each profit and loss account are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

All exchange differences arising on the translation are included in the foreign currency translation reserves.

## Notes to the Financial Statements continued

For the financial year ended 31 December 2016

# 2. Summary of significant accounting policies continued

## 2.5 Subsidiary companies, basis of consolidation and business combinations

### (a) Subsidiary companies

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

A list of the Group's significant subsidiary companies is shown in Note 13.

### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### (c) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date. The accounting policy for goodwill is set out in Note 2.10(a).

## 2. Summary of significant accounting policies continued

### 2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### 2.7 Jointly controlled entities

The Group has interests in joint ventures that are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The consolidated financial statements include the Group's share of the total recognised gains and losses of its jointly controlled entities on an equity accounted basis from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported as nil and recognition of losses is discontinued except to the extent of the Group's commitment.

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment loss. The carrying amounts of the jointly controlled entities are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated and any impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. The impairment loss is charged to profit or loss.

Upon loss of joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the former joint venture entity upon loss of joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 2.8 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in the associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

# 2. Summary of significant accounting policies continued

### 2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.17. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, all items of property, plant and equipment (except for freehold land) are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land and buildings are depreciable over the shorter of the estimated useful life of the asset or the lease period.

Depreciation of an asset begins when it is available for use and is computed on a straight line basis over the estimated useful life except for ginning assets of Queensland Cotton Holdings, which are depreciated using the units of use method. The estimated useful life of the assets is as follows:-

| | |
|---|---|
| Bearer plants | • 15 to 30 years |
| Leasehold land and buildings | • 5 to 50 years |
| Plant and machinery | • 3 to 25 years; 30 years for ginning assets |
| Motor vehicles | • 3 to 5 years |
| Furniture and fittings | • 5 years |
| Office equipment | • 5 years |
| Computers | • 3 years |

Other assets in Note 10 comprise motor vehicles, furniture and fittings, office equipment and computers.

Bearer plants - Immature plantations are stated at acquisition cost which includes costs incurred for field preparation, planting, farming inputs and maintenance, capitalisation of borrowing costs incurred on loans used to finance the development of immature plantations and an allocation of other indirect costs based on planted hectarage.

Capital work-in-progress is not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

### 2.10 Intangible assets

#### (a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit and loss account. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss of disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.4.

# 2. Summary of significant accounting policies continued

## 2.10 Intangible assets continued

### (b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or that are not yet available for use are not subject to amortisation and they are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

## 2.11 Biological assets

Biological assets mainly include annual crops and livestock.

### (a) Annual crops

The fruits on trees are valued in accordance with FRS 41 Agriculture. The fair value amount is an aggregate of the fair valuation of the current financial year and the reversal of the prior year's fair valuation. The fair valuation takes into account current selling prices and related costs. The calculated value is then discounted by a suitable factor to take into account the agricultural risk until maturity.

The annual crops have been valued using adjusted cost, which is the estimate of the yield and cost of the crop at harvest discounted for the remaining time to harvest, which approximate fair value.

### (b) Livestock

Livestock are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. The fair value of livestock is determined based on valuations by an independent professional value using the market prices of livestock of similar age, breed and generic merit.

## 2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that have been previously revalued and where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

# 2. Summary of significant accounting policies continued

### 2.12 Impairment of non-financial assets continued

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.13 Financial instruments

#### (a) Financial assets

**Initial recognition and measurement**

Financial assets are recognised when, only when the Group becomes a party to the contractual provisions of the instruments. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income ('FVOCI')

Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

Equity instruments

The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss.

Changes in fair value of financial assets at FVOCI are recognised in OCI.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

# 2. Summary of significant accounting policies continued

## 2.13 Financial instruments continued

### (a) Financial assets continued

#### Subsequent measurement continued

#### Impairment

The Group assesses on a forward looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. For trade receivables only, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses.

#### Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

### (b) Financial liabilities

#### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

#### Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts are recognised in profit or loss.

### (c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term fixed bank deposits that are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and cash equivalents carried in the balance sheets are classified and accounted as measured at amortised cost under FRS 109. The accounting policy for this category of financial assets is stated in Note 2.13.

# Notes to the Financial Statements continued

For the financial year ended 31 December 2016

## 2. Summary of significant accounting policies continued

### 2.15 Impairment of financial assets

On 1 January 2016, the Group adjusted the impairment of its financial assets from the incurred loss model under FRS 39 to the expected credit loss model FRS 109. Until 31 December 2015, Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment. When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Under the new approach, impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets.

#### Trade receivables

The Group measures the loss allowance for its trade receivables at an amount equal to lifetime expected credit losses.

#### Other financial assets

Accordingly, other financial assets are classified as measured at amortised cost less expected impairment losses. The Group's other financial assets have contractual cash flows that are solely principal, and interest and the business model's objective is to hold these assets to collect contractual cash flows. Impairment allowances for other financial assets are determined based on the 12-month expected credit loss model.

### 2.16 Inventories

Inventories principally comprise commodities held for trading and inventories that form part of the Group's expected purchase, sale or usage requirements.

Inventories for commodity trading businesses are measured at fair value less costs to sell, with changes in fair value less costs to sell recognised in the profit or loss in the period of the change.

Inventories that form part of the Group's expected purchase, sale or usage requirements are stated at the lower of cost and net realisable value and are valued on a first-in-first-out basis or weighted average cost method, depending on the underlying business activity. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated cost of disposal and after making allowance for damages and slow-moving items.

For fruits on tress that are harvested, are stated at fair value less estimated point-of-sale costs at the time of harvest (the 'initial cost'). Thereafter these inventories are carried at the lower of initial cost and net realisable value.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

### 2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 2. Summary of significant accounting policies continued

### 2.19 Employee benefits

#### (a) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

#### (c) Employee share options scheme/share grant plan

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment for services rendered ('equity-settled transactions').

The cost of these equity-settled share-based payment transactions with employees is measured with reference to the fair value at the date on which the share subscriptions/options are granted which takes into account market conditions and non-vesting conditions.

This cost is recognised in the profit or loss, with a corresponding increase in the share-based compensation reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

Where the terms of an equity-settled award are modified, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for a modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

# Notes to the Financial Statements continued

For the financial year ended 31 December 2016

## 2. Summary of significant accounting policies continued

### 2.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

#### (a) Operating lease

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### (b) Finance lease

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

### 2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must be met before revenue is recognised:

#### (a) Sale of goods

Revenue from the sale of goods is recognised upon passage of title to the customer, which generally coincides with their delivery and acceptance. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) Sale of services

Revenue from services rendered is recognised upon services performed.

#### (c) Interest income

Interest income is recognised using the effective interest method.

### 2.22 Government grants, export incentives and subsidies

Government grants, export incentives and subsidies are recognised at their fair values when there is reasonable assurance that the grant will be received and all conditions attached will be complied with. When the grant relates to an expense item, it is recognised in the profit or loss over the period necessary to match it on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### 2.23 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## 2. Summary of significant accounting policies continued

### 2.23 Taxes continued

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would be treated either as a reduction to goodwill (as long as it does not exceed goodwill) if incurred during the measurement period or in profit or loss.

#### (c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

# Notes to the Financial Statements continued
For the financial year ended 31 December 2016

## 2. Summary of significant accounting policies continued

### 2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services, which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

The segment managers report directly to the management of the Company which regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.25 Share capital and share issue expenses

Proceeds from issuance of ordinary shares net of directly attributable expenses are recognised as share capital in equity.

### 2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost (including directly attributable expenses) and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### 2.27 Perpetual capital securities

The perpetual capital securities do not have a maturity date and the Company is able to elect to defer making a distribution subject to the term and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue and the perpetual capital securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

### 2.28 Contingencies

A contingent liability is:-

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair values can be reliably determined.

### 2.29 Derivative financial instruments and hedging activities

Derivative financial instruments include forward currency contracts, commodity futures, options, over-the-counter ('OTC') structured products, commodity physical forwards, foreign currency swap and interest rate contracts. These are used to manage the Group's exposure to risks associated with foreign currency, commodity price and interest rate fluctuations. Certain derivatives are also used for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts and interest rate derivatives are calculated by reference to current forward exchange rates and interest rates respectively for contracts with similar maturity profiles. The fair values of commodity futures, options, OTC structured products and physical forwards are determined by reference to available market information and market valuation methodology. Where the quoted market prices are not available, fair values are based on management's best estimates, which are arrived at by reference to market prices.

## 2. Summary of significant accounting policies continued

### 2.29 Derivative financial instruments and hedging activities continued

#### Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting. For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment; and
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

#### (a) Fair value hedges

Fair value hedge accounting is applied to hedge the Group's exposure to change in fair value portion of such an asset or liability or an identified portion of such an asset or liability that is attributable to a particular risk – commodity price risk that could affect the Consolidated Profit and Loss Accounts. For fair value hedges, the carrying amount of the hedged item (inventories) is adjusted for gains and losses attributable to the risk being hedged, the derivative (hedging instrument) is remeasured at fair value, gains and losses from both are taken to the Consolidated Profit and Loss Accounts.

When inventories are designated as a hedged item, the subsequent cumulative change in the fair value of these inventories attributable to the hedged commodity price risk is recognised as part of inventories with a corresponding gain or loss in the Consolidated Profit and Loss Accounts. The hedging instrument is recorded at fair value as an asset or liability and the changes in the fair value of the hedging instrument are also recognised in the Consolidated Profit and Loss Accounts.

The application of hedge accounting is discontinued in cases where the Group revokes the hedging relationship. Effective from FRS 109, hedging relationships may not be voluntarily revoked unless there is a change in risk management objective. Accordingly, in cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the Group adjusts the hedging ratio to re-establish the effectiveness of the hedging relationship. Furthermore, the Group discontinues the application of hedge accounting in cases where there is a change in the risk management objective for the hedging relationship. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is expensed to profit from the date on which the Company discontinues hedge accounting.

#### (b) Cash flow hedges

For each cash flow hedge relationship, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the Consolidated Profit and Loss Accounts at the time hedge effectiveness is tested.

When a cash flow hedge is discontinued, any cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur. If the hedged future cash flows no longer expected to occur, the net cumulative gain or loss is immediately reclassified to profit or loss.

### 2.30 Convertible bonds

When convertible bonds are issued, the total proceeds net of transaction costs are allocated to the debt component, the fair value of derivative financial instruments component and the equity component, which are separately presented on the balance sheet.

The debt component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the debt is extinguished on conversion or redemption of the bonds.

The derivative financial instruments component is determined by the fair value of the embedded derivatives on the date of issue. The fair value is reassessed at every balance sheet date and the difference is recognised in the profit and loss account.

The balance after reducing the debt component and the fair value of the embedded derivatives component from the net proceeds is presented as capital reserve under equity. The carrying amount of the equity component is not adjusted in subsequent periods. When the conversion option is exercised, the carrying amount of the equity component will be transferred to the share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

## 2. Summary of significant accounting policies continued

### 2.31 Related parties

A related party is defined as follows:-

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:-

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty as at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (a) Valuation of goodwill, intangible and tangible assets/liabilities through business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The fair value of such assets and liabilities are estimated by independent professional valuers where significant, or using the discounted cash flow model, which requires the Group to make an estimate of the expected future cash flows of the acquired business and choosing a suitable discount rate. The business combinations completed during the current financial year are disclosed in Note 11 to the financial statements.

#### (b) Impairment of goodwill and intangible assets with indefinite useful life

Goodwill and intangible assets with indefinite useful life are tested for impairment annually and whenever there is an indication of impairment, the Group estimates the value in use of the cash-generating units to which the goodwill and intangible asset with indefinite useful life is allocated. Estimating the value in use requires the Group, with the help of independent professional valuers where applicable, to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The impairment tests are sensitive to growth rates and discount rates. Changes in these assumptions may result in changes in recoverable values. The carrying amount of the Group's goodwill and indefinite life intangible assets at the balance sheet date is disclosed in Note 11 to the financial statements.

## 3. Significant accounting judgements and estimates continued

### Key sources of estimation uncertainty continued

**(c) Impairment of property, plant and equipment**

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model and requires the Group, with the help of independent professional valuers where applicable, to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 10 to the financial statements.

**(d) Biological assets**

The fair value of biological assets (other than annual crops and livestock) is estimated using the discounted cash flow model, which requires the Group to make an estimate of the expected future cash flows from the biological assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows, which is referenced to professional valuations or fair valued by independent professional valuers where significant. The valuation of these biological assets is particularly sensitive to discount rates and they are disclosed in Note 12.

**(e) Fair value of financial instruments**

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of model inputs regarding forward prices, credit risk, volatility and counterparty risk that are not supported by observable market data. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 35.

## 4. Sale of goods and services

| | Group | |
|---|---|---|
| | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 $'000 |
| Sale of goods | **20,422,256** | 27,959,167 |
| Sale of services | **164,776** | 271,419 |
| | **20,587,032** | 28,230,586 |

Revenue from sale of goods is stated net of discounts and returns. It excludes interest income, realised gains or losses on derivatives and intra-group transactions.

Revenue from sale of services mainly represents ginning and toll processing income and freight charter income.

## 5. Other income

Other income included the following:-

| | Group | |
|---|---|---|
| | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 $'000 |
| Gain on disposal of property, plant and equipment and intangible assets, net [1] | **–** | 25,359 |
| Commissions and claims, sale of packaging materials, sales of scrap and others | **47,265** | 116,878 |
| | **47,265** | 142,237 |

1. Net gain on disposal of property, plant and equipment in the prior financial year includes the gain on sale and leaseback of the Awala palm plantations and Uruguay farmland. The lease is for a period of 21 years which is divided in two terms of 9 years and one year of 3 years and 12 years for Uruguay farmland. The annual rent for Awala is fixed during the first nine years and after that an increase of 2.5% of the rental every two years, and for Uruguay it is fixed for first three years and thereafter linked to 10 year USD SWAP rate. There was no such gain arising from any sale and leaseback transactions in the current financial year.

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

## 6. Cost of goods sold

The significant portion of the cost of goods sold pertains to the purchase costs of inventories sold. There are other directly attributable costs associated with cost of goods sold and these include:-

| | Group | |
|---|---|---|
| | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 $'000 |
| Shipping, logistics, commission and claims | **(2,682,495)** | (2,815,924) |
| Foreign exchange on cost of goods sold [1] | **179,348** | (231,281) |
| Gains on derivatives net of fair value changes | **63,609** | 610,344 |
| Inventories (written down)/written back, net (Note 19) | **(18,911)** | (13,389) |
| Export incentives, subsidies and grant income received [2] | **51,384** | 40,627 |
| Net measurement of derivative instruments | **–** | (13,840) |
| Net measurement of derivative instruments is stated after crediting/(charging): | | |
| • Convertible and other bonds | **–** | (18,591) |
| • Derivatives held for trading | **–** | 4,751 |
| | **–** | (13,840) |

1. Foreign exchange on cost of goods sold relate to foreign exchange movement arising between the time of purchase of goods and the time of sale of such goods.

2. Export incentives and subsidies relate to income from government agencies of various countries for the export of agricultural products.

## 7. Other expenses

Other expenses are stated after (charging)/crediting:-

| | Group | |
|---|---|---|
| | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 $'000 |
| Employee benefits expenses (Note 30) | **(617,887)** | (824,136) |
| Reclassification of fair value changes from equity to profit and loss account | – | (192,612) |
| Gain/(loss) on foreign exchange, net | **21,566** | (150,456) |
| Bank charges | **(57,530)** | (79,343) |
| Travelling expenses | **(55,829)** | (78,303) |
| Transaction costs incurred in business combinations | **(3,257)** | (35,125) |
| Impairment loss on financial assets: | | |
| • Trade receivables (Note 17) | **(37,016)** | (42,020) |
| • Advance payments to suppliers (Note 20) | **(2,387)** | (5,971) |
| Bad debts written back: | | |
| • Trade receivables | **35,083** | 4,736 |
| • Advance payments to suppliers | **756** | 653 |
| Impairment of property, plant and equipment/ written off (Note 10) | **–** | (4,115) |
| Impairment of intangible assets (Note 11) | **–** | (2,664) |
| Audit fees: | | |
| • Auditor of the Company | **(2,000)** | (2,863) |
| • Other auditors | **(8,207)** | (12,691) |
| Non-audit fees: | | |
| • Auditor of the Company | **(586)** | (1,892) |
| • Other auditors | **(1,351)** | (3,217) |

## 8. Finance costs

Finance costs include the following:-

| | Group | |
|---|---|---|
| | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 $'000 |
| Interest expense: | | |
| • On bank overdrafts | **44,390** | 71,864 |
| • On bank loans | **207,896** | 266,492 |
| • On medium-term notes | **174,899** | 221,711 |
| • On bonds | **40,213** | 292,740 |
| • Others | **35,419** | 49,537 |
| | **502,817** | 902,344 |
| Less: interest expense capitalised in: | | |
| • Property, plant and equipment and biological assets | **(56,569)** | (66,611) |
| | **446,248** | 835,733 |

Interest was capitalised to capital work-in-progress, plant and machinery, buildings and biological assets by various subsidiaries of the Group at rates ranging from 5.00% to 7.50% (31 December 2015: from 5.50% to 7.50%) per annum.

