Strategy Report

Olam International Limited Annual Report 2017

Olam

Re-imagining Global Agriculture

Strategy Report Olam International Annual Report 2017

olamgroup.com

Our vision

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

Our governing objective

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

This report is the first on our journey to develop a new model of reporting that provides insight into how we create value over the long-term. We aim to communicate how we identify, develop, preserve and deploy strategic assets in line with our company's purpose. A separate Global Reporting Initiative (GRI) report is available on our website at olamgroup.com.

Contents

Front cover image:

Olam Palm Gabon team uses Unmanned Aerial Vehicle (UAV) to capture geo-referenced aerial images for analysis in Geographic Information System (GIS). Benefits include monitoring and detection of illegal activity in High Conservation Value Areas, fast assessment of palm growth condition and early warning of agronomical abnormalities, precise water management plans, accurate asset inventory and infrastructure planning.

Read more on olamgroup.com

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

Governance Report

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.

About Olam

Established in 1989, Olam is today a leading global agri-business operating from seed to shelf, supplying food and industrial raw materials to over 22,000 customers worldwide. Our team of 72,000[1] employees across 66 countries has built leadership positions in several of our 18 platforms, including cocoa, coffee, edible nuts, spices, rice and cotton. We source from 4.7 million farmers and their communities. We are listed on the Singapore Exchange (SGX) and are among the top 30 primary listed companies by market capitalisation.

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

Our Purpose

In 2017, we updated our purpose to 'Re-imagining Global Agriculture: Growing Responsibly'. It is our ambitious mission to drive transformation in our sector. That we will do so in an ethical, socially responsible and environmentally sustainable manner is a given in the world of Olam. There are 3 outcomes we intend to achieve through our Purpose: i) Prosperous farmers and farming systems; ii) Thriving communities; and iii) Re-generation of the living world.

How we win

Our success has and always will come from innovating our business model 'The Olam Way' to achieve the unexpected. We have built deep industry expertise, distinctive capabilities and differentiated our business sufficiently to ensure profitable growth.

1. A focus on niche commodities and businesses with leadership positions
2. Defensible niche strategies in mainstream commodity categories
3. A unique African footprint and operating capability
4. A model to out-origin our competition
5. Differentiated value-added solutions and services to customers
6. A uniquely shaped portfolio

Our Capitals

We focus on 7 Capitals to drive long-term value creation:

- **Financial Capital** Page 37
- **Human Capital** Page 68
- **Social Capital** Page 72
- **Natural Capital** Page 77
- **Intellectual Capital** Page 83
- **Intangible Capital** Page 86
- **Manufactured Capital** Page 87

Results

We successfully delivered on our key priorities for 2017 as part of our 2016-2018 Strategic Plan, closing the year with a strong set of results.

Our earnings for the year grew significantly and our returns also improved.

We generated record cash flows and further strengthened our balance sheet by reducing our gearing.

These results were achieved on a combination of pursuing growth in prioritised platforms, working to turn around underperforming businesses and nurturing gestating assets.

Financial Highlights

Enlarged share capital and stronger balance sheet

- Share capital up approximately S$585.5 million from warrants exercise
- Higher retained earnings
- Reduced gearing 1.46X (2016: 1.99X)

Improved dividends

- Board of Directors recommends final dividend of 4.0 cents per share
- Higher total dividend of 7.5 cents per share for 2017 (2016: 6.0 cents)

Volume
22.5 M MT
+56.3%

PATMI
S$581 M
+65.3%

Operational PATMI
S$432 M
+18.6%

EBITDA
S$1,328 M
+10.4%

Free Cash Flow
S$1,020 M
Positive FCFE

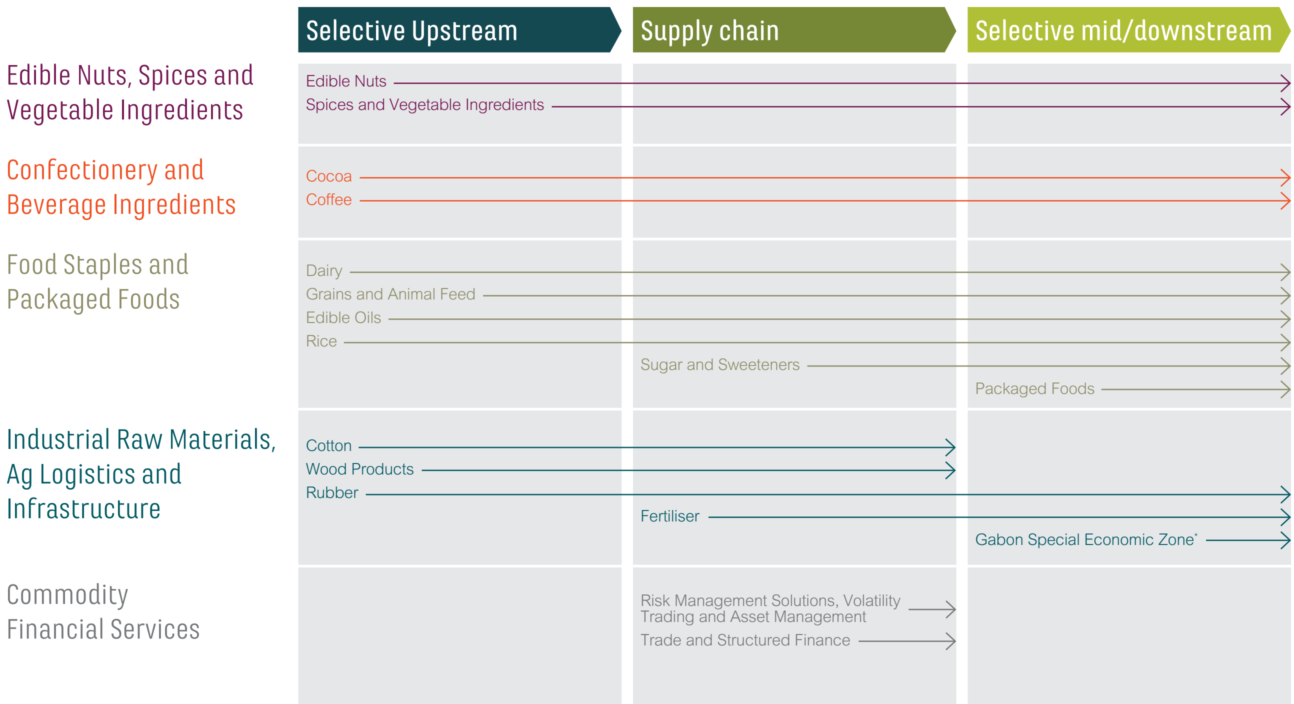
Gearing
1.46X
from 1.99X

Where we operate

We operate in the upstream[1], midstream[2], and downstream[3] parts of the agriculture value chain. This selective integration enables us to take advantage of our assets, competencies and expertise to take greater control from seed to shelf of our value chain and to capture excess returns.

Our Value Chain

Olam's heritage lies in the origination and traditional supply chain management, sourcing agricultural ingredients and raw materials for our global customers in the food and beverage, textile, wood, rubber, and related industries.



1. Upstream: plantations, concessions and farms
2. Midstream: value-added processing and manufacturing
3. Downstream: consumer franchise and distribution infrastructure in African markets

* GSEZ including ports and infrastructure

Read more on our business model on page 20

Re-imagining Global Agriculture

In 2017, we defined our new purpose, 'Re-imagining Global Agriculture: Growing Responsibly,' which has now become our cause and sets the theme for this annual report.

Sunny Verghese
Co-Founder and Group CEO

Innovating and evolving our business model, 'The Olam Way.'

2017 was a year marked by profound political and economic changes around the world. Key developments in areas including global trade, financial and capital markets, environment and climate change, geo-political contexts, and consolidation in the agri-sector continued unabated through the course of the year.

"The progress made in all our businesses during the year, both in financial terms as well as our positive impact on people and planet, is proof that our commitment to maximising value and purpose concurrently is the right balance."

Overview

2017 was a year marked by profound political and economic changes around the world. Key developments in areas including global trade, financial and capital markets, environment and climate change, geo-political contexts, and consolidation in the agri-sector continued unabated through the course of the year. I am pleased to report that against this challenging backdrop, Olam's clear and differentiated strategy, coupled with key initiatives that we undertook to accelerate the delivery of long-term value to both our continuing shareholders and other key stakeholders yielded outstanding results.

We **grew top line** in terms of both sales volume and sales revenue by 56.3% and 27.6% respectively, **improved bottom line** with reported PATMI and Operational PATMI growing by 65.3% and 18.6% respectively, **enhanced returns** with ROE improving by 290 basis points to 9.0%, and EBITDA / Invested Capital improving by 40 basis points to 8.2%, **delivered record free cash flows** of S$1.5 billion in FCFF and S$1.02 billion in FCFE, and **materially reduced net gearing** from 1.99x as at end-December 2016 to 1.46x as at end-December 2017.

We also **continued to invest for the future** with gross capex expenditure of S$970.6 million in 2017 largely in our prioritised platforms. Nearly 24.7% or S$3.9 billion of our total invested capital of S$15.8 billion as of 31 December 2017 is still gestating or only partially contributing at this stage, laying a strong foundation for future profitable growth from these gestating investments. We have thus **balanced both the short-term and long-term** well.

In addition to investing selectively in a configuration of upstream (plantation), midstream (manufacturing) and supply chain assets, our progress in delivering these results is also a function of **continually making important investments to build our capabilities, people and systems**.

While we are pleased with these results and outcomes, we are prouder still that we have achieved this profitable growth in a more consistent, responsible and sustainable way. The progress made in all our businesses during the year, both in financial terms as well as our positive impact on people and planet, is proof that our commitment to maximising value and purpose concurrently is the right balance. Our sustainability initiatives in 2017 across our various businesses have offered us tangible benefits, including better pricing power, more customer stickiness, and a larger share of our customers' wallet. At the same time, we have also positively impacted the communities where we operate and reduced our negative impacts on the environment. Specific examples of these sustainability initiatives are detailed in the review of the various reporting segments (see pages 46 to 66) as well as the reporting on the various Capitals (see pages 68 to 88). We believe that putting sustainability at the heart of our business is fundamental to our strategy of building a business that is more consistent, sustainable and enduring.

In this regard, we believe that Olam must become more innovative and find new ways of doing things to better manage our impact on the 9 Planetary Boundaries[1], and help achieve the 17 UN Sustainable Development Goals (SDGs), particularly SDG Goal 2 "End hunger, achieve food security and improved nutrition, and promote sustainable agriculture." As a company, and indeed as part of the larger agri-sector, we need to find ways of producing more of the right kind of food using fewer resources in terms of land, water, farm inputs and elimination of waste to meet the rapidly growing global demand for food, feed, fibre and fuel. At Olam, we have recognised these challenges and have taken concrete measures (as explained in the later sections of this report) to address them so that we, and our stakeholders, can continue to responsibly and profitably grow in the future.

Key industry trends and Olam's response

Trade and Contestability of Global Output

The new US Administration, which focused on tax reform, regulation and immigration issues in its first year in office, has now turned its attention to trade policy with potentially serious consequences for the global economy. In addition to the adverse impact of the US Administration's immigration policy on the availability of farm workers, recent US trade actions including withdrawing from the TPP, re-negotiating NAFTA, re-negotiation of the Korea-US Free Trade Agreement, tariffs on solar panels and washing machines, tariffs on steel and aluminium, the USTR's investigation of China's industrial policies and technology transfer practices, and its recent launch of a WTO challenge against India over its export subsidies, have all been actions that have amplified uncertainty around global trade.

1. Stockholm Resilience Centre

"In order to better navigate these trade issues, Olam is focused on staying diversified across key producing countries for the various commodities we supply. As a rule of portfolio selection, we participate in 80-90% of the countries that produce a given commodity."

The reaction of China on imposing counter measures on US sorghum imports, and the threatened retaliatory action by the European Union, have all increased the odds of a potential trade war. The Canadian solar companies have since filed a lawsuit over these tariffs and the European Union along with China, Taiwan and Korea have claimed compensation for these solar tariffs from the USA. This global tit-for-tat on trade issues could disrupt many supply chains around the world. As far as the agri-sector is concerned, we believe targeted agricultural sector reciprocal tariffs (including on USA corn, soybean, rice, sorghum, dairy and cotton exports) could be the most likely counter measures adopted by countries like China against these US trade moves because it is relatively more easy to accurately size the retaliation as required in these agri-commodities and also because agri-commodity products are easier to substitute away from. The top 3 importers of US agricultural products, collectively accounting for 42% or US$58.7 billion worth of ag exports in 2017 are Canada, China and Mexico, with China alone accounting for more than 30% (US$14.9 billion in value) and Mexico accounting for 13% of all US ag exports[1]. Additionally, because these agricultural products come from rural districts in the USA which are more likely to have voted for the Republican Administration and Republicans in Congress, China, European Union, Mexico and other countries believe that tariffs on agriculture could potentially apply more political pressure on the US Administration. These developments could potentially shrink the role of the USA as a global ag supplier and allow its global customers to diversify away from US ag exports.

All of these measures and counter measures would result in reduced contestability of global output (global GDP that is free from tariffs, non-tariff trade barriers, and other forms of protection), slow down global trade and consequently pose a significant headwind for economic growth.

In order to better navigate these trade issues, Olam is focused on staying diversified across key producing countries for the various commodities we supply. As a rule of portfolio selection, we participate in 80-90% of the countries that produce a given commodity. In addition, we are also increasing our participation in the domestic trade flows beyond our traditional focus on export trade flows in countries like China, India, USA, Mexico, Europe etc. We also contribute to advocacy that would help keep global markets more free and open, free from tariffs and non-tariff trade barriers.

Demand drivers

Growing world population will continue to drive growth in food, feed, fibre and fuel demand. The current world population of 7.4 billion is expected to reach 8.3 to 8.5 billion by 2030 and 9.5 to 9.7 billion by 2050 under a medium fertility scenario[2]. Growth in the global middle class population estimated at 3 billion in 2015 (doubling from 1.5 billion in 2010) is expected to rise to 4 billion by 2021, with China and India alone accounting for a significant portion of that growth. Calorie consumption per capita is expected to increase 20% as populations in these developing economies transition from low income to middle income status[3]. Changes in dietary habits and shift in food consumption patterns from food staples and carbohydrates to protein and fat-based diets will also drive increased demand for food and feed raw materials. Increasing diversion of crops into biofuel manufacturing is also a new driver of demand. All of these demand side drivers will combine to increase demand for crops between 60% (on a calorific value basis) to 100% (on a total crop production basis) by 2050[4].

New market trends on the growth of functional foods, the aversion to artificial ingredients, the imposition of sugar sweetened beverage tax (e.g. in Mexico, South Africa, United Kingdom, Singapore, Malaysia etc.), fatty food tax (e.g. in Hungary), calorie information menu labelling, mandated dieting classes (the 'Metabo Law' in Japan requires overweight individuals to go to dieting classes), vending machine standards, the trend towards natural and organic, single origin produce, traceability to the farm, going local, slow food movement, ethical eating, importance of trust and transparency in the supply chain, eating on the go, on demand grocery and household delivery, pre-portioned meal kits and eating as a social experience are all beginning to revolutionise food consumption habits. New innovations to personalise diet planning and nutrition based on genetic makeup, gut bacteria, metabolism rates and body type along with tech-enabled personalised meal planning are gaining traction in some markets.

1. US Department of Agriculture; BCA research
2. UN Development
3. Pew Trust
4. World Resources Institute

From fork back to farm: helping customers meet consumer trends

Across the world, certain consumer trends in food are increasingly impacting our customers' businesses.

We can classify these trends into 4 main categories, namely, quality, responsible sourcing, reliability and innovation. Food safety is non-negotiable and sustainability is becoming a pre-requisite as many customers have to meet their own 2020 sustainability commitments. While there are still challenges over the cost of sustainable production, there is a strong opportunity to secure larger volume contracts. All these present new opportunities for Olam to differentiate and lead.

Trend	How Olam is positioned
Premiumisation • Consumers are beginning to prioritise by spending more on things that matter most to them and cut back on the rest. • More emphasis being placed on quality as well as functional ingredients. • Suppliers can capture value and secure pricing premiums by differentiating their offerings with value-added solutions that reflect these important consumer trends.	• Meeting and exceeding customers' expectations for consistent quality and food-safe products through the diligent application of quality assurance and compliance programmes, and a 'right first time' culture. • Through our 4.7 million farmer network, we have unrivalled connection to farmers and we are helping them to improve both their quality of production as well as increase their yields. • Our sourcing footprint means we can supply high end single origin ingredients (e.g. cocoa, coffee). • Our integrated supply chains help maintain quality aspects (e.g. flavour). • Our investment in research (e.g. improving genetics by producing better quality seeds/ planting material). • We have made significant investments in mid-downstream processing. • Our continuing investments in innovation centres across the world for tailored products.
Ethical living • Increasing attention paid towards ethical sourcing and ethical eating. • Social entrepreneurship is increasing among younger generations. • More companies advocating ethics as a competitive differentiator.	• Advancing sustainability throughout our operations from plantation to processing based on our ethos of Growing Responsibly. • Long-standing and highly regarded sustainability programmes offering support to farmers on commercial, social and environmental issues. More than 360,000 in Olam Livelihood Charter (OLC) initiatives alone. • New Olam Farmer Information System (OFIS) offers unparalleled insights at farmer level for more targeted impact programmes. • Instilling standards in indirect sourcing through Olam Supplier Code and industry partnerships. • Committed to international standards e.g. RSPO etc. • Strong programmes with certifiers recognised by consumers (e.g. Rainforest Alliance). • CR&S[1] 10 material areas, specific goals and sustainability annual reporting, commitment to implementing the UN Sustainable Development Goals.
Healthy living • Concerns over obesity and food sensitivity are making health a primary purchasing criteria. • Options such as meat substitutes, and healthy snacks (e.g. nuts and seeds) are gaining traction. • Preference for 'clean label' (recognisable ingredients and natural ingredients.	• Delivered 68 billion servings of fortified foods in 2017. • With the largest portfolio of Edible Nuts including significant Olam owned plantations, we help our customers maximise the healthy snacking opportunity. • Olam Cocoa has innovated several 'no sodium added' dark cocoa powders, as well as natural cocoa powders (processed without alkalising agents) for clean labelling. • Olam SVI's extensive spice portfolio and recipe development capability means customers can create appetising products without sodium or artificial flavours. • The breadth of our portfolio and capability means we can offer 'healthy crops', provide fortification and find solutions. • Our investment in PureCircle plays directly to many of these health trends.
Connected consumers • Increasing connectivity allows consumers to experience and interact with digital content. • Demand for greater transparency amplified as news is proliferated through social media. • The customer journey weaves a brand into the entire consumption experience, providing value before, during and after the purchase.	• Through our sustainability reporting and direct engagement, we aim for transparency with our customers as well as other stakeholders, addressing issues as they arise while also seeking to improve wider understanding of issues in the agri-complex. • The launch of our AtSource offering which is Olam's purpose led platform to drive the delivery and purchase of more sustainable and traceable agricultural products, is a major initiative that provides transparency to our customers across multiple KPIs that are relevant to them. • We support customers with specific case histories and other relevant information to provide to their end consumers and bring their brand story to life.

1. Corporate Responsibility & Sustainability

Supply side trends, fragile ecosystems, natural and social capital impacts

Natural Capital impacts

On the supply side however, constraints on the availability of both arable land and water is likely to create growing imbalances between supply and demand for agricultural crops. Fragile ecological systems will exacerbate these supply side constraints. Agriculture, Forestry, and Other Land Use accounts for nearly 25% of the world's Greenhouse Gas (GHG) emissions[1].

Agriculture also accounts for 71% of all fresh water withdrawals[2]. Nearly 1 million square miles of tropical forest land could potentially be lost due to conversion of forests to food and feed production. Increasing demand for deforestation-free products from key stakeholders is growing. We have significantly exceeded the planetary boundary on biosphere integrity or biodiversity by losing more than 1,000 species for every million species year today, compared to the boundary condition of not losing more than 10 species for every million species year[3]. As a result, wild animal populations have roughly halved since 1970 and fragile ecosystems worldwide have been impacted by human activities. Clearly, businesses cannot function if ecosystems are degraded or out of balance, as they provide many invisible but essential services, including regulation of the climate and water cycle, air quality and flood protection. Demand for additional water for irrigation is estimated to increase by nearly 28% by 2015, while agriculture is estimated to contribute to more than 30% of all fresh water pollution[4]. Part of this pollution is contributed by nitrogen and phosphate loading as we become more input intensive in our farming activities to boost productivity. China today uses nearly 2.5 times more fertiliser per hectare as compared to Germany[5]. The consequence is that 80% of all Chinese surface water (rivers and lakes) and underground aquifers are polluted, in terms of their biological oxygen demand levels (according to WHO).

In addition, nearly US$1 trillion of economic losses are sustained, as more than one third of all food produced in the world that is intended for human consumption is lost or wasted at the point of production in developing countries and at the point of consumption in the developed regions[6].

Social Capital impacts

The significant impacts of agriculture on social capital, including health and safety of workers given the use of chemicals, machinery and the working environment, forced labour including child labour issues (given that 60% of child labour worldwide is in the agricultural sector), forced resettlement of communities including indigenous people and the impact on these communities and their traditional livelihoods, are all key social risks associated with modern agriculture. In addition, rising production cost, workforce shortage, and ageing farmers pose significant additional risk in the agricultural value chain.

Nutritional challenges, with over 815 million people still going to bed hungry every day (undernutrition), over nutrition issues with increasingly more people obese than underweight, coupled with nearly 2 billion people suffering from various forms of malnutrition arising from micronutrient and vitamin deficiencies, the high prevalence of stunting and wasting amongst young children in developing countries, have all combined to increase the incidence of chronic diseases and the attendant pressures on global health systems to treat these adverse health impacts arising from a broken global food system.

Olam's response

At a societal level, in addition to now supporting 363,000 smallholder farmers under the Olam Livelihood Charter, our teams continue to play their part in trying to prevent disease in communities around our operations. Over 20,000 people in Africa benefitted from HIV/AIDS sensitisation, awareness and testing as part of these efforts. The scale of ill health in some communities such as those around our forestry concessions in Republic of Congo mean a far greater response is required than any one company can manage alone. Multi-stakeholder partnerships as described under Goal 17 of the UN Sustainable Development Goals must take even greater precedence. In this regard, we stepped up our collaboration initiatives in 2017 and forged relationships, partnerships and alliances with NGOs and civil society, development agencies, multi-laterals and customers including: Asian Development Bank (ADB), Bill & Melinda Gates Foundation, Business Sustainable Development Commission, Climate Smart Agriculture (CSA), Consultative Group for International Agricultural Research (CGIAR), Costco, Food & Agriculture Organisation (FAO), Food Reform for Sustainability and Health (FReSH), Global Agribusiness Alliance (GAA), Global Coffee Platform, International Finance Corporation (IFC), High Conservation Value Resource Network (HCV), Mars, Mastercard Foundation, Nestlé, Sustainable Rice Platform (SRP), The Nature Conservancy, The Forests Dialogue, The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), University of California (UC Davis), Wildlife Conservation Society (WCS), World Business Council for Sustainable Development (WBCSD), World Cocoa Foundation (WCF) and World Resources Institute (WRI), amongst others.

1. IPCC
2. World Development Indicators
3. Stockholm Resilience Centre
4. UN Water
5. World Bank
6. Champions 12.3
7. World Food Programme

We have zero tolerance for lack of adherence to any human rights violations and insist that the dignity of others is respected in our operations both across our direct and indirect supply chains. We are committed to and work hard to ensure that the 10 principles of the UN Global Compact are upheld. A new cross commodity Fair Employment Policy will be issued later this year to reinforce our efforts in this regard. We have more work to do to ensure greater levels of diversity amongst our employees, in particular increasing and better balancing the number of women in senior management positions in the company. While we can point to historical legacy reasons for up-country positions in tough emerging/frontier markets mostly being held by men, we know we can and must do better to tap valuable skills by supporting and encouraging women to consider a broader range of roles within Olam and fulfil their potential.

We must produce more food using fewer resources

In the past, our agricultural systems have coped with population surges and shifting dietary habits. However, given climate change impacts, water constraints and other Planetary Boundaries, this becomes a far more difficult challenge going forward.

The Planetary Boundaries framework as developed by the Stockholm Resilience Centre and a group of earth system and environmental scientists, sets out precautionary boundaries for 9 critical processes of human driven environmental change. Together, the Planetary Boundaries quantify a safe operating space within which we can live well, thus providing us a dashboard for global sustainability. Beyond these boundaries, we could potentially face the possibility of disruptive, catastrophic or large-scale changes in Earth system functioning, leading to significant risks to societies and economies worldwide.

Of these 9 Planetary Boundaries, 4 boundaries (including climate change, loss of biodiversity, overload in the nitrogen and phosphorus biogeochemical cycles and land use change) have already been transgressed. We are seeing the impact of this on crop production, water availability etc. The FAO explains: "Until about 2030, global warming is expected to lead to both gains and losses in the productivity of crops, livestock, fisheries and forestry, depending on places and conditions. Beyond 2030, the negative impacts of climate change on agricultural yields will become increasingly severe in all regions." FAO cites a report by Rosenzweig et al 2013 which states: "The impact on yields by the year 2100 under high emission climate scenarios will range between -20 and -45 percent for maize, between -5 and -50 percent for wheat, between -20 and -30 percent for rice, and between -30 and -60 percent for soybean." Resolving this would be a critical determinant to achieving the level of crop production required to feed the world in the future.

Understanding and addressing the other planetary boundaries is equally critical. For example, the threat to biodiversity, the loss of which "reduces every form of ecological resilience." Currently we lose over 1,000 species per million per year and yet the boundary is just 10 species per year. Some of these species that could go extinct may include pollinators which are a vital resource for cross-pollinating flowering plants with a global aggregate production value in excess of US$300 billion. Olam is already spending over $8 million a year to ensure that we can secure enough bees to pollinate our almond orchards (read more on page 35). Species decline is not only a threat to the biodiversity of our planet, it is a very real financial risk.

More and more countries have already implemented an Emissions Trading Scheme (ETS) and/or imposed a Carbon Tax. World Bank's report on 'State and Trends of Carbon Pricing 2016' indicates that already 40 countries at the national level and an additional 24 regions at the sub-national level have adopted ETS or Carbon Taxes. While today, mother nature's back office is not set up to issue us the invoices for the services that we derive from nature to produce the goods that we deliver to our customers, it is only to be expected that governments will increasingly assess whether natural resources are being used efficiently and economically, and what price companies are paying to society for the use of natural capital and eco-system services that benefit all of us.

'The company closest to the farmer': Maximising our USP

We must also face up to the fact that while we have over-stepped these planetary boundaries, we have also not adhered to key social capital boundaries that we need to have a sustainable supply chain. For example, Leeds University recently issued research which "quantifies the national resource use associated with achieving a good life" for over 150 countries. It found that. "No country in the world currently meets the basic needs of its citizens at a globally sustainable level of resource use." It is a grim reality that many of those producing and providing our food and fibre are also the same people who are going to bed hungry every day, besides living below other key social indicators.

Even in developed nations, farmers are struggling. Many commodity prices remain below the cost of production. The US Department of Agriculture (USDA) predicts net farm income will decline 8.3 percent in 2018, dropping US$5.4 billion to US$59.5 billion. If realised, 2018 net farm income would be the lowest since 2002 and net cash farm income would be at its lowest level since 2009/2010. It is not surprising then that the average age of farmers and ranchers is 58 as the younger generation rejects farming as a viable livelihood and that farmer suicide in the face of unrelenting pressures is of growing concern, including Africa, China, India, Indonesia, Vietnam, etc.

All of these factors make it imperative that we go beyond our best efforts to date. We must truly re-imagine and transform the global food, feed and fibre systems so we can create prosperous farms and farming systems; build thriving rural communities and achieve re-generation of the living world.

Innovation in agriculture

The existing levers to increasing farm yields and productivity, including acreage expansion, higher fertiliser application rates, increased crop protection application rates, farm equipment size and horse power, adoption of GMO seed, etc. has more or less run its course. In addition, inflation in cost of production and farm wage growth, have put severe pressure on margins at the farm level. We need new productivity breakthroughs to sustain global agriculture.

Fortunately, rapid innovation in agriculture, including precision farming techniques, vertical farming, urban farming, development of alternative proteins and high tech food, advanced genetics, using IoT[1] sensors to improve irrigation efficiencies, cloud seeding, waste packaging solutions, blockchain for food traceability and trust, robotic harvesting, widespread use of micro and long wingspan drones on the farms and other digital solutions are fundamentally transforming agricultural production landscapes.

At Olam, we have both significant direct farming and plantation exposure with 2.4 million hectares of farming, plantations and forestry footprint, growing 26 different crops, large out-grower or contract growing programmes in addition to third party sourcing from smallholder farmers and agents. We need to therefore be at the top of our game in terms of leveraging technology to produce crops more efficiently and sustainably. Today, we are at the leading edge of building smart farms and 'Farm of the Future' to ultimately increase productivity, reduce costs and enhance sustainability of our supply chains. Some of the key initiatives on how we are leveraging technology (many of which were adopted by us in 2017) to achieve this across our farming and plantation operations are shown below:

Our Smart Farm Initiatives

Precision agriculture

- Drones for aerial imagery and analysis across all our tree crop plantations for drought stress, nutrient deficiency, Chlorophyll bands and canopy structure and height
- IOT/sensor solutions eg. improving irrigation efficiencies (different use cases across Australia, Gabon and USA)
- Variable rate applicators – SMART tractors
- Fertigation

Weather foecasting

- Real-time weather monitoring for assessment and prediction. Distributed weather stations across the plantation
- Radar data for rainfall monitoring

Farm management system

- Mobile applications for soil sampling, pest and disease monitoring, supervisor field vists monitoring, enhancing plantation worker productivity and recording consumption of spare parts in Australia almonds
- Sensors on bees for detecting flight patterns and pollination effectiveness

Advanced biotech

- Multiple collaborations with research agencies:
  i. NUS for oil palm molecular breeding
  ii. CSIRO for even ripening of oil palm fruits
  iii. CIRAD for pests and disease control
  iv. TLL (multiple projects)

Farm automation

- Tools mechanisation of harvesting
- Robotic harvesting
- Vertebrate Pest Detect and Deter System to warn elephants away in Gabon (through sense and deter nodes)

1. Internet of Things

Clear and Differentiated Strategy

In 2017 we completed the second year of our 2016-2018 Strategic Plan. We have now entered the last year of this plan (2018). There was no change to our strategy in 2017. Our strategy is centred around a strong core, namely supply chain management of agricultural raw materials and food ingredients (origination, logistics, trading and risk management) and then selectively integrating across the value chain, including upstream (plantations and farming), midstream (manufacturing and processing) and downstream (packaged foods distribution). In line with our strategic plan in 2017, we continued to pursue growth in our prioritised platforms, worked to turnaround underperforming businesses, and nurtured our gestating assets to start contributing. As described in the overview section of this review and in the following Group COO Review (see pages 37 to 66) these initiatives have yielded strong results.

In the second half of 2018, we will embark on our next 2 - 3 year strategic plan exercise for the two 3-year periods 2019-2021 & 2022-2024. This new strategic plan will be communicated in early 2019 once it is approved by our Board.

Our **clear and differentiated strategy** in terms of **where we participate** and **how we win** in our industry, has helped us achieve more consistent, sustainable and profitable growth over the current plan period. We are focused on the agri-complex but broadly diversified within it. We have built market leading positions in our prioritised platforms (Edible Nuts, Cocoa, Grains, Coffee and Animal Feed, Spices and Vegetable Ingredients and Cotton) and strategic niche positions in a number of other adjacent products, markets and value chain segments (Palm, Rubber, Wood Products, Packaged Foods Business and Ag Logistics in Africa, Rice in Asia and Africa, Sugar Milling and Refining in Asia, Dairy farming in Russia and Uruguay etc.).

Visit to Australian almond orchard.

I had described our current strategy in detail in the CEO Review of 2015 and 2016 which is summarised here:

Our Strategy: Focused, differentiated and defensible

1. **Focused on niche commodities and niche businesses with global leadership positions** (e.g. Edible Nuts, Cocoa, Coffee, Spices & Vegetable Ingredients, Cotton, Rice, Packaged Foods & Rubber)
2. **Adopt defensible niche strategies in mainstream commodity categories** (e.g. Grains: Africa Milling and asset light destination trading; Animal Feeds; Key emerging markets in Africa and Asia; Sugar: Indonesia Refining, India Milling; Palm: leadership in West Africa)
3. **Unique African footprint and operating capabilities:** Direct presence in 25 countries in Africa
4. **Out-origin our competition:** Buying directly from growers and village level agents at the farmgate or the lowest level of aggregation possible
5. **Provide value-added solutions and services to customers:** Traceability guarantees, sustainable and certified raw materials, vendor managed inventory solutions, risk management solutions and proprietary market intelligence
6. **Uniquely shaped portfolio:** Selective and diversified participation across products, geographies and value chain

2016-2018 Portfolio Strategy

Organised into 4 clusters

Cluster 1

Business units in attractive markets where Olam has a strong position

1A
- Edible Nuts
- Cocoa
- Grains

1B
- Coffee

1C
- SVI[1]
- Cotton

Accelerate investments to achieve leadership

Cluster 2

Strategic BUs in attractive markets, gestating, model to be proven

- PFB[2]
- Palm
- Rubber
- Dairy
- CFS[3]

Prove model before scaling

Cluster 3

Small size of profits but high returns, accretive to portfolio

- Rice
- Wood
- Sugar and Sweeteners

Ensure minimum profit size and high returns

Cluster 4

Non-Core restructure/ Deconsolidate

- Fertilisers
- GSEZ[4]

Deconsolidate/ Monetise

Prioritise Africa, focus as a separate vertical

Leverage Africa as a Globally Competitive Supply Source

Palm and Rubber

Successfully execute Palm and Rubber upstream plantation expansion and selective midstream investments

Edible Nuts, Cocoa, Coffee, Cotton, SVI

Continue to expand most attractive Africa-based sourcing and midstream processing

Supply Food Staples and Ingredients into Africa

Grains

Expand milling in Nigeria (M&A) and other African countries: enter Animal Feed

Rice

Maintain position in Africa

Dairy and Sugar

Distribution

Participate in African Consumer Story

PFB

Double down on Nigeria, Ghana and other parts of West Africa and drive profitability

Invest in Africa Agri-Logistics Infrastructure

African agri-infrastructure (warehouses, silos, ports)

1. Spices and Vegetable Ingredients
2. Packaged Food Business
3. Commodity Financial Services
4. Gabon Special Economic Zone

Evolution of Olam's Business Model: Olam 2.0

In my CEO Review for 2015, I had described in detail Olam's business model which we call 'The Olam Way'. 'The Olam Way' forms the basis for the way we lead, organise, compete, grow and succeed in the marketplace. We compete on the basis of this business model and like other winning business models, we expect ours to achieve the unexpected, by helping us realise our Vision of 'becoming the most differentiated and valuable global agribusiness by 2040'.

'The Olam Way' has 12 elements that together deliver 4 objectives for us: i) Setting the direction for the company; ii) Defining where to play and how to win; iii) Knowing who we are; and iv) Aligning the organisation to deliver our strategy.

The current 'Olam Way' version Olam 1.0 has served us well for the last 28 years. The many changes and actions initiated over the course of the last 2 years is likely to result in Olam becoming by the end of 2018, a very different company from the Olam of 3 years ago. We now have an extensive upstream farming and plantation footprint; our midstream manufacturing footprint has grown 10-fold during this period, we are recognised as being leaders in sustainability, and our farmer/supplier and customer networks/engagement have given us a global edge in many of our products. All these initiatives and changes combined together has resulted in Olam 1.0 evolving into Olam 2.0. This is an evolutionary rather than a revolutionary change.

We have a broad consensus within the company for the need and importance of keeping 'The Olam Way' dynamic and treating it as an active and living document to be continually refined and strengthened so that it is always fit for purpose. As our business changes, 'The Olam Way' will continue to evolve with it. Olam 2.0 is this first major evolution of 'The Olam Way'.

We have identified **6 key priorities in Olam 2.0** that will help us stay ahead and make Olam future ready: i) Focus on **drivers of long-term value**; ii) Put **sustainability at the heart of our business**; iii) Build **operational excellence as a core competency**; iv) Lead industry's **digital disruption and transformation**; v) Enhance our **culture, values and spirit**; and vi) **Realign and renew** our organisation to **execute** our **strategy**.

1 Focus on drivers of long-term value

Research by Ocean Tomo LLC (one of the world's leading Intellectual Capital Valuation, Management and Advisory Services firm) done on the S&P 500 companies for the last 45 year period shows that the market value of these companies over time is explained less by the value of their tangible assets and is increasingly determined more by the value of their intangible assets. The study shows that in 1975, 83% of the S&P 500 companies market value was explained by their tangible assets and only 17% by their intangible assets, whereas in 2015 only 16% of the S&P 500 market value was determined by its tangible assets and 84% was explained by their intangible assets.

To create value over the long-term, it has become increasingly clear that organisations need to actively manage a broader set of drivers beyond Financial and Economic Capital (equity, debt, tangible assets) that includes Manufactured Capital (the stock of the company's factories, farms, equipment, etc.), Intellectual Capital (R&D, patents, copyrights, knowhow, organisational systems and processes, etc.), Intangible Capital (brand, reputation, know-how etc.), Human Capital (motivation and engagement of its employees, attrition rates, capability development, culture, spirit, capacity to innovate, etc.), Social Capital (relationship between the company and all its stakeholders including communities, government relations, customers and other supply chain partners) and Natural Capital (including the company's carbon, water, waste footprint and the cost of these externalities). However, these broader set of long-term drivers and different forms of Capital that drive long-term value are not universally assessed in current reporting frameworks, even though they drive a significant portion of today's market value.

There is a significant and increasing disconnect between today's reporting formats and the drivers of long-term value for a few specific reasons: i) accounting profit and shareholder returns are disconnected because accounting profit is quick to recognise the short-term changes in revenues and costs, but does not account for the value likely to be derived from investments made for the long term. For example, at Olam (as described in the earlier sections of this review) we have invested significantly in sustainability, digitalisation and capability building initiatives, all of which will decrease our accounting profits, however it does not reflect the potential value that will be created from these investments; ii) we often measure and report what is easy rather than what is right, for example, inadequate reporting on intangibles; iii) the failure of companies to address idiosyncratic Environmental, Social and Governance (ESG) tail risks, which if materialised, diminishes future cash flows and increases the cost of capital; and iv) the timelines mismatch by co-mingling operating cost with different forms of long-term, gestating capital investments, which confuses the understanding of how well an organisation is investing to maintain or enhance its long-term competitive advantage.

This is why we at Olam have now begun to value these broad set of drivers and measure the various forms of capital that drive long-term value for the company.

1. Please also see our GRI report on olamgroup.com.

This Annual Report is the first in our journey to develop a new model of reporting that provides insight into how we create value over the long-term. It aims to communicate how we identify, invest in, develop, preserve and deploy key strategic assets including the various forms of Capital described above in line with our company's purpose to create long-term value for all our stakeholders.

'The Olam Way': Evolving from Olam 1.0 to Olam 2.0

'The Olam Way' is our unique business model that forms the basis for the way we lead, organise, compete, grow and succeed in the marketplace. 'The Olam Way' has 12 elements that together deliver 4 objectives:

4 objectives	12 elements
1. Setting the direction	1. Our governing objective
	2. Our purpose/cause
	3. Vision/strategic intent
	4. Defining the opportunity
2. Defining where to play and how to win	5. Our portfolio strategy
	6. Our core competency
	7. Our competitive strategy
	8. Our growth strategy
3. Knowing who we are and what we stand for	9. Our spirit/our belief
	10. Shared values and culture
4. Aligning the organisation to execute our strategy	11. Engaging our people
	12. Creating alignment

The many changes initiated over the course of the last 2 years has transformed Olam. Today, we are the world's largest planter, have significantly grown our midstream footprint, have become leaders in sustainability and our farmer/supplier and customer networks have given us a global edge. All these initiatives and changes combined together have resulted in Olam 1.0 evolving into Olam 2.0. We have identified 6 priorities in Olam 2.0 that will help us stay ahead and make us future ready:

1. Focus on **drivers of long-term value**
2. Put **sustainability at the heart of our business**
3. Build **operational excellence** as a core competency
4. Lead industry's **digital disruption and transformation**
5. Enhance **our culture, values and spirit**
6. **Realign** our **organisation**

2 Put sustainability at the heart of our business

At Olam, we have now firmly put sustainability at the heart of our business with 5 specific objectives in mind: i) it is the 'right' thing to do; ii) help increase agricultural production within the Planetary Boundaries, iii) to create differentiation and build competitive advantage; iv) to drive long-term value creation by reducing the risk to future cash flows because of an idiosyncratic ESG tail risk and by reducing the cost of capital because of a higher ESG orientation; and v) to inspire our employees by providing them meaning to their work.

Ensuring Olam grows responsibly has been a core tenet of how we have done business at Olam for several years and indeed 'Growing Responsibly' has been our Core Purpose since 2012. In 2017, we decided to refresh our Core Purpose. A good Purpose must answer 2 questions: 1) **What are we on fire about?** Why do we come to work every day? What is our Cause? What is the big problem that we are trying to solve?; and 2) **How do we conduct our business?** In order to answer the first set of questions above, we need to understand the problem that we are all trying to solve for in our industry.

As described under the Social Capital and Natural Capital impacts sections, on pages 72 to 82, agriculture faces the immense challenge of producing enough food and fibre for 9.5 billion people by 2050, while alleviating poverty, providing employment and decent livelihood opportunities in rural areas, while at the same time conserving natural habitats and biodiversity. Unsustainable conversion or over exploitation of forests and other natural habitats for food, feed, fibre and fuel, and other related purposes, threaten our natural life support systems including, soil, air, water, all living things and the global climate with serious implication for future generations. A response based mainly on doing less harm or focusing efforts to eliminate unacceptable practices such as deforestation at the scale of individual farms, or on incremental improvements by companies representing a small fraction of the supply chain, will not be enough to meet these challenges. Instead, we need to 'Re-imagine Global Agriculture', shifting away from destructive resource extraction and towards achieving a net positive impact at scale based on the creation and restoration of natural and social capital within living landscapes. That is why we have embraced 'Re-imagining Global Agriculture: Growing Responsibly' as our new purpose in 2017.

Re-imagining global agriculture : Growing Responsibly

What are we on fire about?	How do we conduct our business?
Re-imagining Global Agriculture	Growing Responsibly

What do we want to achieve?

Prosperous farms and farming systems	Thriving communities	Re-generation of the living world

Our refreshed Corporate Responsibility & Sustainability (CR&S) Framework

To this end, we refreshed our global CR&S framework in 2017 to integrate our new purpose with our 10 new Material Areas, and the UN SDGs that these key material areas will impact. We have also now mapped and aligned our Material Areas (our focus areas) to the 9 Planetary Boundaries. In this exercise we added certain Material Areas that were missing from the Planetary Boundaries framework and removed certain other overlapping areas. Most importantly, we have now fully aligned our Purpose, the Material Areas, Planetary Boundaries and the UN SDGs in a coherent manner in our new CR&S Framework described on page 15.

Achieving our new purpose is important for our shareholders, customers, farmers, Board, management and our 72,000 employees across the world.

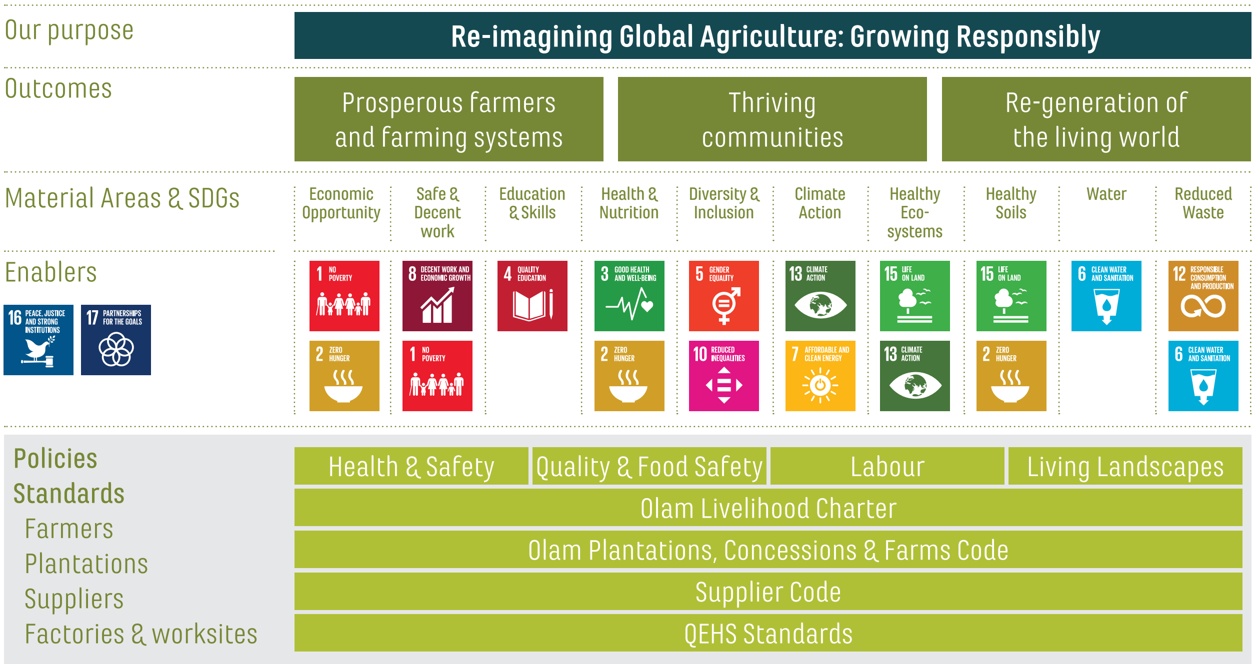
"We go beyond considering ESG factors... We actively seek out opportunities that provide sustainable solutions for a growing global population."

Temasek Holdings
(Olam's Strategic Partner and major shareholder, 53.8% stake in Olam)

In this context, we ramped up external stakeholder engagement in 2017, notably related to our palm and rubber operations, on definitions of deforestation and how the 'trade off' between alleviating abject poverty in agriculturally deficient areas while protecting vital natural capital can be managed.

As a key part of our outreach, the Gabon team welcomed more than 50 NGOs and governmental, finance and multi-lateral agency stakeholders to our operations as part of The Forests Dialogue to discuss the challenges facing this highly forested nation. In parallel, we are working extensively to halt smallholder encroachment into forests. We have created large set asides (around 50% of the total concession area) of High Conservation Value areas in our palm and rubber plantations, and are protecting these areas at our cost and responsibility. Olam Cocoa was also a founding member of the Cocoa & Forests Initiative launched by The Prince of Wales' International Sustainability Unit, working in partnership with the World Cocoa Foundation and IDH the Sustainable Trade Initiative.

Our CR&S Framework



Launching Olam AtSource: Delivering our sustainability vision

As part of our Purpose to 'Re-imagine Global Agriculture' we have launched Olam AtSource, our purpose-led platform to drive purchase and delivery of more sustainable agricultural products and ingredients with our customers. Delivered through an accessible digital portal, AtSource provides traceability through our supply chain, assurance, data and farmer narratives of real on-the-ground impact of our sustainability initiatives. It connects customers to the source of their supply, empowering our customers to have end-to-end sustainable supply chains, helping them to differentiate with their customers. In essence, it embeds the 'Olam Sustainability Chip' in our products and services.

AtSource products are available in 3 tiers tailored to supporting our customers 'unique sustainability journeys. These 3 tiers provide a pathway for progression across 4 key dimensions: traceability level (e.g. country, farmer group, farm); footprint and impact information; types of sustainability initiative; and type of verification or assurance. Performance and impact are then tracked across 12 core sustainability topics including health and safety, food safety and quality, labour practices, diversity and inclusion (these 4 topics cover the people dimension), climate change, water use, forest protection and ecosystems and soil health (these 4 topics cover the planet or environment dimension) and economic viability, education, health and well-being, and nutrition and food security (these 4 topic cover the farmer livelihoods/social dimension).

The AtSource digital platform makes sustainability tracking and reporting easy. For example, customers can access maps and product journeys, environmental footprints, socio-economic metrics and tailored impact stories. Customers and Olam can also use the data to inform decision-making to compare performance and progress between farmer groups, develop more precise, and therefore efficient, sustainability programmes with base line data and better understand impacts and make adjustments e.g. use renewables versus fossil fuels.

AtSource is Olam's commitment to a more transparent and sustainable agricultural products supply from the grass roots up.

> *"When making decisions on loans and investment proposals, we consider not only economic factors, but impacts to the environment and society as well."*
>
> Sustainability Framework, Mitsubishi Corporation (Olam's Strategic Partner and major shareholder, 17.5% stake in Olam)

AtSource

AtSource products are available in 3 tiers, supporting unique customer sustainability journeys.

AtSource ∞

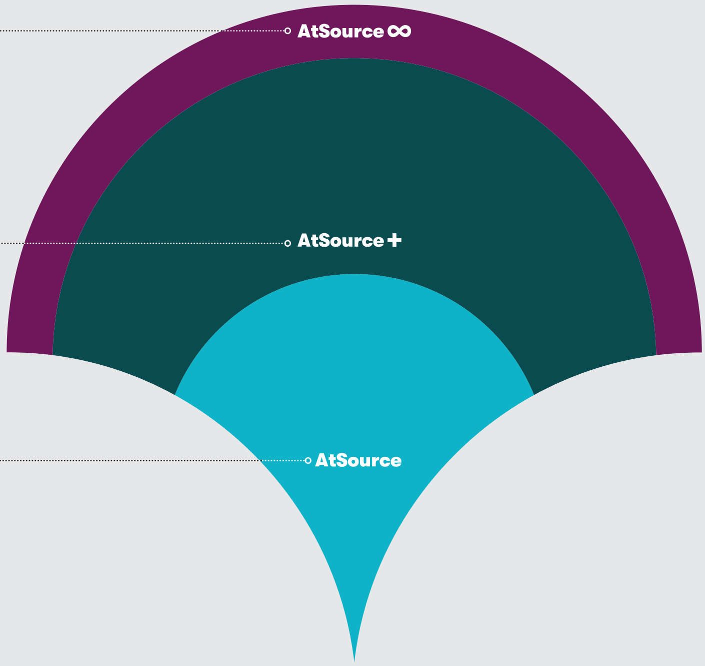
Infinity: Collaboration with customers to achieve transformational net-positive impact at community or landscape level

AtSource +

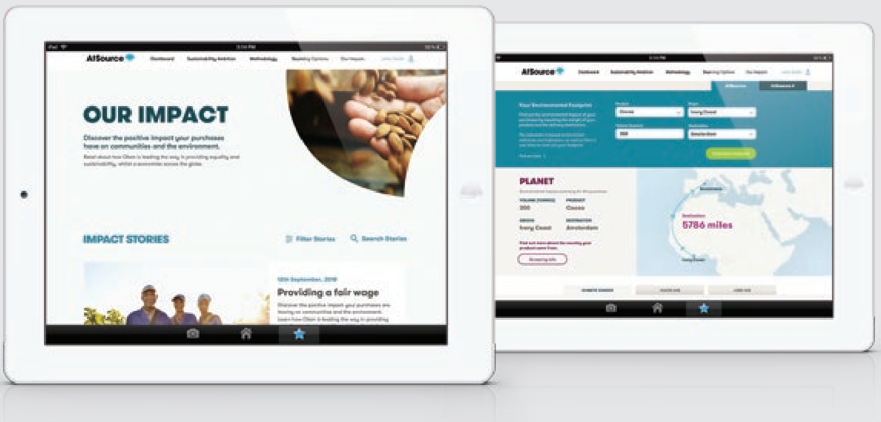
Plus: Traceable and sustainable supply chains with on the ground initiatives and granular reporting, 3rd party verified

AtSource

Entry level: Transparency and reassurance of Olam's efforts to offer responsible supply



A user-friendly digital platform provides rich, easy-to-access customer sustainability reporting.



- The platform delivers product journey maps, environmental footprints and key socio-economic metrics from Olam's supply chains.
- Customers can view tailored sustainability narratives and farmer stories specific to the impact in their product's supply chains.

3 Build Operational Excellence as a Core Competency

In order to successfully execute our strategy, we have acquired critical new competencies in plantation management, trading, operational excellence, digitalisation and sustainability, further developing our competitive advantage.

We are now focused on building an Olam Operational Excellence Management System which we believe will be a critical capability to drive superior performance in a consistent way for the company. With this in mind, we took 4 major initiatives in 2017:

i) we set up a Capital Productivity Task Force (CPTF) to improve capital productivity and efficiency by focusing on building better project management execution capability. Our aim is to make sure that our capital projects are on-budget and on-time and focused on optimising working capital and reducing our cash-to-cash cycle time. This initiative resulted in a significant reduction in working capital employed in 2017 of S$1.24 billion;

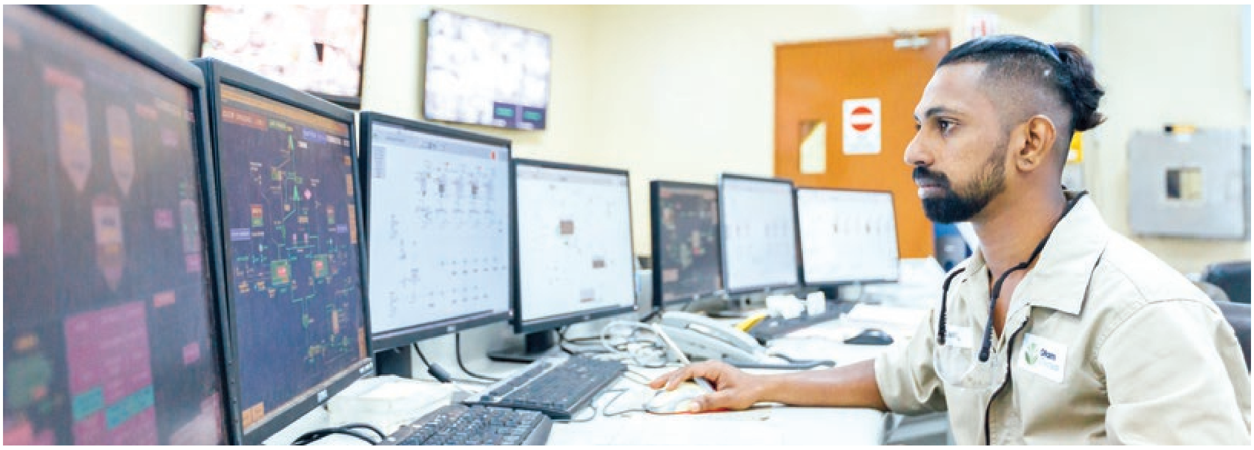
ii) we set up a Cost Efficiency Task Force (CETF) to target significant cost savings across 8 cost drivers in a sustained cost management program over the next 4 years;

iii) identified key idiosyncratic drivers that drive variability of performance and minimise performance variance from plan. Given the inherent cyclicality and volatility in our industry, this discipline is very important to reduce performance variability; and

iv) developed a more effective governance system including an integrated business assurance system, an enterprise risk management system, strengthened the market and legal compliance functions, strengthened our anti-bribery and corruption (ABC Policy) and developed a new CR&S Framework. We believe that by developing Operational Excellence as a new core competency it will help us reduce error, increase speed, free up bandwidth, compound our learning and increase the predictability of our performance.

Investing in building new capabilities

New competencies	Operational excellence	World's best trader	World's best planter	Digitalisation	Sustainability
Existing competencies	Origination, Logistics, Processing and Trading	Supplier/ Customer Networks, Plantation and Manufacturing Assets	Mergers and Acquisitions, Talent Management, Risk Management	Capital Structure Innovation	Stakeholder Management



Cocoa processing plant in Singapore.

4 Lead industry's digital disruption and transformation

Digitalisation is disrupting and transforming almost every sector in today's world and fundamentally changing the way we live and do business. Digital disruptions are happening at both ends of our value chain. At the back end, we have the rise of platforms affecting origination (eg. Online Agri marketplaces) while at the front end, tech giants are crossing over into new business verticals (Amazon is a good example of this changing landscape with their purchase of Whole Foods).

As outlined in my CEO Review for 2016, we embarked on the digital transformation of our business in 2016 and developed and tested a number of solutions for different parts of our business across 3 buckets in 2017: i) Olam Direct; ii) Olam Inside; and iii) Olam Forward. Our goal is to digitise our highest value supply chains end-to-end, both to drive cost efficiencies and capture additional value across the supply chain.

In 2017, we rolled out 10 digital initiatives including Olam Direct, Customer Service Portal, a Small and Medium Business e-Commerce Portal, Drone Image Analytics, Walk the Field mobile app, Digital Warehouse, Transact and Trace, Digital Procurement, Paperless Trade, Electric Motors Condition Monitoring, and Dryer Optimisation. We have seen promising results in many of these pilots that we rolled out in 2017 as shown below:

Olam's Digitalisation Journey: We have seen promising results in 2017

Olam Direct (Disruptive)

5,000+
Farmers have transacted directly with Olam Cocoa in Indonesia

Olam Direct successfully launched on Google Playstore

Poised to rollout to Olam Coffee in Central America

Olam Inside (Disruptive)

3 Cost effective customer portal launched for US SVI, deploying to 3 other BUs by 2Q18

Digital traceability launched in Medan Arabica, leading to new business from major customers

Synchronous Olam Inside roadmap to rollout end-to-end digitised supply chains

Olam Forward (Transformative)

1% Dryer performance in Vietnam coffee improved to increase production yield by up to 1%

35 motor sensors for predictive maintenance installed in Asia (Dairy, Coffee, SVI, Edible Nuts, Sugar, Cocoa)

Digital warehouse successfully implemented in Medan (Arabica) and Qui Nhon (Cashew)

In addition, we are also pursuing the creation of an industry leading platform or marketplace that helps connect millions of farmers directly with Olam with fair and transparent price discovery while at the same time source their farm inputs and secure microfinance, insurance, etc. from different vendors and service providers. We are envisaging this to comprise a simple and usable mobile app for farmers to sell their produce on this platform, and for all of the other service providers to participate in this marketplace.

5 Enhance our Culture, Values and Spirit

Over the years, our 6 values and the everyday behaviours that institutionalise these values in the company have helped us build a distinctive culture, shaping how we work and setting the standards for what it means to be part of Olam. We have always competed on the basis of the organisational advantage that this unique culture has provided us. We are currently in the process of reviewing our existing values to see how they should be refreshed to remain relevant in Olam 2.0 and our evolving priorities.

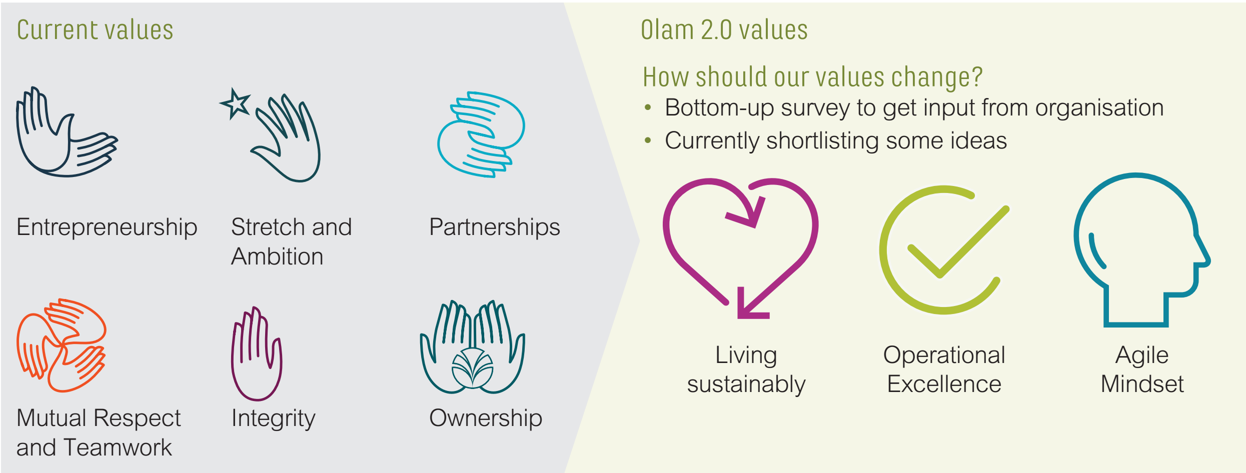
Key questions that we are asking in an extensive bottom up survey relate to which parts of our current culture should be preserved and which should we drop.

To reinforce our culture, we have updated our HR vision to "Building a high-performing and inspired workforce."

Attracting, retaining and inspiring our talent remains a key focus for us. Upskilling national talent and creating rural communities where people want to live is essential. As we grow and scale our business, we need to make sure that our teams are better connected and to this end, we have stepped up our investments in social media and digital tools to better connect our team and encourage them to collaborate more.

Specific initiatives are also being taken to institutionalise the 'Founder's Mentality' which underpins the spirit of the company. This includes a focus on attracting, retaining and developing talent through the Global Future Leaders programme at entry level and investing in the new Olam Learning Academy.

We need to refresh our current values and culture for Olam 2.0



6 Realign and Renew our organisation to execute our strategy

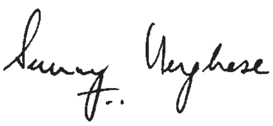
We believe that Olam 2.0 will catalyse and re-energise our employees and our leadership team. They are inspired by our new Purpose. We are also taking steps to renew our top management teams, reviewing our current structure, and re-examining the role of the centre in decision making. We want to build on the success of our Communities of Practice 'CoPs' (on Upstream, Trading, Customer Engagement & Founder's Mentality) and Task Forces (Sustainability, DTF[1], CETF[2], CPTF[3] and Integrated Reporting). These COPs and Task Forces have enhanced collaboration across the company and in many cases, have come up with game changing solutions that will serve the company well going forward.

One of the disappointments in 2017 was the dip in our employee engagement scores. Reasons vary but certainly volatile trading conditions and cost and capital efficiency drives add pressure to teams. Based on the engagement survey results, we are working on 5 areas to enhance engagement within our talent pool: i) Employer brand; ii) Career opportunities; iii) Learning and development; iv) Rewards and recognition; and v) Collaboration.

These 6 key priorities in Olam 2.0 will help us stay ahead and be future ready. While executing Olam 2.0 will have its challenges, these changes are highly energising and inspiring to our employees. These changes will be at the heart of enabling Olam to continue being an enduring, successful and responsible business. We believe that Olam 2.0 will help us change the company, and change our sector for the better. 2017 was an energising year for all of us at Olam, one that simultaneously offered both continuity and change - continuity with regard to our strategy, and change with regard to our evolving business model.

I close this review with a sense of gratitude and pride about Olam's 72,000 strong team worldwide. During my frequent visits to our operations across our 66 countries, I see many of them in action and am always astounded by their capabilities, commitment, discretionary effort, character, experience and insights. I cannot emphasise how honoured I am to work at Olam and with all my fellow employees. I thank our shareholders for their continuing support and their endorsement of our strategy to focus on creating long term value and putting sustainability at the heart of our business. I would also like to thank our Board for their guidance, trust in the management and leadership team and our people, and their contribution in helping us build a more consistent, sustainable and profitable company. I also thank all our partners, including our farmers, other suppliers, customers and key service providers, bankers and creditors, in contributing to our success.

We have a strong business and a bright future. I am confident that we will deliver on our new Purpose of 'Re-imagining Global Agriculture: Growing Responsibly'.



Sunny Verghese
Co-Founder and Group CEO

1. Digital Task Force
2. Cost Efficiency Task Force
3. Capital Productivity Task Force

Where we participate and the value we create across our 7 Capitals.

Resources and relationships we depend on

Financial Capital
The investments we make, the assets we build and the value we derive for our shareholders

Social Capital
The relationships we forge and nurture with suppliers as well as communities where we operate

Natural Capital
The land, water, biodiversity and other ecosystem services for crops to grow

Human Capital
The talent, skills, dedication and inspiration of our workforce, and our responsibility to keep them safe

Intellectual Capital
The knowledge and IP that we create and use to keep us ahead

Intangible Capital
The trust in our brand and our reputation which helps establish multiple stakeholder partnerships

Manufactured Capital
The equipment, tools and infrastructure to create our products and services safely and sustainably

What we do

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

What sets us apart
We have expanded upstream where we see the grower having an increasing share of the profit pool. These are also areas where we can build a significant cost advantage resulting in attractive returns.

Our vision is to be the 'world's best planter' and we are applying the highest standards in sustainable development with the aim of creating 'net positive impacts' for Olam, communities and the living world.

Supply chain
- Global origination and sourcing
- Primary processing
- Inland and marine logistics
- Merchandising
- Trading
- Value-added solutions
- Risk management

What sets us apart
The breadth and depth of our origins and our closeness to farmgate: in 28 years we have built an enviable network of farmers and cooperatives, working with them on the ground to improve yields, quality and incomes. This is coupled with expert teams, skilled in logistics, risk management and securing supplies for customers.

Selective mid/downstream
- Value added manufacturing
- Branding and distribution (Africa)

What sets us apart
We have invested in processing facilities around the world that are close to source and close to customers, supporting with R&D and backed by market insights.