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

# 9. Income tax

## (a) Major components of income tax expense

| | Group | |
|---|---|---|
| | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 (As restated) $'000 |
| **Profit and loss account** | | |
| Current income tax: | | |
| • Singapore | **29,493** | 9,383 |
| • Foreign | **54,218** | 104,525 |
| (Over)/under provision in respect of prior years | **(1,527)** | 890 |
| | **82,184** | 114,798 |
| Deferred income tax: | | |
| • Singapore | **(347)** | 709 |
| • Foreign | **12,477** | 10,301 |
| Income tax expense | **94,314** | 125,808 |

| | Group | |
|---|---|---|
| | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 $'000 |
| **Statement of comprehensive income:** | | |
| Deferred income tax related to items credited directly to other comprehensive income: | | |
| Net change in fair value adjustment reserves for derivative financial instruments designated as hedging instruments in cash flow hedges | **(1,457)** | 2,348 |
| Deferred tax recorded in other comprehensive income | **(1,457)** | 2,348 |

## (b) Relationship between tax expense and accounting profit

A reconciliation of the statutory tax rate to the Group's effective tax rate is as follows:-

| | Group | |
|---|---|---|
| | **1 January 2016 to 31 December 2016 %** | 1 July 2014 to 31 December 2015 (As restated) % |
| Statutory tax rate | **17.0** | 17.0 |
| Tax effect of non-deductible expenses | **5.7** | 65.4 |
| Higher statutory tax rates of other countries [1] | **10.4** | 20.3 |
| Tax effect on (over)/under provision in respect of prior years | **(0.4)** | 2.0 |
| Tax effect of income taxed at concessionary rate [2] | **(0.2)** | (42.7) |
| Tax effect on non-taxable/ exempt income [3] | **(9.4)** | (16.2) |
| Tax effect of jointly controlled entities/associates | **(0.9)** | (0.2) |
| Tax effect of deferred tax assets not recognised | **6.7** | 21.3 |
| Tax effect of others, net | **(7.1)** | 3.9 |
| | **21.8** | 70.8 |

1. The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.
2. The Company is an approved company under the Global Trader Programme ('GTP') of International Enterprise Singapore and Development and Expansion Incentive ('DEI') under the International Headquarters ('IHQ') award of Singapore Economic Development Board. By virtue of this, the Company is entitled to a concessionary income tax rate of 5% for a period of 5 years from 1 July 2013 to 30 June 2018 on qualifying activities, products and income.
3. There are seven (31 December 2015: seven) subsidiaries within the Group that are taxed at the preferential tax rate of 0% (as opposed to the local headline/ statutory tax rates ranging from 20% to 35%) by the local tax authorities for periods ranging from 1.5 to 4 years, except one subsidiary which does not have an expiry date on preferential tax rate.

## 9. Income tax continued

### (c) Deferred income tax

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The amounts, after such offsets, are disclosed on the balance sheet as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) '000 |
| Deferred tax assets | **95,735** | 62,219 | **–** | 2,622 |
| Deferred tax liabilities | **(505,876)** | (420,782) | **(8,103)** | (6,817) |
| Net deferred tax liabilities | **(410,141)** | (358,563) | **(8,103)** | (4,195) |

Detail of deferred tax assets and liabilities before offsetting is as follows:-

| | Group | | | | Company | |
|---|---|---|---|---|---|---|
| | Consolidated balance sheet | | Consolidated profit and loss account | | Balance sheet | |
| | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **1 January 2016 to 31 December 2016 $'000** | 1 July 2014 to 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 |
| **Deferred tax liabilities:** | | | | | | |
| Differences in depreciation | **207,620** | 170,372 | **39,267** | (25,158) | **680** | 990 |
| Fair value adjustment on business combinations | **198,461** | 207,138 | **(16,319)** | (4,785) | **9,634** | 6,817 |
| Biological assets | **63,814** | 65,330 | **(13,289)** | 25,499 | **–** | – |
| Convertible bonds | **483** | 475 | **323** | (350) | **483** | 475 |
| Others | **–** | – | **13,695** | (11,158) | **–** | – |
| Gross deferred tax liabilities | **470,378** | 443,315 | | | **10,797** | 8,282 |
| **Deferred tax assets:** | | | | | | |
| Allowance for doubtful debts | **(3,467)** | 544 | **(649)** | 1,682 | **76** | – |
| Inventories written down | **76** | 92 | **–** | (87) | **–** | 92 |
| Revaluation of financial instruments to fair value | **2,618** | 3,995 | **(2,420)** | 2,623 | **2,618** | 3,995 |
| Unabsorbed losses | **43,912** | 51,492 | **(22,316)** | 58,934 | **–** | – |
| Others | **17,098** | 28,629 | **13,838** | (36,190) | **–** | – |
| Gross deferred tax assets | **60,237** | 84,752 | | | **2,694** | 4,087 |
| Net deferred tax liabilities | **(410,141)** | (358,563) | | | **(8,103)** | (4,195) |
| Deferred income tax expense | | | **12,130** | 11,010 | | |

#### Unrecognised tax losses and capital allowances for which no deferred tax assets have been recognised

The Group has tax losses of $320,957,000 (31 December 2015: $198,618,000) and capital allowances of $99,149,000 (31 December 2015: $126,689,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset has been recognised. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate and there is no expiry date on the utilisation of such tax losses and capital allowances for offset against future taxable profits, except for amounts of $272,996,000 (31 December 2015: $162,059,000) which will expire over financial years 2016 to 2022.

#### Unrecognised temporary differences relating to investments in subsidiaries and jointly controlled entities

At the end of the financial years ended 31 December 2016 and 31 December 2015, there is no deferred tax liability that needs to be recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and jointly controlled entities as the Group has determined that if any undistributed earnings of its subsidiaries and jointly controlled entities are distributed in the foreseeable future, there will be no material tax impact.

#### Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements in respect of the current and previous financial year (Note 27).

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

# 10. Property, plant and equipment

| Group | Freehold land $'000 | Leasehold land and buildings $'000 | Plant and machinery $'000 | Other assets $'000 | Capital work-in-progress $'000 | Bearer plants $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 July 2014 | 397,018 | 1,103,464 | 1,585,758 | 223,213 | 471,255 | – | 3,780,708 |
| Effects of Biological assets adjustment (FRS 41) (Note 2.2) | – | – | – | – | – | 766,239 | 766,239 |
| As at 1 July 2014, as restated | 397,018 | 1,103,464 | 1,585,758 | 223,213 | 471,255 | 766,239 | 4,546,947 |
| Additions | 47,992 | 83,431 | 115,133 | 58,033 | 261,355 | – | 565,944 |
| Acquired through business combination | 50,748 | 33,421 | 267,550 | 1,147 | 11 | – | 352,877 |
| Disposals | (51,842) | (59,409) | (49,622) | (14,070) | (12,457) | – | (187,400) |
| Reclassification | (1,645) | 264,073 | 61,204 | (2,185) | (321,447) | – | – |
| Impairment loss/ written off | – | (37) | (5,986) | (1) | – | – | (6,024) |
| Foreign currency translation adjustments | 7,509 | (102,812) | (51,936) | (8,079) | (74,107) | – | (229,425) |
| As at 31 December 2015, as restated | 449,780 | 1,322,131 | 1,922,101 | 258,058 | 324,610 | 766,239 | 5,042,919 |
| Effects of ADM acquisition (Note 2.2) | 3,199 | 215,287 | 122,633 | 12,033 | 7,656 | – | 360,808 |
| Effects of Biological assets adjustment (FRS 41) (Note 2.2) | – | – | – | – | – | 273,577 | 273,577 |
| As at 1 January 2016, as restated | 452,979 | 1,537,418 | 2,044,734 | 270,091 | 332,266 | 1,039,816 | 5,677,304 |
| Additions | 13,146 | 96,630 | 81,504 | 34,206 | 312,137 | 214,170 | 751,793 |
| Acquired through business combination | 58 | 186,215 | 181,611 | 4,685 | 76,489 | 2,607 | 451,665 |
| Disposals | (6,986) | (19,395) | (39,539) | (8,512) | (1,344) | – | (75,776) |
| Reclassification | (23,616) | 83,808 | 51,843 | (14,402) | (110,492) | 12,859 | – |
| Foreign currency translation adjustments | (12,927) | (110,360) | (141,105) | (13,150) | 27,063 | 23,803 | (226,676) |
| **As at 31 December 2016** | **422,654** | **1,774,316** | **2,179,048** | **272,918** | **636,119** | **1,293,255** | **6,578,310** |
| **Accumulated depreciation and impairment loss:** | | | | | | | |
| As at 1 July 2014 | 7,262 | 154,186 | 384,724 | 90,650 | – | – | 636,822 |
| Charge for the year | – | 74,663 | 191,923 | 42,100 | – | – | 308,686 |
| Disposals | – | (3,878) | (13,107) | (9,881) | – | – | (26,866) |
| Reclassification | (6,840) | 8,527 | (918) | (769) | – | – | – |
| Impairment loss/ written off | – | – | (1,909) | – | – | – | (1,909) |
| Foreign currency translation adjustments | (422) | (13,708) | 4,943 | 2,700 | – | – | (6,487) |
| As at 31 December 2015 | – | 219,790 | 565,656 | 124,800 | – | – | 910,246 |
| Effects of Biological assets adjustment (FRS 41) (Note 2.2) | – | – | – | – | – | 45,078 | 45,078 |
| As at 1 January 2016, as restated | – | 219,790 | 565,656 | 124,800 | – | 45,078 | 955,324 |
| Charge for the year | – | 67,347 | 162,300 | 38,946 | – | 53,192 | 321,785 |
| Disposals | – | (2,386) | (14,068) | (6,762) | – | – | (23,216) |
| Reclassification | – | (8,055) | 8,494 | (439) | – | – | – |
| Foreign currency translation adjustments | – | (14,395) | (27,683) | (7,107) | – | 6,563 | (42,622) |
| **As at 31 December 2016** | **–** | **262,301** | **694,699** | **149,438** | **–** | **104,833** | **1,211,271** |
| **Net carrying value** | | | | | | | |
| **As at 31 December 2016** | **422,654** | **1,512,015** | **1,484,349** | **123,480** | **636,119** | **1,188,422** | **5,367,039** |
| As at 31 December 2015, as restated | 452,979 | 1,317,628 | 1,479,078 | 145,291 | 332,266 | 994,738 | 4,721,980 |
| As at 30 June 2014, as restated | 389,756 | 949,278 | 1,201,034 | 132,563 | 471,255 | 766,239 | 3,910,125 |

## 10. Property, plant and equipment continued

| Company | Buildings $'000 | Plant and machinery $'000 | Motor vehicles $'000 | Furniture and fittings $'000 | Office equipment $'000 | Computers $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 July 2014 | 514 | 472 | 1,180 | 1,857 | 864 | 7,853 | 12,740 |
| Additions | – | 365 | 537 | 34 | 164 | 18,363 | 19,463 |
| Disposal | – | – | (350) | – | – | (2) | (352) |
| Foreign currency translation adjustments | 71 | 85 | 173 | 259 | 128 | 2,073 | 2,789 |
| As at 31 December 2015 and 1 January 2016 | 585 | 922 | 1,540 | 2,150 | 1,156 | 28,287 | 34,640 |
| Additions | – | 11 | – | 4 | – | 185 | 200 |
| Disposal | – | – | (285) | (8) | (21) | (17) | (331) |
| Foreign currency translation adjustments | 12 | 19 | 20 | 42 | 22 | 571 | 686 |
| **As at 31 December 2016** | **597** | **952** | **1,275** | **2,188** | **1,157** | **29,026** | **35,195** |
| **Accumulated depreciation** | | | | | | | |
| As at 1 July 2014 | 194 | 121 | 967 | 1,837 | 837 | 6,996 | 10,952 |
| Charge for the year | 72 | 144 | 215 | 22 | 97 | 2,648 | 3,198 |
| Disposal | – | – | (334) | – | – | (2) | (336) |
| Foreign currency translation adjustments | 30 | 25 | 127 | 244 | 120 | 1,108 | 1,654 |
| As at 31 December 2015 and 1 January 2016 | 296 | 290 | 975 | 2,103 | 1,054 | 10,750 | 15,468 |
| Charge for the period | 49 | 128 | 166 | 16 | 33 | 6,461 | 6,853 |
| Disposal | – | – | (271) | (8) | (21) | (13) | (313) |
| Foreign currency translation adjustments | 9 | 11 | 15 | 42 | 21 | 508 | 606 |
| **As at 31 December 2016** | **354** | **429** | **885** | **2,153** | **1,087** | **17,706** | **22,614** |
| **Net carrying value** | | | | | | | |
| **As at 31 December 2016** | **243** | **523** | **390** | **35** | **70** | **11,320** | **12,581** |
| As at 31 December 2015 | 289 | 632 | 565 | 47 | 102 | 17,537 | 19,172 |

The carrying amount of freehold land, leasehold buildings, plant and machinery and bearer plant of the Group held under financial lease at the end of the reporting period was $124,600,000 (31 December 2015: $8,844,000). The Group's land, buildings, plant and machinery with a carrying amount of $201,931,000 (31 December 2015: $224,889,000) have been pledged to secure the Group's borrowings as set out in Note 24 to the financial statements.

Bearer plants consist of mature and immature almond orchards, coffee, cocoa, palm and rubber plantations.

The almond orchards and coffee plantations presently consist of trees aged between 1 and 27 years and 1 and 15 years respectively (31 December 2015: 1 and 26 years and 1 and 14 years respectively). The cocoa plantations presently consist of trees aged between 13 and 15 years (31 December 2015: 12 and 14 years).

Immature plantations mainly consist of palm and rubber trees aged between 1 and 5 years amounting to $509,965,000 (31 December 2015, as restated: $346,114,000).

At the end of the financial year, the Group's total planted area of plantations is approximately 78,324 (31 December 2015: 59,678) hectares, excluding hectares for those commodities whose plantations are not managed by the Group.

## Notes to the Financial Statements continued

**For the financial year ended 31 December 2016**

## 11. Intangible assets

| Group | Goodwill $'000 | Customer relationships $'000 | Brands and trademarks[1] $'000 | Software $'000 | Water Rights[2] $'000 | Concession Rights[3] $'000 | Others[4] $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| As at 1 July 2014 | 192,234 | 49,128 | 113,111 | 55,735 | 209,284 | 77,054 | 42,635 | 739,181 |
| Acquired through business combinations | 73,575 | 53,577 | – | – | – | – | 21,336 | 148,488 |
| Additions | – | – | – | 9,909 | – | – | 1,830 | 11,739 |
| Disposal | – | – | – | (2,610) | – | (420) | (627) | (3,657) |
| Foreign currency translation adjustments | 26,980 | 10,938 | 15,617 | 4,997 | (25,143) | 4,703 | 2,929 | 41,021 |
| As at 31 December 2015 | 292,789 | 113,643 | 128,728 | 68,031 | 184,141 | 81,337 | 68,103 | 936,772 |
| Effects of ADM acquisition (Note 2.2) | 246,150 | 1,985 | – | – | – | – | 56,883 | 305,018 |
| As at 1 January 2016, as restated | 538,939 | 115,628 | 128,728 | 68,031 | 184,141 | 81,337 | 124,986 | 1,241,790 |
| Acquired through business combinations | 139,022 | 17,650 | 24,144 | – | – | – | 13,064 | 193,880 |
| Additions | – | – | – | 10,872 | – | – | 814 | 11,686 |
| Disposal | – | – | – | (1,973) | – | – | (758) | (2,731) |
| Foreign currency translation adjustments | 16,606 | 3,586 | 3,755 | 1,513 | 1,670 | (486) | 2,646 | 29,290 |
| **As at 31 December 2016** | **694,567** | **136,864** | **156,627** | **78,443** | **185,811** | **80,851** | **140,752** | **1,473,915** |
| **Accumulated amortisation and impairment** | | | | | | | | |
| As at 1 July 2014 | 3,250 | 18,415 | – | 22,275 | – | 30,549 | 15,934 | 90,423 |
| Amortisation | – | 12,031 | – | 7,785 | – | 6,275 | 7,200 | 33,291 |
| Disposals | – | – | – | (725) | – | (420) | (622) | (1,767) |
| Impairment | 2,611 | – | – | – | – | – | 53 | 2,664 |
| Foreign currency translation adjustments | (1,349) | 3,190 | – | 818 | – | (505) | 686 | 2,840 |
| As at 31 December 2015 and 1 January 2016 | 4,512 | 33,636 | – | 30,153 | – | 35,899 | 23,251 | 127,451 |
| Amortisation | – | 12,537 | – | 5,632 | – | 4,301 | 9,226 | 31,696 |
| Disposals | – | – | – | (746) | – | – | (570) | (1,316) |
| Foreign currency translation adjustments | (789) | 1,232 | – | 617 | – | 729 | 687 | 2,476 |
| **As at 31 December 2016** | **3,723** | **47,405** | **–** | **35,656** | **–** | **40,929** | **32,594** | **160,307** |
| **Net carrying value** | | | | | | | | |
| **As at 31 December 2016** | **690,844** | **89,459** | **156,627** | **42,787** | **185,811** | **39,922** | **108,158** | **1,313,608** |
| As at 31 December 2015, as restated | 534,427 | 81,992 | 128,728 | 37,878 | 184,141 | 45,438 | 101,735 | 1,114,339 |
| **Average remaining amortisation period (years) – 31 December 2016** | **–** | **1–15** | **–** | **1–8** | **–** | **10–20** | **1–49** | |
| Average remaining amortisation period (years) – 31 December 2015 | – | 3–12 | – | 1–8 | – | 11–21 | 4–32 | |

## 11. Intangible assets continued

| Company | Goodwill $'000 | Brands and trademarks $'000 | Software $'000 | Others[4] $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 July 2014 | 5,486 | 3,890 | 24,403 | 10,931 | 44,710 |
| Additions | – | – | 9,009 | – | 9,009 |
| Disposal | – | (3,083) | (2,269) | (31) | (5,383) |
| Reclassification | – | (268) | 120 | 148 | – |
| Foreign currency translation adjustments | 758 | 358 | 3,738 | 1,511 | 6,365 |
| As at 31 December 2015 | 6,244 | 897 | 35,001 | 12,559 | 54,701 |
| Effects of ADM acquisition | 141,083 | – | – | 40,101 | 181,184 |
| As at 1 January 2016 | 147,327 | 897 | 35,001 | 52,660 | 235,885 |
| Additions | – | – | 10,295 | 443 | 10,738 |
| Disposal | – | – | (1,907) | – | (1,907) |
| Reclassification | 44,837 | – | – | 12,744 | 57,581 |
| Foreign currency translation adjustments | 18,324 | 18 | 1,079 | 5,444 | 24,865 |
| **As at 31 December 2016** | **210,488** | **915** | **44,468** | **71,291** | **327,162** |
| **Accumulated amortisation** | | | | | |
| As at 1 July 2014 | – | – | 5,329 | 4,701 | 10,030 |
| Amortisation | – | – | 4,094 | 1,683 | 5,777 |
| Disposal | – | – | (443) | – | (443) |
| Foreign currency translation adjustments | – | – | 931 | 739 | 1,670 |
| As at 31 December 2015 and 1 January 2016 | – | – | 9,911 | 7,123 | 17,034 |
| Amortisation | – | – | 3,211 | 2,494 | 5,705 |
| Disposal | – | – | (718) | – | (718) |
| Foreign currency translation adjustments | – | – | 311 | 257 | 568 |
| **As at 31 December 2016** | **–** | **–** | **12,715** | **9,874** | **22,589** |
| **Net carrying amount** | | | | | |
| **As at 31 December 2016** | **210,488** | **915** | **31,753** | **61,417** | **304,573** |
| As at 31 December 2015 (restated) | 147,327 | 897 | 25,090 | 45,537 | 218,851 |
| **Average remaining amortisation period (years) – 31 December 2016** | **–** | **–** | **1–10** | **3–49** | |
| Average remaining amortisation period (years) – 31 December 2015 | – | – | 1–8 | 4–12 | |

1. Brands and trademarks include 'Dona', 'OK Foods' and 'OK Sweets' brands. The useful lives of the brands are estimated to be indefinite as management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash flows for the Group.
2. Water rights relate to perpetual access to share of water from a specified consumptive pool.
3. Concession rights consist of rights to harvest trees in designated areas. Amortisation is charged over the estimated useful life of the concession rights.
4. Others comprise land use rights, trade names, marketing agreements and non-compete fees. Land use rights relate to rights to land where the Group has acquired plantations. Amortisation is charged over the estimated useful lives of the land use rights.

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

# 11. Intangible assets continued

### Impairment testing of goodwill and other intangible assets

Goodwill and intangible assets with indefinite lives arising from business combinations have been allocated to the following cash-generating units ('CGU'), for impairment testing:-

| | Goodwill | | Brands and trademark | | Water rights | |
|---|---|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Olam Orchards Australia Pty Ltd | **–** | – | **–** | – | **185,811** | 184,141 |
| ADM Cocoa | **251,062** | 246,150 | **–** | – | **–** | – |
| Amber Foods Limited | **80,947** | – | **–** | – | **–** | – |
| McCleskey Mills Inc. | **80,864** | 79,283 | **–** | – | **–** | – |
| Packaged Foods brands | **34,108** | 33,440 | **130,130** | 127,830 | **–** | – |
| Kayass Enterprise S.A. (Ranona Limited) | **46,599** | 45,687 | **–** | – | **–** | – |
| Universal Blanchers | **71,684** | 70,281 | **–** | – | **–** | – |
| Brooks Peanuts Company | **52,694** | – | **–** | – | **–** | – |
| Progida Group | **13,535** | 13,272 | **–** | – | **–** | – |
| Acacia Investments Limited | **12,562** | – | **25,608** | – | **–** | – |
| Olam Spices & Vegetables Ingredients | **9,965** | 9,777 | **889** | 898 | **–** | – |
| Olam Food Ingredients Holdings UK Limited | **8,226** | 8,309 | **–** | – | **–** | – |
| Olam International – Brazilian Cotton (Queensland Cotton Holdings) | **6,367** | 6,243 | **–** | – | **–** | – |
| Olam Food Ingredients Spain, S.L. (formerly known as 'Olam Macao Spain, S.L.') | **6,323** | 6,199 | **–** | – | **–** | – |
| Dehydro Foods S.A.E. | **5,086** | 4,987 | **–** | – | **–** | – |
| Queensland Cotton Holdings: | | | | | | |
| • Australian Cotton | **5,021** | 4,976 | **–** | – | **–** | – |
| • Australian Pulses | **1,437** | 1,424 | **–** | – | **–** | – |
| • USA Cotton | **2,154** | 2,135 | **–** | – | **–** | – |
| Hemarus Industries Limited | **1,410** | 1,479 | **–** | – | **–** | – |
| Usicam S.A. | **800** | 785 | **–** | – | **–** | – |
| | **690,844** | 534,427 | **156,627** | 128,728 | **185,811** | 184,141 |

## 11. Intangible assets continued

### Impairment testing of goodwill and other intangible assets

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five year period. The discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the five year period are as follows:-

| | Growth rates | | Discount rates | |
|---|---|---|---|---|
| | **31 December 2016 %** | 31 December 2015 % | **31 December 2016 %** | 31 December 2015 % |
| ADM Cocoa | **2.00** | – | **10.00** | – |
| Amber Foods Limited | **–** | – | **11.40** | – |
| Brooks Peanuts Company | **1.50** | – | **10.00** | – |
| Acacia Investment Limited | **3.00** | – | **17.70** | – |
| Universal Blanchers | **2.00** | 2.00 | **10.00** | 10.00 |
| McCleskey Mills Inc. | **1.50** | 1.50 | **14.00** | 14.00 |
| Olam Food Ingredients Holdings UK Limited (formerly known as 'Britannia Food Ingredients Holdings Limited') | **–** | – | **12.50** | 12.50 |
| Queensland Cotton Holdings [1] | **–** | – | **13.00** | 13.00 |
| Olam International – Brazilian Cotton (Queensland Cotton Holdings) | **2.00** | 2.00 | **13.00** | 13.00 |
| Olam Orchards Australia Pty Ltd | **–** | – | **13.00** | 13.00 |
| Olam Spices and Vegetables Ingredients | **2.00** | 2.00 | **12.00** | 12.00 |
| Packaged Foods brands | **3.00** | 3.00 | **12.50** | 12.50 |
| Kayass Enterprise S.A. (Ranona Limited) | **3.00** | 3.00 | **12.50** | 12.50 |
| Olam Food Ingredients Spain, S.L. (formerly known as 'Olam Macao Spain, S.L.') | **–** | – | **12.00** | 12.00 |
| Progida Group | **2.00** | 2.00 | **12.50** | 12.50 |
| Hemarus Industries Limited | **–** | – | **11.50** | 11.50 |
| Dehydro Foods S.A.E. | **2.00** | 2.00 | **12.90** | 12.90 |
| Usicam S.A. | **2.00** | 2.00 | **12.00** | 12.00 |

1. The growth rates and discount rates used are the same for all CGUs relating to Queensland Cotton Holdings.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:-

Budgeted gross margins – Gross margins are based on average values achieved at prevailing market conditions at the start of the budget period.

Growth rates – The growth rates indicated are as estimated by the management based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Discount rates – Discount rates reflect management's estimate of risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

# 11. Intangible assets continued

### Business combinations
During the current financial year, the Group entered into the following business combinations:-

| | Amber Foods Limited $'000 | Acacia Investment Limited $'000 | SIAT Gabon $'000 | Brooks Peanuts Company $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Fair value of assets and liabilities** | | | | | | |
| Property, plant and equipment (Note 10) | 297,479 | 65,233 | 31,237 | 42,869 | 14,847 | 451,665 |
| Intangible assets (Note 11) | 5,945 | 37,783 | – | 11,130 | – | 54,858 |
| Inventories | – | 1,805 | 3,082 | 17,593 | 7,272 | 29,752 |
| Trade and other receivables | – | 2,739 | – | 17,238 | 1,969 | 21,946 |
| Other current assets | 2 | 434 | – | 3,954 | 528 | 4,918 |
| Other non-current assets | – | – | – | 98 | – | 98 |
| Cash and bank balances | 5 | 7,371 | – | – | 1,774 | 9,150 |
| Advance payment to suppliers | – | – | – | 74 | 56 | 130 |
| | **303,431** | **115,365** | **34,319** | **92,956** | **26,446** | **572,517** |
| Trade and other creditors | – | 16,091 | – | 2,816 | 1,098 | 20,005 |
| Amount due to Bankers | – | – | – | – | 8,602 | 8,602 |
| Deferred Tax liabilities | – | 30,554 | – | – | – | 30,554 |
| Other Current Liabilities | – | – | 1,404 | 596 | 684 | 2,684 |
| | **–** | **46,645** | **1,404** | **3,412** | **10,384** | **61,845** |
| **Total identifiable net assets at fair value** | **303,431** | **68,720** | **32,915** | **89,544** | **16,062** | **510,672** |
| **Net identifiable assets** | 303,431 | 68,720 | 32,915 | 89,544 | 16,062 | 510,672 |
| Goodwill arising from acquisitions (Note 11) | 77,499 | 11,844 | – | 49,679 | – | 139,022 |
| | **380,930** | **80,564** | **32,915** | **139,223** | **16,062** | **649,694** |
| **Consideration transferred for the acquisitions** | | | | | | |
| Cash paid | 380,930 | 32,824 | 32,915 | 139,223 | 16,062 | 601,954 |
| Fair value of previously held equity | – | 47,740 | – | – | – | 47,740 |
| | 380,930 | 80,564 | 32,915 | 139,223 | 16,062 | 649,694 |
| **Total consideration** | 380,930 | 80,564 | 32,915 | 139,223 | 16,062 | 649,694 |
| Less: Cash and cash equivalents acquired | 5 | 7,371 | – | – | 1,774 | 9,150 |
| Less: Non-cash items | – | 39,556 | – | – | – | 39,556 |
| Less: Deferred consideration | 6,926 | 1,364 | – | – | 4,561 | 12,851 |
| **Net cash outflow on acquisition of subsidiaries** | **373,999** | **32,273** | **32,915** | **139,223** | **9,727** | **588,137** |

## 11. Intangible assets continued

### Business combinations continued

#### Acquisition of subsidiaries

(i) Amber Foods Limited

On 9 January 2016, the Company acquired Amber Foods Limited ('Amber'), which through its 100% owned subsidiary Quintessential Foods Nigeria Limited owns the wheat milling and pasta manufacturing assets of the BUA Group in Nigeria. The assets acquired include wheat mills and pasta manufacturing facilities in various parts of Nigeria.

(ii) Acacia Investment Limited

On 1 April 2016, the Company acquired the remaining 50.0% interest in Acacia Investments Limited ('Acacia') from its joint venture partner and Acacia has since become a wholly-owned subsidiary of the Company. The acquisition of the remaining 50.0% interest in Acacia allows the Company to consolidate all edible oils operations in Mozambique and realise synergies in distribution and brands.

Trade and other receivables acquired

Trade and other receivables acquired comprise gross trade and other receivables amounting to $2,739,000 which approximates fair value. It is expected that the full contractual amount of the receivables can be collected.

(iii) SIAT Gabon

On 8 June 2016, Olam Palm Gabon, a wholly owned subsidiary of the Company acquired a 100% stake in SIAT Gabon. SIAT Gabon is in the business of development and operation of palm operations, and production and sale of palm oil.

(iv) Brooks Peanuts Company ('Brooks')

On 8 June 2016, the Company acquired a 100% stake in Brooks. Brooks has been the sixth largest peanut sheller in the US and the largest Alabama-based sheller, processing approximately 110,000 Farmer Stock Tons (FST) with an annual capacity at 175,000 FST.

Trade and other receivables acquired

Trade and other receivables acquired comprise gross trade and other receivables amounting to $17,238,000 which approximates fair value. It is expected that the full contractual amount of the receivables can be collected.

#### Other acquisitions

(i) Soceite Agro Industrielle de la Comoe ('SAIC')

On 26 January 2016, the Company acquired a 90% stake in SAIC. SAIC is an Ivorian Rubber Processor of crumb rubber with rated capacity of 20,700 MT of natural rubber per annum.

(ii) Schluter S.A.

On 21 October 2016, the Company acquired a 100% stake in East African coffee specialist, Schluter S.A. ('Schluter'). Schluter is an independent coffee company which specialises in trading East African specialty and premium Arabica coffees.

#### Transaction costs

Total transaction costs related to all acquisitions of $3,257,000 have been recognised in the 'Other operating expenses' line item in the Group's profit and loss account for the financial year from 1 January 2016 to 31 December 2016.

#### Goodwill arising from acquisitions

Goodwill of $139,022,000 represents the synergies expected to be achieved from integrating the value-added midstream processing business of the subsidiaries into the Group's existing supply chain business. Goodwill of $246,150,000 arising from acquisition of ADM Cocoa in the prior financial year, whose purchase price allocation exercise was completed in the current financial year has been recognised retrospectively (Note 2.2).

#### Impact of the acquisitions on profit and loss

From acquisition date, subsidiaries acquired during the financial year would have increased by 0.76% to the Group's sales of goods and services and increased the Group's profits by 4.17% for the financial year. Had the acquisitions taken place at the beginning of the financial year, the sales of goods and services for the financial year would have increased by 1.33% and the Group's profit for the financial year, net of tax would have increased by 5.91%.

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

# 12. Biological assets

| Group | Fruits on trees and annual crops $'000 | Livestock $'000 | Total $'000 |
|---|---|---|---|
| As at 30 June 2014 and 1 July 2014 | 905,111 | 203,051 | 1,108,162 |
| Effects of Biological assets (FRS 41) (Note 2.2) | (766,239) | – | (766,239) |
| As at 1 July 2014, as previously stated | 138,872 | 203,051 | 341,923 |
| | | | |
| As at 30 June 2014 and 1 July 2014 | 905,111 | 203,051 | 1,108,162 |
| Net additions/ (reductions) | 106,798 | (87,835) | 18,963 |
| Capitalisation of expenses | 348,028 | 94,153 | 442,181 |
| Net change in fair value less estimated costs to sell | (5,192) | (81,570) | (86,762) |
| Foreign currency translation adjustments | (76,647) | (19,243) | (95,890) |
| As at 31 December 2015, as previously stated | 1,278,098 | 108,556 | 1,386,654 |
| Effects of Biological assets (FRS 41) (Note 2.2) | (1,050,508) | – | (1,050,508) |
| As at 31 December 2015 and 1 January 2016, as restated | 227,590 | 108,556 | 336,146 |
| Net additions/ (reductions) | 41,687 | (52,351) | (10,664) |
| Capitalisation of expenses | 32,029 | 62,637 | 94,666 |
| Net change in fair value less estimated costs to sell | 18,160 | (4,019) | 14,141 |
| Foreign currency translation adjustments | 4,733 | 11,542 | 16,275 |
| **As at 31 December 2016** | **324,199** | **126,365** | **450,564** |

### Fruits on trees and annual crops
During the financial year, the Group harvested approximately 44,071 metric tonnes (31 December 2015: 45,989 metric tonnes) of almonds, which had a fair value less estimated point-of-sale costs of approximately $463,805,000 (31 December 2015: $518,460,000). The fair value of almonds was determined with reference to the market prices at the date of harvest.

Annual crops consist of various commodities such as cotton, onions, tomatoes and other vegetables, rice and grains. For cotton, onions, tomatoes and other vegetables, the Group provides seeds to farmers to sow and grow while for rice and grains, the Group manages its own farms. For annual crops where seeds are provided, the farmers take all the harvest risks and bear all the farming costs. However, the Group has the first right to buy the produce from these farmers, when these annual crops are harvested.

At the end of the financial year, the Group's total planted area of annual crops is approximately 111,712 (31 December 2015: 111,239) hectares, excluding for those commodities where farms are not managed by the Group.

#### Fair value determination
The fair value of fruits on trees is estimated with reference to an independent professional valuation using the present value of expected net cash flows from the biological assets.

The following table shows the key inputs used:-

| Key inputs | Inter-relationship between key inputs and fair value measurement |
|---|---|
| Discount rates of 15% (31 December 2015: 15%) per annum | The estimated fair value increases as the estimated discount rate per annum decreases, and vice versa. |
| Market prices approximating $9,500 (31 December 2015: $12,000) per metric tonne | The estimated fair value increases as the respective inputs increase, and vice versa. |

The annual crops have been valued using adjusted cost, based on the estimate of the yield and cost of the crop at harvest discounted for the remaining time to harvest, which approximates fair value.

### Livestock
Livestock relates mainly to dairy cattle in Uruguay and Russia. At the end of the financial year, the Group held 32,290 (31 December 2015: 33,954) cows, which are able to produce milk (mature assets) and 39,579 (31 December 2015: 41,227) heifers and calves, being raised to produce milk in the future (immature assets). The cows produced 166 million litres (31 December 2015: 336 million litres) of milk with a fair value less estimated point-of-sale costs of $94,051,000 (31 December 2015: $176,757,000) during the financial year.

#### Fair value determination
The fair value of livestock is determined based on valuations by an independent professional valuer using market prices ranging from $69 to $3,796 (31 December 2015: $384 to $4,667) of livestock of similar age, breed and generic merit.

### Financial risk management strategies related to agricultural activities
The Group is exposed to financial risk in respect of agricultural activity. The agricultural activity of the Group consists of the management of biological assets to produce marketable output. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of biological assets and on harvesting and ultimately receiving cash from the sale of the marketable output. The Group plans for cash flow requirements for such activities and manages its debt and equity portfolio actively.

## 13. Subsidiary companies

| | Company | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 |
| Unquoted equity shares at cost | **3,101,835** | 3,484,888 |
| Less: Impairment loss | **(16,130)** | (16,130) |
| Foreign currency translation adjustments | **314,602** | 249,802 |
| | **3,400,307** | 3,718,560 |
| Loans to subsidiary companies | **2,150,153** | 1,013,096 |
| | **5,550,460** | 4,731,656 |

Loans to subsidiary companies denominated in currencies other than functional currency of the Company are as follows:-

| | Company | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Euro | **513,596** | 397,419 |

The Company has recognised impairment loss during the financial year of $Nil (31 December 2015: $Nil) on the investment in the subsidiaries as the carrying amount exceeds the fair value based on the net asset value of the subsidiaries.