Our Packaged Foods Business in Africa stems from the strength of our unique capabilities related to the management of food supply chains and the common distribution network that we have built over nearly 3 decades for related commodities across the continent.

The value we created in FY2017

17.9%
increase in market cap value between 2016 and 2017

25.3%
increase in tangible book value

363,000
smallholders supported in the Olam Livelihood Charter

101,000
hectares protected as High Conservation Value

22%
improvement on irrigation and process water intensity (own operations)

237,000
hours of training for employees

40
partnerships in the Olam Livelihood Charter alone

S$970.6m
total gross cash capex

The value we are creating long-term

Financial
An enduring business where profits and Purpose are aligned delivering strong returns for shareholders

Social
Sustainable supplies for customers from prosperous farmers boosting rural economies

Natural
A re-generated living world that is able to support the needs of the future within Planetary Boundaries

Human
An inspired and high-performing workforce that is re-imagining the agri sector for the better

Intellectual
A talented and agile business finding solutions for customers and the sector

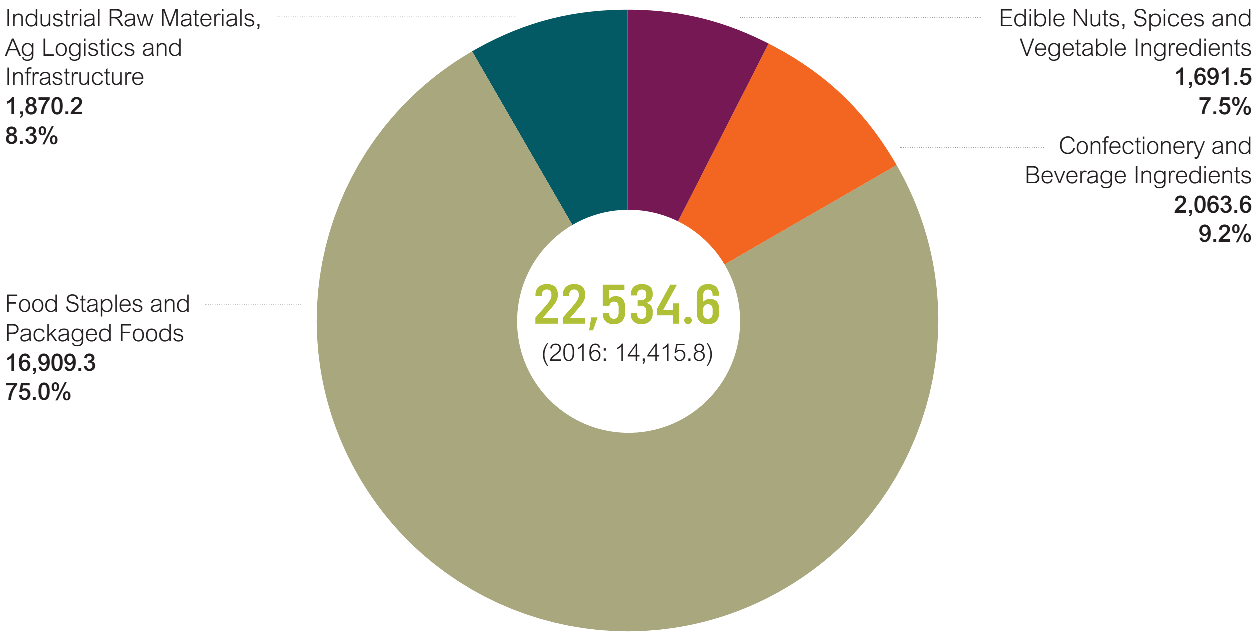
Intangible
A reputable partner of choice to those who can help scale programmes and achieve our vision

Manufactured
Safe products from safe environments

Volume

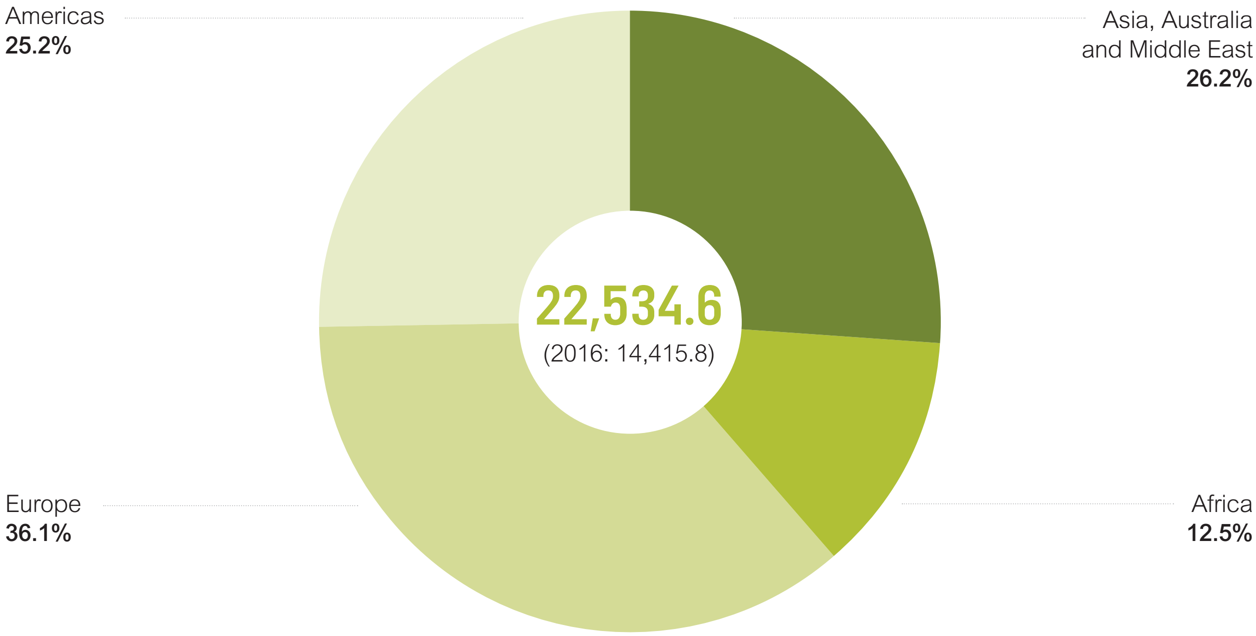
Sales volume by segment

('000 Metric Tonnes)



Sourcing volume by region

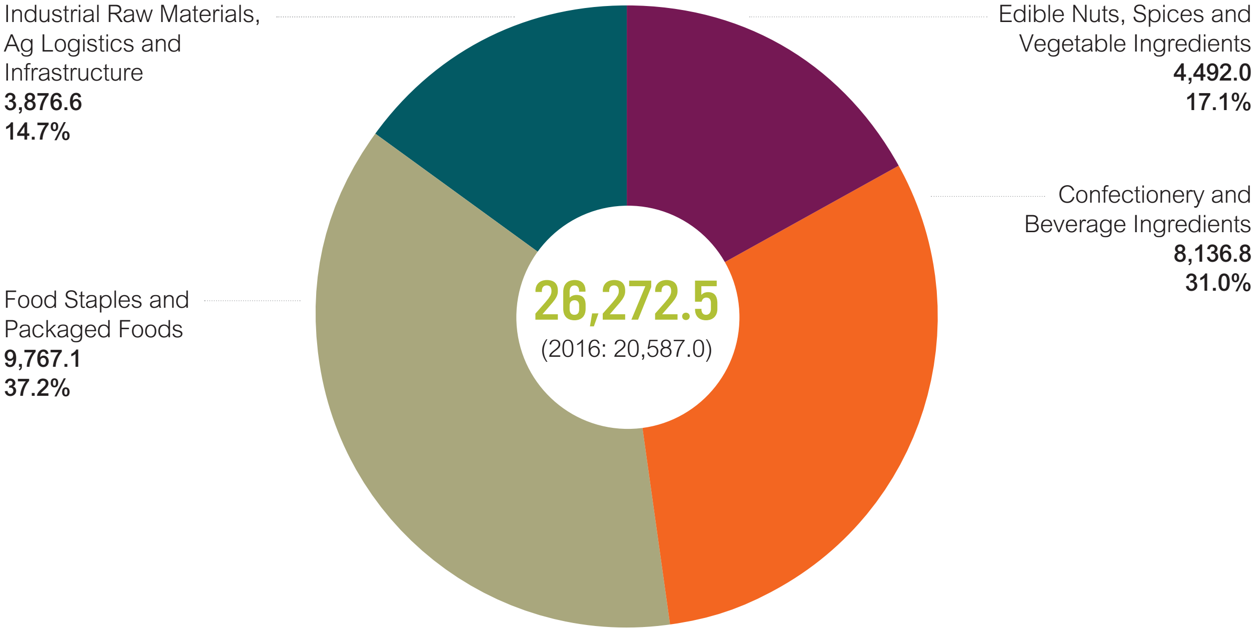
('000 Metric Tonnes)



Revenue

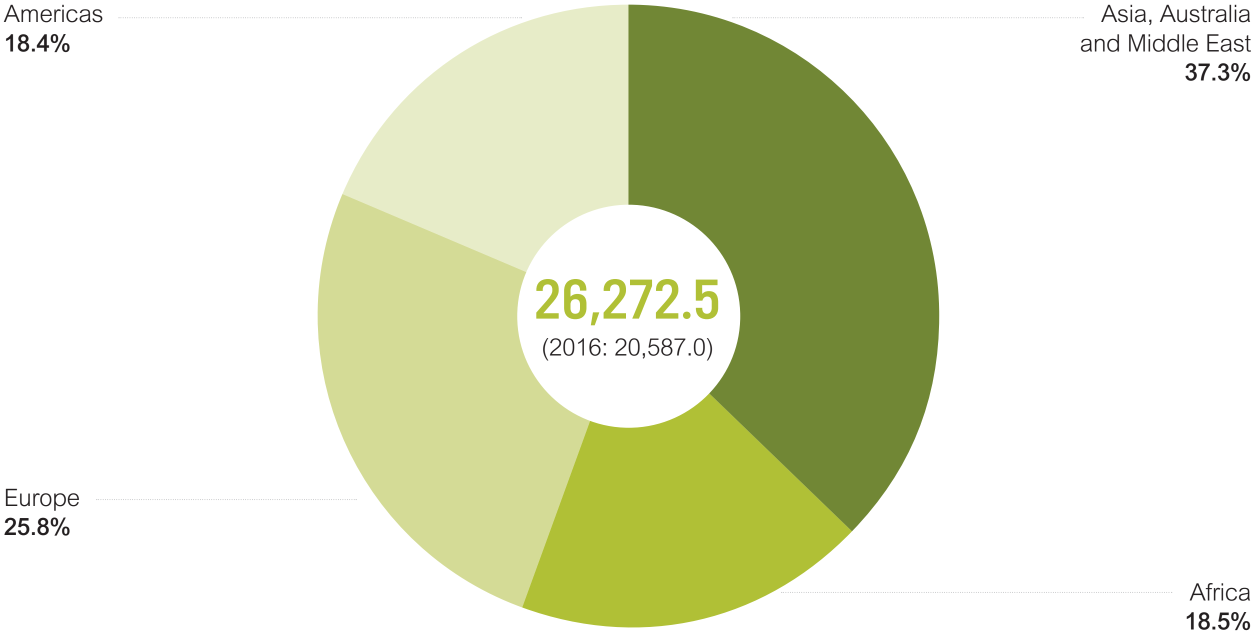
By segment

(S$ million)



By region

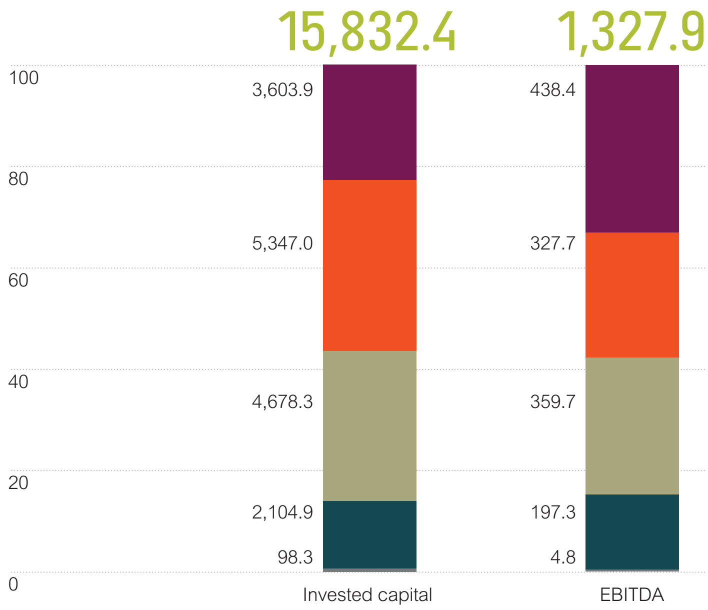
(S$ million)



Invested capital and EBITDA

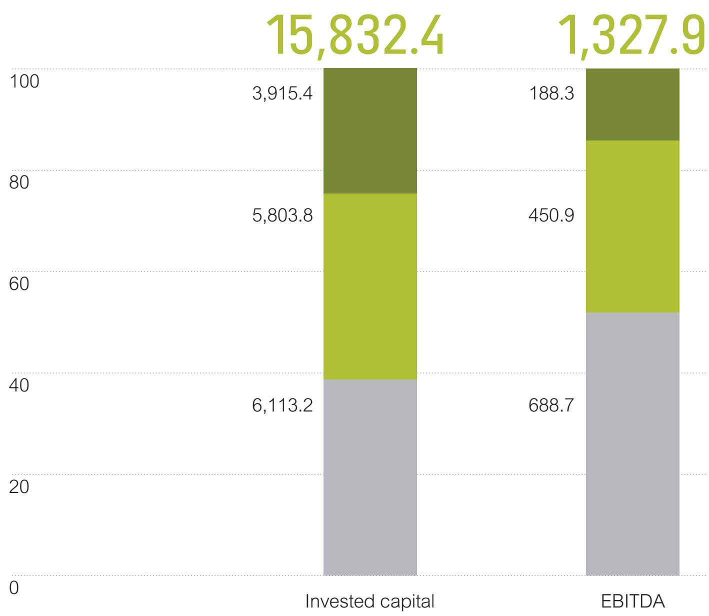
By business segment

(S$ million)



By value chain segment

(S$ million)



- 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
- Upstream
- Supply chain
- Midstream and downstream

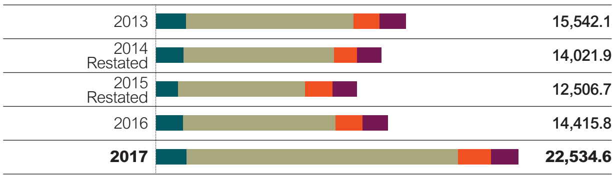
For the 12 months ended 31 December

S$ million	2017	2016	% Change
Profit and Loss Statement			
Sales Volume ('000 Metric Tonnes)	**22,534.6**	14,415.8	56.3
Sales Revenue	**26,272.5**	20,587.0	27.6
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)*	**1,327.9**	1,202.8	10.4
Earnings Before Interest and Tax (EBIT)*	**947.2**	849.3	11.5
Profit Before Tax*	**630.8**	433.4	45.6
Profit After Tax and Minority Interest	**580.7**	351.3	65.3
Operational Profit After Tax and Minority Interest*	**431.5**	363.8	18.6
Per Share			
Earnings Per Share basic (cents)	**18.6**	11.5	61.4
Operational Earnings Per Share basic (cents)*	**13.3**	11.5	15.7
Net Asset Value Per Share (cents)	**200.1**	190.8	4.8
Net Dividend Per Share (cents)^	**7.5**	6.0	25.0
Balance Sheet			
Total Assets	**22,298.5**	23,468.9	(5.0)
Total Invested Capital	**15,832.4**	16,649.0	(4.9)
Total Debt	**11,587.9**	13,670.5	(15.2)
Cash and Cash Equivalents	**1,986.4**	2,144.1	(7.4)
Shareholders' Equity	**6,443.6**	5,398.3	19.4
Cash Flow			
Operating Cash Flow Before Interest and Tax	**1,369.2**	1,243.5	10.1
Net Operating Cash Flow After Changes in Working Capital and Tax	**2,203.9**	1,015.8	117.0
Free Cash Flow to Firm	**1,484.4**	(418.1)	N.M.
Free Cash Flow to Equity	**1,020.4**	(765.8)	N.M.
Ratios			
Net Debt to Equity (times)**	**1.46**	1.99	(0.53)
Net Debt to Equity (times) adjusted for liquid assets**	**0.51**	0.73	(0.22)
Return on Beginning-of-period Equity (%)**	**9.0**	6.1	2.9
Return on Average Equity (%)**	**8.5**	5.8	2.7
Return on Invested Capital (%)	**5.4**	4.0	1.8
EBITDA on Average Invested Capital (%)	**8.2**	7.8	0.4
Interest Coverage (times)#	**2.2**	2.0	0.2

* Excludes exceptional items
^ Proposed final dividend of 4.0 cents for 2017 is subject to shareholders' approval at the 23rd Annual General Meeting.
** Before Fair Value Adjustment Reserves
\# EBIT on total interest expense

Sales volume

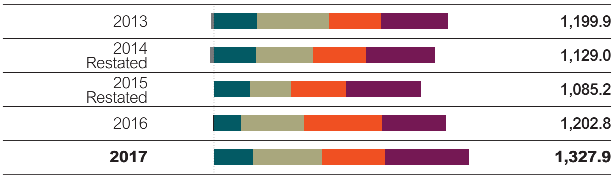
('000 Metric Tonnes)



	2013	2014 Restated	2015 Restated	2016	**2017**
Edible Nuts, Spices and Vegetable Ingredients	1,657.7	1,527.2	1,549.2	1,569.7	**1,691.5**
Confectionery and Beverage Ingredients	1,592.8	1,437.1	1,689.5	1,687.5	**2,063.6**
Food Staples and Packaged Foods	10,450.7	9,356.4	7,904.9	9,496.1	**16,909.3**
Industrial Raw Materials, Ag Logistics and Infrastructure	1,840.9	1,701.2	1,363.1	1,662.5	**1,870.2**

Earnings Before Interest, Tax, Depreciation and Amortisation

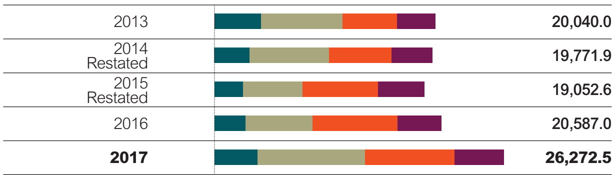
(S$ million)



	2013	2014 Restated	2015 Restated	2016	**2017**
Edible Nuts, Spices and Vegetable Ingredients	346.7	360.5	393.5	331.8	**438.4**
Confectionery and Beverage Ingredients	268.5	275.6	284.0	407.2	**327.7**
Food Staples and Packaged Foods	378.2	295.2	212.1	330.2	**359.7**
Industrial Raw Materials, Ag Logistics and Infrastructure	218.6	215.6	185.1	135.2	**197.3**
Commodity Financial Services	(12.1)	(17.9)	10.6	(1.6)	**4.8**

Sales Revenue

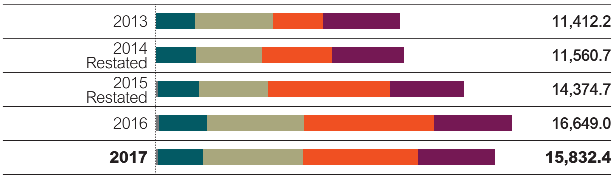
(S$ million)



	2013	2014 Restated	2015 Restated	2016	**2017**
Edible Nuts, Spices and Vegetable Ingredients	3,465.0	3,692.3	4,227.2	3,981.1	**4,492.0**
Confectionery and Beverage Ingredients	4,968.0	5,721.8	6,859.6	7,711.0	**8,136.8**
Food Staples and Packaged Foods	7,406.1	7,187.3	5,391.2	6,110.8	**9,767.1**
Industrial Raw Materials, Ag Logistics and Infrastructure	4,199.5	3,170.6	2,574.6	2,784.1	**3,876.6**
Commodity Financial Services	1.4	(0.1)	0	0	**0**

Invested Capital

(S$ million)



	2013	2014 Restated	2015 Restated	2016	**2017**
Edible Nuts, Spices and Vegetable Ingredients	3,610.0	3,363.6	3,463.0	3,642.7	**3,603.9**
Confectionery and Beverage Ingredients	2,346.6	3,246.9	5,680.9	6,109.5	**5,347.0**
Food Staples and Packaged Foods	3,612.8	3,075.1	3,230.6	4,522.1	**4,678.3**
Industrial Raw Materials, Ag Logistics and Infrastructure	1,839.4	1,872.0	1,917.5	2,220.9	**2,104.9**
Commodity Financial Services	3.4	3.2	82.6	153.8	**98.3**

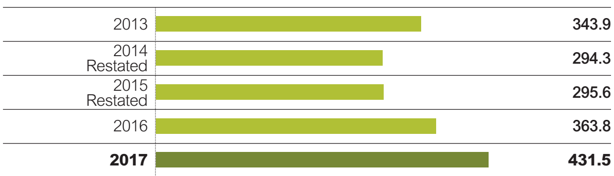
- Edible Nuts, Spices and Vegetable Ingredients
- Confectionery and Beverage Ingredients
- Food Staples and Packaged Foods
- Industrial Raw Materials, Ag Logistics and Infrastructure
- Commodity Financial Services

Profit After Tax and Minority Interest

(S$ million)

Operational Profit After Tax and Minority Interest

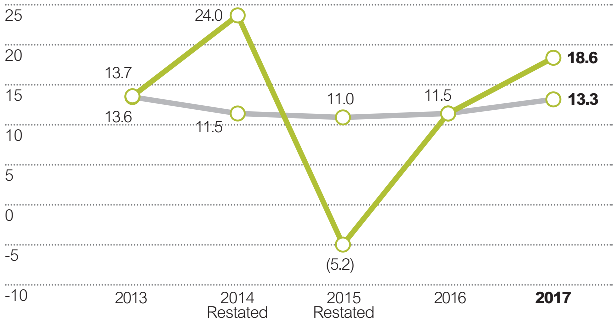
(S$ million)



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

Earnings Per Share

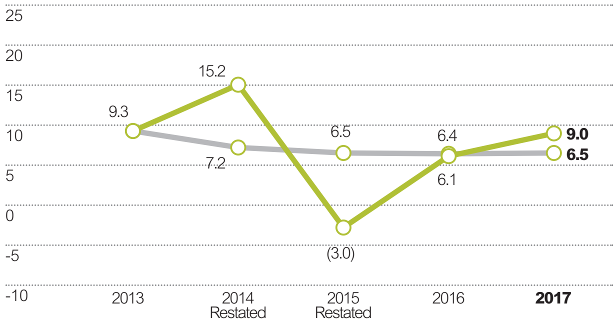
(cents)



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

Return On Equity

(%)



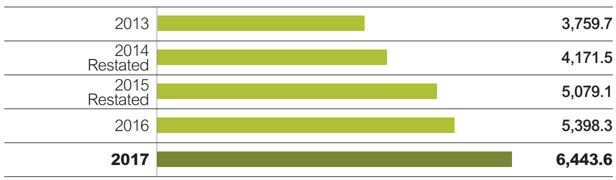
- Return on Beginning-of-period equity
- Return on Beginning-of-period equity excluding exceptional items

Net Asset Value Per Share

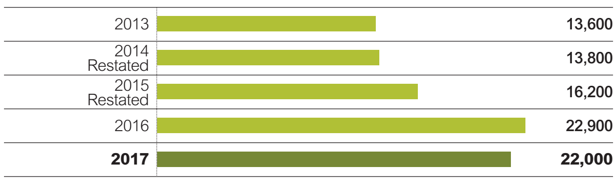
(cents)

Shareholders' Equity

(S$ million)



Number of Customers



Figures for 2013-2014 are computed based on 30 June year-end basis

Top 25 Customers' Share of Total Sales Revenue

(%)

Figures for 2013-2014 are computed based on 30 June year-end basis

Onion harvest in Imperial Valley, California.

Re-imagining global agriculture

Prosperous farmers and farming systems

Re-thinking how people and companies are financially rewarded to make the agricultural sector attractive and viable

Page 30

Our purpose in action: Innovating supply chains to benefit farmers and Olam

Thriving communities

Revitalising communities who depend on agricultural systems so that people live well

Page 32

Our purpose in action: Helping communities to thrive by reviving cotton growing in Côte d'Ivoire

Re-generation of the living world

Re-generating ecosystems, soils and water to create landscapes where industrial agriculture, smallholders and other rural commerce co-exist with nature

Page 34

Our purpose in action: Creating hedgerows for bees in California

Kurniadi, is a 38-year old farmer:

" In early 2000, I began to cultivate cocoa on my farm. However, during the past few years I realised that my cocoa farm was not productive because of pests and disease.

" While thinking about changing from cocoa to another crop, I heard from a friend who said there is a company that wanted to buy cocoa beans directly from farmers. And if the news was true indeed that farmers can get a better price, then this sounded too good to be true.

" I attended one of the socialisation events. Olam Indonesia was announcing direct purchasing from the farmers under a programme called Olam Direct. From the socialisation I started to learn about cocoa bean quality. The Olam Direct programme not only enables the purchase of beans manually but also through an online bean-selling android application. Cool! Unfortunately, I still had my old phone, but as I had registered with the Olam Direct programme, I got information about the cocoa bean price every day by SMS.

" I was very satisfied with the price I got for my beans in the first transaction. Recently I purchased a new phone, and I was embarrassed because I could not operate a smartphone. However, after training from the Olam Direct field staff, I conducted my first successful online transaction.

" With Olam Direct, I am excited to take more care of my cocoa trees, and I will think a thousand times before I decide to shift to a different crop."

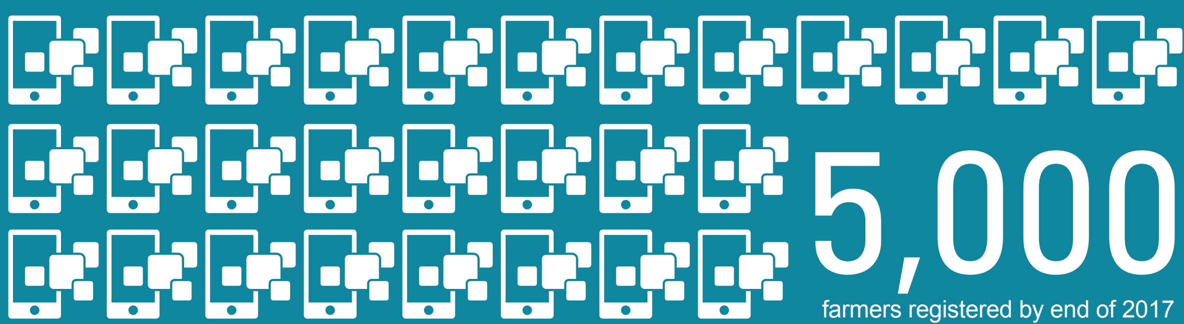
INNOVATING SUPPLY CHAINS TO BENEFIT FARMERS AND OLAM

One of the many challenges for crops like coffee and cocoa is the sheer number of small-scale farmers living in very remote regions with limited infrastructure.

Collecting directly from each farmer, and proper handling of the crop, are labour and time intensive. This is why intermediaries have established themselves, buying from farmers in a certain area and then selling to the next intermediary so the crop gradually moves from farm to port. Reducing the number of transactions can provide better value to the farmer, as well as increasing the efficiency of the supply chain. It also means that Olam is paying a higher price.

Designed by the Digital Olam team, Olam Direct is an industry-leading tech platform that will help connect millions of farmers directly with Olam to ensure a fair and transparent sourcing process and improve traceability. The app was launched to cocoa farmers in August in Wiyono village, Lampung Province, Indonesia, where they learned how to check the cocoa price online, indicate intent and transact with Olam. Tips on Good Agricultural Practices are also issued. Farmers can now make more informed decisions for the harvesting and sale of their cocoa, thereby improving their livelihoods. A field force and toll-free helpline help farmers feel at ease downloading and transacting on the app.

Olam is also building partnerships with telecom service providers to improve digital penetration in upcountry areas and with banks to open accounts for the farmers, bringing financial inclusion, as well as reducing the cost and risks for high-volume transactions. Furthermore, the app immediately connects the Olam Cocoa logistics teams who can co-ordinate collection and warehousing more efficiently. We now intend to take our innovations and apply them to other farmers both in Indonesia and elsewhere; continuing to increase the value of farming, improving livelihoods and further re-imagination of the supply chain.



" Africa accounts for about 5% of global cotton production and, in our view, holds the highest agronomic potential for growth in the cotton sector through deeper farmer engagement, deploying better agronomic practices and the use of higher quality agri-inputs, thereby improving yields and bringing down production costs. Close cooperation among industry participants, pro-active and enabling policies, synergistic efforts across the supply chain and an engaged and committed government have shown the power of multiple stakeholders pulling in one direction to deliver sustainable benefits for all."

Ashok Hegde
Managing Director and Olam Cotton CEO

HELPING COMMUNITIES THRIVE BY REVIVING COTTON GROWING IN CÔTE D'IVOIRE

Olam subsidiary SECO[1] acquired its first ginnery in 2008, when the country was recovering from civil war lasting from 2002 to 2007. Before the unrest, Côte d'Ivoire was among West Africa's main cotton producers but during the crisis production slumped dramatically.

Against this backdrop, SECO's ginning model and support of partners Compaci and GIZ, galvanised cotton farmers and addressed agricultural, financial and social issues to revive cotton production, secure smallholders' livelihoods, and increase food security.

From first engaging 3,000 farmers in 2008, SECO is today working with 16,600 farmers to plant 64,500 ha of cotton. Yields have increased from 625kg to over 1,000kg/ha. As a result, SECO has commissioned a new gin in Ferke. Socially, the programme has improved literacy and numeracy, provided dedicated training for women, supporting them to achieve financial access and improve awareness of food crop production and nutrition. Another programme focuses on business skills, especially for young people. By taking a long-term approach that addresses commercial, social and environmental needs, SECO has helped impoverished communities to re-imagine an agricultural future for themselves.

Learnings contributed to the Olam Livelihood Charter, and, in January 2017, SECO was featured in a film from the Business Sustainable Development Commission and Economist Films. Previously it had featured in a book by Conor Woodman[2] as a positive example of inclusive business.

16,600

farmers to plant 64,500 ha of cotton

1. Société d'Exploitation Cotonnière Olam
2. Unfair Trade published 2012

" This farm really serves as a great model for what can be done. Olam has been able to adopt all of these great practices that really improve the biodiversity of the farm and make it better for pollinators."

Jessa Kay Cruz
Senior Pollinator Conservation Specialist, Xerces Society

CREATING HEDGEROWS FOR BEES IN CALIFORNIA

Olam is the second largest grower of almonds globally and the only supplier with orchards in both hemispheres (Australia and California), meaning we can provide a year-round fresh supply to customers.

In California, the team works with various experts, in areas spanning water management, soil health and biodiversity. Bees are critical, and in January they are transported to California to pollinate the almond orchards of more than 6,800 farmers.

In 2017, we required around 680 million bees for our extensive orchards, costing US$3 million, so it's important that we provide the best incentive for the bees to stay, rather than fly elsewhere! It's also important that they are productive, which means they need to be healthy.

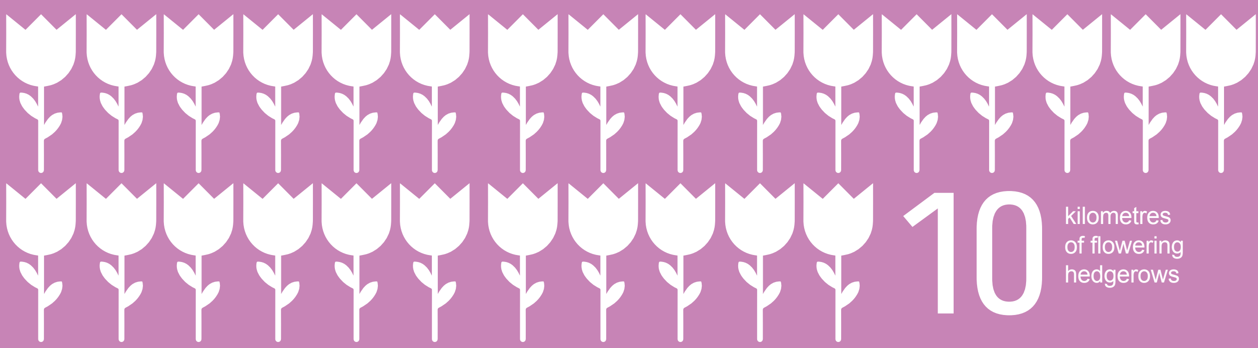
In 2014, with General Mills and Xerces Society for Invertebrate Conservation, the almonds team created almost 10 kilometres of flowering hedgerows so that bees and other pollinators can get the varied diet they need, as well as attracting bees naturally.

In an interview in 2017, Jessa Kay Cruz, senior pollinator conservation specialist for the Xerces Society said of the Olam orchard: "This farm really serves as a great model for what can be done. Olam has been able to adopt all of these great practices that really improve the biodiversity of the farm and make it better for pollinators."

Larry Hanson, Olam Director of Agricultural Research & Development, has also been working with Project Apis m which provides mustard seed mixes for floral diversity. These are sown on Olam's land on the research farm outside Hanford to promote healthy bee colonies. Just like humans, bees are better able to deal with stressors if properly nourished, better able to fend off pests and parasites and cope with pesticides and transportation stress. Healthier bees mean stronger hives and better pollination.

Other measures to protect bees and other pollinators include avoiding the use of any insecticides during the pollination period and applying tree fungicide only at night when bees are not active[1]. More widely, Olam promotes Integrated Pest Management (IPM) techniques – these include 'threshold' spraying, which adapts pesticide use according to bug levels in individual fields, and using natural methods to deter pests, such as planting maize as a border crop.

Better management practices, smarter use of technology, and restoring natural capital in and around our orchards, plantations and farms, can help protect biodiversity and enable the natural process to supply ecosystem services. This is at the heart of our vision to re-imagine global agriculture.



10 kilometres of flowering hedgerows

1. We have made a commitment to limit our use of WHO Class IA and IB chemicals to exceptional circumstances where no alternatives are available, and have implemented a control plan for rarely used Class II chemicals including neonicotinoids

A. Shekhar,
Executive Director and Group COO

Improved operational performance

Most of our business segments delivered strong performance during the year, with Edible Nuts, Cotton, Ag Logistics and Infrastructure being stand-out performers. This, together with our focus on divesting non-core assets, lowering capital expenditures and optimising our working capital enabled us to deliver strong cash flows.

+56.3%
Volume

+10.4%
EBITDA

+65.3%
PATMI

Olam reported a strong financial and operating performance in 2017.

We posted a 65.3% increase in PATMI to S$580.7 million (2016: S$351.3 million). This was driven by exceptional gains from divestments, an improved operating performance and lower taxes after adjusting for higher depreciation and amortisation, and net finance charges.

We booked a net exceptional gain of S$149.2 million for 2017 and this came mainly from the S$121.2 million gain from the partial divestment of 50.0% interest in Far East Agri Pte. Ltd. (FEA), the sugar refinery business in Indonesia, as well as S$34.2 million gain from the sale of farmland assets in the USA, which was partially offset by the S$6.2 million cost provision made for the wage settlement agreement in the USA for the Spices and Vegetable Ingredients platform. The prior year 2016 had a net exceptional loss of S$12.5 million, which was due to the buyback of high coupon bonds.

Key highlights

+18.6%
Operational PATMI

S$1,020 M
Free Cash Flow

1.46X
Gearing

Without these exceptional items, Operational PATMI grew by a healthy 18.6% to S$431.5 million (2016: S$363.8 million).

Sales volume was up by a robust 56.3% as compared with 2016 as we saw volume growth across all segments, within which the Grains and Edible Oils platforms were the most significant contributors during 2017. Revenue growth was more modest at 27.6%, due to changes in product mix as well as lower commodity prices.

Our operating performance, in terms of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), grew 10.4% or S$125.1 million higher year-on-year to S$1.3 billion. Most of our business segments posted an increase in their EBITDAs, with growth led by Edible Nuts, Spices and Vegetable

Financial performance

(S$ million)

	2017	2016	% Change
Volume ('000 MT)	22,534.6	14,415.8	56.3
Revenue	26,272.5	20,587.0	27.6
Net gain/(loss) in fair value of biological assets	(15.3)	14.1	N.M.
EBITDA	**1,327.9**	1,202.8	10.4
Depreciation and amortisation	(380.7)	(353.5)	7.7
Net finance costs	(465.6)	(403.5)	15.4
Taxation	(79.2)	(94.3)	(16.0)
Exceptional items	149.2	(12.5)	N.M.
PAT	551.6	339.1	62.7
PATMI	**580.7**	**351.3**	**65.3**
Operational PATMI	**431.5**	**363.8**	**18.6**

Ingredients, followed by Industrial Raw Materials, Ag Logistics and Infrastructure, Food Staples and Packaged Foods, and Commodity Financial Services (CFS).

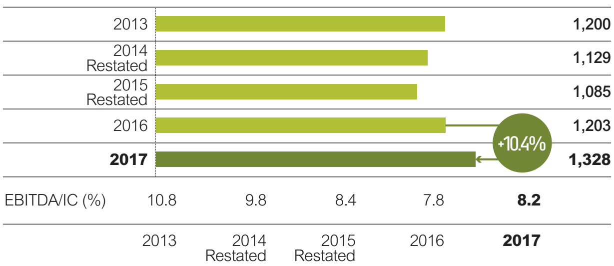
Edible Nuts, Spices and Vegetable Ingredients achieved a 32.1% growth in EBITDA from S$331.8 million in 2016 to S$438.4 million in 2017. Industrial Raw Materials, Ag Logistics and Infrastructure reported a 45.9% increase in EBITDA from S$135.2 million to S$197.3 million while Food Staples and Packaged Foods was up 8.9% from S$330.2 million to S$359.7 million. CFS turned in a positive EBITDA of S$4.8 million against a loss of S$1.6 million in the previous year. The improvement in EBITDA helped offset lower contribution from the Confectionery and Beverage Ingredients segment which was down 19.5% from S$407.2 million to S$327.7 million. (Segmental performance will be discussed in greater detail on pages 46 to 66.)

More importantly, the growth in EBITDA was achieved on a reduced invested capital base compared to 2016 and therefore we were able to lift the EBITDA on average invested capital return from 7.8% to 8.2% in 2017. Invested capital came down by 4.9% from S$16.6 billion in 2016 to S$15.8 billion in 2017 and this was mainly a result of a 13.0% reduction in working capital deployed, despite our higher volume (56.3%) and revenue growth (27.6%). While most of the reduction in working capital was aided by lower commodity prices, a significant part of the reduction was on account of various working capital optimisation initiatives undertaken across businesses.

We continued our targeted fixed capital investments in prioritised platforms to complete our committed investments and extract full value from our upstream and midstream assets. Net capital expenditures (Capex) outflow was lower on account of the capital release from divestments.

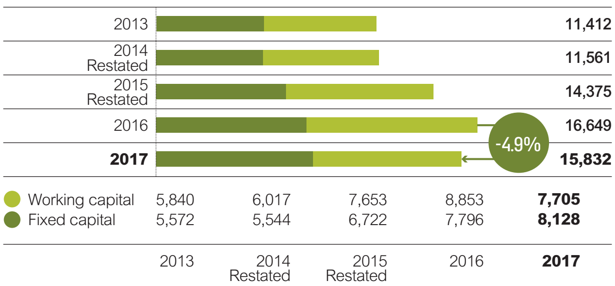
Earnings Before Interest, Tax, Depreciation and Amortisation

(S$ million)



Invested capital

(S$ million)



Strategic Plan Progress

We made very good progress in the execution of our 2016-2018 Strategic Plan. In fact, Olam met most of its key priorities set for 2017, as set out in the Plan. We delivered improved Operational PATMI and EBITDA/IC for 2017, as well as positive Free Cash Flow to Firm (FCFF) of S$1,484.4 million and Free Cash Flow to Equity (FCFE) of S$1,020.4 million by end-2017 – which is a record achievement by our Group. We executed on the following initiatives to release cash and improve cash flow generation:

- Associated company GSEZ sold 25.0% stake in its subsidiary company GSEZ Mineral Port to Meridiam in September 2017 and also sold concession rights to operate the new Owendo International Port in Gabon to Bolloré Group in October 2017. Post these transactions, GSEZ repaid its shareholder loan of €66.0 million (approximately S$104.0 million) to Olam in the second half of 2017.
- We sold 5,100 acres (approximately 2,100 hectares) of edible nuts farmland assets in California, USA, to Farmland Partners Inc. for a cash consideration of US$110.0 million in December 2017. In addition to the cash release, a net gain of US$25.0 million (S$34.2 million) was booked as exceptional income in 2017.
- We divested 50.0% stake in FEA, which owns sugar refining company PT Dharmapala Usaha Sukses, to Mitr Phol for US$100.0 million as part of our strategic partnership agreement with the company to enter into sugar milling in Indonesia. The transaction resulted in a one-time gain of US$88.5 million (S$121.2 million) based on the written down carrying value of the assets for 2017.
- We also set up 2 task forces to improve cost and capital efficiency: While we have focused on making investments in prioritised platforms, we have been looking at working capital optimisation initiatives to extract more cost and capital efficiencies across all our operations.

We also made significant progress in turning around underperforming businesses and ensuring gestating businesses reach full potential:

- Dairy farming in Uruguay continued to report improved financial and operating results year-on-year;
- The rice farming business in Nigeria has completed its restructuring and started to report better results from the second half of 2017;
- Restructuring is underway to address cost structures and product mix strategies at Olam Tomato Processors in the USA; and
- Packaged Foods restarted production of juices and beverages in Q3 2017 in its new factory. (Production of juices and beverages had ceased in April 2016 following a fire incident.) A refreshed strategy, which addresses issues such as product differentiation, branding, distribution and cost optimisation, was implemented during the year.

Even as we focused on improving our capital efficiencies and cash generation, we have not sacrificed our long term growth objectives across our 6 prioritised platforms. The growth initiatives in 2017 included the following:

- Edible Nuts: Expansion of acreage in almond, walnut and pistachio in the USA and Australia;
- Spices and Vegetable Ingredients: Upstream pepper farming in Vietnam and Brazil;
- Cocoa: New powder facility in the USA;
- Coffee: Expansion of soluble coffee capacity in Vietnam and Spain and continued investments in coffee plantations in Laos, Zambia, Tanzania and Brazil;
- Grains: Expansion of wheat milling capacity in Ghana and Nigeria; construction of animal feed mills and hatchery in Nigeria; and
- Cotton: Continued investments in integrated cotton ginning in Africa.

Peanuts processing in USA. Our processing volumes were higher in 2017 on full-year consolidation of volumes from Brooks Peanut Company.

Animal Feed, Nigeria: The country's largest integrated animal feed mill, poultry breeding farm and hatchery was commissioned in September.

Summary of financial and operating results

Balance sheet analysis

In 2017, our total assets amounted to S$18.2 billion, which comprised S$8.6 billion of fixed assets, S$7.3 billion of working capital and S$2.0 billion of cash. These were funded by S$6.6 billion of equity, S$4.7 billion of short-term debt and S$6.9 billion of long-term debt. Our equity position improved by S$777.3 million mainly due to the exercise of warrants and higher retained earnings.

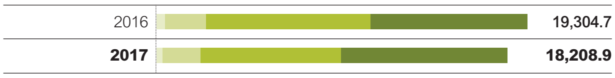
Compared with 2016, our overall balance sheet shrank by S$1.1 billion as working capital fell with lower inventory levels and lower commodity prices during 2017. Fixed capital went up by S$463.7 million primarily due to the Capex we made over the past year.

As mentioned, working capital came down significantly with reduced stock levels and lower commodity prices. Overall cycle time came down from 150 days in 2016 to 97 days in 2017. The change in product mix, lower commodity prices and working capital optimisation initiatives taken to improve inventory management helped reduce overall inventory days. Reduced supplier advances and receivables days also contributed to a shorter cash conversion cycle.

"Extracting cost and capital efficiencies will be a continuous focus, while we pursue profitable growth."

Uses of funds

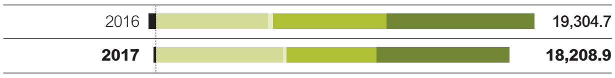
(S$ million)



	2016	2017
Fixed capital	8,169.5	**8,633.2**
Working capital	8,517.7	**7,280.3**
Cash	2,144.0	**1,986.4**
Others	473.5	**309.0**

Source of funds

(S$ million)



	2016	2017
Long term debt	7,687.5	**6,927.7**
Short term debt	5,983.0	**4,660.2**
Non-controlling interests	235.9	**177.4**
Equity and reserves	5,797.1	**6,574.4**
Fair value reserve	(398.8)	**(130.8)**

Cash-to-cash cycle

(Days)

Pepper plantation in Brazil. Along with our plantation in Vietnam, we can serve markets all year round.

Coffee plantation in Laos. We also have plantations in Brazil, Tanzania and Zambia to diversify our upstream presence across regions.

Cash flow analysis

S$ million	2017	2016	Change
Operating Cash Flow (before Interest & Tax)	1,369.2	1,243.5	125.7
Changes in Working Capital	834.7	(227.7)	1,062.4
Net Operating Cash Flow	**2,203.9**	**1,015.8**	**1,188.1**
Tax paid	(82.1)	(48.4)	(33.7)
Capex/Investments	(637.4)	(1,385.5)	748.1
Free Cash Flow to Firm (FCFF)	**1,484.4**	**(418.1)**	**1,902.5**
Net interest paid	(464.0)	(347.7)	(116.3)
Free Cash Flow to Equity (FCFE)	**1,020.4**	**(765.8)**	**1,786.2**

From the positive trajectory achieved in 2016, we continued to show higher net operating cash flow in 2017, which rose by a strong S$1,188.1 million to S$2,203.9 million versus S$1,015.8 million in 2016. This was on both counts of increased operating cash flow and significant reduction in working capital. Gross Capex came down to S$970.6 million in 2017. With the divestments of non-core assets, net Capex amounted to S$637.4 million, or S$748.1 million lower than in 2016, which then led to positive FCFF and FCFE in 2017.

S$ million	2017	2016	Year-on-year Change	2015 Restated	2014 Restated	2013
Operating Cash flow (before Interest & Tax)	1,369.2	1,243.5	125.7	1,150.8	1,148.3	1,144.9
Changes in Working Capital	834.7	(227.7)	1,062.4	(995.9)	(766.2)	(98.2)
Net Operating Cash Flow	**2,203.9**	1,015.8	1,188.1	154.9	382.1	1,046.7
Net interest paid	(464.0)	(347.7)	(116.3)	(478.4)	(411.5)	(485.0)
Tax paid	(82.1)	(48.4)	(33.7)	(127.8)	(65.6)	(64.3)
Cash from divestments	333.2	32.0	301.2	249.8	468.4	95.6
Free Cash Flow before Capex/Investments	**1,991.0**	651.7	1,339.3	(201.5)	373.4	593.1
Capex/Investments	(970.6)	(1,417.5)	446.9	(2,339.4)	(455.7)	(913.2)
Free Cash Flow to Equity (FCFE)	**1,020.4**	(765.8)	1,786.2	(2,540.9)	(82.3)	(320.1)

Comparing our 2017 cash flow results against the previous years, we see a strong trajectory of positive Free Cash Flow before Capex and investments since 2016, which underscores our ability to finance continued growth.

Reducing debt, gearing

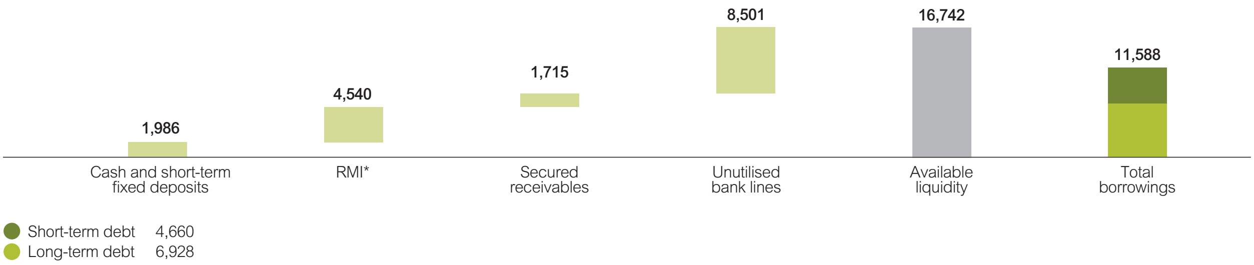
S$ million	2017	2016	Change
Gross debt	11,587.9	13,670.5	(2,082.6)
Less: Cash	1,986.4	2,144.0	(157.6)
Net debt	9,601.5	11,526.5	(1,925.0)
Less: Readily marketable inventory	4,539.6	5,909.2	(1,369.6)
Less: Secured receivables	1,714.8	1,381.4	333.4
Adjusted net debt	3,347.1	4,235.9	(888.8)
Equity (before FV adj reserves)	6,574.4	5,797.1	777.3
Net Debt / Equity (Basic)	**1.46**	**1.99**	**(0.53)**
Net Debt / Equity (Adjusted)	**0.51**	**0.73**	**(0.22)**

Compared to a year ago, we reduced net debt by S$1,925.0 million as a result of significantly lower working capital, lower gross Capex, cash from divestments and the conversion of warrants into equity. As a result, net gearing in 2017 came down to 1.46 times as compared to 1.99 times at the end of 2016. Adjusting for readily marketable inventory (RMI) and secured trade receivables, our net gearing would be 0.51 times as compared with 2016 at 0.73 times.

Liquidity

We remain comfortable in our liquidity position with total of S$16.8 billion in available liquidity as at end-2017, including unutilised bank lines of S$8.5 billion, to meet our working capital and Capex needs.

(S$ million as at 31 December 2017)



* Readily Marketable Inventory

Refinancing and diversifying sources of funding

Net finance costs increased from S$403.5 million in 2016 to S$465.6 million in 2017. This was due to higher benchmark interest rates, partially offset by higher interest income on deposits.

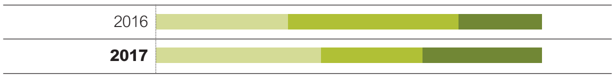
Nevertheless, we took every opportunity to lock-in favourable borrowing rates to refinance near-term liabilities while ensuring we are on target of covering 25.0% to 35.0% of working capital needs through medium and long term sources of funds.

Refinancing in 2017

Date	Description	Tenor	Effective Coupon
2 March	US$300.0 million senior notes	5-year due 2022	4.40%
31 March	¥5.7 billion (US$50.0 million)	5-year due 2022	3.78% (US$ post-swap)
18 May	¥6.0 billion (US$54.0 million)	5-year due 2022	3.67% (US$ post-swap)
16 June	US$170.0 million private placement	5-year due 2022	3.73%
4 July	S$300.0 million subordinated perpetual securities	5-year due 2022	5.50%
6 July	First Europe RCF US$400.0 million US$300.0 million US$300.0 million	 1-year due 2018 2-year due 2019 3-year due 2020	–
17 July	¥25.0 billion (US$222.0 million) term loan	3-year due 2020	–
28 July	US$160.0 million RCF US$120.0 million RCF US$120.0 million RCF	1-year due 2018 2-year due 2019 3-year due 2020	–
31 July	S$50.0 million (tap on S$300.0 million perpetuals)	5-year due 2022	5.43%
22 August	US$50.0 million private placement	5-year due 2022	3.65%
4 September	Redeemed S$235.8 million perpetual capital securities	–	–
20 September	¥8.0 billion (US$72.0 million) senior notes	5-year due 2022	3.64% (US$ post-swap)
13 October	US$583.3 million RCF US$583.3 million RCF US$583.3 million RCF	1-year due 2018 2-year due 2019 3-year due 2020	–

Borrowing mix

(%)



	2016	2017
Bilateral banking lines	21.6	**30.9**
Bank syndication	44.2	**26.4**
Debt capital markets	34.2	**42.7**

"We further diversified our funding sources while bringing down our net debt. As a result of the recent warrant conversion, we boosted our equity position, giving us additional headroom for growth."

Segmental review and analysis

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/IC (%)	
S$ million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Edible Nuts, Spices and Vegetable Ingredients	1,691.5	1,569.7	4,492.0	3,981.1	438.4	331.8	3,603.9	3,642.7	12.1	9.3
Confectionery and Beverage Ingredients	2,063.6	1,687.5	8,136.8	7,711.0	327.7	407.2	5,347.0	6,109.5	5.7	6.9
Food Staples and Packaged Foods	16,909.3	9,496.1	9,767.1	6,110.8	359.7	330.2	4,678.3	4,522.1	7.8	8.5
Food Category	**20,664.4**	**12,753.3**	**22,395.9**	**17,802.9**	**1,125.8**	**1,069.2**	**13,629.2**	**14,274.3**	**8.1**	**8.0**
Industrial Raw Materials, Ag Logistics and Infrastructure	1,870.2	1,662.5	3,876.6	2,784.1	197.3	135.2	2,104.9	2,220.9	9.1	6.5
Commodity Financial Services (CFS)	N.A.	N.A.	–	–	4.8	(1.6)	98.3	153.8	3.8	(1.4)
Non-Food Category	**1,870.2**	**1,662.5**	**3,876.6**	**2,784.1**	**202.1**	**133.6**	**2,203.2**	**2,374.7**	**8.8**	**6.1**
Total	**22,534.6**	**14,415.8**	**26,272.5**	**20,587.0**	**1,327.9**	**1,202.8**	**15,832.4**	**16,649.0**	**8.2**	**7.8**

Note: IC excludes:
(a) Gabon Fertiliser Project (31-Dec-17: S$248.0 million, 31-Dec-16: S$224.8 million); and
(b) Long Term Investment (31-Dec-17: S$257.5 million, 31-Dec-16: S$148.4 million)

Olam employees inspecting cotton crop with key growers in Queensland, Australia. We partner with growers to ensure throughput volumes for our gins and with land owners to lease and operate cotton farms.

Rusmolco's seed plant gets certified seed breeding farm status from Russian agricultural centre for dairy feed crops. With a capacity of over 20,000 MT seeds per year, the plant is also certified to sell seeds to other businesses.

Cashew farmer in Nigeria.

Edible Nuts, Spices and Vegetable Ingredients

The Edible Nuts, Spices and Vegetable Ingredients segment achieved a year-on-year volume growth of 7.8% in 2017.

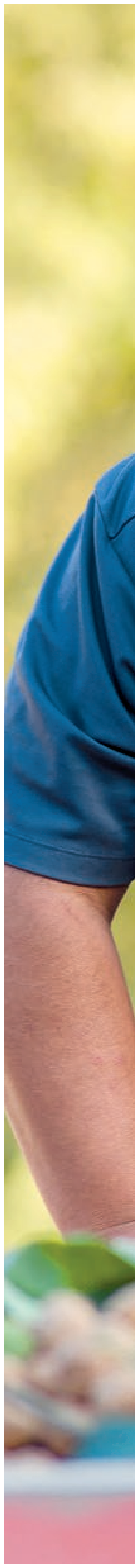
The increase came mainly from higher volumes in Edible Nuts, particularly cashew, almonds and sesame, as well as spices. The tomato processing industry in the USA continued to suffer from the global supply glut and weak demand necessitating restructuring measures to address cost and product mix issues.

Revenues grew 12.8% mainly on higher volumes, as well as higher almond and cashew prices compared with 2016.

EBITDA grew by 32.1% as Edible Nuts performed strongly in 2017 as compared with 2016 when its contribution was impacted by depressed almond prices.

Invested capital in the segment declined slightly by S$38.8 million as compared with 2016. This was a combination of a decrease in fixed capital on account of the sale of edible nuts farmland assets in the USA and an increase in working capital due to higher prices, especially in cashew and almonds.

EBITDA on average invested capital (EBITDA/IC) for the segment therefore improved from 9.3% in 2016 to 12.1% in 2017.



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

2013	347
2014 Restated	361
2015 Restated	394
2016	332
2017	**438**

+32.1%

	2013	2014 Restated	2015 Restated	2016	**2017**
EBITDA/IC (%)	10.4	10.3	11.5	9.3	**12.1**

Invested capital
(S$ million)

2013	3,610
2014 Restated	3,364
2015 Restated	3,463
2016	3,643
2017	**3,604**

-1.1%

	2013	2014 Restated	2015 Restated	2016	**2017**
Working capital	1,850	1,587	1,415	1,421	**1,608**
Fixed capital	1,760	1,777	2,048	2,222	**1,996**

Products

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

2017

Volume

1,691.5

('000 Metric Tonnes)

Revenue

4,492.0

(S$ million)

EBITDA

438.4

(S$ million)

Invested Capital

3,603.9

(S$ million)

Above: Checking the quality of walnuts in the USA.
Right: Pepper sampling in a lab in Vietnam.

Edible Nuts, Spices and Vegetable Ingredients – Capitals snapshot

Manufactured: Investing in sesame processing technology for enhanced food safety

- Olam Edible Nuts acquired Ahenk, a leading Turkish producer of tahini paste made from sesame used in Asian, Middle Eastern and European cuisines. Further investment in highly advanced technology to upgrade the plant delivers desired 'ultra-white' sesame reducing the use of processing agents.

Natural: Managing extreme weather events and restoring Natural Capital in California

- California continued to experience extreme weather events. Floods, wildfires, depletion of underground aquifers and record temperatures impacted water availability and quality in Olam Spices & Vegetable Ingredients (SVI) agri operations.
- In 2017, SVI increased its commitment to the California Water Action Collaborative (CWAC), co-chairing CWAC's Metrics Committee. Working with The Pacific Institute, SVI is helping to develop a framework to measure the impacts of projects such as meadow and wetland restoration, groundwater recharge and infrastructure improvements.
- In 2018, SVI will look to further support Sierra Nevada headwaters and meadow restoration projects through CWAC and, in partnership with the US Forest Foundation and others, to increase awareness of the importance of California's water resources.

Social: Processing export crops in origin shows farmers a ready market and creates wider jobs

- In the town of Dimbokro in Côte d'Ivoire, Olam's investment in cashew processing over the past 13 years has created 900 full-time and seasonal jobs, many held by women. Dimbokro Prefect, M. N'Guessa Obouo Jacques, sums up the impact:

"During the cocoa sector decline, the N'Zi region was badly affected, but Olam has helped by promoting cashew nuts here. By doing so, it breathed new life into Dimbokro, and assisted the Government in providing jobs, thus enabling people to work and financially take care of themselves. Such positive impact lifted the population out of poverty and gave hope to the whole region. Olam has greatly fostered the economic and social development of Dimbokro."

Cashew processing requires delicate peeling. Many such jobs are still held by women in Dimbokro, Côte d'Ivoire.

Olam Livelihood Charter – addressing continuing smallholder issues of low yields, skills, and access to finance, health and education

Crop	Farmers	Change from 2016	% Women farmers in 2017	Training in Good Agricultural Practices (farmers)	Model farms/ demo plots / farmer field schools	Traceability
Cashew	63,460	(2%)	29%	19,800	20	78%
Hazelnut	4,830	97%	4%	2,870	2	100%
Chilli	740	9%	0	740	10	100%

Manufactured: Upgrading and expanding peanut capacity for improved food and employee safety

- Olam Peanuts in the USA has undertaken phased investments to upgrade the standards of acquired shelling plants (McCleskey Mills and Brooks Peanut Company), strengthening Environmental, Health and Safety, and Sustainability factors. This included infrastructure upgrades at both the Smithville and Rochelle facilities in Georgia, and at the Olam-owned buying points. Improvements were also made in farmer stock handling, drying, and hauling, contributing significantly to increased processing of peanuts.
- During the major expansion of warehouse and cleaning/drying capacity for peanuts in Argentina, managers gave more than 40 'Tool Box Talks' over 50 training hours. During 90,000 man hours the team had neither Accidents nor Near-Misses, but did spot and address 12 Unsafe Acts.

Social: Olam SVI supports development of industry standards for spices

- SVI participated as a member of the Sustainable Spices Initiative Steering Committee which is developing standards and monitoring protocols for the world's spices and herbs supply chain. Member companies, including SVI, commit to source spices in accordance with the standards by 2020.

Intellectual and Human: Olam SVI supports research and students

- SVI supports the Jordan School of Agriculture Sensory Lab at Fresno State University, USA, through a 10-year research grant, among other initiatives.
- In 2017, SVI participated in The Wonderful Company's education programme in California which provides a 4-year curriculum to students in Ag Business, Ag Mechanics, and Agri Science Tracks, enabling them to receive an Associate's Degree when they graduate high school. As part of this programme, SVI provided training to more than 75 students in a career workshop in December 2017 and will provide students job shadowing and internship opportunities.

Social: Continued focus on labour issues, yield and traceability in hazelnuts

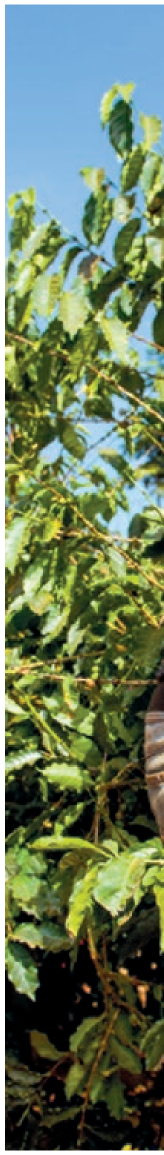
- 400,000 farmers in Turkey grow 70% of the world's hazelnuts. At harvest, farmers rely on a migrant workforce estimated as high as 1.5 million people. This brings challenges, including child labour and wage issues. Olam Progida works with customers, competitors and the Fair Labor Association (FLA) to improve working conditions, as well as help farmers improve yields, which in turn can boost labour wages.
- The FLA noted in its 2016 assessment report that the political turmoil and clashes in Kurdish-populated South Eastern Turkey may have caused an increase in child labour – some workers stated they had no choice but to work in the hazelnut harvest with their children to earn money. The FLA noted that in spite of company attempts (Olam Progida plus 2 other companies in the monitoring programme) to reduce child labour, a total of 99 child workers were detected within the seasonal workforce as well as within the local and family workforce. Olam Progida has since doubled its sustainability team and developed further social projects with NGOs, local authorities and the International Labor Organization (ILO). Under the Olam Livelihood Charter the sustainability team trained 2,870 farmers specifically on labour issues.
- Additional outreach includes: Awareness raising training for local authorities as well as labour contractors and teachers. Training is also given to the migrant workers on issues such as gender equality, child labour and financial literacy.
- See www.fairlabor.org for the 2016 assessment (2017 to be published later in 2018).

Burcu Kugu Bolak, Project Director at FLA's Turkey Office, comments:

"Together with the Fair Labor Association (FLA), Olam pursues a multi-stakeholder approach to resolving systemic violations in the social domain of the hazelnut supply chain. This has boosted the sustainability of Olam's operations since 2014 while contributing to improving human rights throughout their supply chains."

In 2017 Olam Progida in Turkey launched a project with the Foundation for the Support of Women's Work (KEDV) called "Empowering Women and Children at Hazelnut Harvest." Along with other Olam Progida sustainability programmes, this will help to reduce child and forced labour in the hazelnut harvest.

1. The results of Independent Assessments for August 2017 are not yet published



Confectionery and Beverage Ingredients

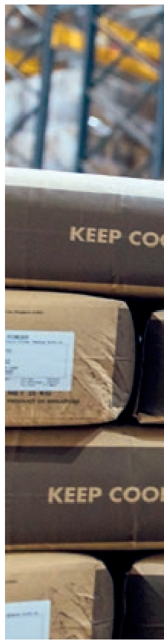
The Confectionery and Beverage Ingredients segment posted a healthy volume growth of 22.3% with contributions from Cocoa and Coffee.

However, revenue growth was modest at 5.5% as the volume growth was mostly offset by lower prices for both coffee and cocoa.

EBITDA declined 19.5% in 2017 due to a significantly lower contribution from Coffee. While it had a good first half, tougher market conditions and short crop across major origins in the latter half of the year adversely impacted its overall EBITDA in 2017. In cocoa, the processing business performed well throughout the year, while the supply chain and products trading businesses, which faced margin compression in the first nine months of the year, saw margins stabilise in Q4 2017.

Invested capital in this segment fell by a substantial S$762.5 million as compared with 2016. This was mainly on account of lower working capital following targeted optimisation initiatives as well as lower cocoa and coffee prices from a year ago.

EBITDA/IC for the segment declined marginally from 6.9% in 2016 to 5.7% in 2017.



Earnings Before Interest, Tax, Depreciation and Amortisation

(S$ million)

2013	269
2014 Restated	276
2015 Restated	284
2016	407
2017	**328**

-19.5%

	2013	2014 Restated	2015 Restated	2016	**2017**
EBITDA/IC (%)	12.6	9.9	6.4	6.9	**5.7**

Invested capital

(S$ million)

	Invested capital
2013	2,347
2014 Restated	3,247
2015 Restated	5,681
2016	6,110
2017	**5,347**

-12.5%

	2013	2014 Restated	2015 Restated	2016	**2017**
Working capital	1,855	2,745	4,330	4,569	**3,819**
Fixed capital	491	501	1,351	1,541	**1,528**

Products

- Cocoa
- Coffee

2017

Volume

2,063.6

('000 Metric Tonnes)

Revenue

8,136.8

(S$ million)

EBITDA

327.7

(S$ million)

Invested Capital

5,347.0

(S$ million)

Top: Coffee picking in Tanzania.
Above: Cocoa processing plant in Singapore.
Right: Coffee cupping in Vietnam.