Loans to subsidiary companies are unsecured and are not repayable within the next 12 months. The loans are non-interest bearing, except for amounts of $722,690,000 (31 December 2015: $430,702,000) which bear interest ranging from 1.0% to 7.5% (31 December 2015: 1.5% to 7.5%) per annum.

The Group did not have any material non-controlling interests as at the balance sheet dates.

### Composition of the Group

Details of significant subsidiary companies are as follows:-

| Name of company | Country of incorporation | Principal activities | Effective percentage of equity held by the Group **31 December 2016 %** | 31 December 2015 % |
|---|---|---|---|---|
| Olam Ghana Limited [1] | Ghana | (a) | **100** | 100 |
| Olam Ivoire SA [1] | Ivory Coast | (a) | **100** | 100 |
| Olam Nigeria Limited [1] | Nigeria | (a) | **100** | 100 |
| Outspan Ivoire SA [1] | Ivory Coast | (a) | **100** | 100 |
| Olam Moçambique, Limitada [1] | Mozambique | (a) | **100** | 100 |
| Olam Vietnam Limited [1] | Vietnam | (a) | **100** | 100 |
| Olam South Africa (Proprietary) Limited [1] | South Africa | (a) | **100** | 100 |
| Olam Brasil Ltda [1] | Brazil | (a) | **100** | 100 |
| Olam Europe Limited [1] | United Kingdom | (a) | **100** | 100 |
| PT Olam Indonesia [1] | Indonesia | (a) | **100** | 100 |
| Olam Agricola Ltda.[1,4] | Brazil | (a) | **100** | 100 |
| Olam Argentina S.A.[1] | Argentina | (a) | **100** | 100 |
| Café Outspan Vietnam Limited [1] | Vietnam | (a) | **100** | 100 |
| LLC Outspan International [1] | Russia | (a) | **100** | 100 |
| Olam Enterprises India Limited (formerly known as 'Olam Agro India Limited') [1] | India | (a) | **100** | 100 |
| Crown Flour Mills Limited [1] | Nigeria | (a) | **100** | 100 |
| Olam Orchards Australia Pty Ltd [1] | Australia | (a) & (c) | **100** | 100 |
| tt Timber International AG [2] | Switzerland | (a) & (b) | **100** | 100 |
| Congolaise Industrielle des Bois SA [1] | Republic of Congo | (a) | **100** | 100 |
| NZ Farming Systems Uruguay Limited [1] | New Zealand | (a), (b) & (c) | **100** | 100 |
| Olam Palm Gabon SA [1] | Gabon | (a) & (c) | **60** | 60 |

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

## 13. Subsidiary companies continued

### Composition of the Group continued
Details of significant subsidiary companies are as follows:-

| Name of company | Country of incorporation | Principal activities | Effective percentage of equity held by the Group 31 December 2016 % | 31 December 2015 % |
|---|---|---|---|---|
| OK Foods Limited [1] | Nigeria | (a) & (b) | **75** | 75 |
| Olam Cocoa Processing Cote d'Ivoire [1] | Ivory Coast | (a) | **100** | 100 |
| Seda Outspan Iberia S.L.[1] | Spain | (a) | **100** | 100 |
| Ranona Limited [1] | Nigeria | (a) | **75** | 75 |
| Nutrifoods Ghana Limited [1] | Ghana | (a) | **100** | 100 |
| Dehydro Foods S.A.E.[1] | Egypt | (a) | **100** | 100 |
| Queensland Cotton Holdings Pty Ltd [1] | Australia | (a) & (b) | **100** | 100 |
| Olam Holdings Partnership [1] | The United States of America | (a), (b) & (c) | **100** | 100 |
| Progida Findik Sanayi ve Ticaret A.Ş.[1] | Turkey | (a) | **100** | 100 |
| Progida Pazarlama A.Ş.[1] | Turkey | (a) | **100** | 100 |
| Progida Tarim Űrűnleri Sanayi ve Ticaret A.Ş.[1] | Turkey | (a) | **100** | 100 |
| LLC Russian Dairy Company [1] | Russia | (c) | **93** | 93 |
| Gabon Fertilizer Company SA [1] | Gabon | (a) | **80** | 80 |
| Olam Rubber Gabon SA [1] | Gabon | (a) | **60** | 60 |
| Olam Cam SA [1] | Cameroon | (a) | **100** | 100 |
| Panasia International FZCO [2] | United Arab Emirates | (a) | **100** | 100 |
| Olam Sanyo Foods Limited [1] | Nigeria | (a) | **75** | 75 |
| Olam International UK Limited [2] | United Kingdom | (b) | **100** | 100 |
| Caraway Pte Ltd [1] | Singapore | (a) | **75** | 75 |
| Olam Cocoa Processing Ghana Limited [2] | Ghana | (a) | **100** | 100 |
| Olam Cocoa Ivoire SA [2] | Ivory Coast | (a) | **100** | 100 |
| Olam Cocoa B.V. [2] | Netherlands | (a) | **100** | 100 |
| Olam Cocoa Deutschland GmbH [2] | Germany | (a) | **100** | 100 |
| Olam Suisse Sarl [1] | Switzerland | (a) | **100** | 100 |
| Olam Cocoa Pte Limited [2] | Singapore | (a) | **100** | 100 |
| Acacia Investment Limited [3] | United Arab Emirates | (b) | **100** | 50 |
| Fasorel Sarl [2] | Mozambique | (a) | **100** | 50 |
| Quintessential Foods Nigeria Limited [1] | Nigeria | (a) | **100** | – |

(a) Sourcing, processing, packaging and merchandising of agricultural products and inputs.

(b) Investment holding.

(c) Agricultural operations.

1. Audited by associated firms of Ernst & Young Global Limited.
2. Audited by other Certified Public Accounting ('CPA') firms.
3. No statutory audit is required.
4. There was a merger between Outspan Brasil Importação e Exportação Ltda. ('Outspan Brasil') and Joanes Industrial Ltda. (a subsidiary of Outspan Brasil) during the current financial year and has been renamed as Olam Agricola Ltda.

## 14. Investments in jointly controlled entities and associates

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Jointly controlled entities (Note 14(a)) | **247,748** | 290,334 | **124,256** | 172,375 |
| Associates (Note 14(b)) | **642,090** | 608,561 | **600,570** | 568,288 |
| | **889,838** | 898,895 | **724,826** | 740,663 |

### (a) Investments in jointly controlled entities

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Unquoted equity shares at cost [1] | **1,551** | 60,011 | **–** | 45,135 |
| Share of post-acquisition reserves | **102,376** | 91,072 | **–** | – |
| Loans to jointly controlled entities [2] | **124,256** | 121,826 | **124,256** | 121,826 |
| Foreign currency translation adjustments | **19,565** | 17,425 | **–** | 5,414 |
| | **247,748** | 290,334 | **124,256** | 172,375 |

1. During the current financial year, the Group has acquired the remaining 50% stake in Acacia Investment Limited (Note 11) and is now accounted for as a wholly-owned subsidiary. Accordingly, cost of investment in Acacia Investment Limited amounting to $45,135,000 (31 December 2015: $Nil) has been reclassified to Investment in subsidiaries (Note 13).
2. Loans to jointly controlled entities include a loan to Nauvu Investments Pte Ltd amounting to $123,563,000 (31 December 2015: $121,147,000). The loans are unsecured, non-interest bearing and not expected to be repayable within the next 12 months.

As of 31 December 2016 and 31 December 2015, no jointly controlled entity was individually material to the Group. Details of significant jointly controlled entities at end of financial year are as follows:-

| | | | Percentage of equity held | |
|---|---|---|---|---|
| Name of company | Country of incorporation | Principal activities | **31 December 2016 %** | 31 December 2015 % |
| Held by the Company | | | | |
| Nauvu Investments Pte Ltd [1] | Singapore | (a)/(b) | **50** | 50 |
| Acacia Investment Limited | United Arab Emirates | (a)/(b) | **–** | 50 |

(a) Sourcing, processing, packaging and merchandising of agricultural products.

(b) Technical services.

1. Audited by Ernst & Young LLP, Singapore.

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

# 14. Investments in jointly controlled entities and associates continued

## (a) Investments in jointly controlled entities continued

The summarised financial information in respect of the jointly controlled entities, based on its FRS financial statements and reconciliation with the carrying amount of the investments in the combined financial statements are as follows:-

| | Group | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| **Summarised balance sheet** | | |
| Non-current assets | **563,044** | 646,516 |
| Current assets | **62,261** | 97,888 |
| Total assets | **625,305** | 744,404 |
| Non-current liabilities | **368,685** | 365,418 |
| Current liabilities | **7,387** | 59,642 |
| Total liabilities | **376,072** | 425,060 |
| Net assets | **249,233** | 319,344 |
| Proportion of the Group's ownership: | | |
| Group's share of net assets | **123,492** | 158,578 |
| Goodwill on acquisition | **–** | 9,930 |
| Loan to jointly-controlled entities | **124,256** | 121,826 |
| Carrying amount of the investments | **247,748** | 290,334 |
| **Summarised statement of comprehensive income** | | |
| Revenue | **13,535** | 64,058 |
| Profit/(Loss) after tax | **10,026** | (31,384) |
| Other comprehensive income | **–** | (12,839) |
| Total comprehensive income | **10,026** | (44,223) |

## 14. Investments in jointly controlled entities and associates continued

### (b) Investments in associates

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Unquoted equity shares at cost | **350,714** | 249,709 | **373,424** | 257,488 |
| Share of post-acquisition reserves | **42,797** | 44,379 | **–** | – |
| Loan to associates [1] | **258,794** | 334,658 | **256,683** | 334,658 |
| Less: Impairment loss | **(35,596)** | (35,596) | **(35,596)** | (35,596) |
| Foreign currency translation adjustments | **25,381** | 15,411 | **6,059** | 11,738 |
| | **642,090** | 608,561 | **600,570** | 568,288 |

1. Loan to associates are unsecured, not expected to be repayable within the next 12 months and are interest-free except for an amount of $256,683,000 (31 December 2015: $334,658,000) that bears interest ranging from 5.00% to 7.50% (31 December 2015: 5.50%) per annum.

As of 31 December 2016 and 31 December 2015, no associate was individually material to the Group. Details of significant associates are as follows:-

| | | | Percentage of equity held | |
|---|---|---|---|---|
| Name of company | Country of incorporation | Principal activities | **31 December 2016 %** | 31 December 2015 % |
| **Held by the Company** | | | | |
| Gabon Special Economic Zone SA [1] | Gabon | Infrastructure development | **40.49** | 40.00 |
| Open Country Dairy Limited [2] | New Zealand | Processing and trading of agricultural commodities | **15.19** | 15.19 |

1. Audited by associated firms of Ernst & Young Global Limited.
2. Audited by other CPA firms.

Management has assessed and is satisfied that the Group retains significant influence over Open Country Dairy Limited as the Group continues to hold positions in the Board of Directors of the entity and actively participates in all board meetings.

The summarised financial information in respect of the material associates based on its FRS financial statements and reconciliation with the carrying amount of the investment in the combined financial statements are as follows:-

| | Group | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| **Summarised balance sheet** | | |
| Non-current assets | **1,335,418** | 950,811 |
| Current assets | **1,026,082** | 740,106 |
| Total assets | **2,361,500** | 1,690,917 |
| Non-current liabilities | **838,299** | 466,539 |
| Current liabilities | **377,695** | 346,839 |
| Total liabilities | **1,215,994** | 813,378 |
| Net assets | **1,145,506** | 877,539 |
| Proportion of the Group's ownership: | | |
| Group's share of net assets | **364,688** | 256,352 |
| Goodwill on acquisition | **18,608** | 17,551 |
| Loan to associates | **258,794** | 334,658 |
| Carrying amount of the investments | **642,090** | 608,561 |
| **Summarised statement of comprehensive income** | | |
| Revenue | **1,072,362** | 1,071,388 |
| Profit after tax | **87,785** | 75,332 |
| Other comprehensive income | **(19,616)** | – |
| Total comprehensive income | **68,169** | 75,332 |

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

## 15. Long-term investments

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Quoted equity shares | **136,321** | 257,146 | **136,321** | 257,146 |
| Unquoted equity shares | **12,171** | 12,061 | **–** | – |
| | **148,492** | 269,207 | **136,321** | 257,146 |

The Group's investment in quoted equity shares relates to a 18.56% investment in PureCircle Limited ('PureCircle'), while the investment in unquoted equity shares relates to a 20% investment in Olam Grains Australia Pty Ltd. Management has assessed and is of the view that the Group does not retain significant influence over PureCircle or Olam Grains Australia Pty Ltd. PureCircle is accounted for as fair value through other comprehensive income whilst Olam Grains Australia Pty Ltd is accounted for as fair value through profit or loss in accordance to FRS 109.

## 16. Amounts due from subsidiary companies

| | Company | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Trade receivables | **1,886,313** | 811,788 |
| Loans to subsidiaries | **1,790,805** | 945,354 |
| Non-trade (payables)/ receivables | **(93,970)** | 32,457 |
| | **3,583,148** | 1,789,599 |

Loans to subsidiaries include amounts totalling $1,479,030,000 (31 December 2015: $324,498,000) which are unsecured and bear interest ranging from 0.60% to 7.50% (31 December 2015: 2.58% to 7.50%) per annum, repayable on demand and are to be settled in cash. The remaining amounts are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.

The other amounts are non-interest bearing, unsecured, subject to trade terms or repayable on demand, and are to be settled in cash.

Amounts due from subsidiary companies denominated in currencies other than functional currency of the Company are as follows:-

| | Company | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Euro | **1,504,480** | 453,568 |
| India Rupee | **877,662** | – |
| Great Britain Pounds | **508,675** | 227,843 |
| Amounts due from subsidiary companies are stated after deducting impairment loss: | | |
| • Trade | **8,261** | 8,140 |
| • Non-trade | **24,506** | 24,027 |
| | **32,767** | 32,167 |

## 17. Trade receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Trade receivables | **1,407,854** | 1,312,718 | **385,144** | 446,071 |
| Indirect tax receivables | **248,603** | 182,528 | **476** | 1,359 |
| | **1,656,457** | 1,495,246 | **385,620** | 447,430 |

Trade receivables are non-interest bearing and are subject to trade terms of 30 to 60 days' terms. They are recognised at their original invoice amounts, which represent their fair values on initial recognition. Indirect tax receivables comprise goods and services, value-added taxes and other indirect forms of taxes.

Trade receivables denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| United States Dollar | **165,922** | 120,913 | **–** | – |
| Great Britain Pounds | **87,844** | 48,854 | **–** | 46,205 |
| Euro | **24,619** | 32,973 | **12,337** | 14,473 |

Trade receivables include amounts of $295,000, $Nil and $2,318,000 (31 December 2015: $484,000, $9,797,000 and $Nil) due from associates, a jointly controlled entity and a shareholder related company, respectively.

The Group provides for lifetime expected credit losses for trade receivables. The loss allowance provision as at 31 December 2016 is determined as follows: -

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Trade receivables measured at amortised cost | **1,458,774** | 1,373,439 | **414,387** | 488,511 |
| Less: Lifetime expected credit loss for trade receivables | **(50,920)** | (60,721) | **(29,243)** | (42,440) |
| Total trade receivables measured at amortised cost | **1,407,854** | 1,312,718 | **385,144** | 446,071 |
| | | | | |
| Movement in allowance accounts:- | | | | |
| As at beginning of year | **60,721** | 34,188 | **42,440** | 17,487 |
| Charge for the year | **37,016** | 42,020 | **27,972** | 32,025 |
| Written off | **(542)** | (2,526) | **–** | – |
| Written back | **(44,319)** | (15,021) | **(41,405)** | (10,636) |
| Foreign currency translation adjustments | **(1,956)** | 2,060 | **236** | 3,564 |
| As at end of year | **50,920** | 60,721 | **29,243** | 42,440 |

### Receivables that are past due but not impaired

The analysis of the Group and Company's ageing for receivables that are past due but not impaired is as follows: -

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Trade receivables past due but not impaired:- | | | | |
| Less than 30 days | **346,694** | 323,765 | **56,932** | 101,303 |
| 30 to 60 days | **194,829** | 49,382 | **9,584** | 5,275 |
| 61 to 90 days | **38,006** | 70,039 | **10,832** | 51,175 |
| 91 to 120 days | **20,578** | 11,278 | **813** | 4,787 |
| 121 to 180 days | **8,459** | 18,848 | **1,880** | 7,099 |
| More than 180 days | **39,961** | 54,396 | **6,234** | 9,753 |
| Total trade receivables measured at amortised cost | **648,527** | 527,708 | **86,275** | 179,392 |

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

## 18. Margin accounts with brokers

Margin accounts are maintained with recognised futures dealers and brokers for trades done on the futures exchanges. These margin accounts move in relation to trades done on futures, variation margins required and prices of the commodities traded.

These amounts reflect the payments made to futures dealers as initial and variation margins depending on the volume of trades done and price movements.

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Margin deposits with brokers | **1,037,352** | 294,096 | **970,574** | 224,847 |
| Amounts due to brokers | **(872,394)** | (104,372) | **(817,030)** | (102,258) |
| | **164,958** | 189,724 | **153,544** | 122,589 |

## 19. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| **Balance sheets:** | | | | |
| Commodity inventories at fair value | **5,365,835** | 4,644,101 | **1,038,380** | 573,962 |
| Commodity inventories at the lower of cost and net realisable value | **2,048,476** | 2,047,567 | **106,606** | 253,435 |
| | **7,414,311** | 6,691,668 | **1,144,986** | 827,397 |
| **Profit and loss account:** | | | | |
| Inventories recognised as an expense in cost of goods sold inclusive of the following (charge)/credit | **(15,940,068)** | (22,241,472) | **(11,875,179)** | (18,962,725) |
| • Inventories written down/ off | **(38,664)** | (25,679) | **(11,435)** | (10,083) |
| • Reversal of write-down of inventories [1] | **19,754** | 12,290 | **10,366** | 10,780 |

1. The reversal of write-down of inventories is made when the related inventories are sold above their carrying amounts.

## 20. Advance payments to suppliers/subsidiary companies

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Third parties | **880,602** | 714,972 | **142,456** | 128,680 |
| Subsidiary companies | **–** | – | **2,196,193** | 3,084,849 |
| | **880,602** | 714,972 | **2,338,649** | 3,213,529 |

These represent advance payments to suppliers and subsidiary companies for procurement of physical commodities.

Advance payments to suppliers and subsidiary companies denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Euro | **30,269** | 43,204 | **613,857** | 600,792 |
| United States Dollar | **67,803** | 15,048 | **–** | – |
| Great Britain Pounds | **168** | 2,289 | **62,596** | 37,106 |

## 20. Advance payments to suppliers/subsidiary companies continued

Advance payments to subsidiary companies are stated after deducting allowance for doubtful debts of $43,482,960 (31 December 2015: $42,785,000).

Advance payments to suppliers (third parties) for the Group and Company are stated after deducting allowance for doubtful debts of $12,450,000 and $472,000 (31 December 2015: $17,337,000 and $6,561,000) respectively.

The movement in the allowance accounts for advance payment to suppliers is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Movement in allowance accounts:- | | | | |
| As at beginning of year | **17,337** | 16,819 | **6,561** | 5,402 |
| Charge for the year | **2,387** | 5,971 | **452** | 926 |
| Written off | **(7,285)** | (2,600) | **(5,956)** | – |
| Written back | **(756)** | (653) | **(446)** | (534) |
| Foreign currency translation adjustments | **767** | (2,200) | **(139)** | 767 |
| As at end of year | **12,450** | 17,337 | **472** | 6,561 |

## 21. Other current/non-current assets

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| **Current:** | | | | |
| Sundry receivables [1] | **362,123** | 583,388 | **1,189** | 1,386 |
| Export incentives and subsidies receivable [2] | **69,983** | 145,786 | **–** | – |
| Amounts due from jointly-controlled entity, associates and a shareholder related company | **29,425** | 70,290 | **23,314** | 68,831 |
| Deposits | **59,772** | 42,541 | **2,565** | 1,602 |
| Option premium receivable | **3,632** | 15,343 | **3,632** | 15,343 |
| Staff advances [3] | **8,182** | 10,177 | **492** | 309 |
| Insurance receivables [4] | **32,493** | 5,838 | **3,548** | 1,977 |
| Short-term investment | **4,478** | 791 | **–** | – |
| | **570,088** | 874,154 | **34,740** | 89,448 |
| Prepayments [5] | **356,819** | 431,819 | **116,376** | 83,696 |
| Advance corporate tax paid | **35,633** | 60,628 | **–** | – |
| Taxes recoverable | **24,138** | 35,894 | **–** | – |
| | **986,678** | 1,402,495 | **151,116** | 173,144 |
| **Non-current:** | | | | |
| Other non-current assets [6] | **30,400** | 30,966 | **–** | – |

1. Sundry receivables include receivables amounting to $162,449,000 (31 December 2015: $184,461,000) which relate to the sale-and-leaseback of the Awala palm plantations in the prior financial year.
2. These relate to incentives and subsidies receivable from the Government agencies of various countries for export of agricultural products. There are no unfulfilled conditions or contingencies attached to these incentives and subsidies.
3. Staff advances are interest-free, unsecured, repayable within the next 12 months and are to be settled in cash.
4. Insurance receivables pertain to pending marine and inventories insurance claims. The outstanding claims are currently being processed by the insurance companies for final settlement.
5. Prepayments mainly pertain to prepaid expenses incurred for sourcing, processing, packaging and merchandising of agricultural products and inputs.
6. Other non-current assets include an investment in a dairy co-operative in Uruguay, which is accounted at cost amounting to $11,978,000 (31 December 2015: $10,596,000). In the prior financial year, included in other non-current assets was the provisional goodwill arising from the acquisition of ADM Cocoa of $499,190,000, of which has been re-classified and restated upon completion of the purchase price allocation exercise in the current financial year (Note 2.2).

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

## 22. Trade payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Trade payables | **1,538,786** | 1,208,275 | **799,160** | 364,132 |
| Accruals | **567,802** | 492,588 | **150,123** | 135,424 |
| Advances received from customers | **51,459** | 37,708 | **–** | 6,273 |
| GST payable and equivalent | **43,447** | 15,140 | **–** | – |
| | **2,201,494** | 1,753,711 | **949,283** | 505,829 |

Trade payables are non-interest bearing. Trade payables are subject to trade terms of 30 to 60 days' terms while other payables have an average term of two months.

Trade payables and accruals denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Great Britain Pounds | **340,044** | 224,046 | **293,772** | 223,998 |
| Euro | **124,705** | 46,195 | **121,564** | 44,726 |
| New Zealand Dollar | **–** | 36,526 | **–** | 36,526 |
| United States Dollar | **37,336** | 10,585 | **–** | – |

Trade payables include amounts of $Nil (31 December 2015: $29,125,800) and $18,000 (31 December 2015: $Nil) due to an associate and a jointly controlled entity respectively.

Accruals mainly relate to provisions for operating costs such as logistics, insurance premiums and employee benefits.

## 23. Other current liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Interest payable on bank loans | **81,355** | 80,157 | **75,110** | 70,079 |
| Sundry payables | **261,081** | 320,209 | **6,647** | – |
| Option premium payable | **33,419** | 37,794 | **33,419** | 37,794 |
| | **375,855** | 438,160 | **115,176** | 107,873 |
| Withholding tax payable | **7,876** | 6,545 | **–** | – |
| | **383,731** | 444,705 | **115,176** | 107,873 |

## 24. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| **Current:** | | | | |
| Bank overdrafts (Note 33) | **190,165** | 196,044 | **–** | – |
| Bank loans | **3,220,351** | 3,661,987 | **1,694,362** | 2,603,010 |
| Term loans from banks | **1,842,830** | 1,319,412 | **1,218,610** | 1,288,252 |
| Medium-term notes | **719,659** | – | **719,659** | – |
| Obligation under finance leases (Note 28(c)) | **10,030** | 5,936 | **–** | – |
| Convertible bonds, unsecured | **–** | 321,166 | **–** | 321,166 |
| Other bonds | **–** | 7,634 | **–** | – |
| | **5,983,035** | 5,512,179 | **3,632,631** | 4,212,428 |
| **Non-current:** | | | | |
| Term loans from banks | **4,232,530** | 3,380,997 | **3,092,015** | 1,519,483 |
| Medium-term notes | **2,983,926** | 2,946,507 | **2,983,926** | 2,946,507 |
| Obligation under finance leases (Note 28(c)) | **111,701** | 102,131 | **–** | – |
| Other bonds | **359,396** | 352,101 | **359,396** | 352,101 |
| | **7,687,553** | 6,781,736 | **6,435,337** | 4,818,091 |
| | **13,670,588** | 12,293,915 | **10,067,968** | 9,030,519 |

Borrowings denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Singapore Dollar | **1,480,199** | 1,478,663 | **1,480,199** | 1,478,663 |
| United States Dollar | **253,992** | 382,295 | **–** | – |
| Australian Dollar | **200,279** | 196,168 | **200,279** | 196,168 |
| Japanese Yen | **146,690** | 72,343 | **146,690** | 72,343 |
| Great Britain Pound | **18,703** | – | **–** | – |
| Euro | **–** | 62,255 | **–** | – |

### Bank overdrafts and bank loans

The bank loans to the Company are repayable within 12 months and bear interest in a range from 1.26% to 1.61% (31 December 2015: 0.89% to 1.52%) per annum.

The bank loans and bank overdrafts to the subsidiary companies are repayable within 12 months and bear interest in a range from 0.80% to 26.00% (31 December 2015: 0.50% to 36.00%) per annum.

Bank loans include an amount of $24,079,000 (31 December 2015: $20,107,000) secured by the assets of subsidiaries. The remaining amounts of bank loans are unsecured.

### Term loans from banks

Term loans from banks to the Company bear interest at floating interest rates ranging from 1.56% to 2.76% (31 December 2015: 1.34% to 2.05%) per annum. Term loans to the Company are unsecured and are repayable within five years.

Term loans from banks to the subsidiary companies bear interest at floating interest rates ranging from 1.20% to 12.00% (31 December 2015: 1.00% to 13.00%) per annum. Term loans to the subsidiary companies are unsecured and are repayable between two and seven years.

Term loans from banks include an amount of $93,992,000 (31 December 2015: $75,402,000) secured by the assets of subsidiaries. The remaining amounts of term loans from banks are unsecured.

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

# 24. Borrowings continued

### Medium-term notes
The Company has a $800,000,000 multicurrency medium-term notes ('MTN') programme and a US$5,000,000,000 Euro medium-term notes ('EMTN') programme. The drawdowns from the MTN and EMTN are unsecured.

The MTN and EMTN are as follows:-

| | | Group and Company | |
|---|---|---|---|
| | Maturity | **31 December 2016 $'000** | 31 December 2015 $'000 |
| **Current:** | | | |
| Multicurrency medium term note programme: | | | |
| • 5.75% fixed rate notes | 2017 | **719,659** | – |
| **Non-current:** | | | |
| Multicurrency medium term note programme: | | | |
| • 6.00% fixed rate notes | 2018 | **249,638** | 249,413 |
| Euro medium term note programme: | | | |
| • 5.75% fixed rate notes | 2017 | **–** | 707,418 |
| • 4.25% fixed rate notes | 2019 | **398,484** | 397,889 |
| • 5.80% fixed rate notes | 2019 | **349,047** | 348,671 |
| • 4.50% fixed rate notes | 2020 | **430,748** | 421,278 |
| • 4.875% fixed rate notes | 2020 | **200,279** | 196,168 |
| • 1.375% fixed rate notes | 2020 | **73,860** | 72,343 |
| • 4.00% fixed rate notes | 2020 | **72,119** | 70,637 |
| • 6.00% fixed rate notes | 2022 | **483,030** | 482,690 |
| • 4.50% fixed rate notes | 2021 | **653,891** | – |
| • 1.427% fixed rate notes | 2021 | **72,830** | – |
| | | **2,983,926** | 2,946,507 |

### Obligations under finance leases
Obligations under finance leases amounting to $19,602,000 (31 December 2015: $19,219,000) are guaranteed by a subsidiary company.

Obligations under finance leases bear interest ranging from 0.96% to 9.22% (31 December 2015: 0.96% to 9.22%) per annum and are repayable between 1 and 20 years.

### Convertible bonds, unsecured
The liability portion of the convertible bonds is as follows:-

| | Group and Company | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| **Current:** | | |
| • 6.00% convertible bonds [1] | **–** | 321,166 |

1. On 2 September 2009, the Company issued 6.00% interest bearing convertible bonds of US$400,000,000. The bonds will mature in seven years from the issue date and have an initial conversion price of $3.0853 per share with a fixed exchange rate of $1.4400 to US$1.00. On 1 October 2009, the Company increased the issue size of the bonds by an additional US$100,000,000 bringing the total issue size to US$500,000,000. On 23 December 2015, the Company redeemed the convertible bonds up to US$269,500,000 (approximate $382,286,000) at a premium of 102.50% and the loss on redemption amounting to $21,797,000 has been recorded in the profit and loss account. As at 31 December 2015, the remaining balance of the bonds has been classified as current as the bonds will mature in September 2016.

   The remaining balance of the bonds were redeemed on 22 February 2016 and following such redemption, all of the outstanding bonds have been cancelled as at 31 December 2016.

## 24. Borrowings continued

### Convertible bonds, unsecured continued

The carrying amount of the liability component of the above convertible bonds at the balance sheet date is derived as follows:-

| | Group and Company | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Balance at the beginning of the period | **321,166** | 575,528 |
| Less: Redemption of convertible bonds | **(313,626)** | (355,971) |
| Less: Foreign currency translation adjustments | **(7,540)** | 60,323 |
| Add: Accretion of interest | **–** | 41,286 |
| | **–** | 321,166 |

### Other bonds

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| **Current:** | | | | |
| Outspan Ivoire SA bonds [1] | **–** | 7,634 | **–** | – |
| **Non-current:** | | | | |
| 7.50% unsecured senior bonds [2] | **359,396** | 352,101 | **359,396** | 352,101 |

1. Outspan Ivoire SA issued unsecured bonds of XOF 13.0 billion with a fixed annual interest rate of 7.00% per annum on the reducing principal. The interest is payable annually on 1 July each year. The principal is payable in four equal instalments of XOF 3.25 billion starting from 1 July 2013 annually. The bond has been fully repaid as at 31 December 2016.
2. On 7 August 2010, the Company issued 7.50% interest bearing unsecured senior bonds of US$250,000,000 due in 2020. The interest is payable semi-annually. On 9 July 2014, the Company repurchased US$917,000 of the senior bonds. Upon settlement, the repurchased portion was cancelled and the aggregate outstanding principal amount following such cancellation is US$249,083,000.

## 25. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the year.

Diluted earnings per share is calculated by dividing the adjusted net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the year adjusted for the effects of dilutive shares and options.

The following reflects the profit and share data used in the basic and diluted earnings per share computations for the financial years ended 31 December:-

| | Group | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015, as restated $'000 |
| Net profit attributable to owners of the Company | **351,312** | 54,193 |
| Less: Accrued capital securities distribution | **(33,568)** | (24,972) |
| Adjusted net profit attributable to owners of the Company for basic and dilutive earnings per share | **317,744** | 29,221 |

| | **No. of shares** | No. of shares |
|---|---|---|
| Weighted average number of ordinary shares on issue applicable to basic earnings per share | **2,753,842,602** | 2,504,813,055 |
| Dilutive effect of convertible bonds | **6,332,446** | – |
| Dilutive effect of share options | **1,035,086** | 2,493,763 |
| Dilutive effect of performance share plan | **23,098,975** | 5,790,360 |
| Dilutive effect of warrants | **66,835,892** | 91,697,250 |
| Adjusted weighted average number of ordinary shares applicable to diluted earnings per share | **2,851,145,001** | 2,604,794,428 |

The incremental shares relating to the outstanding convertible bonds have not been included in the calculation of diluted earnings per share as they are anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and the date of these financial statements.

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

# 26. Share capital, treasury shares, perpetual capital securities and warrants

## (a) Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | **31 December 2016** | | 31 December 2015 | |
| | **No. of shares** | **$'000** | No. of shares | $'000 |
| Ordinary shares issued and fully paid [1] | | | | |
| Balance at beginning of year | **2,825,645,142** | **3,082,499** | 2,490,857,869 | 2,162,642 |
| Issue of shares for cash | **–** | **–** | 332,727,273 | 915,000 |
| Issue of shares on exercise of warrants | **3,221,695** | **5,096** | – | – |
| Issue of shares on exercise of share options | **170,000** | **299** | 2,060,000 | 4,857 |
| Balance at end of year | **2,829,036,837** | **3,087,894** | 2,825,645,142 | 3,082,499 |

1. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

## (b) Treasury shares

| | Group and Company | | | |
|---|---|---|---|---|
| | **31 December 2016** | | 31 December 2015 | |
| | **No. of shares** | **$'000** | No. of shares | $'000 |
| Ordinary shares issued and fully paid [1] | | | | |
| Balance at beginning of year | **52,196,000** | **96,081** | 52,196,000 | 96,081 |
| Share buyback during the year | **48,969,100** | **94,384** | – | – |
| Balance at end of year | **101,165,100** | **190,465** | 52,196,000 | 96,081 |

During the current financial year, the Company bought back a total of 48,969,100 shares for cash of $94,384,000.

## (c) Perpetual capital securities

On 1 March 2012, the Company issued perpetual capital securities (the 'perpetual securities') with an aggregate principal amount of S$275,000,000. Issuance costs incurred amounting to $4,549,000 were recognised in equity as a deduction from proceeds.

Such perpetual securities bear distributions at a rate of 7% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering circular, the Company may elect to defer making distribution on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the Company is considered to have no contractual obligations to repay its principal or to pay any distributions, and the perpetual securities do not meet the definition for classification as a financial liability under FRS 32 Financial Instruments: Disclosure and Presentation. The whole instrument is presented within equity, and distributions are treated as dividends.

On 22 January 2014, the Company repurchased S$39,200,000 of the S$275,000,000 7% Perpetual Capital Securities issued on 1 March 2012 (the 'Perpetual Bonds'). The repurchase was made by way of on-market purchases. Upon settlement, the repurchased portion was cancelled and the aggregate outstanding principal amount following such cancellation is S$235,800,000.

Current financial year:

On 20 July 2016, the Company issued subordinated perpetual capital securities (the 'capital securities') with an aggregate principal amount of US$500,000,000 under the S$5,000,000,000 EMTN Programme. Issuance costs incurred amounting to $6,126,000 were recognised in equity as a deduction from proceeds.

The capital securities were priced at par and bear a distribution rate of 5.35% for the first five years. The distribution rate will then be reset at the end of five years from the issue date of the capital securities and each date falling every 5 years thereafter. Additionally, Olam may choose to redeem in whole the capital securities on or after the fifth anniversary of the issuance of the capital securities.

As a result, the Company is considered to have no contractual obligations to repay its principal or to pay any distributions, and the perpetual securities do not meet the definition for classification as a financial liability under FRS 32 Financial Instruments: Disclosure and Presentation. The whole instrument is presented within equity, and distributions are treated as dividends.

## 26. Share capital, treasury shares, perpetual capital securities and warrants continued

### (d) Warrants

On 29 January 2013, 387,365,079 Warrants were listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited. Each Warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company (the 'New Share') at an original exercise price of US$1.291 for each New Share. These Warrants are exercisable from 29 January 2016 to 29 January 2018. The Warrants have been presented as capital reserves under equity.