Confectionery and Beverage Ingredients – Capitals snapshot

Manufactured and Intellectual: Cocoa Innovation Centre for customers in USA

- An Innovation Centre in Willowbrook, Illinois was opened by Olam Cocoa to complement centres in Brazil, the Netherlands, Singapore, Spain and the UK. It assists customers in the refinement and reformulation of recipes and product development across beverages, cereals, confectionery, dairy, bakery, and ice cream. A new cocoa product brand for the North American and Asia Pacific markets, Huysman, was also launched.

Intellectual and Human: Koog aan de Zaan in the Netherlands becomes European Cocoa hub

- Under the centralisation strategy to make the deZaan factory complex the European hub of the cocoa business, staff in other locations were offered role continuation and relocation support. The consolidation underpins the goal of improved cross-functional communication and development opportunities by increasing access to the manufacturing facilities for the business's premium deZaan cocoa brand, onsite R&D teams and learning centre.

Manufactured and Natural: Coffee processing facility inaugurated in Peru; reducing deforestation risk

- Called 'El Exito' ('Success'), the new facility in the industrial township of Lurin, south of Lima, will broaden reach and market share, processing green coffee procured from buying points around the country.
- In Peru the supply chain is very fragmented, with 223,000 farming families producing coffee over about 380,000 ha. This makes it difficult for exporters to buy significant volumes directly, and relying on many intermediaries. Farmers struggle with yields due to lack of training, access to quality seedlings or degraded soil.
- In August, a Chain Reaction Research report from the consortium of NGOs Aidenvironment, Climate Advisers and Profundo, stated that Olam faces reputational risk because "Coffee has been identified as a major driver of deforestation in the Peruvian Amazon." However, "no direct link between Olam Peru and deforestation in the Peruvian coffee sector could be identified".
- The report highlighted the preventive steps taken by Olam Peru which include:
  - Direct procurement sustainability programmes (over 1,300 farmers) with reforestation and training in Good Agricultural Practices to improve yields, which in turn help to prevent farmers encroaching into fertile forest
  - Assembled a core set of intermediary suppliers who commit to upholding the Olam Supplier Code
  - Promotion of third-party verification and certification schemes in indirect procurement (70% is certified). Olam agronomists and field staff train smallholders in Good Agricultural Practices to get the certificates.
- We also explained how a company needs to be in the supply chain in order to change it; focusing on remediation and education if smallholders are found to be carrying out poor practices rather than necessarily removing them immediately from the supply chain. Read more about our approach in the Natural Capital section and in the Olam Living Landscapes Policy at olamgroup.com

Natural and Social: Rainforest Alliance-Olam Cocoa partnership in Ghana

- Objective of the 4-year project is to conserve the cocoa forest landscape in the corridor around the Sui River, Suhuma, Tano Ehuro and Tano Suhien and Santomang Forest Reserves, sustaining the agricultural livelihoods of the communities. Reflecting the landscape approach taken in the joint Juabeso-Bia project which produced the world's first verified Climate Friendly Cocoa, the partnership will work with the Ghana Cocoa Board and the Forestry Commission to demonstrate how partnerships with civil society, government, local communities and the private sector can deliver transformational change and achieve self-governing and multi-actor collaboration at the landscape level.
- Committed to halting deforestation in cocoa supply chains globally, with a goal of 100% sustainable volumes in its direct supply chain by 2020, Olam

Olam Livelihood Charter – addressing continuing smallholder issues of low yields, skills, and access to finance, health and education

Crop	Certified	Total farmers	% increase from 2016	No. of farmers benefiting from climate mitigation activities	Total women farmers	Total hectares GPS mapped farms
Cocoa	95%	184,880	42%	63,400	13%	203,000
Coffee	75%	35,720	24%	11,340	21%	14,750

Cocoa is also a founding member of the Cocoa & Forests Initiative announced in March, the first collective industry commitment specifically to end deforestation and forest degradation. At the UN Climate Talks (COP23) in November, Olam Cocoa CEO Gerard A. Manley welcomed plans put forward by the Governments of Côte d'Ivoire and Ghana, upon whom the management and proactive protection of forests must depend.

- With other industry players, Olam Cocoa responded to allegations made in an NGO cocoa sector report[1] and Guardian article that cocoa grown in national parks in Côte d'Ivoire had entered various company supply chains. We acknowledged that one instance was identified but that extensive sustainability efforts were in place to dissuade smallholders from deforestation. These include:
  - 113,000 Ivoirian and Ghanian cocoa farmers in Olam Livelihood Charter programmes to improve yield from current land.
  - Almost 42,000 farms in the 2 countries mapped on the Olam Farmer Information System for 2017 alone.
  - Over 16,200 individual farm management plans generated by end of December for tailored support.
  - Almost 581,000 leguminous shade tree seedlings distributed in global programmes where required.

Social: Unlocking value for Laos coffee farmers

- An Olam Livelihood Charter programme with Jacobs Douwe Egberts and IDH-The Sustainable Trade Initiative supports more than 1,700 coffee farmers near the certified Olam plantation.

Top challenges facing the farmers:

- Lack of agronomic/economic capacity to improve coffee production given degrading acidic soils and increasing pressure from pest and disease.
- Land tenure system does not support intensification of production.
- Lack of access to finance for farmers, lack of financial literacy, high default risk on loans.

Mr. Chern Meunluang, head of the KM 15 village farmer group in the Paksong District, Laos, highlighting guidance for the coffee growers.

1. Mighty Earth – Dark Secrets

Top challenges facing the field officers:

- No existing or weak and ineffective organisation at farmer level, hence needing to help organise farmer groups (facilitates training, coffee collection etc).
- Slow take-up of improved practices by farmers (e.g. through low capacity, risk aversity).
- Difficult to access villages in rainy season.

Examples of training:

- Pest and disease management using appropriate mix of cultivated, biological and chemical methods.
- Soil management, especially: composting of coffee pulp and other material available on farm and in the household; combined compost production and pig raising; chemical fertiliser calculation and application.

Continuous efforts in tackling child labour recognised by Fair Labor Association in 2016 cocoa audit, published November 2017

"Every year since 2013, the Fair Labor Association (FLA) has conducted Independent External Monitoring (IEM) of a sample of Olam's cocoa supply chain in Côte d'Ivoire. According to information provided by Olam, the company had successfully traced 90 percent of its cocoa supply chain in Côte d'Ivoire by the end of 2016, representing about 82,500 producers grouped into 185 cooperatives. In 2016, the FLA focused its IEM visits on three cooperatives that had never been assessed before and that were located in various cocoa-producing areas…"

"For these 2016 assessments, the FLA's key findings compared to 2015 show progress on five of the nine code areas monitored by the FLA, specifically harassment or abuse, forced labour, child labour, freedom of association, and hours of work. However, there is also continued need for sustainable improvement on code areas such as employment relationship; non-discrimination; health, safety, and environment; and compensation."

"Comparing the 2015 and 2016 worker demographic profiles shows a decrease in the employment of child family workers in the assessed cocoa producing farms. In 2015, monitors encountered six family child workers representing about two percent of the total workforce. In 2016, assessors met no child workers at all in the visited area at the time of the visits. Assessors visited different communities in 2016 than they visited in 2015, but stated that the decrease nonetheless indicates progress in reducing child labor."

Source: FLA - Independent external monitoring of Olam's cocoa supply chain in Côte d'Ivoire: 2016

www.fairlabor.org

Food Staples and Packaged Foods

The Food Staples and Packaged Foods segment delivered volume growth of 78.1% in 2017.

This growth was led by a significant increase in trading volumes for Grains and also supported by an increase in Edible Oils, Rice and Dairy trading volumes. Driven by the higher volumes, revenues increased by 59.8% during the period.

EBITDA grew 8.9% in 2017 as compared with 2016. The Grains and Animal Feed platform benefited from the increase in wheat milling volumes and margins in West Africa, and the commencement of the animal feed business in Nigeria. This was partially offset by the lower contribution from the trading business which faced strong headwinds especially in the last quarter of 2017. The Rice origination, distribution and trading business continued to perform well and farming operations in Nigeria turned positive. Dairy supply chain continued to perform well while upstream farming operating results in Russia and Uruguay recorded a strong improvement. In Edible Oils, while the refining business did better this year, overall EBITDA came down due to lower trading margins. The contribution from Sugar trading was also lower.

Notwithstanding the stabilisation of the Naira, the Packaged Foods business did not see a commensurate pick-up in margins.

Compared with 2016, overall invested capital went up by S$156.2 million owing to the growth in fixed capital. Fixed capital increased due to the construction of animal feed mills and hatchery in Nigeria, expansion of wheat milling capacity in Ghana and Nigeria, and continued investments in palm plantations and milling in Gabon. Working capital was reduced due to the optimisation initiatives undertaken and lower commodity prices.

Given the increase in invested capital, EBITDA/IC for the segment came down from 8.5% in 2016 to 7.8% in 2017.

Earnings Before Interest, Tax, Depreciation and Amortisation

(S$ million)

2013	378
2014 Restated	295
2015 Restated	212
2016	330
2017	**360**

+8.9%

	2013	2014 Restated	2015 Restated	2016	**2017**
EBITDA/IC (%)	10.4	8.8	6.7	8.5	**7.8**

Invested capital

(S$ million)

2013	3,613
2014 Restated	3,075
2015 Restated	3,231
2016	4,522
2017	**4,678**

+3.5%

	2013	2014 Restated	2015 Restated	2016	**2017**
Working capital	1,088	709	915	1,498	**1,131**
Fixed capital	2,525	2,366	2,316	3,024	**3,547**

Products

- Dairy
- Edible Oils
- Grains and Animal Feed
- Packaged Foods
- Rice
- Sugar

2017

Volume

16,909.3

('000 Metric Tonnes)

Revenue

9,767.1

(S$ million)

EBITDA

359.7

(S$ million)

Invested Capital

4,678.3

(S$ million)

November saw the launch of Pure Bliss' third biscuit range from subsidiary OK Foods in Nigeria. In Ghana Olam Nutrifoods Ltd invested US$8.3 million to double capacity for biscuits, strengthening its position as the number one biscuit producer with a market share of 49%.

Above: Animal Feed facilities in Nigeria.

Right: Biscuit factory in Ghana.

Food Staples and Packaged Foods – Capitals snapshot

Social: Sugar JV opens opportunities for farmers

- The investment by Mitr Phol Sugar Corporation in Far East Agri, which operates a sugar refinery in Indonesia, combines Mitr Phol's strong milling expertise with Olam's farmgate, sourcing and manufacturing capabilities to better cater to the growing demand for sugar in Indonesia.
- Far East will explore the development of a green-field sugar milling facility in East Java, which in 2020 will source 1.2 million MT of cane from farmers.

Social: Packaged Foods Business continues to support nutrition needs in West Africa with fortified foods

- Olam is taking measures to improve nutrition among consumers in Africa. As well as mandatory fortification of products such as flour and edible oils, this included 98 million servings of Milky Magic biscuits and 821.5 million servings of Tasty Tom tomato paste in Ghana and 16.8 million servings of FreshYo yogurt in Nigeria.

Manufactured and Social: Animal Feeds facilities inaugurated in Nigeria

- With a combined investment of US$150 million, the poultry feed mill and day-old-chick facilities in Kaduna State, together with the integrated poultry and fish feed mill at Ilorin, were inaugurated by Nigerian President Buhari.
- To further stimulate and support the market, the team is improving the availability of expert support to farmers. Internships are being offered to 100 veterinary, aquaculture and agronomy graduates who will receive hands-on learning opportunities over a 2-year period.
- Local sourcing of raw materials such as soybeans, corn and cassava for the animal feed is estimated to positively impact more than 300,000 smallholder crop farmers. Production requires maize as an input and there was some confusion when it was reported that Olam had imported GM maize for human consumption. The maize was imported for animal feed due to a poor local harvest.

Human: Crown Flour Mills (CFM) invests in local talent

- CFM has been running a graduate training programme, providing on-the-job training for Nigerians, many of whom have now taken up roles previously held by expats. Also in 2017, CFM sponsored 2 millers from Nigeria and Senegal for a 1-year residential programme at the Central Food Technology Research Institute – a renowned training school for millers.
- Also in Nigeria, the country team responded in full following a request by the Senate Joint Committee on Customs, Excise, and Tariff and Marine Transport to many international and national companies regarding import payments. The team presented all documents and continues to engage with the Senate.

Human: Skills transfer to Gabonese palm workers

- Olam Palm Gabon (OPG) employs around 7,700 Gabonese nationals to work on plantations. While current management roles are filled primarily by expat Malaysian and Indonesian palm industry experts, a Nationalisation Policy led by the OPG Training and Development team will ensure that Gabonese nationals fill many of the roles by 2025.
- The GRAINE smallholder programme which supports national food security through industrial agricultural skills transfer and investment under the SOTRADER JV[1] launched a broad public consultation on its learnings since its inception 2 years ago. A number of recommendations were made to recalibrate the programme and embrace non-GRAINE cooperatives.

Human: Livestock management protocols and training contributes to Uruguay dairy performance

- Olam Uruguay completed 11,466 hours of employee training, with a focus on strengthening operating procedures, safety across operations, and technical training in relation to various work processes.
- Individual cow productivity achieved the highest levels compared to previous years. The improvement derives from better body condition of the herd at calving. Livestock management protocols implemented during 2016 significantly reduced livestock mortality and continued to prove successful during 2017.

Natural: Reducing Greenhouse Gas (GHG) impacts for Dairy and Rice

- Methane has at least 28 times the global warming potential of carbon dioxide[2]. In Dairy, the Cool Farm Tool is helping to establish a baseline of GHG emissions - 72% of Uruguay Dairy GHG emissions are from enteric fermentation - the cow's digestive process. Reduction is a key factor of the CR&S Dairy strategy being developed in 2018.
- With the Better Rice Initiative Asia, development agency GIZ, Bayer and the Thai Rice Department, Olam Rice has increased its pilot programme to reduce methane growing farmer outreach from 70 farmers in 2016 to more than 1,000 in 2017. The programme has produced the world's first verified sustainable rice.
- Olam Rice is now aiming to improve the livelihoods of 36,000 farmers in Southeast Asia with GIZ under the Market-Oriented Smallholder Value Chain (MSVC) by 2021. In addition, Olam remains the only private company partner of the Thai Government's Nationally Appropriate (GHG) Mitigation Action (NAMA).

1. 51% Republic of Gabon and 49% Olam
2. http://www.wri.org/dev/path/united-states/reducing-methane-emissions

Balancing Social and Natural Capital needs in highly forested nations

Olam's palm oil business was involved in a wider-reaching debate about sustainable agricultural development in the highly forested nations of West and Central Africa, following a campaign by the NGO Mighty Earth in 2016 targeting our plantations in Gabon and our palm trading business.

Recognising that opinions are highly polarised regarding the potential for plantations to drive economic and social development in developing countries whilst protecting critically important rainforests, we initiated a process of increased transparency, both to create space for a multi-stakeholder effort to find common ground for responsible development in countries like Gabon, and to inform international stakeholders of the complex process we have followed to develop some of the world's most sustainable plantations.

To that end, Olam and Mighty Earth signed an agreement in February 2017 committing both parties on a number of points. We agreed to a moratorium on further development of palm and rubber in Gabon to give time for stakeholders to develop further specific criteria for sustainable agriculture in countries where most of the land is covered by forests. We also updated our Palm Policy to provide more clarity for our suppliers on our No Deforestation, No Peat and No Exploitation sourcing requirements.

We invited Mighty Earth to visit our plantations, the neighbouring villages and the High Conservation Value areas we actively protect (72,000 ha inside our concessions), and meet with national NGOs and other stakeholders. A joint update on the visit is available on olamgroup.com. Mighty Earth recognised the employment opportunities and investment in social infrastructure provided by Olam and the efforts taken to protect High Conservation Areas; but also expressed reservations about the biodiversity and climate impacts, and potential human rights impacts, of large scale plantation agriculture as a basis for the renewal of Gabon's rural economy.

In October Olam Palm Gabon invited The Forests Dialogue, a Yale-based programme which promotes multi-stakeholder discussions on forest issues, to co-host a Dialogue in Gabon. This was attended by more than 50 stakeholders, including international and national NGOs such as WWF, TNC, Forest Peoples Programme, WRI, BrainForest and Mighty Earth, as well as industry, government, inter-governmental organisations. The Dialogue helped develop a roadmap and national plan of action which is being taken up by a Gabonese multi-stakeholder group.

At the end of 2017, Olam's Bilala oil palm mill and plantation was certified by RSPO, taking the overall certified area managed by Olam to 55,400 ha.

On third party trading, more than 80% of crude palm oil and palm kernel oil volumes were successfully traced using GPS co-ordinates, against a target of 50% with roadmap metrics now available on a palm dashboard on olamgroup.com.

The London Zoological Society (ZSL) ranks Olam 7th out of 50 against its Sustainability Policy Transparency Toolkit with a score of 77.9%. Responses to Mighty Earth, Greenpeace and other NGOs on palm-related matters can be found on olamgroup.com.

Olam's palm plantations in Gabon are undertaken through a Joint Venture with the Republic of Gabon. We are committed to 100% RSPO certification by 2021.

3. https://www.spott.org/palm-oil/

Industrial Raw Materials, Ag Logistics and Infrastructure

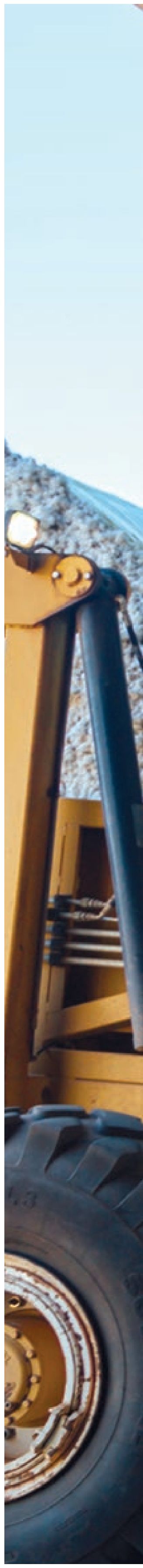
The Industrial Raw Materials, Ag Logistics and Infrastructure volumes grew 12.5% in 2017 with growth mainly from Cotton.

Revenues increased by 39.2% on the back of higher sales volumes.

The segment achieved a strong EBITDA growth of 45.9% with higher contribution from Cotton and GSEZ following the commissioning of new ports and the partial sale of port concession rights in Gabon in Q4 2017. This was partly offset by lower contribution from Wood Products, which was impacted by weak demand and lower margins.

Invested capital declined by S$116.0 million compared with a year ago, as inventory optimisation initiatives brought down working capital. Fixed capital was up slightly with investments in upstream Rubber plantations in Gabon and integrated ginning operations in Côte d'Ivoire.

As a result of the strong EBITDA growth on reduced invested capital, EBITDA/IC margin expanded from 6.5% in 2016 to 9.1% in 2017.



Earnings Before Interest, Tax, Depreciation and Amortisation

(S$ million)

	EBITDA	EBITDA/IC (%)
2013	219	10.8
2014 Restated	216	11.6
2015 Restated	185	9.8
2016	135	6.5
2017	**197**	**9.1**

+45.9%

Invested capital

(S$ million)

	Invested capital	Working capital	Fixed capital
2013	1,839	1,044	796
2014 Restated	1,872	974	898
2015 Restated	1,918	912	1,006
2016	2,221	1,213	1,008
2017	**2,105**	**1,050**	**1,055**

-5.2%

Products

- Cotton
- Fertiliser
- Rubber
- Wood Products

Services

- Gabon Special Economic
- GSEZ Mineral Port
- GSEZ General Cargo Port
- GSEZ Utilities Infrastructure

2017

Volume

1,870.2

('000 Metric Tonnes)

Revenue

3,876.6

(S$ million)

EBITDA

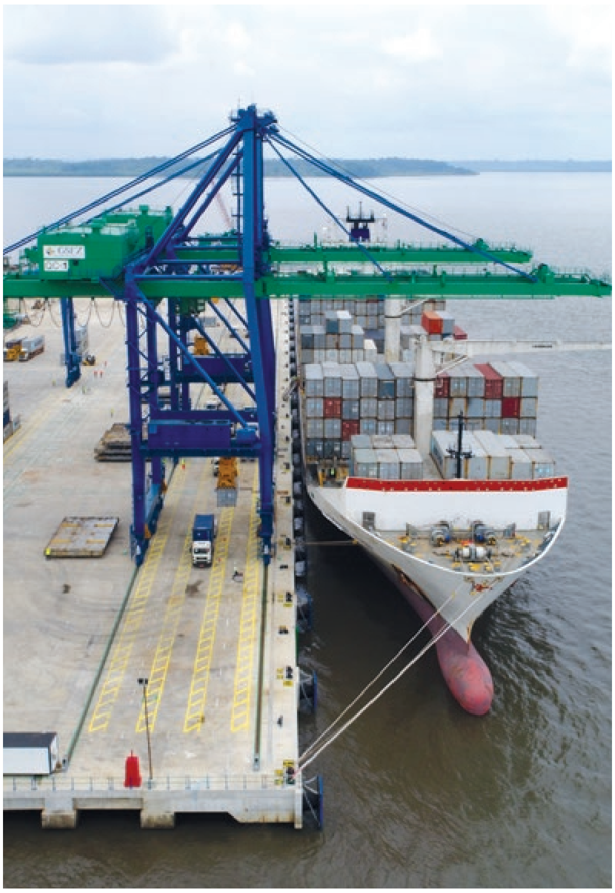
197.3

(S$ million)

Invested Capital

2,104.9

(S$ million)



Above: Uploading cotton bales in Australia.

Right: GSEZ general cargo port in Gabon.

Industrial Raw Materials, Ag Logistics and Infrastructure – Capitals snapshot

Manufactured: Owendo International Port, Gabon

- Managed by Gabon Special Economic Zone (GSEZ) SA[1], the new multi-purpose port will become a leading export-import thoroughfare for West and Central Africa. With 2 berths and palm oil tanks, fuel storage and grain silos, it can handle the loading and unloading of several bulk cargo Panamax vessels simultaneously. The technology, innovation and sustainability vision behind the construction were recognised by the Africa Investments Forum & Awards with GSEZ winning the best African project in the Port and Airport Infrastructure category.

Manufactured: Australia Cotton team unlocks Financial Capital with Joint Ventures, and invests in construction

- A Joint Venture between subsidiary Queensland Cotton and Rural Funds Management (RFM) marks the entry into upstream cotton growing in Australia. Lynora Downs currently has over 740 ha of irrigated cotton, 1,200 ha of dryland cotton, as well as hectarage for wheat and chickpea crop rotation. Irrigation water is sourced from natural overland flow and stored in 'cells'. All cotton will be ginned at Olam's Moura Gin.
- On 1 March 2017, Queensland Cotton and Evolution Ginning commenced a new venture for the joint operation of the Mungindi Gin. Evolution has significant cotton growers, bringing deep local knowledge as well as cotton volumes.
- New 24/7 warehousing facilities at the Dalby and Cecil Plains Gin sites have a combined footprint of over 20,000 m^2 and can store 150,000 bales. The expansion leverages existing assets, removes reliance on external handlers, and offers existing staff development opportunities. This initiative is expected to deliver significant bale storage and handling cost savings, and create a highly efficient Gin to Port supply chain.

Intellectual: Increasing the long-term economic value of rubber trees through new tool

- A new precision, mechanised rubber tapping tool is being developed by Olam in collaboration with Mechanovation Sdn Bhd and Detroit Engineered Products that will automate the delicate process to release latex without damaging the tree. Using a cambium sensor it reduces reliance on highly-skilled labour while simultaneously increasing productivity.

Human: Constant focus on safety in rubber plantations

- A stringent Health & Safety mindset is a relatively new concept to workers in the Gabon rubber and palm plantations who come from the surrounding villages. Constant vigilance and awareness training are required. Tragically, one fatality was recorded at the Bitam rubber plantation due to transportation. A trainer dedicated to providing defensive driving courses and implementing road safety management has been recruited. A revised road policy is reinforced by set speed limits, speed limiters on Olam and contractor vehicles, random speed checks and alcohol screening, and more road safety signage.

Social: Linking communities to financial and healthcare services

- Rubber processing subsidiary SAIC (Société Agro-Industrielle de la Comoe) in Côte d'Ivoire is helping smallholders access bank loans. Banks were hesitant as most crop payments were made by processors in cash, and transactions could not be tracked. With SAIC helping to maintain accounts in microfinance cooperatives, banks are now able to estimate the required transaction, enabling farmers to secure loans. Over the course of 2016 and 2017, more than 2,000 rubber growers working with SAIC gained their first bank accounts, encouraging farmer loyalty.
- In the Republic of Congo, subsidiary Congolaise Industrielle des Bois (CIB) successfully renewed FSC® certification[2] for 1.3 million hectares (ha). The team is working towards certification of the most recent concession of 671,000 ha.

The hospital run by CIB in Republic of Congo treats both employees and communities living in the forest concessions.

1. Joint Venture between Olam, Republic of Gabon and Africa Finance Corporation (AFC) 40.5:38.5:21
2. Licence numbers: CIB Kabo - FSC-C128941; CIB Pokola - FSC- C014998: CIB Loundoungo - FSC - C104637

- CIB is the largest employer in the region (994 people), and the only major provider of healthcare across approximately 20,000 km² with 58,000 people, the vast majority living in poor villages or as semi-nomadic tribes. CIB operates a 42 bed hospital and another 36 beds across 4 rural clinics. Both chronic and infectious diseases are rife in this area and, in 2017, over 21,500 patients were treated who were not CIB employees.
- In 2016, the CIB doctor, with an NGO healthcare project, travelled to a remote group of villages, previously only accessible by canoe, along a road just built by CIB at the villages' request. During this trip, the medical team treated many children for malaria and malnutrition. The CIB medical team returned a few weeks later and many more children and adults were treated by the medical team with some being evacuated to the CIB hospital. Tragically, there were still many deaths.
- In August 2017, two Congolese NGOs (OCDH and RENAPAC) issued a report stating that the road building itself had caused an increase in malaria, which in turn caused high child mortality.
- To investigate the allegations CIB requested advice from the NGO The Malaria Consortium. On their recommendation an independent tropical disease specialist was commissioned. The report findings show:
  - While malaria is endemic in the region it was not the single or main cause of death
  - The final cause was split mainly between dysentery, malaria, pneumonia and measles
  - The road was assessed to have not made a relevant impact on the breeding of malarial mosquitoes due to the surrounding marsh (flooded forest) landscape which provided enormous permanent breeding ground potential for the mosquitos.
- These villages are affected by immense poverty, malnutrition and many negative social factors, facilitating the spread of deadly diseases. The deep, systemic healthcare issues underpinning this tragedy cannot be solved by any one party acting alone and it will require a renewed focus on effective delivery of healthcare for the region. In this, CIB will continue to work with the Government, national and international NGOs, and experts to find a durable solution to help communities living in the forest.

Rubber tapping in Côte d'Ivoire.

Natural: Supporting development of a Sustainable Natural Rubber Standard to reduce deforestation

- Similar to other smallholder crops, rubber is also facing questions on deforestation, community and labour rights. As yet, there is no industrywide platform for stakeholders addressing these issues and therefore there lacks a common understanding of "sustainable rubber."
- Olam has been working with major tyre manufacturers, producers and civil society like the Sustainable Agriculture Network (SAN), Global Witness, Birdlife International, Rainforest Alliance, Proforest and others on a white paper to develop a Sustainable Natural Rubber Standard. A risk-based rather than rule based certification approach is recommended. The NGO Nepcon explains: "It allows the greatest level of effort to be placed on the areas with the highest risks. A conventional approach to certification, on the other hand, requires effort to be put into all the listed requirements, no matter whether they pose a significant risk to company in question or not. A risk-based approach would ultimately make certification viable for smallholders and small-scale farmers. It would enable certification to drive positive changes in areas where there is need for change, without exposing smallholders to the high costs of a conventional certification process."

Commodity Financial Services

The CFS business reported an EBITDA of S$4.8 million in 2017 compared to a loss of S$1.6 million previously.

This improvement in earnings came largely from the funds business and from the Trade and Structured Finance business that generates incremental yield by utilising Olam's underlying agri-business trade flows.

Invested capital in this segment eased by S$55.5 million to S$98.3 million; most of it was deployed in the funds business.

Capitals snapshot

Increasing Intellectual and Human Capital

- Quantitative Funds augmented its trading capability, adding 2 traders with significant experience. The business also further strengthened governance around trading solutions through a strong technology team based in Singapore.
- Commodity Fund completed the absorption and integration of Volatility Trading business within its fold during 2017. The business has placed a team of traders and analysts in China to increase trading.
- Risk Management Solutions (RMS) strengthened its marketing and sales team with a diverse talent pool and is in the process of developing a digital interface for its customers.

2017

EBITDA

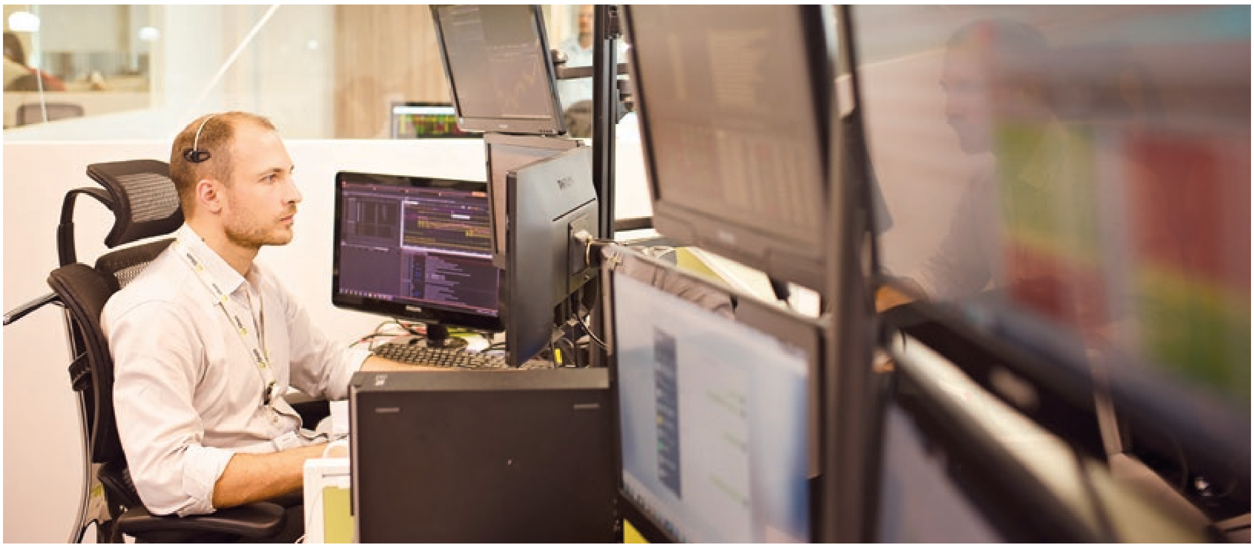
4.8

(S$ million)

Invested Capital

98.3

(S$ million)



Quantitative Funds augmented its trading capability, adding 2 traders with significant experience.

Value chain review and analysis

S$3.9 billion of total investments already made are expected to give incremental earnings over time.