In the previous financial year, as a result of the payment of the interim dividend in respect of the financial year ended 31 December 2016, the Company announced the issuance of 9,243,790 additional warrants with the exercise price adjusted to US$1.16. Further, as a result of the payment of the final dividend in respect of the financial year ended 31 December 2016, the exercise price was adjusted to US$1.14 with an additional 6,963,394 warrants issued. Consequent to the adjustments and the issuance of additional warrants, the total warrants outstanding were 430,788,918. Taking into consideration the conversion of warrants during the financial year, a total of 428,934,252 warrants remained outstanding as at 31 December 2016.

## 27. Dividends

| | Group and Company | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015[1] $'000 |
| Declared and paid during the financial year ended:- | | |
| Dividends on ordinary shares: | | |
| • One tier tax exempted interim dividend for financial year ended 31 December 2016: $0.030 (31 December 2015: $0.025) per share | **82,296** | 61,018 |
| • One tier tax exempted second and final dividend for financial year ended 31 December 2015: $0.035 (31 December 2014: $Nil) per share | **101,740** | |
| • One tier tax exempted special silver jubilee dividend for financial year ended 30 June 2014: $0.025 (30 June 2013: $Nil) per share | – | 62,093 |
| • One tier tax exempted first and final dividend for financial year ended 30 June 2014: $0.05 (30 June 2013: $0.04) per share | – | 124,186 |
| | **184,036** | 247,297 |
| Proposed but not recognised as a liability as at:- | | |
| Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting: | | |
| • One tier tax exempted second and final dividend for financial year ended 31 December 2016: $0.030 (31 December 2015: $0.035) per share | **81,836** | 97,071 |

1. Relates to dividends paid out for the 18 months period from 1 July 2014 to 31 December 2015.

## 28. Commitments

### (a) Operating lease commitments

Operating lease expenses of the Group and Company (principally for land, offices, warehouses, employees' residences and vessels) were $117,866,000 (31 December 2015: $173,063,000) and $37,536,000 (31 December 2015: $44,732,000), respectively. These leases have an average tenure of between 1.0 and 20.0 years with no renewal option or contingent rent provision included in the contracts. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum rental payable under non-cancellable operating leases are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Within one year | **98,816** | 87,998 | **26,511** | 21,835 |
| After one year but not more than five years | **229,080** | 202,469 | **21,477** | 18,635 |
| More than five years | **581,424** | 536,642 | **1,398** | – |
| | **909,320** | 827,109 | **49,386** | 40,470 |

### (b) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Capital commitments in respect of property, plant and equipment | **15,267** | 18,592 | **–** | – |

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

# 28. Commitments continued

## (c) Finance lease commitments

The Group has finance leases for palm and almond plantations, land and buildings. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:-

| | Group | | | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | **31 December 2016 $'000** | 31 December 2015 $'000 | 31 December 2015 $'000 |
| | **Minimum lease payments** | **Present value of payments (Note 24)** | Minimum lease payments | Present value of payments (Note 24) |
| Not later than one year | **14,812** | **10,030** | 15,632 | 5,936 |
| Later than one year but not later than five years | **65,743** | **40,740** | 61,425 | 38,444 |
| Later than five years | **132,860** | **70,961** | 115,549 | 63,687 |
| Total minimum lease payments | **213,415** | **121,731** | 192,606 | 108,067 |
| Less: Amounts representing finance charges | **(91,684)** | **–** | (84,539) | – |
| Present value of minimum lease payments | **121,731** | **121,731** | 108,067 | 108,067 |

# 29. Contingent liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Contingent liabilities not provided for in the accounts:<br>Financial guarantee contracts given on behalf of subsidiary companies[1] | **–** | – | **6,954,277** | 5,669,519 |

1. Amounts utilised by subsidiary companies on the bank facilities secured by corporate guarantees amounted to $1,089,198,008 (31 December 2015: $1,150,568,538).

The Company has agreed to provide continuing financial support to certain subsidiary companies.

## 30. Employee benefits expenses

Employee benefits expenses (including executive directors):

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Salaries and employee benefits | **571,963** | 774,145 | **135,572** | 249,666 |
| Central Provident Fund contributions and equivalents | **31,813** | 41,835 | **2,810** | 4,239 |
| Retrenchment benefits | **829** | 1,764 | **–** | – |
| Share-based expense | **13,282** | 6,392 | **5,667** | 2,582 |
| | **617,887** | 824,136 | **144,049** | 256,487 |

### (a) Employee share option scheme

The Olam Employee Share Option Scheme (the 'ESOS') was approved by shareholders at an Extraordinary General Meeting held on 4 January 2005. The ESOS rules were amended on 29 October 2008 at the Extraordinary General Meeting of the Company. Under the amended rules, the directors (including Non-Executive Directors and Independent Directors) and employees of the Group are eligible to participate in the ESOS and all subsequent options issued to the Group's employees and Executive Directors shall have a life of 10 years, instead of 5 years. For Options granted to the Company's Non-Executive Directors and Independent Directors, the Option Period shall be no longer than 5 years.

The shares issued upon the options being exercised carry full dividend and voting rights.

Controlling Shareholders and associates of Controlling Shareholders are not eligible to participate in the ESOS.

All these options have a contractual life of 10 years with no cash settlement alternatives.

The fair value of share options as at the date of grant, is estimated by the Company using the Black Scholes Model, taking into account the terms and conditions upon which the options are granted. The expected life of the option is based on the assumption that the options would be exercised within six months of the vesting date. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Pursuant to the voluntary conditional cash offer by Breedens International Pte Ltd approval was sought and granted on 8 April 2014 such that all outstanding options which have not been exercised at the expiry of the accelerated exercise period shall not automatically lapse and become null and void but will expire in accordance with their original terms.

The ESOS has expired on 3 January 2015. The terms of the ESOS continue to apply to outstanding options granted under the ESOS. The ESOS rules amended on 29 October 2008 may be read in the Appendix 1 of the Company's circular dated 13 October 2008.

The incremental fair value of outstanding share options as at the date of modification, is estimated by the Company using the Black Scholes Model, taking into account the fair value of the outstanding share options immediately before and after the modification. The range of inputs to the models used to fair value the outstanding share options immediately before and after the modification are shown below:-

| Inputs | Before modification | After modification |
|---|---|---|
| Dividend yield (%) | – | 2.02 |
| Expected volatility (%) | 28.00 | 28.00 |
| Risk-free interest rate (%) | 0.16 | 0.49 – 1.50 |
| Expected life of the option (years) | 0.50 | 1.78 – 5.00 |
| Share price of underlying equity ($) | 2.22 | 2.22 |

Details of all the options granted to subscribe for ordinary shares of the Company pursuant to the ESOS which have not fully vested as at 31 December 2016 are as follows:-

| Date of issue | No. of share options issued | Vesting period | In annual tranches of |
|---|---|---|---|
| 21 July 2009 | 33,010,000 | 4 years | 0, 0, 25, 75 |
| 17 February 2010 | 15,000,000 | 3 years | 33, 33, 34 |
| 23 July 2010 | 3,425,000 | 4 years | 0, 0, 25, 75 |
| 17 December 2010 | 650,000 | 4 years | 0, 0, 25, 75 |
| 14 March 2011 | 1,295,000 | 4 years | 0, 0, 25, 75 |
| 30 December 2011 | 2,690,000 | 4 years | 0, 0, 25, 75 |
| 15 June 2012 | 16,672,000 | 4 years | 0, 0, 25, 75 |
| | 72,742,000 | | |

## Notes to the Financial Statements continued

For the financial year ended 31 December 2016

# 30. Employee benefits expenses continued

## (a) Employee share option scheme continued

### Movement of share options during the financial year

The following table illustrates the number and weighted average exercise price of, and movements in, share options during the financial year:-

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price $** | Number of share options | Weighted average exercise price $ |
| Outstanding at the beginning of the year | **74,417,000** | **2.20** | 79,252,000 | 2.22 |
| Granted during the year [1] | **–** | **–** | – | – |
| Forfeited during the year | **(1,505,000)** | **2.66** | (2,775,000) | 2.66 |
| Exercised during the year [2] | **(170,000)** | **2.28** | (2,060,000) | 2.28 |
| Outstanding at the end of the year [3] | **72,742,000** | **2.20** | 74,417,000 | 2.20 |
| Exercisable at end of year | **60,238,000** | **2.29** | 61,785,500 | 2.29 |

1. There were no new options granted during the year.
2. The weighted average share price when the options were exercised in the current financial year was $2.28 (31 December 2015: $2.51).
3. The range of exercise prices for options outstanding at the end of the financial year was $1.76 to $3.10 (31 December 2015: $1.76 to $3.10). The weighted average remaining contractual life for these options is 4.52 years (31 December 2015: 4.51 years).

## (b) Olam Share Plans

### Olam Share Grant Plan ('OSGP')

On 30 October 2014, the Company had adopted the new Share Grant Plan ('OSGP'). The OSGP is a share-based incentive plan which involves the award of fully-paid shares, when and after pre-determined performance or service conditions are accomplished. Any performance targets set under the OSGP are intended to be based on longer-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The actual number of shares to be delivered pursuant to the award granted will range from 0% to 192.5% of the base award and is contingent on the achievement of pre-determined targets set out in the three year performance period and other terms and conditions being met.

The details of OSGP are described below:-

| Olam Share Grant Plan ('OSGP') – Performance and Restricted Share Awards ('PSA' and 'RSA') | |
|---|---|
| Plan Description | Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives |
| Performance Conditions | • Absolute Total Shareholder Return ('TSR')<br>• Relative Total Shareholder Return<br>• Return on Equity ('ROE') |
| Vesting Condition | Vesting based on meeting stated performance conditions over a three-year performance period |
| Payout | 0% – 192.5% depending on the achievement of pre-set performance targets over the performance period. |

### Fair value of OSGP

The fair value of services received in return for shares awarded is measured by reference to the fair value of shares granted under the OSGP. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model, which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns. The inputs to the model used for the shares granted are shown below:-

| Plan: | **RSA and PSA** | **PSA** |
|---|---|---|
| Grant date: | 15 April 2016 | 7 April 2015 |
| Dividend yield (%) | 2.753 | 2.87 |
| Expected volatility (%) | 22.747 | 7.82 |
| Risk-free interest rate (%) | 1.197 | 1.33 |
| Expected term (years) | 2.72 | 2.74 |
| Index (for Relative TSR) | FTSE Straits Times Index | FTSE Straits Times Index |
| Index volatility (%) | 14.081 | 7.82 |
| Correlation with Index (%) | 35.4 | 38.8 |
| Share price at date of grant ($) | 1.720 | 1.985 |
| Fair value at date of grant ($) | 1.400 | 1.848 |

## 30. Employee benefits expenses continued

### (b) Olam Share Plans continued

#### Olam Share Grant Plan ('OSGP') continued

The number of contingent shares granted but not released for both PSA and RSA awards as at 31 December 2016 was 27,637,500 (31 December 2015: 11,817,500).

Based on the achievement factor, the actual release of the PSA awards could range from zero to maximum of 42,762,913 (31 December 2015: 22,748,688) fully-paid ordinary shares of the Company.

The total amount recognised in profit or loss for share-based transactions with employees can be summarised as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Employee share option scheme | **–** | 586 | **–** | 207 |
| Olam share grant plan | **13,282** | 5,806 | **5,667** | 2,375 |
| | **13,282** | 6,392 | **5,667** | 2,582 |

## 31. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; ii) it is subject to common control or common significant influence.

The following are the significant related party transactions entered into by the Company and Group in the ordinary course of business on terms agreed between the parties:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Subsidiary companies: | | | | |
| • Sales of goods | **–** | – | **3,288,693** | 3,450,381 |
| • Sales of services, net | **–** | – | **29,125** | – |
| • Purchases | **–** | – | **7,113,429** | 10,086,559 |
| • Insurance premiums paid | **–** | – | **13,295** | 16,868 |
| • Commissions paid | **–** | – | **56,074** | 56,290 |
| • Interest received on loan | **–** | – | **80,824** | 67,559 |
| • Consultancy fee paid | **–** | – | **30,850** | 31,554 |
| • Management fee received | **–** | – | **35,049** | 53,823 |
| • Trademark income | **–** | – | **204,817** | – |
| • Dividend received | **–** | – | **101** | – |
| Jointly controlled entity: | | | | |
| • Sales of goods | **–** | 24,702 | **–** | 24,702 |
| • Management fee received | **204** | – | **–** | – |
| Associate: | | | | |
| • Sales of goods | **31,347** | 26,525 | **19,659** | 26,525 |
| • Purchases | **165,859** | 218,543 | **165,852** | 218,543 |
| • Finance income | **14,659** | 26,863 | **14,659** | 26,863 |
| • Dividend received | **12** | – | **12** | – |
| • Management fee received | **664** | – | **664** | – |
| • Director Fees received | **77** | – | **77** | – |
| • Miscellaneous income | **255** | – | **255** | – |
| Shareholder related companies: | | | | |
| • Purchase of motor vehicles and other assets | **–** | 991 | **–** | – |
| • Sale of goods | **58,002** | – | **48,585** | – |
| • Purchases | **1,278** | – | **485** | – |
| • Others | **78** | – | **–** | – |

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

## 32. Compensation of directors and key management personnel

The remuneration of directors and key management personnel during the years is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Directors' fees | **1,866** | 2,501 | **1,806** | 2,501 |
| Salaries and employee benefits | **19,581** | 39,561 | **16,629** | 34,064 |
| Central Provident Fund contributions and equivalents | **448** | 900 | **130** | 178 |
| Share-based expense | **2,803** | 1,100 | **2,279** | 884 |
| | **24,698** | 44,062 | **20,844** | 37,627 |
| Comprising amounts paid to:- | | | | |
| Directors of the Company | **10,550** | 23,105 | **10,490** | 23,105 |
| Key management personnel | **14,148** | 20,957 | **10,354** | 14,522 |
| | **24,698** | 44,062 | **20,844** | 37,627 |

### Directors' interests in employee share benefit plans

At the end of the reporting date, the total number of outstanding options/shares that were issued/allocated to the directors and key management personnel under existing employee benefit schemes is given below:-

| | **31 December 2016 Options/shares** | 31 December 2015 Options/shares |
|---|---|---|
| Employee Share Option Scheme: | | |
| Directors | **20,000,000** | 20,000,000 |
| Key management personnel | **16,800,000** | 19,900,000 |
| Olam Share Grant Plan: | | |
| Directors | **2,052,000** | 650,000 |
| Key management personnel | **3,700,000** | 1,575,000 |

## 33. Cash and short-term deposits

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Cash and bank balances | **1,556,636** | 1,921,773 | **723,680** | 1,361,516 |
| Deposits | **587,415** | 221,399 | **550,992** | 56,740 |
| | **2,144,051** | 2,143,172 | **1,274,672** | 1,418,256 |

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.00% to 12.50% (31 December 2015: 0.00% to 15.00%) per annum.

Deposits include short-term and capital guaranteed deposits. Short-term deposits are made for varying periods between 1 and 365 days (31 December 2015: 1 and 365 days) depending on the immediate cash requirements of the Group, and interest earned at floating rates ranging from 0.00% to 9.96% (31 December 2015: 0.10% to 11.00%) per annum.

Deposits amounting to $1,545,000 (31 December 2015: $Nil) have been pledged to secure the Group's borrowings as set out in Note 24 to the financial statements.

Deposits include capital guaranteed, non-interest bearing, index-linked structured deposits of $14,468,000 (31 December 2015: $28,367,000) with remaining maturity period of three months (31 December 2015: ranging one to two years) and may be withdrawn on demand.

Cash at banks and deposits denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| United States Dollar | **86,235** | 73,658 | **–** | – |
| Great Britain Pounds | **103,304** | 374,445 | **102,285** | 373,914 |
| Euro | **294,709** | 99,800 | **290,061** | 85,003 |
| Australian Dollar | **3,625** | 18,109 | **3,324** | 18,107 |
| Swiss Franc | **210,833** | 1,967 | **210,015** | 1,967 |
| Japanese Yen | **267,271** | 4,408 | **267,208** | 4,368 |
| Singapore Dollar | **49,808** | 9,696 | **49,806** | 9,447 |

## 33. Cash and short-term deposits continued

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:-

| | Group | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Cash and bank balances | **1,556,636** | 1,921,773 |
| Deposits | **587,415** | 221,399 |
| Structured deposits | **(14,468)** | (28,367) |
| Bank overdrafts (Note 24) | **(190,165)** | (196,044) |
| | **1,939,418** | 1,918,761 |

Bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management.

## 34. Financial risk management policies and objectives

The Group and the Company are exposed to financial risks from its operations and the use of financial instruments. The board of directors and board risk committee reviews and agrees on policies and procedures for the management of these risks, which are executed by the Chief Financial Officer and Head of Risk. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The Group's principal financial instruments, other than derivative financial instruments and investment in security, comprise bank loans, medium-term notes, term loans from banks, bonds, cash and bank balances, fixed deposits and bank overdrafts. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including interest rate swaps, commodity options, swaps and futures contracts and foreign currency forward contracts. The purpose is to manage the commodity price risk, foreign currency risk and interest rate risk arising from the Group's operations and its sources of financing.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

The main risks arising from the Group's financial instruments are commodity price risk, credit risk, foreign currency risk, liquidity risk and interest rate risk. The Board of Directors reviews and agrees on the policies for managing each of these risks and they are summarised below:-

### (a) Commodity price risk

Commodities traded by the Group are subject to fluctuations due to a number of factors that result in price risk. The Group purchases and sells various derivative products, primarily exchange traded futures and options with the purpose of managing market exposure to adverse price movements in these commodities. The Group has established policies and exposure limits that restrict the amount of unhedged fixed price physical positions in each commodity.