Overview

	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/IC (%)	
S$ million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Upstream	**584.6**	455.6	**1,707.2**	798.4	**188.3**	79.2	**3,915.4**	3,764.4	**4.9**	2.3
Supply Chain	**17,089.3**	9,863.1	**15,208.7**	10,496.2	**450.9**	503.5	**5,803.8**	6,537.5	**7.3**	8.8
Mid/Downstream	**4,860.7**	4,097.1	**9,356.6**	9,292.4	**688.7**	620.1	**6,113.2**	6,347.1	**11.1**	9.7
Total	**22,534.6**	14,415.8	**26,272.5**	20,587.0	**1,327.9**	1,202.8	**15,832.4**	16,649.0	**8.2**	7.8

Note: IC excludes:
(a) Gabon Fertiliser Project (31-Dec-17: S$248.0 million, 31-Dec-16: S$224.8 million); and
(b) Long Term Investment (31-Dec-17: S$257.5 million, 31-Dec-16: S$148.4 million)

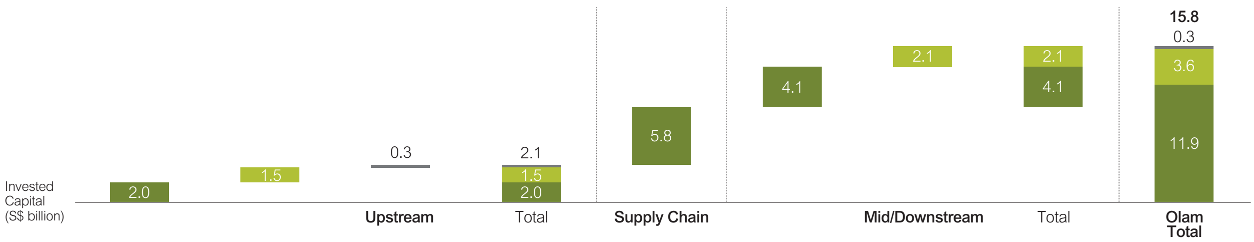
In the Upstream segment, while fully contributing (mature) businesses such as almonds met targeted returns, other fully contributing businesses like Dairy and Rice farming had not yet reached full potential in terms of earnings expectations due to underperformance in previous years, although these had shown positive trajectory in 2017. This led to an EBITDA/IC return of 7.8% against our target of 15-18%. A total of S$1.8 billion of invested capital is still gestating (not yielding any EBITDA) or partly contributing (not fully mature). Gestating businesses, such as the Coffee and Rubber plantations, are expected to move into the partly contributing stage as they grow, while partly contributing ones, mainly the palm plantations in Gabon, are expected to become fully contributing as they reach full maturity.

EBITDA/IC for the Supply Chain segment was dragged down by the underperformance in Coffee and Cocoa to 7.3% in 2017 (2016: 8.8%) even as working capital optimisation initiatives helped reduce overall invested capital deployed by 11.2% from a year ago.

In the Mid/Downstream segment, a total of S$4.1 billion of invested capital were in fully contributing assets and these include the wheat milling businesses in West Africa, the Edible Oils refining and distribution business in Mozambique as well as the GSEZ investments in ports, which came onstream in 2017. These yielded an EBITDA/IC return of 12.4%, which is below target as the result was impacted by the underperformance in the tomato processing and Packaged Foods businesses. Some S$2.1 billion of invested capital was partly contributing as these businesses had not reached steady-state levels of production.

All in all, S$3.9 billion of total investments already made are either gestating or partly contributing, which means these investments are expected to give incremental earnings over time as they grow to full potential.

Gestation mix



	Upstream Invested capital (S$ billion)	Upstream EBITDA/IC (%)	Supply Chain Invested capital (S$ billion)	Supply Chain EBITDA/IC (%)	Mid/Downstream Invested capital (S$ billion)	Mid/Downstream EBITDA/IC (%)
Gestating	0.3	(0.5)	–	–	–	–
Partly contributing	1.5	2.8	–	–	2.1	9.5
Fully contributing	2.0	7.8	5.8	7.3	4.1	12.4
Total	**3.8**	**4.9**	**5.8**	**7.3**	**6.2**	**11.1**
	EBITDA/IC target at steady state: 15-18%		EBITDA/IC target at steady state: 10-13%		EBITDA/IC target at steady state: 13-16%	

Upstream

The Upstream segment registered a year-on-year volume growth of 28.3% in 2017 mainly coming from Almonds with increased acreage and better yields achieved in Dairy and Grains farming in Russia as well as in Rice farming in Nigeria.

Revenue grew by a significant 113.8% on higher volumes and higher Almond prices. EBITDA also showed a substantial growth of 137.8% on account of stronger almond performance, backed by a positive EBITDA achieved by Rusmolco for its Dairy and Grains farming operations, and by Rice farming in Nigeria.

Invested capital in the segment was up by S$151.0 million from the end of last year, mainly on the net increase in fixed capital, which grew as continued investments in Palm and Rubber plantations was offset by the sale of Edible Nuts farmland assets in the USA. Meanwhile, the working capital optimisation initiatives helped reduce working capital deployed.

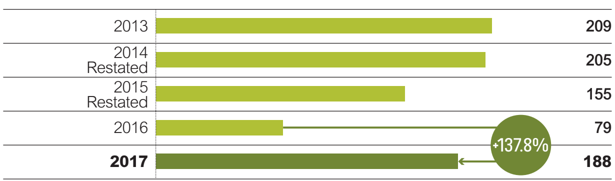
As a result of a strong improvement in EBITDA, EBITDA/IC increased from 2.3% in 2016 to 4.9% in 2017.

"EBITDA showed a substantial growth of 137.8%."

Rice farm in Nigeria.

EBITDA

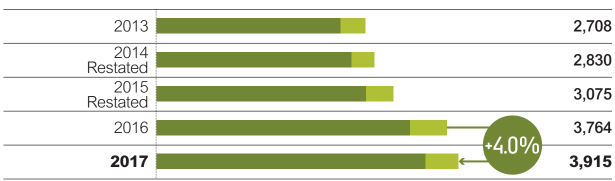
(S$ million)



	2013	2014 Restated	2015 Restated	2016	**2017**
EBITDA/IC (%)	8.2	6.6	5.2	2.3	**4.9**

Invested capital

(S$ million)



	2013	2014 Restated	2015 Restated	2016	**2017**
Working capital	323	304	359	481	**429**
Fixed capital	2,385	2,526	2,716	3,283	**3,487**

Unloading pulses in Australia.

Supply Chain

The Supply Chain segment recorded a 73.3% volume increase in 2017 as the year saw trading volumes in Grains, Edible Oils, Rice, Dairy, Cotton and Cashew grow significantly compared with 2016.

Revenue was up 44.9% on higher volumes, moderated by lower commodity prices.

EBITDA however declined 10.4% largely because of reduced contribution from Coffee supply chain. Cocoa bean trading and Sugar trading, which did not perform as well as 2016, also contributed to the decline.

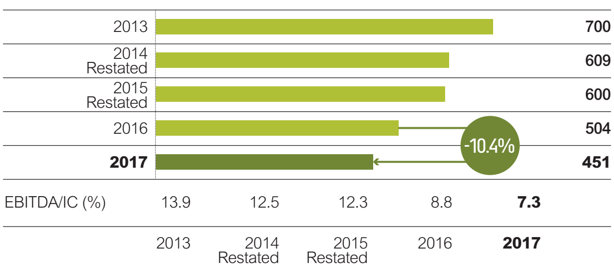
Invested capital in the segment was off 2016 levels by a significant S$733.7 million due to positive effects from the working capital optimisation programme and lower prices.

This resulted in an overall lower EBITDA/IC of 7.3% in 2017 compared with 8.8% in 2016.

"The Supply Chain segment recorded a 73.3% volume increase in 2017."

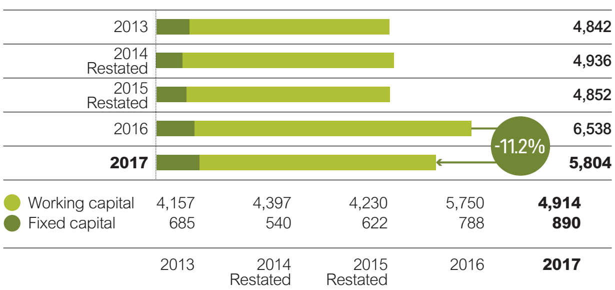
EBITDA

(S$ million)



Invested capital

(S$ million)



Mid/Downstream

The Mid/Downstream segment had a healthy volume growth of 18.6% in 2017. The growth in volumes was mainly coming from the Grains and Animal Feed platform, the Peanut business in the USA and cashew processing operations in Vietnam. Wheat milling capacity in Nigeria and Ghana increased during the year which led to higher milling volumes. The Animal Feed business in Nigeria also started contributing in 2017. Peanut volumes in the USA were higher on full-year consolidation of volumes from Brooks Peanut Company.

Despite larger sales volumes, revenues were flat due to lower prices across most products, including cocoa, tomatoes, dehydrates and sugar.

EBITDA was higher by 11.1% in 2017 compared with 2016. This was primarily on account of the improvement in wheat milling in West Africa, full-year consolidation of results from Brooks and strong contribution from GSEZ after its commissioning of new ports and partial sale of port concession rights. These improvements were offset by lower results from tomato processing and the Packaged Foods Business in Nigeria.

Invested capital was lower by S$233.9 million in 2017, largely arising from the reduction in working capital. This was due to optimisation initiatives for cocoa as well as the lower prices of tomatoes and dehydrates.

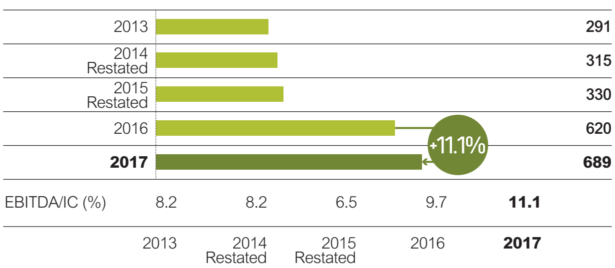
The increase in EBITDA on lower invested capital lifted EBITDA/IC from 9.7% in 2016 to 11.1% in 2017.

"EBITDA was higher by 11.1% in 2017 compared with 2016."

Cashew processing in Vietnam.

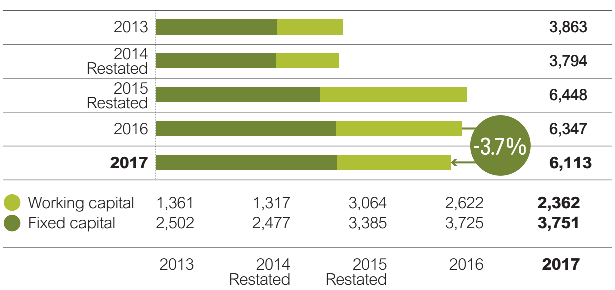
EBITDA

(S$ million)



Invested capital

(S$ million)



Community water pump in Côte d'Ivoire.

Our people are the architects of our future. Their skills, knowledge and competencies underpin our customer offering and the impact we have on all other Capitals.

Fulfilling our vision to be the most differentiated and valuable agri-business by 2040 depends on our workforce of 72,000 people, many in emerging markets. Through our values and culture, we have attracted leaders with vision, inventiveness and entrepreneurialism, but we recognise that we need to invest further in Human Capital to establish the inspired and high performing workforce we need.

Methodologies for calculating Human Capital impacts vary between degrees of qualitative and quantitative analysis, typically looking at overall people strategy, salary and benefits costs, training costs, engagement levels and cost of attrition. As we advance our model, we are looking at how it can be clear and unambiguous, minimising subjective judgement; allowing for year-on-year comparison and aiding decision-making.

Human Capital – desired outcomes

- All employees and contractors stay safe and healthy
- High calibre talent base with capabilities for growth
- Good employee retention, especially for critical roles
- Regarded as a fair and competitive employer
- Inspired workforce contributing to all Capitals
- Employment rights are protected at all Olam work sites and there are no human rights violations
- Minimal conflicts/strikes
- Leaders advance industry and sector initiatives

Management approach

Build an inspired and high performing organisation

- **Develop a satisfied, engaged and inspired talent base:** identify organisational factors and enable leadership to identify their purpose to align with Olam's Purpose.
- **Institutionalise 'The Olam Way':** our blueprint for success has been our capability for organisational learning, identifying what has worked well – and the manner in which we can replicate it. Given the fast-paced nature and diversification of our businesses, there is renewed focus on ensuring everything has the unmistakable Olam signature.
- **Leadership and capability development:** success is not through business acumen alone but by inspiring a team towards a higher sense of purpose and standards of success. This is combined with concerted effort in deepening organisational capabilities in the areas of Trading, Plantations, Operational Excellence, Digital, and Sustainability. It includes a drive to up-skill nationals in emerging markets through localisation strategies, such as in-house training and mentor programmes, as well as partnerships with national colleges and globally renowned universities.
- **Managing performance and rewards:** institutionalising a performance management process that is employee-centric and future focused to transform the company.

Human Capital FY17 vs FY16

FY17	FY16 comparison
40,500 full-time employees	35,000 employees
31,600 seasonal, contract or temporary workers (includes reclassification of some workers to full-time)	34,700 workers
Primary workforce: **70%** men and **30%** women	74% men, 26% women
33% of primary workforce employees covered by collective bargaining agreements	30%
89% of women return to work after maternity leave	89%
150 managers hired from local communities	90 managers
Lost Time Injury Frequency Rate in Processing reduced by 26% to **0.31**	0.43
8,700 employees trained specifically on human rights	2,700 employees
42 grievances about labour practices filed and 51 resolved in the period (includes from previous year)	60 filed, 36 resolved

Safety and Human Rights

- **Vision of a Zero Harm Culture:** unrelenting drive to improve safety through 'An Even Safer Olam' campaign.
- **Commitment to human rights** as guided by the UN Declaration of Human Rights, the UN Global Compact, and the International Labour Organisation. This includes compliance with relevant laws and international agreements covering wages, working hours and conditions, freedom of association, collective bargaining, and discrimination. A company-wide Fair Employment Policy is due to be launched in 2018.
- **Grievance mechanisms and whistle-blower rights** accessible to all employees without retribution as outlined in the Olam Code of Conduct.
- **Regular and open engagement with unions and worker committees.**
- **Advancing health, wellness and nutrition** for the workforce, especially in upstream operations in emerging markets.

Challenges and influencing factors in 2017

- **Downward pressure on commodity prices coupled with cost efficiency drives** can impact teams. Reduced scores were seen in 2017 in employee engagement. The launch of our new purpose – 'Re-imagining Global Agriculture: Growing Responsibly' – is a critical facet of improving engagement. We are also now starting to measure engagement more formally across all employees.
- **Embedding a safety culture in emerging markets** where there is less focus culturally on safe behaviour – for example, driving within the speed limit, wearing of seat belts. Tragically, 7 fatalities occured in 2017 primarily through transportation-related incidents. Other causes included incorrect wearing of safety equipment and supervision issues. All incidents were assessed and corrective actions immediately undertaken.

Women GROW in Olam

- Olam employees launched a women's resource group in 2013 with the name GROW (Globally Reaching Olam Women) which now extends from the USA to Africa. GROW gives the organisation the tools and resources needed to support women in the workplace and boost the number of women in leadership.
- To address issues relevant to working women today, GROW offers mentoring programmes and education symposiums on topics ranging from professional growth to work-life balance - issues with clear goals for professional development. A keynote speaker series brings in notable female leaders to share their experiences about what has worked for them. GROW is not limited to helping women within the organisation; the network also holds sport activities as well as social events to raise awareness for local women's non-profit and charity organisations.

In 2017, Olam moved to its new headquarters with a dedicated Learning Academy and library.

Spotlight on training in Trading

In 2017 the Trading Community of Practice focused on building superior capability for proprietary traders. The in-house training module for junior traders was designed by chief traders with the Head of Learning and Development. Taking Olam specific case studies, the training sessions are interactive and based on discussion and sharing. One module involves a live simulation with traders taking positions on different scenarios, followed by review and analysis. Each trader is also assigned to a mentor over a 3-month period with assignments which must be successfully completed before passing to the next stage. For senior traders, there is renewed focus on behavioural aspects – attitude, risk taking, efficiencies, analysis etc. A 'light' programme is aimed at those who support traders in Finance and Risk functions.

Spotlight on future leaders

Eleven MBA graduates were recruited from across the world for the Olam Future Leaders Programme and given the opportunity to be exposed to numerous aspects of Olam's business. By establishing networks and relationships they will be in a strong position to follow a career path for the next 3-5 years. Future Leader Sander Clevers gives an insight into training:

"Our second stint was in Vietnam at Olam's pepper plantation. We gained knowledge of the processes of planning and preparing the land, enriching the soil, and maintaining a good relationship with the local community. I was not only enriched in the knowledge required for my profession but also in other aspects of Vietnam as we soaked in the culture and cuisine.

"Back in Singapore we gained further knowledge about the aspects of corporate management. This module consists of finance lectures, risk management workshops, and even time at the trading desks. For me, the most exciting was gaining a first-hand experience of what it is like to be a coffee trader.

"The next step in my learning process will take me to the Netherlands, where I will be working at the Cocoa processing factory in Koog aan de Zaan, after which I will learn about the marketing and trade of our Edible Nuts commodities at the trading office in Rotterdam.

"This opportunity is the best that I could have hoped for to jumpstart my career. It has taken me places I would never have imagined or seen. The Future Leaders Programme fast tracks my learning curve and personal development. I would recommend this programme to anyone who is driven, adventurous and interested in pursuing a career in agri-commodity business."

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

Partnerships

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

Mutual Respect and Teamwork

We treat each other the way we want to be treated

Integrity

We stay true to what we believe, say and do

Ownership

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

Spotlight on living wages

At the coffee plantations in Tanzania (Aviv) and Zambia (NCCL), Olam employs over 1,300 workers from the surrounding villages and many more at harvest. Whilst this has brought economic and skills benefits, the team is exploring whether the legal minimum wage could also be considered a 'living wage.'

A study using the Anker methodology showed a gap, so the plantations are looking at ways to reduce it within the parameters of business viability. Indeed, in absolute terms, simply raising wages is often not the solution. Improving living conditions rather than just increasing a salary can be more cost-effective and achieve more focused impact.

At Aviv, for instance, we have helped workers enroll in the Community Health Fund. This covers basic medical expenses for the worker plus 5 family dependents for one year. Equally, we are giving workers guidance on how to grow more nutritious food in their smallholdings; as well as improving health and sanitation in the villages through various activities related to the Alliance for Water Stewardship (AWS) Standard.

Relevant HR, CR&S and MATS[1] material area goals and progress

2016 – 2020 objectives	2020 target	2017 achievement	Outlook for 2020 target
Goal: Good health and wellbeing (Material area: Livelihoods – some overlap with Labour)			
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.	Incorporated WASH into upstream Community of Practice for implementation. For processing plants in FY18 • Formalise Olam WASH Standard • Prepare implementation plan	Behind target
Goal: Zero-harm workplace (Material area: Labour)			
Eliminate serious incidents	Reduce LTIFR to 0.3 in Olam processing operations (50% reduction from 2015 actual).	LTIFR (YTD) was reduced to 0.31 at the Tier 1 plants, which is a 26% reduction.	Ahead of target
	Reduce LTIFR in Olam-managed plantations, concessions and farms by 50% from baseline determined in 2016.	Primary focus in 2017 continued to be in Olam-managed plantations, concessions and farms. Recalculated baseline based on business change.	Behind target
Sustain health and safety behaviour change programme	All locations routinely report unsafe acts and unsafe conditions, and near misses.	Tier 1 plants in full compliance with Olam Imperative 3 Reporting, Recording, Review and Compliance Checklist. Some key Tier 2 and Tier 3 sites starting to report following implementation of Safety programme.	On target
Goal: Respect for workers' rights (Material area: Labour)			
Olam complies with ILO principles	No moderate or severe breaches of compliance reported or observed in audits.	Identified 5 breaches related to non-payment of over-time. Also identified issues around documentation quality, safety training and controls.	Behind target
Diversity strategies are implemented	100% of businesses with >100 employees to have a documented and reported diversity strategy.	Fair employment policy to launch in 2018	On target

1. Manufacturing & Technical Services

Creating social value is at the heart of our business model, minimising risks and opening up partnership opportunities.

Given our dependence on 4.76 million farmers, the vast majority being smallholders in emerging markets, the definition of Social Capital by the OECD as "networks together with shared norms, values and understandings that facilitate co-operation within or among groups" is particularly resonant. Much of our focus therefore is on lifting smallholders out of poverty. To secure the crops for customers tomorrow, we must help rural communities to thrive today. In turn, this delivers economic value for the countries where we operate.

Large-scale farmers also face many challenges. Often 3rd or 4th generation family farms, they have grown through hard work, perseverance and sacrifice. While Olam's extensive farmgate experience means we are well-placed to support farmers from America to Zimbabwe, we must work in partnership to achieve the scale of transformational change required in the agricultural sector.

Currently, there is no single methodology to put a financial value on all elements identified under Social Capital creation. So, as a 'stepping stone', we are measuring the investments we make in social infrastructure and impacts on livelihoods.

Social Capital – desired outcomes

- Farmers and associated agri-industries are prosperous and stay in business
- Young people see farming and related activities as a viable career, ensuring long-term security of supply
- Women farmers in emerging markets are empowered, boosting production and quality
- Farmers are healthy and educated commercially, reaching their production potential
- Risks such as child labour are minimised and mitigated, protecting reputation
- Communities around Olam operations see the company as a positive force and people want to work for us
- Governments see Olam contributing to supporting society and the economy, and welcome growth
- Stakeholders see Olam as a reliable and trusted implementation partner, opening opportunities to scale up initiatives
- Stakeholders understand our business and the external challenges we face.

Social Capital FY17 vs FY16

FY17	FY16 comparison
S$82,098('000) in tax paid globally (Olam Group)	S$48,420 ('000)
S$652,171('000) in salaries and employee benefits (Olam Group)	S$571,963 ('000)
4.76 million farmer suppliers (**5,600** large-scale and **4.752 million** small-scale)	4.33 million
363,000 farmers in the Olam Livelihood Charter (OLC)	302,500
49 OLC programmes in 21 countries	44 programmes in 19 countries
61,500 women farmers in the OLC	55,200 women farmers
40 partnerships under the OLC alone	30 partnerships
250,000 people in Africa reached under the Healthy Living Campaign	Reached 190,000
Supporting **10** postgraduate scholarships for Catalysing Change in Africa at Harvard Business School, Lee Kuan Yew University, London School of Economics and Political Science, and INSEAD	10 scholarships

7th year of the Olam Livelihood Charter (OLC)

The OLC is Olam's award-winning programme providing holistic economic, social and environmental support to smallholder farmers, and reassurance to customers. Since 2011, we have gradually increased the number of farmers embraced in Africa, Asia and South America to just under 363,000.

Over 1,000 sustainability experts work with communities all year round, fulfilling the Charter's 8 Principles: provision of finance; improved yield; good labour practices; market access; quality; traceability; social investment and reduced environmental impact.

Partnering for financial inclusion

In Africa, smallholders do not tend to have bank accounts, so payment has typically been in cash which makes saving and transaction traceability harder. In Côte d'Ivoire and Ghana, Olam is working with the Consultative Group to Assist the Poor (CGAP) housed at the World Bank to help improve the take-up of Digital Financial Services. Even when smallholders have a mobile phone, cash transactions are still preferred due to a lack of mobile money agents nearby and merchants that accept e-money. CGAP is now working with Olam to identify new agent and merchant models with rural partners:

"Olam knows well the wide array of actors in these countries' agricultural value chains, as finding sustainable ways to work with them is at the core of its operations. With Olam, CGAP will be mapping these enterprises' and end-users' profiles in several agricultural value chains. We will use this information to facilitate dialogue with partners in the finance and telecom sectors to propose new business model concepts that could deliver greater service value to smallholder families and rural businesses.

"Our partnership in Africa was the result of conversations that started at a conference in Vietnam. Following a proposal in July, it took a little while to get going as the CR&S team had to get the buy in from the business unit teams on the ground but Olam is forward looking and open to experimentation. We're pleased with the progress so far."

Emilio Hernandez

Senior Financial Sector Specialist CGAP

Women cocoa farmers in an OLC programme in Indonesia learn how to graft to improve yields.

Management approach

- Pursue 2020 Goals laid out under CR&S, MATS[1] and HR material areas – Livelihoods, Food Security and Nutrition, and Labour[2]
- Put integrity, openness and fair play at the heart of all relationships. Be proactive when issues arise
- Uphold all laws, including compliance and securities laws, bribery and corruption
- Help to catalyse food crop production in areas where we operate for domestic food security
- Expand the Olam Livelihood Charter programme, promoting holistic long-term support tackling economic, social and environmental issues
- Promote gender empowerment
- Encourage good health and well-being through better nutrition e.g. via crop diversification, healthy foods, and through access to safe water and sanitation
- In own operations assess social risks, and adhere to Free Prior and Informed Consent procedures. Ensure the development and implementation of a Social Management Plan, incorporating a continual improvement loop
- Expect adherence to human rights across supply chains ('No Exploitation') as per UN Declaration on Human Rights, ILO Declaration on Fundamental Principles and Rights and Work, and UN Global Compact
- Participate in Private and Public partnerships to enable initiatives to scale up and replicate.

Relevant CR&S material area goals and progress

2016 – 2020 objectives	2020 target	2017 achievement	Outlook for 2020 target
Goal: Economic opportunity and inclusion (Material area: Livelihoods)			
Smallholder farmers are supported through the Olam Livelihood Charter (OLC) principles	Bring 1 million hectares under the OLC with an estimated 500,000 farmers.	867,000 ha managed by 363,000 smallholders (up from 671,800 ha managed by 302,550 smallholders)	On target
Suppliers comply with the Olam Supplier Code	100% of priority products covered by the Supplier Code: cashew, cocoa, coffee, cotton, hazelnut, palm and rubber.	70% (up from 58%) of priority products	On target
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.	Total women empowered in Olam's supply chains: 13,300 in primary workforce 61,500 OLC female farmers Total = 74,800 (Total does not include women in secondary (seasonal) workforce e.g. cashew, coffee)	On target
Elimination of child labour	No breaches in compliance reported or observed in audits.	FLA identified issues of child labour in the hazelnut supply chain – see Edible Nuts segment. No breaches were identified by the FLA in the cocoa monitoring.	Behind target

1. Manufacturing and Technical Services.
2. Material areas for FY17. New Material Areas agreed for FY18. See Group CEO Review.

Examples of challenges and influencing factors in 2017

- Low commodity prices for crops such as coffee, cocoa and rubber impact farmer livelihoods. Large-scale farmers are also facing economic challenges
- Weather e.g. drought in Tanzania, Brazil and India, affected smallholder cashew, coffee and sugar farmers
- Infrastructure issues are slowly improving in emerging markets, especially mobile coverage; but access to water and electricity hamper efforts to lift farmers out of poverty. In Sub-Saharan Africa, 609 million people (6 out of 10) do not have access to electricity, and in South Asia, 343 million people do not have access to electricity.[1]
- Speed of transformational change – while we see improvements in farmer livelihoods and communities in programmes of 2 years or more, many are still classified as living in poverty. Issues inhibiting the process include mastering new agricultural practices, culture, literacy etc
- Increasing scale of support – how to reach (physically and financially) smallholders
- Challenge of balancing social development (particularly extreme poverty) with protecting Natural Capital
- Challenge of all stakeholders agreeing where corporate responsibility starts and stops (e.g. origins where Olam is providing healthcare education and other social infrastructure)
- Tensions between driving short-term cost efficiencies and long-term investment in programmes.

School girls in a Nigerian sesame community: Under the Olam Livelihood Charter, social needs are supported, such as school infrastructure. This helps to reduce the risk of child labour and enable rural communities to thrive.

1. World Bank State of Electricity Access Report 2017

Relevant CR&S material area goals and progress

2016 – 2020 objectives	2020 target	2017 achievement	Outlook for 2020 target
Goal: Economic opportunity and inclusion (Material area: Livelihoods) Continued			
People have improved livelihood 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.	363,000 farmers have benefited from livelihood support through the OLC. 11,800 villagers in palm and rubber Social Contracts, and or benefitting from employment. 2,600 farmers under GRAINE programme in Gabon active in crop production. Aviv in Tanzania provided employment and social investment to 4 villages of 2,064 households = approx. 8,250 people based on around 4 people per household. NCCL in Zambia provided employment and social infrastructure including a school and clinic, positively impacting over 30 villages – benefiting approx. 16,620 people (based on 4 people per household).	On target (once wider impact methodology agreed)
Goal: Good health and wellbeing (Material area: Livelihoods – some overlap with Labour)			
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 250,000 people in Africa: 63,202 direct beneficiaries (e.g. HIV/AIDS sensitisation, diagnosis and testing = 20,900 people; malaria sensitisation and screening = 24,300) Indirect beneficiaries due to construction / renovation of borehole and latrine facilities in communities in Africa.	On target
Goal: Food security and nutrition (Material area: Food Security)			
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.	Many businesses undertaking initiatives locally on health and well-being. Assessing further for consideration and implementation in FY18.	On target
Increased availability of micronutrient fortified foods	Produce 40 billion servings of micronutrient fortified foods.	68 billion servings of fortified foods in Africa, including yogurt drinks, oil, flour, tomato paste, milk, biscuits etc.	Exceeded target

"The erosion of Natural Capital poses threats to continued national and global prosperity, yet political and economic systems are unprepared for responding to that risk."[1]

As detailed in our new Living Landscapes Policy (developed in 2018), our ambitious vision is to be a net positive company which means adopting principles to put back more into food and fibre systems than we take out – critical if we are to feed an extra 2 billion people by 2050. We are committed to aligning our goals with internationally agreed science-based targets which includes operating within Planetary Boundaries and reducing our contribution to the 13% of Greenhouse Gas emissions contributed by farms globally[2].

Accounting for the current and potential financial value of Natural Capital is critical for future-proofing our business. For example, a 2017 study on potential impacts of water risks on business profits revealed that if the full costs of water availability and water quality impairment had to be absorbed, this would equate to a decline in average profits of 44% for utilities and 116% for food and beverage companies; hence our focus on water stewardship[3].

While there is currently no standardised methodology for putting a value on the earth's ecosystem services, our approach is being informed by the Task Force of Climate Related Disclosures (TCFD), Impact Valuation Roundtable (IVR), membership of the Natural Capital Coalition, and The Prince's Accounting for Sustainability Project (A4S). We are using Life Cycle Assessment methodology to calculate the related environmental impact linked to the production of commodities, using the indicators most material to our business: Climate Change, Water Depletion and Land Use. We are already making considerable progress.

Natural Capital FY17 vs FY16

For more detail, see our GRI report at olamgroup.com

FY17	FY16 comparison
22.53 million MT product volume from **12.4 million** hectares (ha) land (owned and third party managed)	14.4 MT product volume from 9.74 million ha
2.46 million ha managed by Olam directly; **0.86 ha** under OLC farmers; **9 million ha** under other third party suppliers	2.41 million managed by Olam; 0.67 million under OLC; 6.67 million under third parties
Protection of **101,000 ha** of High Conservation Value land (coffee, palm and rubber)	84,700 ha
1.14 tonnes CO_2e per metric tonne (MT) of product produced from Olam-managed concessions, plantations and farms	21% increase
0.21 tonnes CO_2e per MT of product produced from Olam processing	20% improvement
CDP reporting: Climate change = B-; Water = B; Forests[3] = A-	Climate Change decreased from B to B-; Water improved from B- to B; Forests improved from B to A-;
Total value chain water intensity: **3,587m3 per MT** product	17% improvement
70% Supplier Code coverage of priority volumes (cocoa, coffee, cotton, cashew, hazels, palm and rubber)	58% coverage

1. Green Economy Coalition
2. World Resources Institute
3. Trucost

Minimising Natural Capital impacts – desired outcomes

- Impacts from agriculture on climate, water, forests and other resources stay within Planetary Boundaries
- Profitable and sustainable orchards, plantations and farms for Olam and our third-party suppliers
- The living world and ecosystem services are regenerated for long-term food security and commercial volumes
- Better crop resilience in the face of climate change
- Equitable use of reso urces at a landscape level avoiding societal risks.

Approach overall

- Pursue 2020 CR&S goals for identified material areas under Natural Capital: Climate Change, Land, Water[1]
- Follow and implement Policies, Codes and Standards applicable to Olam-owned and third party operations (Living Landscapes Policy; Plantations, Concessions and Farms Code; Supplier Code; and specific Standards and Operating Procedures)
- Aim to achieve maximum productivity with minimum impact (e.g. more crop per drop)
- Incorporate climate, water and soil risks into Enterprise Risk Management procedures.
- Be clear on unacceptable practices; particularly No HCV, No HCS & No Peat (see Living Landscapes Policy)
- Increase levels of biodiversity to improve pollination and minimise chemical pesticides (employ Integrated Pest Management techniques. Limit to exceptional circumstances the use of WHO Class 1A and Class 1B pesticides)
- Ensure judicious use of inorganic fertilisers and promote organic composting
- Actively engage with stakeholders, particularly when assessing Natural Capital trade-offs when creating financial and social value
- Collaborate in sector initiatives for scale e.g. co-chair the Climate Smart Agriculture working group under the World Business Council for Sustainable Development. Vision is to make 50% more nutritious food available and reduce agricultural emissions by 50% by 2030
- Invest in research and development
- Support development of Natural Capital accounting protocols.

Collecting water samples directly from the California almond orchard drip lines to test for overall water quality.

Spotlight on soil

"Soils are a key natural capital asset yet their valuation is often overlooked.

The most prominent economic value that soils deliver is in the range of functions that support crop growth and food production.

Additionally, agricultural soils are intrinsically linked with multiple positive and negative impact drivers including GHG emissions, water pollution, and flood/drought mitigation.

Lancaster University are pleased to be working with Olam on a Natural Environment Research Council funded project to address the need for soil natural capital guidance in the agri-food sector by mapping the evidence chain between soil natural assets and benefits derived.