The Group also enters into commodity derivatives for trading purposes. The Group's trading market risk appetite is determined by the Board of Directors, with detailed exposure limits recommended by the Executive Risk Committee and approved by the Board Risk Committee.

At balance sheet date, if the commodities price index moved by 1.0% with all other variables held constant, the Group's profit net of tax would have changed by $22,991,000 (31 December 2015: $13,947,000) arising as a result of fair value on Group's commodity futures, options contracts, physical sales and purchases commitments as well as the inventory held at balance sheet date.

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

## 34. Financial risk management policies and objectives continued

### (b) Credit risk

Credit risk is limited to the risk arising from the inability of a customer to make payment when due. It is the Group's policy to provide credit terms only to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

For computation of impairment losses on financial assets, the Group uses a provision matrix as presented below:-

| Balance Sheet | Expected credit loss |
|---|---|
| Trade receivables (Note 17)<br>Loans to jointly-controlled entities and associates (Note 14) and Other current assets – Amount due from jointly-controlled entity, associates and a shareholder related company (Note 21)<br>Amount due from subsidiary companies (Note 16)<br>Other current assets – Sundry receivables, Export incentives and subsidies receivable, deposits, staff advances, insurance receivables (Note 21) | A percentage of the financial asset calculated by taking the default rate of the counterparties based on external benchmarks |

The carrying amounts of trade receivables, other non-current and current assets, margin accounts with brokers, cash and short-term deposits payments, including derivatives with positive fair value represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. Deposits and cash balances are placed with reputable banks.

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the operating segment profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 | **31 December 2016 $'000** | 31 December 2015 $'000 |
| **By operating segments:** | | | | |
| Edible nuts, spices and vegetable ingredients | **253,620** | 448,650 | **68,467** | 367,928 |
| Confectionery and beverage ingredients | **556,669** | 519,179 | **77,805** | 28,805 |
| Industrial raw materials | **79,105** | 129,214 | **47,890** | 33,889 |
| Food staples and packaged food business | **518,460** | 205,730 | **190,982** | 7,928 |
| Commodity financial services | **–** | 9,945 | **–** | 7,521 |
| | **1,407,854** | 1,312,718 | **385,144** | 446,071 |

The Group has no significant concentration of credit risk with any single customer.

## 34. Financial risk management policies and objectives continued

### (c) Foreign currency risk

The Group trades its products globally and, as a result, is exposed to movements in foreign currency exchange rates. The primary purpose of the Group's foreign currency hedging activities is to protect against the volatility associated with foreign currency purchases and sales of raw materials and other assets and liabilities created in the normal course of business. The Group primarily utilises foreign currency forward exchange contracts to hedge firm commitments. The Group does not use foreign currency forward exchange contracts for trading purposes.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD), Great Britain Pounds (GBP), Euro (EUR), Australian Dollar (AUD) and Singapore Dollar (SGD).

The following table demonstrates the sensitivity of the Group's profit net of tax and equity to a reasonably possible change in the USD, GBP, EUR, AUD and SGD exchange rates, with all other variables held constant.

| | Group | | | |
|---|---|---|---|---|
| | **31 December 2016** | | 31 December 2015 | |
| | **Profit net of tax $'000** | **Equity $'000** | Profit net of tax $'000 | Equity $'000 |
| | **Increase/ (decrease)** | **Increase/ (decrease)** | Increase/ (decrease) | Increase/ (decrease) |
| USD – strengthened 0.5% | **689** | **–** | (351) | – |
| GBP – strengthened 0.5% | **(322)** | **(2,983)** | (4,121) | (12,488) |
| EUR – strengthened 0.5% | **(2,954)** | **(10,129)** | (9,026) | (1,939) |
| AUD – strengthened 0.5% | **(134)** | **2,609** | 172 | 984 |
| SGD – strengthened 0.5% | **(6,692)** | **6,275** | (375) | 8,113 |

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

# 34. Financial risk management policies and objectives continued

## (d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations associated with its financial liabilities or due to shortage of funds.

To ensure continuity of funding, the Group primarily uses short-term bank facilities that are transaction-linked and self-liquidating in nature. The Group also has a multicurrency medium-term notes programme, as well as term loans from banks, to fund its ongoing working capital requirement and growth needs.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

| | 31 December 2016 $'000 | | | | 31 December 2015 $'000 | | | |
|---|---|---|---|---|---|---|---|---|
| | **One year or less** | **One to five years** | **Over five years** | **Total** | One year or less | One to five years | Over five years | Total |
| **Group** | | | | | | | | |
| **Financial liabilities:** | | | | | | | | |
| Trade payables and accruals (Note 22) | **2,201,494** | **–** | **–** | **2,201,494** | 1,753,711 | – | – | 1,753,711 |
| Other current liabilities (Note 23) | **294,500** | **–** | **–** | **294,500** | 358,003 | – | – | 358,003 |
| Borrowings | **6,465,152** | **7,727,079** | **689,751** | **14,881,982** | 5,402,848 | 6,794,318 | 661,753 | 12,858,919 |
| Derivative financial instruments (Note 34f) | **987,942** | **–** | **–** | **987,942** | 540,094 | – | – | 540,094 |
| Total undiscounted financial liabilities | **9,949,088** | **7,727,079** | **689,751** | **18,365,918** | 8,054,656 | 6,794,318 | 661,753 | 15,510,727 |
| **Company** | | | | | | | | |
| **Financial liabilities:** | | | | | | | | |
| Trade payables and accruals (Note 22) | **949,283** | **–** | **–** | **949,283** | 505,829 | – | – | 505,829 |
| Other current liabilities (Note 23) | **40,066** | **–** | **–** | **40,066** | 37,794 | – | – | 37,794 |
| Borrowings | **4,010,284** | **6,492,154** | **508,758** | **11,011,196** | 4,030,044 | 4,850,012 | 537,858 | 9,417,914 |
| Derivative financial instruments (Note 34f) | **681,162** | **–** | **–** | **681,162** | 368,303 | – | – | 368,303 |
| Total undiscounted financial liabilities | **5,680,795** | **6,492,154** | **508,758** | **12,681,707** | 4,941,970 | 4,850,012 | 537,858 | 10,329,840 |

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| | 31 December 2016 $'000 | | | | 31 December 2015 $'000 | | | |
|---|---|---|---|---|---|---|---|---|
| | **One year or less** | **One to five years** | **Over five years** | **Total** | One year or less | One to five years | Over five years | Total |
| **Group** | | | | | | | | |
| Financial guarantees | **–** | **–** | **–** | **–** | – | – | – | – |
| **Company** | | | | | | | | |
| Financial guarantees | **1,089,198** | **–** | **–** | **1,089,198** | 1,150,569 | – | – | 1,150,569 |

## (e) Interest rate risk

The Company's and the Group's exposure to market risk for changes in interest rates relate primarily to its floating rate loans and borrowings. Interest rate risk is managed on an ongoing basis such as hedging the risk through interest rate derivatives with the primary objective of limiting the extent to which net interest exposure could be affected by adverse movements in interest rates. The details of the interest rates relating to the interest-earning financial assets and interest-bearing financial liabilities are disclosed in various notes to the financial statements.

At the balance sheet date, if interest rates had moved by 25 basis points with all other variables held constant, the Group's profit net of tax would have changed inversely by $25,393,000 (31 December 2015: $10,959,000).

## 34. Financial risk management policies and objectives continued

### (f) Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage the Group's exposure to risks associated with foreign currency and commodity price. Certain derivatives are also used for trading purposes. The Group and Company have master netting arrangements with certain dealers and brokers to settle the net amount due to or from each other.

As at 31 December 2016, the settlement dates on open foreign exchange derivatives and commodity derivatives ranged between 1 and 24 months (31 December 2015: 1 and 24 months).

The Group's and Company's derivative financial instruments that are offset are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | Fair value | | Fair value | |
| | Assets $'000 | Liabilities $'000 | Assets $'000 | Liabilities $'000 |
| 31 December 2016 | | | | |
| **Derivatives held for hedging:** | | | | |
| Foreign exchange contracts | 231,380 | (195,339) | 206,572 | (154,642) |
| Foreign exchange contracts – Cash flow hedge | – | (41,305) | – | (41,305) |
| Commodity contracts | 5,739,831 | (4,846,050) | 4,840,466 | (4,463,259) |
| **Total derivatives held for hedging** | 5,971,211 | (5,082,694) | 5,047,038 | (4,659,206) |
| **Derivatives held for trading:** | | | | |
| Foreign exchange contracts | 6,224 | (9,768) | 6,224 | (9,768) |
| Commodity contracts | 305,170 | (251,933) | 305,170 | (251,934) |
| **Total derivatives held for trading** | 311,394 | (261,701) | 311,394 | (261,702) |
| **Total derivatives, gross** | 6,282,605 | (5,344,395) | 5,358,432 | (4,920,908) |
| Gross amounts offset in the balance sheet | (4,356,454) | 4,356,453 | (4,239,746) | 4,239,746 |
| **Net amounts in the balance sheet** | 1,926,151 | (987,942) | 1,118,686 | (681,162) |

| | Group | | Company | |
|---|---|---|---|---|
| | Fair value | | Fair value | |
| | Assets $'000 | Liabilities $'000 | Assets $'000 | Liabilities $'000 |
| 31 December 2015 | | | | |
| **Derivatives held for hedging:** | | | | |
| Foreign exchange contracts | 157,218 | (167,600) | 133,077 | (135,093) |
| Foreign exchange contracts – Cash flow hedge | 27,518 | – | 27,518 | – |
| Commodity contracts | 1,954,385 | (1,774,822) | 1,637,062 | (1,635,538) |
| **Total derivatives held for hedging** | 2,139,121 | (1,942,422) | 1,797,657 | (1,770,631) |
| **Derivatives held for trading:** | | | | |
| Foreign exchange contracts | 2,781 | (1,892) | 2,781 | (1,892) |
| Commodity contracts | 215,039 | (168,857) | 215,039 | (168,857) |
| **Total derivatives held for trading** | 217,820 | (170,749) | 217,820 | (170,749) |
| **Total derivatives, gross** | 2,356,941 | (2,113,171) | 2,015,477 | (1,941,380) |
| Gross amounts offset in the balance sheet | (1,573,077) | 1,573,077 | (1,573,077) | 1,573,077 |
| **Net amounts in the balance sheet** | 783,864 | (540,094) | 442,400 | (368,303) |

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

# 34. Financial risk management policies and objectives continued

### (f) Derivative financial instruments and hedge accounting continued

From 1 January 2016, the Group applies hedge accounting in accordance with FRS 109 for certain hedging relationships which qualify for hedge accounting. The effects of applying hedge accounting for expected future sales and purchases on the Group's balance sheet and profit or loss are as follows:-

| | Line item in the Balance Sheets where the hedging instrument is reported: | Group 31 December 2016 Assets $'000 | Group 31 December 2016 Liabilities $'000 |
|---|---|---|---|
| **Fair value hedge** | | | |
| **Hedged item:** | | | |
| Inventories | Inventories | **767,870** | **–** |
| **Hedging instruments:** | | | |
| Commodity contracts | Derivative assets/ (liabilities) | **–** | **(225,817)** |
| **Cash flow hedge** | | | |
| **Hedged item:** | | | |
| Forecasted transactions denominated in foreign currency | Fair value adjustment reserves | **76,655** | **–** |
| **Hedging instruments:** | | | |
| Foreign exchange contracts | Derivative assets/ (liabilities) | **–** | **(41,305)** |

#### Fair value hedge

In order to calculate the price exposure for inventories, the Group uses hedging instruments which are based on input and output conversion factors; these conversion factors are also periodically adjusted where required.

For all the commodity derivatives used for hedging purposes, the forecasted transactions are expected to occur within 3 to 24 months. The commodity derivatives held for hedging are used to hedge the commodity price risk related to inventories. The accumulated amount of fair value hedge adjustments included in the carrying amount of the inventories amounts to $276,553,000 in the current financial year.

#### Cash flow hedge

For all the foreign exchange and commodity derivatives used for hedging purposes, the forecasted transactions are expected to occur within 24 months (31 December 2015: 24 months). For all cases where the Group applies hedge accounting, the fair value of the derivative recorded in the fair value adjustment reserves will be recycled through the profit and loss account upon occurrence of the forecasted transactions and this amounts to $54,111,000 for the current financial year. The net hedging loss recognised in the 'Other Comprehensive Income' in relation to such transactions amounts to $41,305,000 in the current financial year.

Cash flow hedges of expected transactions that were assessed to be highly effective have resulted in a net fair value loss of $277,999,000 for both the Group and Company as at 31 December 2016 (31 December 2015: loss of $107,931,000). There was no hedge ineffectiveness recorded in Profit and Loss during the current financial year.

## 35. Fair values of assets and liabilities

### (a) Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

### (b) Fair value of assets and liabilities that are carried at fair value

The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:-

| | Group 31 December 2016 | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets for identical instruments (Level 1) $'000** | **Significant other observable inputs (Level 2) $'000** | **Significant unobservable inputs (Level 3) $'000** | **Total $'000** |
| **Recurring fair value measurements** | | | | |
| **Financial assets:** | | | | |
| Long-term investment (Note 15) | **136,321** | **–** | **12,171** | **148,492** |
| Derivatives financial instruments | | | | |
| • Foreign exchange contracts | **–** | **237,604** | **–** | **237,604** |
| • Commodity contracts | **492,907** | **1,073,034** | **122,606** | **1,688,547** |
| | **629,228** | **1,310,638** | **134,777** | **2,074,643** |
| **Financial liabilities:** | | | | |
| Derivatives financial instruments | | | | |
| • Foreign exchange contracts | **–** | **205,108** | **–** | **205,108** |
| • Foreign exchange contracts – Cash flow hedge | **–** | **41,305** | **–** | **41,305** |
| • Commodity contracts | **129,122** | **599,632** | **12,775** | **741,529** |
| | **129,122** | **846,045** | **12,775** | **987,942** |
| **Non-financial assets:** | | | | |
| Biological assets (Note 12) | **–** | **–** | **450,565** | **450,565** |
| Inventories (Note 19) | **–** | **4,550,262** | **815,573** | **5,365,835** |
| | **–** | **4,550,262** | **1,266,138** | **5,816,400** |

| | Group 31 December 2015 | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) $'000 | Significant other observable inputs (Level 2) $'000 | Significant unobservable inputs (Level 3) $'000 | Total $'000 |
| **Recurring fair value measurements** | | | | |
| **Financial assets:** | | | | |
| Long-term investment (Note 15) | 257,146 | – | 12,061 | 269,207 |
| Derivatives financial instruments | | | | |
| • Foreign exchange contracts | – | 159,999 | – | 159,999 |
| • Foreign exchange contracts – Cash flow hedge | – | 27,518 | – | 27,518 |
| • Commodity contracts | 122,272 | 421,666 | 52,409 | 596,347 |
| | 379,418 | 609,183 | 64,470 | 1,053,071 |
| **Financial liabilities:** | | | | |
| Derivatives financial instruments | | | | |
| • Foreign exchange contracts | – | (169,491) | – | (169,491) |
| • Commodity contracts | (197,563) | (171,987) | (1,053) | (370,603) |
| | (197,563) | (341,478) | (1,053) | (540,094) |
| **Non-financial assets:** | | | | |
| Biological assets, as restated (Note 12) | – | – | 336,142 | 336,142 |
| Inventories (Note 19) | – | 4,307,608 | 336,493 | 4,644,101 |
| | – | 4,307,608 | 672,635 | 4,980,243 |

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

# 35. Fair values of assets and liabilities continued

## (b) Fair value of assets and liabilities that are carried fair value continued

### Determination of fair value
Long-term investments relate to two investments, of which one is based on quoted closing prices at the balance sheet date; and the other being unquoted, is determined based on valuations using discounted cash flows of the underlying asset.

Foreign exchange contracts and interest rate swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Commodity contracts and inventories are valued based on the following:-

- Level 1 – Based on quoted closing prices at the balance sheet date;
- Level 2 – Valued using valuation techniques with market observable inputs. The models incorporate various inputs including the broker quotes for similar transactions, credit quality of counter-parties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodities; and
- Level 3 – Valued using inputs that are not based on observable inputs such as historical transacted prices and estimates.

The fair value of biological assets (fruits on trees, annual crops and livestock) has been determined through various methods and assumptions. Please refer to Note 12 for more details.

## (c) Level 3 fair value measurements

### (i) Information about significant unobservable inputs used in Level 3 fair value measurements
The significant unobservable inputs used in the valuation of biological assets are disclosed in Note 12.