This will help realise the comprehensive valuation of soils needed to create sustainable and resilient agri-food value chains."

Dr Jess Davies

Lecturer in Sustainability, Pentland Centre for Sustainability in Business, Lancaster Environment Centre

1. Material Areas for FY17. New Material Areas agreed for FY18. See Group CEO Review.

Owned operations

- Select and manage land responsibly, in such a way as to maintain or enhance critical habitats, regenerate the natural capital of soil, water and ecosystems; and store carbon
- Implement international standards and codes where applicable, including RSPO, FSC®, PEFC, SRP, AWS and IFC Performance Standards
- Require Environmental Impact Assessments, including HCV assessments verified to international norms
- Establish integrated water resource management and encourage water stewardship where appropriate
- Increase the efficiency of all resources used including soil, fuel, energy, water and land
- Increase the proportion of renewable and non-fossil fuels and energy and utilise by-products for energy.

For third party operations

- Progress actions to end deforestation across smallholder supply chains as per the Olam Living Landscapes Policy
- Work with customers, partners and other third parties, maximise farmgate presence to train suppliers on requirements and address underlying factors required to eliminate these practices from supply chains – e.g. poverty
- If unacceptable practices are reported, assess the extent and nature of non-compliance and establish a time-bound plan to address the issue and, where necessary, remediate material negative impacts of non-compliance. We will disengage from suppliers who are unable to demonstrate positive steps to eliminate unacceptable practices in a time-bound manner
- Harness technology – e.g. Olam Farmer Information System to map individual farmer suppliers and buying stations, and identify hot spots
- Put in place viable monitoring and evaluation procedures with audits, spot checks, and satellite monitoring.

Challenges and influencing factors in 2017

- A year of extreme weather events – third hottest year on record[1] with reduced water availability for many farmers
- Lack of globally agreed definitions for complex issues like deforestation
- Ongoing issues of pests and disease
- Limited leverage to prevent suppliers in smallholder supply chains from encroaching into forests, under continuing pressure to increase agricultural income
- Attendance, capacity issues and uptake of training by smallholders – requires repeated training, model farms
- Resource limitations to verify on-the-ground compliance with Olam Supplier Code and product policies in highly fragmented third party supply chains. Reliance on satellite technology and industry initiatives
- Need to decouple business growth from GHG emissions through science-based targets.

1. National Oceanic and Atmospheric Administration.

100,000
OLC smallholders trained in climate mitigation practices

712,000
shade tree seedlings distributed to OLC farmers

Sesame farmer in Nigeria.

Supporting Science-Based Targets

In 2016, Olam signed up to the Science-Based Targets Initiative which seeks to increase the number of companies reducing their Greenhouse Gas (GHG) emissions. This is to ensure alignment to a 2 degree Celsius global warming scenario, and companies should pursue efforts to limit the increase to 1.5 degrees Celsius. At the beginning of 2018 we submitted these targets to the Initiative and are awaiting their feedback.

As part of this process, during 2017 we undertook a review and set ourselves stretch targets to reduce GHGs by 50% by 2030 both in our own operations and in our supply chain. This requires a reduction of 3.85% per year.

By 2050, we aspire to be carbon positive in operations, requiring a 5% emissions reduction per year from 2031 – 2050. We are developing stretch targets for our supply chain. We are also exploring how to set similar operational targets for water by reviewing global regions at risk of water stress and agriculture-linked pollution.

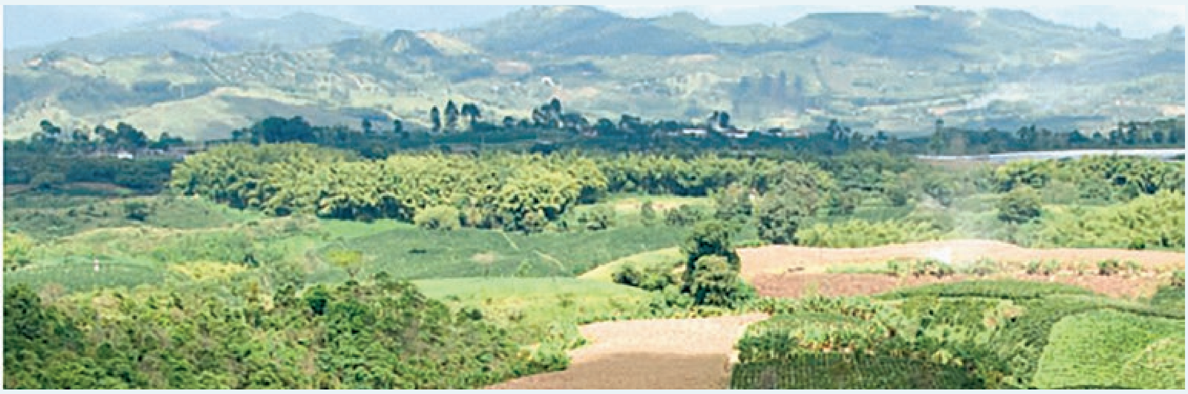
"By 2050, we aspire to be carbon positive in operations, requiring a 5% emissions reduction per year from 2031 – 2050."

Olam Living Landscapes Policy – seeking net positive impact

In 2017, we consulted widely with experts and civil society on a forest policy to cover all commodities in Olam's portfolio. We concluded that a Policy based narrowly on unacceptable land use management practices will not be sufficient to meet the challenges of deforestation and ecosystem degradation.

As part of our ambition to re-imagine global agriculture we have therefore adopted a Living Landscapes Policy. We aim to deliver a triple positive impact in the places where we work to create and sustain living landscapes, where profitable farms and plantations, thriving rural communities, and healthy ecosystems coexist. For example, around our plantations in Gabon our net-positive contribution includes thousands of jobs, social infrastructure, High Conservation Value areas and anti-poaching enforcement, and net positive climate impact.[1]

Going forward, each Olam business will take a risk-based approach to establish strategies and plans appropriate to our role in growing, sourcing, processing and trading each crop and commodity. Time-bound commitments are incorporated into the Policy (2018 and 2020). To ensure successful application of this Policy group-wide we will develop and implement a suitable process to monitor compliance with the Policy. Reporting on progress will begin in the FY18 Annual Report. See olamgroup.com for more detail.



1. High Carbon Stock Science Study Group. Independent Technical Report 2015.

Relevant CR&S material area goals and progress

2016 – 2020 objectives	2020 target	2017 achievement	Outlook for 2020 target
Goal: Reduced greenhouse gas emissions (Material area: Climate change)			
Increased energy efficiency	During FY17, developing science-based targets for total Olam GHG emissions from which the 2020 metric will be determined.	Science-based targets submitted. FY17 to be used as new baseline.	On target
Avoided GHG emissions	All Olam farms, plantations and Tier 1 facilities to have implemented their 2020 GHG reduction plans: 1. Operational efficiency 2. Avoid High Carbon Stocks for land development 3. Climate-Smart Agricultural practices.	GHG emissions for all Tier 1 sites are monitored on a monthly basis. Revised reduction plans to be developed in FY17 in line with science-based targets. Coffee implemented performance scorecard. All other BUs developing scorecard as part of CR&S strategies.	On target
Increased share of renewable energy	25% of energy derived from renewable and biomass sources at Olam's Tier 1 facilities (from 2015 baseline – 15%).	Share of renewable and biomass sources stand at 16%. Plan for achieving 25% share of renewable and biomass energy sources will be prepared in 2018.	On target
Goal: Reduced greenhouse gas emissions (Material area: Climate change)			
Reduced agricultural vulnerability to climate risks for OLC farmers and Olam-managed plantations, concessions and farms	Implement the Olam 2020 Climate-Smart Agriculture (CSA) Programme. Resilience impact to be launched in FY17 as part of WBCSD CSA programme.	Climate-Smart Agriculture measures incorporated into OLC principles of Environment, Social Investment and Improved Yield. CSA measures incorporated into Olam Plantations, Concessions and Farms Code.	On target
Goal: Sustainable development and use of land-based ecosystems (Material area: Land)			
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. Living Landscapes Policy developed. Participation in Tropical Forest Alliance 2020 and Cocoa & Forests Initiative on deforestation-free production.	On target

1. World Resources Institute

Relevant CR&S material area goals and progress Continued

2016 – 2020 objectives	2020 target	2017 achievement	Outlook for 2020 target
Goal: Sustainable development and use of land-based ecosystems (Material area: Land) Continued			
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.	Addressing historic claim at Laos coffee plantation. All grievances on plantations in Gabon in process or resolved – see Grievance log on olamgroup.com for detail. (As of February 2017 anonymous claims can also be submitted.)	On target
Reduce indirect land impacts from third-party farmers and suppliers	100% of third party supplier volume complies with the Supplier Code based on a prioritised product approach. Priority products: cashew, cocoa, coffee, cotton, hazelnut, palm, rubber.	All priority products are working with suppliers to implement the Supplier Code. 70% of priority product volumes procured by origins in FY17 are covered by the Code.	On target
Goal: Sustainable use of water resources (Material area: Water)			
Increased water use efficiency in Olam's direct operations	New science-based water targets for 2020 to be developed in 2017.	Science-based targets have been developed based on water risk assessments. Improvement plans to be created during FY18.	On target
	10% reduction in process water intensity in Olam Tier 1 factories from 2013 baseline which was 3.1 m^3 (tonne).	Water consumption intensities for Tier 1 facilities are monitored on a monthly basis. FY17 = 2.24 m^3 (tonne) - a 28% improvement on FY13.	Exceeded target
Increased water use efficiency in priority supply chains	100% of priority supply chains to have Water Resource Management plans.	Assessed water risk of OLC programmes, training over 141,390 smallholders on sustainable water management activities.	On target

1. World Bank State of Electricity Access Report 2017

If we are to truly re-imagine the global agri-sector then Intellectual Capital must be prized and nurtured across our entire business from the farm, through trading, to logistics and processing.

This is made possible by the skills and competencies inherent in our Human Capital, as well as dedication to talent attraction and retention. But we must also recognise that as the world continues to experience rapid changes driven by technology, the farms and factories of the future may not look like those of today and that new skills, competencies and Intellectual Capital will be required.

Intellectual Capital is defined by the International Integrated Reporting Council as organisational, knowledge-based intangibles including intellectual property, such as patents, copyrights, software; organisational capital such as tacit knowledge, systems and protocols; and intangibles associated with brand and reputation – we have extracted the latter as a separate capital given its importance. At this stage we are still considering impact accounting methodologies over and above financial reporting.

A critical contributing factor to our Intellectual Capital has been our focused strategy and differentiated business model, coupled with the strength and on-the-ground experience of our talent base, particularly in the tough-terrain emerging markets where they have grown highly profitable businesses. Through the 'The Olam Way', we have carefully applied our Intellectual Capital to build a highly defensible business where we have a unique participation portfolio.

Intellectual Capital – desired outcomes

- Consistently out-perform the sector through strategy and innovation
- Partner of choice for customers through differentiation
- Agile business to maximise emerging trends and adapt to rapidly changing business environment
- Sustainable sourcing scaled much more quickly
- Brand equity and reputation grows
- Inspired employees strive for more
- Employer of choice
- Become trusted implementation partner for customers, NGOs, development finance institutions, governments etc.

Supporting Intellectual Capital - The Olam Prize for Innovation in Food Security 2017

"Winning the Olam Prize was an honour. It's great to see that private sector companies like Olam are supporting research that could positively impact the lives of farms in Senegal. The Prize money will help us build awareness of our durum wheat discovery so that more farmers are able to adapt to a changing climate while also boosting their incomes and creating an additional source of food."

Dr Filippo Bassi
ICARDA

Dr Filippo Bassi (third from left) and team from the International Centre for Research in Dry Areas (ICARDA). They won the Olam Prize for Innovation in Food Security in 2017 for using non-GM molecular breeding techniques to develop a set of durum wheat varieties that can withstand constant 35-40 degree heat along the savannah of the Senegal River basin. The break-through could potentially boost the income for 1 million farming families.

Intellectual Capital created FY17

FY17
2 new R&D / Innovation Centres (USA and Gabon)
3 patents granted (57 pending)
Olam AtSource product development
Over **50** information technology initiatives started
US$50,000 prize for Innovation in Food Security award granted to ICARDA team

Management approach

- Identify and focus on long-term drivers of intrinsic value
- Follow the Olam Way 2.0 (see Group CEO Review)
- Support and strengthen governance, and risk systems and processes to enable Intellectual Capital to grow responsibly. Equally improve operational excellence and project management processes
- Live values of being a disruptor and entrepreneur while assessing and monitoring risk exposures within risk appetite and tolerance
- Advance digital across the business to enable better integrated thinking through sharper and more holistic/ integrated analysis
- Listen to stakeholders, apply learnings
- Continuously invest in growing the knowledge of employees (new Olam Learning Academy) through internal programmes and external experts
- Invest in Research and Development for new products and sustainable solutions
- Drive Communities of Practice to achieve respective visions through enhanced competencies (e.g. World's Best Planter, World's Best Trader)
- Develop partnerships with research institutions and other expert organisations to expand Intellectual Capital base. These include Agropolis Foundation, CSIRO, Center for Land-Based Learning, ICARDA, Temasek Life Sciences Laboratory, University of California, Davies and many more
- Ensure employees uphold the Olam Code of Conduct which stipulates protection of Olam's Intellectual Property and equally that Olam will respect the Intellectual Property rights of third parties
- Explore additional methodologies to better account for Intellectual Capital, especially Olam's intellectual contribution in partnerships.

Challenges and influencing factors in 2017

- New skill-sets increasingly required – e.g. data analysts, application developers
- The major challenges facing the sector, particularly for Natural and Social Capital impacts, require much greater pre-competitive collaboration which must be carefully managed to protect Intellectual Capital
- Increasing cyber security threats
- Upgrading legacy systems for improved operational excellence.

Using digital to re-imagine agriculture for smallholders

Digitalisation was identified as a vision enabler so the Digital Task Force was established in 2017. Together with IT, it supports the business to realise disruptive ideas and operational efficiencies, offering new revenue streams and cost savings through automation, e-commerce and sustainable sourcing.

Of critical importance is how technology can drive the pace of change so badly required among smallholder supply chains. With more than 4 million farmers in our indirect sourcing network, very few companies have the same number of touch points through which to cascade change. The DTF identified 4 key areas:

- **Increasing the opportunity to sell directly to Olam** rather than having to go through intermediaries (see the Olam Direct story on page 30)
- **Improving yields** through crop analysis and best practice guidance
- **Empowering farmers by creating a conducive environment for the exchange of information** – now possible with just a mobile phone if the right infrastructure is in place
- **Improving farmers' access to technology,** particularly through mobile phones which in turn can bring access to wider banking services and financial inclusion.

Challenges include:

- **Culture:** success of digitalisation requires a big ask of all stakeholders in terms of being open amid change and being receptive to new ideas
- **Infrastructure development:** requires working closely with Telecoms suppliers and governments need to invest in the infrastructure base. Even SMS networks are good enough as a starting link to many services.
- **Through collaboration we can increase the pace of change** – and potentially have wider economic benefits as local hotbeds of tech savvy communities establish themselves and come up with even more solutions.

From smart phones to Smart Farms

- We are developing an autonomous technology called Vertebrate Pest Detection and Deter System (VPDad) for detecting and sustainably deterring animals like elephants from destroying crops. It is being developed in collaboration with the Commonwealth Scientific and Industrial Research Organization of Australia (CSIRO). The technology uses several reactive 'sense-and-deter' nodes that emit sounds and lights, warning animals away from plantations without harm.
- AgriPal, a mobile app, is being developed to capture real-time data on the ground to monitor worker productivity, crop production and quality, as well as nutrient and palm stress, enabling fast response.
- The LeBamba Analytical Services Laboratory (LASL) in Gabon was constructed as a strategic move to further enhance our Research and Development capabilities. It is planned to be the most state-of-the-art R&D centre in Africa. Phase 1 includes the analytical lab – water, fertiliser, soil and nutrients, tissue culture lab and sections of seed production, breeding, agronomy and precision agriculture.

Olam AtSource – harnessing Intellectual Capital from across the business

Our Core Purpose of Re-imagining Global Agriculture opens up the valuable opportunity to create differentiated Intellectual Capital for Olam.

By embedding sustainability in our commercial activities, refining our social and environmental policies, and developing our data management capabilities, we are evolving our business model to capture value.

In 2017, we started to develop AtSource, a major innovation in sustainable product delivery which enables Olam and our customers to track product on a path from responsible sourcing through to a net positive impact on people and planet (see page 16).

For Olam, the development of AtSource has generated and disseminated sustainability knowledge from top to bottom of our organisation, across 4 net positive principles, and by its nature and expansion into other products will continue to do so:

On the principle of materiality:

- Understanding the expectations of stakeholders in sustainable supply chains (e.g. peers, customers and civil society)
- Understanding the evolving global sustainability standards in our sector
- Assessing how Olam can build a competitive advantage through differentiated sustainable products contributing to positive impacts beyond compliance at farm level and at scale.

On the principle of transparency:

- Collating data and KPIs that are material, relevant and verifiable in order to track and guide sustainability initiatives for different products in many origins
- Footprinting our products with auditable methods
- Packaging the key information for our customers in a compelling and easily accessible way
- Communicating both the challenges and opportunities of Olam's complex world.

On the principle of systemic impact:

- Generating a detailed understanding of the sustainability dimensions of our supply chains to catalyse partnerships with customers and with other partners to achieve our goals.

On the principle of regenerative action:

- Promoting a systematic focus across our AtSource products on key management practices that contribute to incremental improvements in performance.
- Creating a framework for producing net positive products, which contribute to prosperous farmers, thriving communities and healthy ecosystems in living landscapes.

AtSource has also helped Olam to upgrade our capability to use digital technology to enhance transparency, inform decision-making and support collaboration with partners.

Olam Farmer Information System – detailed mapping of smallholders

Individual smallholder farms in remote rural regions can now be GPS mapped and surveyed via an Android app with the uploaded data harnessed to provide tailored support for smallholders and more precise details to customers who need to make critical choices about financial interventions, such as agri-training, school or healthcare infrastructure.

- For cooperatives and farmer groups: commercial management services to better manage stock, creditor and debtor levels
- For smallholders: detailed farm mapping for more tailored support including individual farm management plans, text advice and mobile payment wallets
- For customers: improved transparency and intervention insight to reduce supply chain risk and improve funding efficiency.

By end of 2017

- Implemented across 23 countries with 162,500 farmers registered
- 93,300 farms mapped in detail
- Aiming to reach 500,000 Olam farmers by 2020.

Cocoa farmer in Nigeria being shown how to use Olam Farmer Information System.

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, employees and other stakeholders about an organisation and its products and services.

In 2017 Brand Finance ranked Olam 19th out of 100 Singapore companies in its Brand Strength Index, giving an A-rating. Aside from financial performance, other factors contributing to Olam's brand equity include:

- Emerging market insights, especially in Africa, after 28 years of operating in developing countries
- Unique farmgate presence to support improved practices and gain farmer loyalty
- Leadership in sustainability
- The Olam Way business model
- Our brands, particularly in the Packaged Foods Business and Olam Cocoa.

Intangible Capital – desired outcomes

- Brand equity increases
- Known for being a responsible company
- Reduced cost of capital due to lower risk
- Stakeholders feel comfortable partnering with us
- Employees are proud to work for us.

Management approach

- Robust systems and processes to minimise risks and reputational threats (see page 84), summarised in the Olam Code of Conduct
- Extensive direct stakeholder engagement and transparent approach on issues
- Consistent corporate communication that helps stakeholders understand our business and the challenges we face
- Multiple leadership positions on industry platforms and associations including World Cocoa Foundation, RSPO, Sustainable Rice Platform etc
- Emphasis on Anti-Corruption and Bribery policies, as well as whistle-blowing procedures.

Challenges and influencing factors in 2017

- NGO reports on deforestation in smallholder supply chains (see Confectionery and Beverage Ingredients, page 50)
- Traditional and social media landscape is less discerning in some countries regarding veracity of statements
- Constantly evolving reporting standards (note: in addition to this report, Olam has also submitted a separate Global Reporting Initiative (GRI) report - see olamgroup.com).

Intangible Capital impacts in 2017 include:

- Appointment of CEO Sunny Verghese as Chair of the World Business Council for Sustainable Development
- Multiple Awards:
  - SIAS Singapore Corporate Governance Award – Best Company in Consumer Staples
  - Top 20 company in Singapore Corporate Governance and Transparency Index (SGTI)
  - IR Society UK – Award for 'Most effective integration of sustainability into corporate communications' 2017 International category
  - Singapore Apex Corporate Responsibility Awards (Global Compact Network Singapore) – Corporate Sustainability Award – Large Organisation
  - Ethical Corporation Responsible Business – OFIS Highly Commended Most Sustainable Innovation
  - ASEAN Business Awards – Runner Up Inclusive Business
  - Corporate & Financial Awards – Bronze for Best Printed Report – International category
  - CDP Awards – Best performance across programmes (Hong Kong and South East Asia region)
  - APEDA (India) Export Award (bronze)
- Agreement with the NGO Mighty Earth regarding deforestation definitions and allegations
- As per our Code of Conduct and Anti-Bribery and Corruption (ABC) Policy, we reinforced the importance of ABC with employee training commencing in December 2017 reaching 3,500 people and continuing into 2018.

Olam Progıda in Turkey won 2 awards: An Efficiency Prize from the Ministry of Science, Industry & Technology, and a prize from the NGO 'Kalder'.

Investment in warehousing, road infrastructure, processing and other assets are essential to deliver quality products reliably to our customers around the world.

This can impact on financial capital in the short term but is essential for generating longer-term value. New developments must be undertaken in line with Social and Natural Capital principles and regulations, reducing negative impacts wherever possible.

Manufactured capital – desired outcomes

- Safe foods for customers and consumers
- Safe workplaces, machinery and transportation
- Globally competitive farming, processing and logistics capabilities aligned to commercial objectives
- Procurement efficiencies and economies of scale
- Capturing additional value through quality and innovation.

Approach

- Continuous improvement and upgrade initiatives to drive capital productivity and cost efficiency
- Vertical integration between crop production and processing for quality, safety and cost advantages
- FSSC 22000 or BRC certification for food processing
- Ongoing investment in farming and manufacturing technologies and equipment
- Replacement of manual systems by maximising technology for improved accuracy, real time knowledge and efficiencies e.g. barcode driven plant maintenance app through SAP for maintenance, spares inventory and verification of fixed assets.

Challenges and influencing factors in 2017

- Requirement to reduce fixed capital intensity during agri-sector down cycle
- Increased demands from customers for reduced environmental footprints in manufacturing and logistics
- Continuing to integrate acquisition sites.

Improvements across supply chains

- Australia Almonds introduced new Weed Seeking Technology using infra-red cameras to sense the presence of weeds which then activate the sprayers, only applying herbicides in areas where weeds are present. This technology reduces chemical spraying by 28% reducing impacts on financial and natural capital.
- As part of its continuous improvement programme, Olam Cocoa initiated the replacement of a number of legacy systems to improve visibility, efficiency and procedures between major locations across Europe, the Americas, Africa and Asia. This will support its strategy of being a global integrated supplier and sector leader in traceable and sustainable cocoa.
- The Monapo cashew processing unit in Mozambique introduced 70% mechanisation in shelling and 100% mechanisation in sorting and grading, but without human and social capital trade off. It maintained its workforce of over 1,500 casual workers by assigning them to other sections within the processing factory. Mechanisation has increased efficiencies and doubled production in the factory with plans to upgrade the entire facility to 100% mechanisation.

Manufactured Capital FY17 vs FY16

FY17	FY16 comparison
Supporting offices and networks in **66** countries	70
Supporting **143** primary and **67** secondary processing plants	135 primary and 69 secondary (reclassification)
New Animal Feed facilities in Nigeria	
4 cargo vessels chartered	
2 new Innovation Centres	
New Olam International Headquarters in Singapore	

- 4 cargo vessels are now chartered by Olam Chartering under a Joint Venture company called Stamford Panasia[1]. The ships will help to hedge against short freight positions and being relatively new are lower on sulphur and fuel emissions.
- 1 new food processing site achieved certification in 2017 – Nutrifoods Biscuits (Ghana) became the first biscuits manufacturing facility in West Africa to be FSSC certified. 72% of relevant food processing facilities are now FSSC 2200 or BRC certified.

Factory of the Future

The Digital Task Force and Manufacturing and Technical Services (MATS) function collaborated to see how tech can be applied to improve quality, consistency, machine efficiency and cost reduction. Projects included:

Yield improvement through Internet of Things (IOT) and data analytics: For example, avoiding over-drying in processing by optimising moisture.

Production loss reduction through predictive capabilities: Motor breakdowns can be avoided using SMART sensors which help in predicting failure using IOT and data analytics. In the Malaysia Dairy plant, SMART sensors were installed on critical motors, helping to prevent breakdown and production loss.

Ensuring electrical system (transformer) reliability through condition monitoring: Transformers are critical elements of the electrical system in manufacturing units. The SMART sensor provides visibility with respect to the health of the transformer thereby ensuring reliable power supply throughout the year.

1. 49% Olam

Manufacturing Operations and Procurement Transformation programme

Manufacturing Operations and Procurement plays a key role in supporting Olam's vision. Four key value drivers support the business agenda and deliver value: (i) Achieving Safety, Health, Quality & Supporting Sustainability (SHQ&S) leadership (ii) Enabling business growth (iii) Driving capital productivity & (iv) Improving cost efficiencies. We have instituted a transformation programme, centred on establishing an Olam operating model in manufacturing operations and procurement and achieving global excellence. The journey to best-in-class will follow an integrated roadmap across several key initiatives and help achieve excellence in these 4 value drivers. Strategic roadmaps are being developed for all areas and the theme for 2018 will be focused on laying the foundations and building superior capabilities.

Martial Gention joined Olam in 2017 as the new Global Head of Manufacturing & Technical Services

Relevant CR&S material area goals and progress

2016 – 2020 objectives	2020 target	2016 achievement	Outlook for 2020 target
Goal: Safe and reliable foods for our customers			
Food processing facilities meet international quality and food safety standards	100% of relevant processing facilities to be FSSC 22000 or BRC certified.	Percentage of certified plants has increased from 82% to 84% based on the number of sites as considered for FY16. However, following reclassification, the number of relevant sites has now increased from 57 to 67, making the percentage of certified plants 72%. The remaining sites should achieve certification over the next 2 years.	On target

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 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 Olam's independent risk function (Risk Office).

We take a holistic approach to enterprise-wide risk, monitoring across each value-chain step and a wide range of both quantifiable and non-quantifiable risks.

Risk Governance Structure

- Olam has an institutionalised process in the governance of risk management matters: our Chief Risk & Compliance Officer (CRCO) is a member of the Executive Committee and reports to both the CEO and the Chair of the Board Risk Committee (BRC), which comprises the Executive and Non-Executive Directors.
- The BRC is also supported by the Executive Risk Committee (ERC). The ERC comprises key executives from the senior management team who support the risk governance process by promoting risk culture, approving large exposures and mediating large breaches.
- The Risk Office reports to the CRCO and is responsible for identifying, assessing, measuring and monitoring risks, to provide Olam's senior management and the Board with assurance that all the risks borne are within our risk tolerance. The Risk Office is responsible for risk monitoring and control on an independent basis and undertakes regular stress-testing of the company's portfolio.
- Risk limits are set as part of the annual budgeting cycle, which are presented to the Board for approval. These limits – outright, basis, structure, arbitrage and Value-at-Risk (VaR) as well as credit and counterparty limits – are set based on various factors such as risk versus return, volatility of past earnings, adherence to limits and maximum loss limits derived from scenario and stress-testing. The number of years in business, strength of the management team, prevailing market conditions and the macro-economic outlook are also considered.
- The CRCO is mandated to allocate the risk capital across businesses considering the competitive position, trading and market conditions and the track record of each business. Performance is continuously monitored, and risk capital allocation is recalibrated where necessary. The assigned limits are set at all levels of hierarchy within the structure, i.e. at business-unit level, value-chain step level and at profit-centre level, as well as any other limits the Risk Office deems appropriate.

Olam Risk Architecture Development

Olam Risk Policy	**Risk Appetite**		
Alignment to strategy	3 Year Strategic Plan	Annual Risk and P&L Budgets	
Risk aggregation and monitoring	Enterprise Risk Scorecard (51 Risk Events)	Group Risk Dashboard (16 Risk Events)	Risk Reporting & Stress Testing
	Qualitative assessments of risk impact and likelihood	Quantitive downside calculation	Monitoring of limit adherence and stress test

Enterprise Risk Management

Olam's Enterprise Risk Management framework defines 51 individual risks across 11 categories.

Of the 51 risks, 16 are evaluated on a quantitative basis and represented in the company's Group Risk Dashboard (GRD), the output of which is presented to the BRC each quarter. This report allows segmental analysis of earnings sensitivity for 12 of the 16 quantifiable risks at Cluster level, business unit level and at the value-chain step level and the remaining four at the company level.

The Enterprise Risk Scorecard (ERS) is the result of an assessment of each of the 51 risks for likelihood of occurrence and impact. Each risk is evaluated for each Business Unit both on an inherent and residual basis using a traffic-light system of red-amber-green. Inherent risks are the threats that an activity poses in the absence of any mitigating factors in place; residual risks are those that remain after mitigations are considered.

The ERS is also presented to the BRC on a quarterly basis which, in conjunction with the GRD assists the Board with (i) examining the effectiveness of the Olam's risk management plans, systems, processes and procedures and (ii) reviewing company-wide risk policies, guidelines and limits, as well as risk exposure and risk treatment plans. The Board is responsible for approving the overall risk capital of the company at the start of the financial year. Risk capital, expressed as a percentage of the equity capital of the company, refers to the maximum potential loss if all the trading risks across all product-types and geographic regions materialise at the same time.

Key controls and mitigations	How Olam is positioned
Trading risks	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. Olam hedges price risk on the world's commodities exchanges, both through derivatives and tendering.
Operational risks	Field operating control and primary sourcing infrastructure are in place in every country where Olam operates. Our credit/counterparty rating system defines credit limits and controls, promoting fragmentation of credit exposure on short tenors. Insurance is taken to provide inventory cover as well as credit defaults.
Currency risks	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.
Agricultural risks	We aim for transparency with stakeholders, addressing issues as they arise but also seeking to improve wider understanding of issues in agri-complex – we make information available
Political & Sovereign risks	We have a deep-seated presence in many countries of operation, built over many years, and have consequently gained substantial knowledge of local practices. We maintain global political risk and terrorism risk insurance.
Regulatory & Compliance risks	The Market Compliance Office is a global function whose primary role is to ensure that Olam is fully compliant within all external regulation.
Capital Structure & Financing risks	Olam has a strong base of long-term shareholders. We maintain strong banking relationships providing committed banking lines, thereby assuring good liquidity.
Natural Perils	Olam maintains insurance cover against risk of natural disasters, such as flood, fire, earthquake and storms.
Other risks	Succession plans are in place to provide a second line of leadership from with the Company's Operating Committee and Management Committee. The Group employs IT security experts, as well as having in place IT cybersecurity infrastructure.
Strategic risks	All strategic risks are overseen by the offices of the CEO and COO, and by the Executive Committee.

The oversight of each of the 51 risks is divided among the 5 Board Committees (Risk Committee, Audit Committee, Capital & Investment Committee, Corporate Responsibility & Sustainability Committee and Human Resources & Compensation Committee).

Risk Committee	Audit Committee	Capital & Investment Committee	Corporate Responsibility & Sustainability Committee	Human Resources & Compensation Committee
Trading risks: • Price Risk • Basis Risk • Structure Risk • Arbitrage Risk • Derivative Risk • Liquidity Risk **Operational Risks:** • Credit Risk • Counterparty Risk • Currency Risks • Transactional Currency Risk **Political and Sovereign Risks:** • Duty, Tariff and Export/Import Ban • Asset Nationalisation Risk • Selective Discrimination Risk • Forced Abandonment Risk • Terrorism/Kidnapping Risk **Regulatory Risks:** • Market Compliance Risk **Natural Perils Risks:** • Fire Risk • Flood Risk • Earthquake Risk • Hurricane/Typhoon/Storm Risk	**Operational Risks:** • Stock Risk • Quality Risk • Fraud Risk • Systems and Controls Failure Risk **Regulatory Risks:** • Bribery/Corruption Risk • Other Regulatory Risk • Transfer Pricing Risk • Taxation Risk **Cybersecurity and Other Risks:** • Cybersecurity Risk • IT Risk	**Operational Risks:** • Project Execution Risk • Asset Utilisation Risk **Capital Structure and Financing Risks:** • Interest Rate Risk • Funding Liquidity/ Margin Call Risk • Credit Metrics Risk • Activist Investor Risk • Short Seller Attack Risk **Currency Risks:** • Translational Currency Risk	**Reputational Risks:** • Social Risk – Labour • Social Risk – Livelihoods • Social Risk – Food Safety • Environmental Risk – Land • Environmental Risk – Water • Environmental Risk – Climate Change • Environmental Risk – Food Security • Health and Safety Risk **Agricultural Risks:** • Weather Risk • Pests and Diseases Risk • Agronomy/GAP (Good Agricultural Practices) Risk	**Other Risks:** • Key Person Risks

Board – Strategic Risk Assessment

Risk Measurement

- Olam continually upgrades our risk measurement methodology in line with industry best practices. We focus on the measurement of quantity, dollar value, diversified VaR and stress testing to determine potential impact of adverse market events on the books. Analysis of return drivers provides a clear attribution of returns against risk and allows an independent flagging of outsized or undesired risk.
- The VaR methodology calculates the potential loss arising from the commodity price, credit, counterparty and currency risks to which it is exposed.
- Market risk (i.e. commodity price risk and currency risk) VaR is calculated over a one-day time horizon with a 95% confidence level for each product in the portfolio. Credit and counterparty risk VaR may be computed by applying default rates (based on counterparty ratings) and underlying commodity volatilities as appropriate.