The following table shows the information about fair value measurements of other assets and liabilities using significant unobservable inputs (Level 3):-

| Recurring fair value measurements | Valuation techniques | Unobservable inputs | Percentage |
|---|---|---|---|
| **Financial assets/ liabilities:** | | | |
| Long-term investment – unquoted | Discounted cash flow | Discount rate | 14.6% (31 December 2015: 14.6%) |
| Commodity contracts | Comparable market approach | Premium on quality per metric tonne | 0% to 17% (31 December 2015: 0% to 28%) |
| Commodity contracts | Comparable market approach | Discount on quality per metric tonne | 0% to 21% (31 December 2015: 0% to 25%) |
| **Non-financial assets:** | | | |
| Inventories | Comparable market approach | Premium on quality per metric tonne | 0% to 20% (31 December 2015: 0% to 29%) |
| Inventories | Comparable market approach | Discount on quality per metric tonne | 0% to 20% (31 December 2015: 0% to 35%) |

### Impact of changes to key assumptions on fair value of Level 3 financial instruments
The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

| | 31 December 2016 | | |
|---|---|---|---|
| | | Effect of reasonably possible alternative assumptions | |
| | Carrying amount $'000 | Profit/(loss) $'000 | Other comprehensive income $'000 |
| **Recurring fair value measurements** | | | |
| **Financial assets:** | | | |
| Long-term investment – unquoted | **12,171** | **–** | **61** |
| Commodity contracts | **122,606** | **6,666** | **–** |
| **Financial liabilities:** | | | |
| Commodity contracts | **(12,775)** | **612** | **–** |
| **Non-financial assets:** | | | |
| Biological assets – increased by 0.5% | **450,565** | **(1,853)** | **–** |
| Biological assets – decreased by 0.5% | **450,565** | **1,864** | **–** |
| Inventories | **815,573** | **7,801** | **–** |

## 35. Fair values of assets and liabilities continued

### (c) Level 3 fair value measurements continued

#### (i) Information about significant unobservable inputs used in Level 3 fair value measurements continued

Impact of changes to key assumptions on fair value of Level 3 financial instruments continued

| | 31 December 2015 | | |
|---|---|---|---|
| | | Effect of reasonably possible alternative assumptions | |
| | Carrying amount $'000 | Profit/(loss) $'000 | Other comprehensive income $'000 |
| **Recurring fair value measurements** | | | |
| **Financial assets:** | | | |
| Long-term investment – unquoted | 12,061 | – | 60 |
| Commodity contracts | 52,409 | (1,823) | – |
| **Financial liabilities:** | | | |
| Commodity contracts | (1,053) | (184) | – |
| **Non-financial assets:** | | | |
| Biological assets, as restated – increased by 0.5% | 336,142 | (803) | – |
| Biological assets, as restated – decreased by 0.5% | 336,142 | 796 | – |
| Inventories | 336,493 | 3,193 | – |

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the following key unobservable inputs used in the fair value measurement:

- For certain commodity contracts and inventories, the Group adjusted the market prices of the valuation model by 1%.
- For long-term investment (unquoted), the Group adjusted the assumptions to the model inputs of the valuation model by 0.5%.
- For biological assets, the Group adjusted the estimated discount rate applied to discounted cash flow model by 0.5%.

#### (ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value, except for biological assets (Note 12), based on significant unobservable inputs (Level 3):-

| | Commodity contracts – assets $'000 | Commodity contracts – liabilities $'000 | Long-term investment – unquoted (Note 15) $'000 | Inventories $'000 |
|---|---|---|---|---|
| **At 1 July 2014** | 26,216 | (3,475) | 13,709 | 14,787 |
| Total gain/(loss) recognised in the profit and loss account | | | | |
| • Net gain on fair value changes | 26,193 | 2,422 | – | 51,314 |
| • Purchases and sales, net | – | – | – | 270,392 |
| • Foreign currency translation adjustments | – | – | (1,648) | – |
| **At 31 December 2015 and 1 January 2016** | 52,409 | (1,053) | 12,061 | 336,493 |
| Total gain/(loss) recognised in the profit and loss account | | | | |
| • Net gain/(loss) on fair value changes | **70,197** | **(11,722)** | **–** | **53,154** |
| • Purchases and sales, net | **–** | **–** | **–** | **425,926** |
| • Foreign currency translation adjustments | **–** | **–** | **110** | **–** |
| **At 31 December 2016** | **122,606** | **(12,775)** | **12,171** | **815,573** |

## Notes to the Financial Statements continued
**For the financial year ended 31 December 2016**

# 35. Fair values of assets and liabilities continued

### (d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

(i) Cash and short-term deposits, trade receivables, advance payments to suppliers and subsidiary companies, other current assets, margin accounts with brokers, amounts due from subsidiary companies, trade payables and accruals, other current liabilities and bank overdrafts.

The fair values of these financial instruments approximate their carrying amounts at the balance sheet date because of their short-term maturity.

(ii) Bank loans, term loans from banks and other bonds (current)

The carrying amount of the bank loans, term loans from banks and other bonds (current) are an approximation of fair values as they are subjected to frequent repricing (floating rates) and/ or because of their short-term maturity.

### (e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

(i) Loans to subsidiary companies, loans to jointly controlled entities and loan to associate

Loans to subsidiary companies, loans to jointly controlled entities and loan to associate have no fixed terms of repayment and are repayable only when the cash flow of the entities permits. Accordingly, the fair value of these amounts is not determinable as the timing of the future cash flow arising from these balances cannot be estimated reliably.

(ii) Other non-current assets – investment in dairy co-operative

The Group's investment in a dairy co-operative has been carried at cost because fair value cannot be measured reliably as the dairy co-operative is not listed and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

(iii) Convertible bonds, medium-term notes and other bonds

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying amount $'000 | Fair value $'000 | Carrying amount $'000 | Fair value $'000 |
| **31 December 2016** | | | | |
| **Financial liabilities:** | | | | |
| Medium-term notes | **3,703,585** | **3,700,546** | **3,703,585** | **3,700,546** |
| Other bonds | **359,396** | **390,468** | **359,396** | **390,468** |
| **31 December 2015** | | | | |
| **Financial liabilities:** | | | | |
| Convertible bonds | 321,166 | 334,321 | 321,166 | 334,321 |
| Medium-term notes | 2,946,507 | 2,986,593 | 2,946,507 | 2,986,593 |
| Other bonds | 352,101 | 390,741 | 352,101 | 390,741 |

The fair value of medium-term notes and all bonds is determined directly by reference to their published market bid price at the end of the respective financial years (Level 1).

## 36. Capital management

The Group manages the capital structure by a balanced mix of debt and equity. Necessary adjustments are made in the capital structure considering the factors vis-a-vis the changes in the general economic conditions, available options of financing and the impact of the same on the liquidity position. Higher leverage is used for funding more liquid working capital needs and conservative leverage is used for long-term capital investments. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

The Group calculates the level of debt capital required to finance the working capital requirements using traditional and modified financial metrics including leverage/gearing ratios and asset turnover ratios.

As of balance sheet date, leverage ratios are as follows:-

| | Group | | |
|---|---|---|---|
| | **31 December 2016** | 31 December 2015 (As restated) | 31 December 2015 |
| Gross debt to equity: | | | |
| • Before fair value adjustment reserve | **2.36 times** | 2.37 times | 2.35 times |
| Net debt to equity: | | | |
| • Before fair value adjustment reserve | **1.99 times** | 1.96 times | 1.94 times |

The Group assesses the level of debt capital used to finance capital investment in respect of the projected risk and returns of these investments using a number of traditional and modified investment and analytical models including discounted cash flows. It also assesses the use of debt capital to fund such investments relative to the impact on the Group's overall debt capital position and capital structure.

In order to manage its capital structure, the Group may issue debt of either a fixed or floating nature, arrange credit facilities, issue medium-term notes, issue new shares or convertible bonds and adjust dividend payments.

## 37. Classification of financial assets and liabilities

| Group | Amortised cost $'000 | Fair value through Other Comprehensive Income $'000 | Fair value through Profit or Loss $'000 |
|---|---|---|---|
| **31 December 2016** | | | |
| **Financial assets:** | | | |
| Loans to jointly controlled entities (Note 14(a)) | **124,256** | **–** | **–** |
| Loan to associate (Note 14(b)) | **258,794** | **–** | **–** |
| Long-term investments (Note 15) | **–** | **136,321** | **12,171** |
| Trade receivables (Note 17) | **1,656,457** | **–** | **–** |
| Margin accounts with brokers (Note 18) | **164,958** | **–** | **–** |
| Other current assets (Note 21) | **565,610** | **–** | **4,478** |
| Cash and short-term deposits (Note 33) | **2,129,583** | **–** | **14,468** |
| Derivative financial instruments (Note 34f) | **–** | **–** | **1,926,151** |
| Other non-current assets (Note 21) | **18,422** | **–** | **11,978** |
| | **4,918,080** | **136,321** | **1,969,246** |
| **Financial liabilities:** | | | |
| Trade payables and accruals (Note 22) | **2,201,494** | **–** | **–** |
| Other current liabilities (Note 23) | **375,855** | **–** | **–** |
| Borrowings (Note 24) | **13,670,588** | **–** | **–** |
| Derivative financial instruments (Note 34f) | **–** | **41,305** | **946,637** |
| | **16,247,937** | **41,305** | **946,637** |

## Notes to the Financial Statements continued
For the financial year ended 31 December 2016

## 37. Classification of financial assets and liabilities continued

| Company | Amortised cost $'000 | Fair value through Other Comprehensive Income $'000 | Fair value through Profit or Loss $'000 |
|---|---|---|---|
| **31 December 2016** | | | |
| **Financial assets:** | | | |
| Loans to jointly controlled entities (Note 14(a)) | 124,256 | – | – |
| Loan to associate (Note 14(b)) | 256,683 | – | – |
| Long-term investments (Note 15) | – | 136,321 | – |
| Amounts due from subsidiary companies (Note 16) | 3,583,148 | – | – |
| Trade receivables (Note 17) | 385,620 | – | – |
| Margin accounts with brokers (Note 18) | 153,544 | – | – |
| Other current assets (Note 21) | 34,740 | – | – |
| Cash and short-term deposits (Note 33) | 1,260,204 | – | 14,468 |
| Derivative financial instruments (Note 34f) | – | – | 1,118,686 |
| | 5,798,195 | 136,321 | 1,133,154 |
| **Financial liabilities:** | | | |
| Trade payables and accruals (Note 22) | 949,283 | – | – |
| Other current liabilities (Note 23) | 115,176 | – | – |
| Borrowings (Note 24) | 10,067,968 | – | – |
| Derivative financial instruments (Note 34f) | – | 41,305 | 639,857 |
| | 11,132,427 | 41,305 | 639,857 |

## 38. Segmental information

The Group's businesses are organised and managed as five broad segments grouped in relation to different types and nature of products traded. The Group's supply chain activities of sourcing, processing and merchandising span across a broad range of agricultural products.

The segmentation of products has been done in the following manner:-

- Edible Nuts, Spices and Vegetable Ingredients – Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts, sesame and beans including pulses, lentils and peas), spices and vegetable ingredients (including pepper, onion, garlic, capsicums and tomato).
- Confectionery and Beverage Ingredients – cocoa and coffee.
- Industrial Raw Materials, Ag Logistics and Infrastructure – cotton, wood products, rubber, fertiliser and Gabon Special Economic Zone (GSEZ including ports and infrastructure).
- Food Staples and Packaged Foods – rice, sugar and sweeteners, grains and animal feed, edible oils, dairy and packaged foods.
- Commodity Financial Services – risk management solutions, market-making, volatility and asset management, and trade and structured finance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate cash, fixed deposits, other receivables and corporate liabilities such as taxation, amounts due to bankers and medium-term notes. Assets which are unallocated are common and shared by segments and thus it is not practical to allocate them.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The measure used by management to evaluate segment performance is different from the operating profit or loss in the consolidated financial statements, as explained in the table in Note 38(a).

Group financing (including finance cost), which is managed on group basis, and income tax which is evaluated on group basis are not allocated to operating segments.

The turnover by geographical segments is based on the location of customers regardless of where the goods are produced. The assets and capital expenditure are attributed to the location of those assets.

## 38. Segmental information continued

### (a) Business segments

| | Edible nuts, spices and vegetable ingredients | | Confectionery and beverage ingredients | | Industrial raw Materials, Ag Logistics and Infrastructure | | Food staples and packaged foods | | Commodity financial services | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 |
| Segment revenue : | | | | | | | | | | | | |
| Sales to external customers | **3,981,093** | 6,073,053 | **7,710,976** | 9,569,240 | **2,784,204** | 3,902,286 | **6,110,759** | 8,686,007 | **–** | – | **20,587,032** | 28,230,586 |
| Segment result (EBITDA) | **331,790** | 566,942 | **407,288** | 428,247 | **135,182** | 255,382 | **330,230** | 351,228 | **(1,608)** | 8,430 | **1,202,882** | 1,610,229 |
| Depreciation and amortisation | **(134,707)** | (158,630) | **(97,192)** | (66,332) | **(24,271)** | (34,362) | **(96,996)** | (127,282) | **(315)** | (452) | **(353,481)** | (387,058) |
| Finance costs | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(446,248)** | (835,733) |
| Finance income | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **30,248** | 49,992 |
| Exceptional items[1] | **–** | (4,855) | **–** | (34,122) | **–** | (4,409) | **–** | (216,295) | **–** | – | **–** | (259,681) |
| Profit before taxation | | | | | | | | | | | **433,401** | 177,749 |
| Taxation expense | | | | | | | | | | | **(94,314)** | (125,808) |
| Profit for the financial year | | | | | | | | | | | **339,087** | 51,941 |
| Segment assets | **4,185,983** | 4,058,249 | **7,212,619** | 6,932,779 | **2,794,927** | 2,350,998 | **5,642,221** | 3,604,061 | **260,835** | 88,156 | **20,096,585** | 17,034,243 |
| Unallocated assets[2] | | | | | | | | | | | **3,372,299** | 3,820,650 |
| | | | | | | | | | | | **23,468,884** | 20,854,893 |
| Segment liabilities | **543,317** | 595,293 | **1,103,141** | 1,133,569 | **349,162** | 223,629 | **1,120,138** | 373,503 | **107,053** | 5,605 | **3,222,811** | 2,331,599 |
| Unallocated liabilities[3] | | | | | | | | | | | **14,611,769** | 13,203,638 |
| | | | | | | | | | | | **17,834,580** | 15,535,237 |
| Other segmental information: | | | | | | | | | | | | |
| Share of results from jointly-controlled entities and associates | **–** | – | **(232)** | 95 | **6,772** | 5,430 | **15,620** | (3,240) | **–** | – | **22,160** | 2,285 |
| Investments in jointly-controlled entities and associates | **1,245** | – | **2,726** | 1,275 | **495,865** | 587,369 | **390,002** | 310,251 | **–** | – | **889,838** | 898,895 |
| Capital expenditure | **139,153** | 136,080 | **132,139** | 105,309 | **129,561** | 84,971 | **350,480** | 238,899 | **460** | 685 | **751,793** | 565,944 |

### (b) Geographical segments

| | Asia, Middle East and Australia | | Africa | | Europe | | Americas | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 |
| Segment revenue: | | | | | | | | | | | | |
| Sales to external customers | **6,823,304** | 10,682,446 | **3,646,339** | 4,088,419 | **5,466,757** | 7,616,115 | **4,650,632** | 5,843,606 | **–** | – | **20,587,032** | 28,230,586 |
| Intersegment sales | **6,279,030** | 6,076,699 | **2,932,461** | 3,197,365 | **2,628,457** | 1,791,671 | **2,645,897** | 3,744,856 | **(14,485,845)** | (14,810,591) | **–** | – |
| | **13,102,334** | 16,759,145 | **6,578,800** | 7,285,784 | **8,095,214** | 9,407,786 | **7,296,529** | 9,588,462 | **(14,485,845)** | (14,810,591) | **20,587,032** | 28,230,586 |
| Non-current assets[4] | **5,677,185** | 3,395,716 | **809,494** | 1,887,223 | **891,059** | 760,019 | **917,938** | 1,390,794 | **–** | – | **8,295,676** | 7,433,752 |

### (c) Information on major customers

The Group has no single customer accounting for more than 10% of the turnover.

## Notes to the Financial Statements continued

**For the financial year ended 31 December 2016**

## 38. Segmental information continued

1 Exceptional items included the following items of income/ (expenses):-

| | Group | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Loss on bond buy-back – fair value component | **–** | (18,591) |
| Sale-and-leaseback of palm plantations assets, Gabon | **–** | 33,634 |
| Sale-and-leaseback of dairy farm land, Uruguay | **–** | 23,429 |
| Sale of dairy processing plant, Ivory Coast | **–** | 14,792 |
| Fair valuation of investment in PureCircle Limited | **–** | (192,612) |
| Dairy restructuring costs, Uruguay | **–** | (76,946) |
| ADM Cocoa acquisition expenses | **–** | (34,123) |
| Sale of wool business, Australia | **–** | (2,739) |
| Closure of spices, vegetables ingredients dehydrates facility, USA | **–** | (4,855) |
| Impairment of cotton gins, USA | **–** | (1,670) |
| | **–** | (259,681) |

Finance costs of $446,248,000 includes an exceptional item amounting to $12,504,000 in relation to the buy-back of the convertible bond in the current financial year (Note 24).

2 The following unallocated assets items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:-

| | Group | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 $'000 |
| Cash and bank balances | **1,556,636** | 1,921,773 |
| Fixed deposits | **587,415** | 221,399 |
| Other current/non-current assets | **984,021** | 1,346,052 |
| Long-term investments | **148,492** | 269,207 |
| Deferred tax assets | **95,735** | 62,219 |
| | **3,372,299** | 3,820,650 |

3 The following unallocated liabilities items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:-

| | Group | |
|---|---|---|
| | **31 December 2016 $'000** | 31 December 2015 (As restated) $'000 |
| Borrowings | **13,670,588** | 12,293,915 |
| Deferred tax liabilities | **505,876** | 420,782 |
| Other liabilities | **350,356** | 406,911 |
| Provision for taxation | **84,949** | 82,030 |
| | **14,611,769** | 13,203,638 |

4 Non-current assets mainly relate to property, plant and equipment, intangible assets, biological assets, investments in jointly controlled entities and associates and long-term investments.

## 39. Events occurring after the reporting period

(a) On 8 February 2017, the Company announced its intention to repurchase up to S$235,800,000 in aggregate principal amount of the S$275,000,000 7 per cent. perpetual capital securities issued in 2012 for cash in the open market at 100% of the principal amount, together with distributions accrued to (but not excluding) the settlement date.

(b) On 2 March 2017, the Company announced that it will be issuing US$300,000,000 4.375 per cent. fix rate senior unsecured notes due 2023 (the 'Notes') at an issue price of 99.37 per cent. of the principal amount of the Notes under the US$5,000,000,000 Euro Medium Term Note Programme. The Notes will bear interest at a fixed rate of 4.375 per cent. per annum payable semi-annually in arrears save for an additional interest payment on 9 July 2017. Proceeds from the issue of the Notes will be used by the Group and the Company for working capital purposes and general corporate purposes.

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# STAY UP TO DATE

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