Market Compliance Controls

- One of Olam's key priorities is to comply with the highest standards of business conduct. The Market Compliance Office (MCO) is responsible for ensuring regulatory compliance for the derivative trading units. The MCO carries out regular trader training courses to ensure familiarity with prevailing exchange rules globally and ensures that all new hires are comprehensively trained in Olam's Trading Compliance Manual.

Risk Training and Communication

- Olam has laid out risk policies that guide newcomers on the risks they will be required to manage and the risk systems that require timely and accurate reporting. The Risk Office frequently presents to the Olam's most senior management bodies, the purpose of which is to enable the continual reinforcement of the control environment and alignment of risk culture and awareness across the company. From time to time, the Risk Office publishes advisories on pertinent matters to raise awareness and to promote industry best practices.

Olam has a vast global network of stakeholders: customers, farmer suppliers and their communities, investors, employees, NGOs, financiers, foundations, trade bodies, industry platforms and governments. Business units, functions and country teams interact with them every day.

As an agricultural company, how we manage social and environmental issues are common questions from across the stakeholder spectrum. We have a dedicated Corporate Responsibility & Sustainability (CR&S) Function, as well as sustainability experts embedded in businesses across the world. Achieving our CR&S ambition to be a net positive company requires the support of stakeholders in strategic alliances and partnerships to catalyse system change together.

We consult on a regular basis on policy consultation, (e.g. the Living Landscapes Policy), on implementation of High Conservation Value (HCV) and Free Prior & Informed Consent Procedures (FPIC), through stakeholder events, or in response to reports and questions. By listening and discussing issues together we share understanding of our business, learn, and often find opportunities for partnerships.

The vast majority of our stakeholders want to achieve the same outcomes as Olam – profitable farms and farming systems, thriving rural communities and regeneration of the living world – even if we don't always necessarily agree on the exact way forward. Throughout this report we have aimed to transparently cover notable engagements and stakeholder concerns in the last year. (See Confectionery and Beverage ingredients pages 50 to 53; Food Staples and Packaged Foods pages 54 to 57 and Industrial Raw Materials pages 58 to 61.) A tabular overview of our stakeholder engagement is available in our 2017 Global Reporting Initiative (GRI) report on olamgroup.com.

In 2017, we also undertook more detailed mapping and prioritisation of our stakeholders at an international and national level, to understand how we could better communicate and manage relationships. This activity will be continued in 2018, working with individual Business Units, Countries and Functions.

Sustainability Strategy and Materiality

During 2017 we began a review of the over-arching sustainability strategy. This was brought into sharper focus with the launch of the new purpose: Re-imagining Global Agriculture : Growing Responsibly.

We recognised that we needed to better align our material areas with the 9 planetary boundaries, as well as consider the Capitals under integrated reporting. In addition, we must also consider the targets of the UN Sustainable Development Goals, the UN Global Compact, stakeholder priorities, reporting standards such as the Global Reporting Initiative and, of course, individual Business Unit priorities. The learnings and stakeholder feedback from the development of Olam AtSource and the Olam Landscapes Policy have also had considerable influence. See the Group CEO Review for an overview of new CR&S framework with 10 Material Areas which were developed in 2018.

Reporting against the current 7 Material Area goals and targets are listed under the Relevant Capitals as follows:

- Social: Livelihoods, Food Security
- Natural: Land, Water, and Climate Change
- Human: Labour
- Manufactured: Food Safety (owned by Manufacturing & Technical Services)

Additional CR&S priorities during 2018

- **Olam Supplier Code:** train Business Units on new topics, implement revised risk-based processes and embed AtSource supply chain assessment across businesses
- **Olam Plantations, Concessions and Farms Code:** review to include new material areas, develop/ implement action plans and report on progress
- **Olam Landscapes Policy:** establish advisory group, continue to assess deforestation risk for priority products and regions, mapping high risk suppliers
- **Accelerate impact of Business Unit-wise CR&S strategies** with 2030 targets and milestones

Mapping SDG targets material to Olam's business

As part of the CR&S strategy refresh, and analysis of our current material areas, we have also reviewed the specific targets of the 17 UN Sustainable Development Goals. Of the 167 targets, we identified around 55 (allowing for some overlaps) that are material to our business to a greater or lesser degree. We have then assessed them against our ability to influence the target as well as stakeholder priority. We have also started to look at the targets in terms of identifying opportunities to innovate and lead. This process will feed into our continuing work on our refreshed CR&S framework for 2018 onwards. Our Global Reporting Initiative report on olamgroup.com also gives insight and analysis of our material areas grouped according to the appropriate GRI topic.

Issue is important to Olam and we can influence target. Key priority for stakeholders :	**Issue is important to Olam, we can influence delivery of target, but is second tier of priority for stakeholders**	**Issue is important to stakeholders but Olam has less influence to deliver the target**	**Issue is important but others have greater influence than Olam, stakeholders see issue as lower priority for Olam**
1.2 Reduce poverty	3.3 End epidemics	1.2. Eradicate extreme poverty	1.3 Implement social protection
1.5 Resilience to shocks	3.6 Reduce traffic accidents	4.1 Ensure free education	2.c Functioning of food commodity markets
2.3 Farmer productivity	6.3 Improve water quality	6.b Community engagement on WASH	4.2 Access to early childhood development
2.4 Sustainable agriculture	8.2 Increase economic productivity	8.6 Reduce youth unemployment	9.4 Upgrade infrastructure
4.4 Increase enterprise skills	8.10 Financial Services for all	10.1 Income growth	10.7 Facilitate responsible migration
5.A Ensure women's economic participation	12.4 Management of chemical use	12.3 Reduce food loss	13.3 Capacity for climate response
6.1 Access to water	13.a Climate change mitigation		15.9 Eco-system values in govt. planning
6.2 Access to sanitation	14.1 Prevent land marine pollution from activities		15.a Finance for eco-system conservation
6.4 Water use efficiency and sustainable withdrawal	15.3 Combat desertification		15.b Finance sustainable forest management
7.3 Improve energy efficiency	15.5 Reduce loss of biodiversity		17.1 Strengthen tax capacity
8.1 Sustain per capita economic growth	15.7 Protect flora and fauna		17.3 Financial resources for development
8.7 Eradicate forced labour	17.7 Access to environmental technology		17.5 Investment promotion regimes
8.8 Promote labour rights and safety			17.9 Capacity building for national sustainable development
12.2 Sustainable natural resource use			17.14 Policies for sustainable development
12.6 Corporate sustainability reporting			17.15 Policies for poverty eradication
13.1 Strengthen resilience to natural disasters			17.18 Capacity building for data
15.1 Conserve/restore eco-systems			
15.2 Protection of forests			
16.2 End violence against children			
16.5 Reduce corruption			
17.11 Developing country exports			
17.16 Partner for Sustainable Development			
17.17 Promote effective partnerships			

General information

This General Information is intended to help readers understand the bases of our financial reporting and analysis contained in this Annual Report 2017.

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 financials are presented in the Financial and Performance Highlights on pages 22 to 27 and the Group COO's review on pages 36 to 66 for the years between 2013 and 2017, from January to December in each year, unless otherwise indicated.

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 12 and 18 months ended 31 December 2015 have been restated. These amendments and other changes in accounting standards and their impact are detailed in the Notes to Financial Statements.

Business segmentation and reporting

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

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

Note: The 2013-2016 results for the CFS segment do not include those of 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
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
Upstream	Includes all activities relating to farming (annual row crops), plantations (perennial tree crops), Dairy farming and forest concessions
Midstream and downstream	Includes all activities relating to secondary processing, contract manufacturing, branded distribution, private label activities and Ag logistics and Infrastructure

Definitions of key financial metrics

The definitions for the key financial metrics are as follows:

Sales Volume: Sale of goods in metric tonne (MT) equivalent. There are no associated volumes for CFS and Ag Logistics & Infrastructure platforms.

Revenue: Sale of goods and services

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, exceptional items which are part of Other Income in financial statements are classified 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.

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) which includes minority interest and excludes Exceptional Items

PAT: Net profit after tax

PATMI: PAT less minority interest

Operational PATMI: PATMI excluding Exceptional Items

Total Assets: Total assets are net of trade payables and accruals, derivative financial instruments (current liabilities), provision for taxation, other current liabilities and deferred tax liabilities

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

Disclaimer

Certain sections of our Annual Report 2017 have been audited. The sections that have been audited are set out on pages 12 to 84 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 can be found in the Offering Circular of the Group and its subsidiary Olam Treasury on its US$5.0 billion Euro Medium Term Note Programme dated 16 March 2018.

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.

Stay up to date

olamgroup.com

@olam

Olam International Limited
7 Straits View
Marina One East Tower
#20-01
Singapore 018936
Telephone (65) 6339 4100
Facsimile (65) 6339 9755

olamgroup.com

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC™ C124277

Governance Report

Olam International Limited Annual Report 2017

Our vision

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

Our governing objective

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

This report is the first on our journey to develop a new model of reporting that provides insight into how we create value over the long-term. We aim to communicate how we identify, develop, preserve and deploy strategic assets in line with our company's purpose. A separate Global Reporting Initiative (GRI) report is available on our website at olamgroup.com.

Contents

Governance

Shareholder information

About this report

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

Governance Report

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

This chapter offers narrative about our performance, strategy and market factors. It can be read independently as an Executive Summary or as part of the full report.

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.

Front cover image:

Factory of the Future initiative at Cafe Outspan Vietnam involves fixing Mobile App based SMART sensors on critical motors to help predict failures using Internet of Things and data analytics.

Read more on olamgroup.com

Execution of strategy delivers...

Amidst the challenges in 2017, in particular, the continuation of volatile and challenging economic conditions and ongoing complexity and uncertainty at a geo-political and trade level, Olam recorded strong growth in the year.

Lim Ah Doo
Chairman, Non-Executive and
Independent Director

...growth and resilience.

The performance is a testimony of the Company's strategy and implementation of key initiatives to improve working capital efficiency and reinforces the strength and resilience of its businesses.

We remain confident of the long-term prospects of the agriculture sector, seizing the many opportunities it presents to us, and focused on our differentiated strategy which we believe will shape the future of our company.

Financial Performance

Positive results were delivered across Olam's key metrics in 2017. Operational PATMI grew by 18.6% to S$432 million, following a 23.1% increase in 2016. EBITDA improved by 10.4% to S$1,328 million and Free Cash Flow to Equity exceeded S$1 billion. The company also significantly reduced gearing to 1.46 times, down from 1.99 times in the prior year.

The company ended the year with a share capital base that has expanded by S$586 million mainly from the conversion of warrants into shares by continuing shareholders.

In view of the performance, the Board of Directors has recommended a final ordinary dividend of 4.0 cents per share, bringing the total dividend for the year to 7.5 cents per share, up from 6.0 cents per share in 2016.

Strategic Progress

In 2017, the second year of our three-year strategic plan (FY2016 – 2018), Olam remained focused on pursuing growth in prioritised platforms, working to turn around underperforming assets and ensuring gestating assets moved towards contributing at their full potential.

Initiatives to release cash and improve cash flow generation included the selling of 5,100 acres of edible nuts orchards in California, partial divestment of 50% of FEA, which owns an Indonesian sugar refining company, and repayment by associate GSEZ of a shareholder loan following its sale of port assets and concession rights. Two task forces were also set up to continue focus on optimising working capital and extracting cost efficiencies across operations going forward.

In 2018, the Board and Management will continue to execute the FY2016 – 2018 strategic plan, and will, within the year, review and formulate a new strategic plan to further enhance performance and shareholder value.

Sustainability

Sustainability and stakeholder engagement remain a core focus of all that we do at Olam and are embedded in our strategic planning and business implementation processes.

Olam now supports 363,000 smallholders helping them to improve practices. During the year, we also commenced development of Olam AtSource which will move us even closer to ensuring end-to-end sustainability across our supply chains and assist our customers to do so in years to come.

The company's sustainability commitments and practices were recognised in a number of awards received during 2017. Olam was recognised by global benchmarking body CDP with an award for Best Performance Across Programmes for companies who have sustainability programmes across climate change, water and forests. The company also received a Singapore Apex Corporate Responsibility Award from the Global Compact Network Singapore for implementing sustainable practices across its core operations and was one of two finalists from Singapore to win Asia's best Sustainability Report within Annual Report at the CSR Works' Asia Sustainability Reporting Awards.

"The performance is a testimony of the Company's strategy and implementation of key initiatives to improve working capital efficiency and reinforces the strength and resilience of its businesses."

Governance

In 2017, the Board continued to provide oversight on the company's strategy, performance, capital allocation, risk management, compliance, control and assurance framework, audit, people, talent management, retention and succession planning as well as sustainability.

During the year, the Board and Board Committees worked with Management to strengthen the overall governance of the Group, in particular, the Board Risk Committee carried out a review of the risk governance framework of the Company and the Audit Committee formulated an Integrated Assurance Framework as part of the continuous effort to further strengthen controls.

The Board also held a Board Offsite in Brazil, during which Board members interacted with country management and employees in different locations in the country. The visit coincided with the 15th anniversary of Olam's operations in Brazil. Besides the Board Offsite, certain Board members visited the Company's operations in Spain, India and Nigeria.

Board Changes

In 2017, Mr. Katsuhiro Ito stepped down as Non-Executive Director due to the change in his responsibilities at Mitsubishi Group. On behalf of the Board, I wish to thank Mr. Ito for his contribution during his short stint with the Board. Mr. Mitsumasa Icho was nominated by Mitsubishi Corporation to succeed Mr. Ito.

Acknowledgements

On behalf of the Board, I would like to thank all of Olam's employees around the world for their dedication and commitment to doing things the 'Olam Way'. It is our employees' hard work, talent and focus that has enabled Olam to continue to perform through the year in review.

I also thank our shareholders for their continued trust and support. Our stable base of continuing shareholders has enabled us to take a long-term view of our business, and at the same time, generate returns, cashflow and value for our shareholders.

To our many partners around the world, including our loyal customers, the farmers we work with, our service providers and our partners in civil society – I wish to thank you for your willingness to engage and partner us in ways that make a real difference to our business and to our purpose in the global agriculture business.

Lim Ah Doo
Chairman, Non-Executive and Independent Director

"Olam remained focused on pursuing growth in prioritised platforms, working to turn around underperforming assets and ensuring gestating assets moved towards contributing at their full potential."

Board of directors

Lim Ah Doo, 68

Chairman, Non-Executive and Independent Director G H C

Date of appointment as Chairman: 1 January 2017

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

Date of last re-election: 25 April 2017

Length of service as a Director (as at 31 December 2017):
1 year 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

GDS Holdings Ltd (Director)

GP Industries Ltd (Director)

SembCorp Marine Ltd (Director)

Singapore Technologies Engineering Ltd (Director)

Non-listed company

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

Singapore Technologies Marine Ltd (Chairman)

STT GDC Pte. Ltd. (Director)

STT Global Data Centres India Private Limited (Director)

U Mobile Sdn Bhd (Director)

Virtus HoldCo Limited (Director)

Other Major appointment: Nil

Past Directorships held over the preceding three years:

Linc Energy Limited

Bracell Limited

SM Investments Corporation

Additional Information:
Mr. Lim Ah Doo was formerly the President and subsequently the non-executive Vice Chairman of RGE Pte Ltd (formerly known as RGM International Pte Ltd). His past working experience includes an 18-year banking career in Morgan Grenfell from 1977 to 1995, during which he held several key positions including that of Chairman of Morgan Grenfell (Asia) Limited. Mr. Lim was previously an Independent Director at EDB Investments and SM Investments Corporation and an Independent Commissioner and Chairman of the Audit Committee of PT Indosat (Indonesia).

Sunny George Verghese, 58

Executive Director, Co-Founder and Group CEO C CRS

Date of first appointment as Director: 11 July 1996

Date of last re-election: 25 April 2017

Length of service as a Director (as at 31 December 2017):
21 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)

Other Major appointment:

Chairman, Human Capital Leadership Institute Pte Ltd

Chairman, WBCSD (World Business Council for Sustainable Development)

Chairman, JOil (S) Pte Ltd

Member, Singapore Management University Board of Trustee

Past Directorships held over the preceding three years:

International Enterprise Singapore (Chairman)

National University of Singapore (Trustee)

PureCircle Limited (Director)

Additional Information:
Mr. Sunny Verghese was with the Kewalram Chanrai Group (KC Group) for over two decades and in 1989 was mandated to start the Company with a view to building an agricultural products business for the KC Group. Before joining the KC Group, he worked for Unilever in India. Mr. Verghese previously chaired CitySpring Infrastructure Management Pte Ltd, a listed Business Trust in Singapore and was also a Commissioner of the Business & Sustainable Development Commission (BSDC). Mr. Verghese has won several awards including 'Outstanding Chief Executive' at the Singapore Business Awards in 2007, '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.

Jean-Paul Pinard, 67

Independent Non-Executive Director

CRS C H

Date of first appointment as Director: 29 October 2008

Date of last re-election: 25 April 2017

Length of service as a Director (as at 31 December 2017):
9 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
Hero Future Energies Pvt Ltd (Director)

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

Key

- A Audit Committee
- B Board Risk Committee Capital
- 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, 57

Independent Non-Executive Director

C H B

Date of first appointment as Director: 1 November 2013

Date of last re-election: 25 April 2017

Length of service as a Director (as at 31 December 2017):
4 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)

Phoenix E.K. Limited (Director)

Singapore Symphony Group (Director)

Other Major appointment:
Chairman, Apollo Management Asia Pacific Advisory Board

Member, International Advisory Board of the Institute of Societal Leadership, SMU

Past Directorships held over the preceding three years:
National University Health System (Director)

Additional Information:
Mr. Sanjiv Misra's career featured several senior positions, namely, 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 the Citigroup. His career prior to Citigroup included stints with Salomon Brothers and Goldman Sachs & Co.

Nihal Vijaya Devadas Kaviratne CBE, 73

Independent Non-Executive Director

A CRS

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 2017):
3 years 3 months

Academic and professional qualification:
Bachelor of Arts, Economics (Honours), Bombay University, India

Present Directorship:

Listed company

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)

Other Major appointment:
Member, Advisory Board for South East Asia/Indonesia, Bain & Company SE Asia, Inc

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

Member, Corporate Resilience Advisory Council, McKinsey & Company

Past Directorships held over the preceding three years:
Akzo Nobel India Limited (Chairman)

TVS Motor (Singapore) Pte. Limited (Director)

PT TVS Motor Company (President Commissioner)

SATS Ltd (Director)

Wildlife Reserves Singapore Pte Ltd (Director)

Additional Information:
Mr. Nihal Kaviratne CBE's 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. Mr. Kaviratne was cited in HM Queen Elizabeth II's 2004 New Year Honours List in the UK and has been made the 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". He was awarded for driving "Business Excellence" at the World Business Conclave 2016 in Hong Kong. Mr. Kaviratne brings with him extensive organisational, business, management, strategic planning and customer-based experience and knowledge.

Yap Chee Keong, 57

Independent Non-Executive Director

A B C G

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 2017):
2 years 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

Sembcorp Industries Ltd (Director)

Shangri-La Asia Limited (Director)

The Straits Trading Company Limited (Director)

Malaysia Smelting Corporation Berhad (Director)

Non-listed company

Certis CISCO Security Pte Ltd (Director)

Citibank Singapore Limited (Director)

MediaCorp Pte Ltd (Director)

Rahman Hydraulic Tin Sdn Bhd (Director)

Other Major appointment: Nil

Past Directorships held over the preceding three years:
ARA Asset Management Limited (Director)

CapitaMalls Asia Limited (Director)

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

Hup Soon Global Corporation Limited (Director)

Interoil Corporation (Director)

Tiger Airways Holdings Limited (Director)

Additional Information:
Mr. Yap Chee Keong's career included being the Executive Director of The Straits Trading Company Limited and the Chief Financial Officer of Singapore Power Ltd. Mr. Yap has also worked in various senior management roles in multinational and listed companies. He was a board member of the Accounting and Corporate Regulatory Authority and a member of the Public Accountants Oversight Committee, the MAS/SGX/ACRA Work Group to review the Guidebook for Audit Committees in Singapore and the MAS/SGX/ACRA/SID Review Panel to develop a Guide for Board Risk Committees in Singapore.

Marie Elaine Teo, 51

Independent Non-Executive Director

B C CRS

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 2017):
2 years 1 month

Academic and professional qualification:
Bachelor of Arts (Honours) in Experimental Psychology, Oxford University

MBA, INSEAD

Present Directorship:

Listed company
G. K. Goh Holdings Limited (Director)

Non-listed company
Caregivers Alliance Ltd (Director)

Mapletree Investments Pte Ltd (Director)

Mapletree Oakwood Holdings Pte Ltd (Director)

The Teng Ensemble Ltd (Chairman)

Other Major appointment:
Member, International Advisory Panel, CIMB Group Holdings Berhad

Past Directorships held over the preceding three years: Nil

Additional Information:
Ms. Marie Elaine Teo 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. Ms. Teo was formerly the Chairman of Capital International Research Group and Managing Director of Capital International Inc., Asia.

Rachel Eng Yaag Ngee, 49

Independent Non-Executive Director

A G H

Date of first appointment as Director: 25 April 2016

Length of service as a Director (as at 31 December 2017):
1 year 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 (Director)

Non-listed company
Certis Cisco Security Pte. Ltd. (Director)

SPH REIT Management Pte Ltd (Director)

Other Major appointment:
Member, Supervisory Committee of ABF Singapore Bond Index, Monetary Authority of Singapore

Member, Appeals Panel, Abu Dhabi Global Market

Board Member, Public Utilities Board

Member, Council, Singapore Business Federation

Member, Board of Trustees, Singapore Institute of Technology

Member, Corporate Governance Council

Member, SGH Health Development Fund Committee, SingHealth Fund

Past Directorships held over the preceding three years:
Wopa Services Pte Ltd (Director)

89 Holdings Pte. Ltd. (Director)

Additional Information:
Ms. Rachel Eng is currently the Deputy Chairman of WongPartnership LLP. As a corporate lawyer, she is involved in listings, corporate advisory and corporate governance work. Ms. Eng was a member of the Committee on the Future Economy, which released its report in 2017.

Yutaka Kyoya, 56

Non-Executive Director

A CRS G

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 2017):
2 years 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

Other Major appointment: Nil

Past Directorships held over the preceding three years:
Thai Union Group Public Company Limited (Director)

Rokko Butter Co., Ltd. (Director)

Additional Information:
Mr. Yutaka Kyoya is currently the Executive Vice President and Group CEO of Living Essentials Group of Mitsubishi Corporation. He joined Mitsubishi Corporation in 1984 and has since been engaged in the food business. Mr. Kyoya has held various roles in Mitsubishi Corporation in Tokyo as well as in its overseas offices, including the USA, Malaysia and Singapore. Prior to his current position, he was the Deputy General Manager of Living Essentials Group CEO's Office in 2012 before being promoted to Senior Vice President of Mitsubishi Corporation and Chief Operating Officer of its Living Essential Resources Division in 2014.

Mitsumasa Icho, 58

Non-Executive Director

B C H

Date of first appointment as Director: 1 May 2017

Length of service as a Director (as at 31 December 2017):
7 months

Academic and professional qualification:
Bachelor of Law, University of Tokyo

Present Directorship:

Listed company
Nil

Non-listed company
Nil

Other Major appointment: Nil

Past Directorships held over the preceding three years: Nil

Additional Information:
Mr. Mitsumasa Icho is currently Executive Vice President, Corporate Functional Officer, Regional Strategy for Japan and General Manager, Kansai Branch of Mitsubishi Corporation. He has been with the Mitsubishi Group since 1982 and has held senior positions within the Group in Houston and New York as well as other key Group functional roles in Finance, Risk Management, Tax and Administration. He was the Executive Vice President of Mitsubishi Motors North America, Inc. from 2006 to 2008 and subsequently Mitsubishi Motors Corporation from 2008 to 2012. Prior to assuming his current role, Mr. Icho was Senior Vice President of the Risk Management Department, an advisory function to the President's office and the General Manager of Mitsubishi Corporation's Machinery Group Administration Department.

Shekhar Anantharaman, 54

Executive Director and Group Chief Operating Officer B C

Date of first appointment as Director: 1 April 1998

Date of last re-election: 25 April 2017

Length of service as a Director (as at 31 December 2017):
19 years 8 months

Academic and professional qualification:
Bachelor's 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)

Other Major appointment: Nil

Past Directorships held over the preceding three years: Nil

Additional Information:
Mr. Shekhar Anantharaman has been with the Group since 1992. As the Group Chief Operating Officer of the Company, he jointly oversees all aspects of the Company's global business with the Group CEO. 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 its Edible Nuts, Spices and Vegetable Ingredients and Packaged Foods businesses. As the Global Head of these businesses, Mr. Anantharaman 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 oversight roles across Africa, Asia, Russia, South and North America.

Harnessing corporate governance practices for sustainable profitable growth

The 2012 Code of Corporate Governance (the Code) is applicable to the Company for its 2017 Annual Report. Olam complies with most of 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 2017 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 2017 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

In 2017, we saw the transition of Board Chair to Mr. Lim Ah Doo and the appointment of a new Non-Executive Director, Mr. Mitsumasa Icho, in place of an existing Non-Executive Director. The changes to the Board brought deep insights and experience that were 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;
- 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.

In 2017, the Board at the recommendation of the GNC formed the Council of Committee Chairs to coordinate the decisions, proposals and initiatives across the Board Committees.

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 (Chapter 50) 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, 6 Board and 25 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 2017, the Board undertook detailed review of the Company's budgeting exercise, risk governance framework (comprising enterprise risk report, dashboard and scorecard), integrated assurance framework which includes in-business control framework and internal audit, risk appetite and tolerance, and the internal control systems. Board Committees' oversight on specific risks areas was also determined under the revised risk governance framework and the integrated assurance 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 or individual Director 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 14 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.

Information on Board and Board Committee Membership and Attendance at Board, Board Committees and Shareholders' Meetings For the year ended 31 December 2017

	Membership	Board	NED	AC	BRC	CIC	CRSC	GNC	HRCC	AGM
Directors	**No. of Meetings Held**	**6**	**4**	**7**	**4**	**6**	**4**	**2**	**2**	**1**
Lim Ah Doo	Independent Non-Executive	C 6/6	C 4/4	–	–	M 6/6	–	C 2/2	C 2/2	C 1/1
Jean-Paul Pinard	Independent Non-Executive	M 6/6	M 4/4	–	–	M 6/6	C 4/4	–	M 2/2	– 1/1
Sanjiv Misra	Independent Non-Executive	M 6/6	M 4/4	–	M 4/4	C 6/6	–	–	M 2/2	– 1/1
Nihal Vijaya Devadas Kaviratne CBE	Independent Non-Executive	M 6/6	M 4/4	M 6/7	–	–	M 4/4	–	–	– 1/1
Yutaka Kyoya	Non-Executive	M 6/6	M 4/4	M[1] 4/4	M[1] 1/1	M[1] 1/1	M[1] 3/3	M[1] 1/1	M[1] 1/1	– 1/1
Marie Elaine Teo	Independent Non-Executive	M 6/6	M 4/4	–	C 4/4	M 5/6	M 4/4	–	–	– 1/1
Yap Chee Keong	Independent Non-Executive	M 6/6	M 4/4	C 7/7	M 4/4	–	–	M 2/2	–	– 1/1
Rachel Eng Yaag Ngee	Independent Non-Executive	M 6/6	M 4/4	M 7/7	–	–	–	M 2/2	M 2/2	– 1/1
Mitsumasa Icho[2]	Non-Executive	M 5/5	M 4/4	–	M 3/3	M 3/5	–	–	M 1/1	O 1/1
Sunny George Verghese	Executive	M 6/6	–	–	M 4/4	M 6/6	–	–	–	– 1/1
Shekhar Anantharaman	Executive	M 5/6	–	–	–	M 3/6	M 3/4	–	–	– 1/1
Katsuhiro Ito[3]	Non-Executive	M 1/1	M 1/1	M 3/3	–	–	M 1/1	M 1/1	–	– 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
"O" Observer

1. Mr. Yutaka Kyoya was appointed to the AC, GNC and CRSC on 1 May 2017, and stepped down as member of the BRC, CIC and HRCC on 1 May 2017.
2. Mr. Mitsumasa Icho was appointed as Non-Executive Director and member of the BRC, CIC and HRCC on 1 May 2017.
3. Mr. Katsuhiro Ito stepped down as Non-Executive Director and member of the AC, CRSC and GNC on 1 May 2017.

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 briefings 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.

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.

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, policy changes in countries where the Group operates, information technology (including cyber-security) and shared services, etc.

A Board Offsite was held in Brazil where the Board visited the Company's local operations. Olam Brazil celebrated its 15th year in operation. The visit included a tour of the Cocoa processing plan in Ilheus, Coffee plantation in Barreiras; review of the various businesses in South America including Coffee, Cocoa, Cotton and Pepper as well as certain functions such as the Human Resource and Finance; inauguration of key facilities such as the innovation centre and the hydraulic press; and the launch of G.R.O.W. (Globally Reaching Olam Women). The Board interacted with the local management team and gained insights into the leadership strength, the businesses and the environment in which they operate. The Board also met with key stakeholders across the banking, food, logistics and crop production sectors as well as ex-governmental leaders.

Board visit held in Brazil which included a tour of the cofffee plantation in Barreiras.

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 2017 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 is comprised of Independent Non-Executive Directors. The 2 Non-Independent Non-Executive Directors are appointed by Mitsubishi Corporation. The 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 4 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.

In its review, the GNC has considered the independence of Mr. Jean-Paul Pinard who has served on the Board for more than 9 years. Mr. Pinard was appointed to the Board since 2008 and has since chaired the CRSC. Through his chairmanship and guidance, the Company's CR&S function as well as the MATS function continues to mature in strength and expertise, with several key CR&S policies and related policies developed and implemented and key stakeholders' relationships built to further the Company's CR&S commitment and endeavours. His vast experience with the International Finance Corporation remained relevant for the nature of the Company's business in particular the area of corporate responsibility and sustainability. The GNC further considered Mr. Pinard's independence of mind and opined that he has consistently exercised independent judgement and evidently expressed his views objectively and is able to exercise strong independent business judgement with a view to acting in the best interests of our Company, thereby demonstrating an independence of mind. Notwithstanding Mr. Pinard having served on the Board beyond 9 years, the Board concurred with the recommendation of the GNC that Mr. Pinard is to be considered as independent.

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. 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. 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.

Mr. Lim Ah Doo is a Non-Executive Director and is 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

Yap Chee Keong	
Rachel Eng Yaag Ngee	
Yutaka Kyoya	(appointed 1 May 2017)
Katsuhiro Ito	(stepped down 1 May 2017)

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 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 was 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 years each, with an additional term of 3 years at the sole discretion of the Board; 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 CEO, as a Director, is subject to the same retirement by rotation provision as the other Directors. In addition, the Company's Articles of Association comprising part of 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 2018 AGM, Mitsumasa Icho who was appointed as a Non-Executive Director on 1 May 2017 will submit himself for re-election in accordance with Article 109 of the Articles of Association comprising part of the Company's Constitution.

Nihal Vijaya Devadas Kaviratne CBE, Yutaka Kyoya, Yap Chee Keong and Marie Elaine Teo 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.

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.

The GNC reviews all proposed appointments as part of the Board's renewal process taking into consideration the capability, experience, skillset and the principal commitment of the candidates. Interviews and discussions by the GNC Chair, Board Chair and the Group CEO will also be held with any 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 2017 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.

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 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 provided to the Directors 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 ManComm 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

Human Resource and Compensation Committee (HRCC)

Lim Ah Doo
Chairman

Jean-Paul Pinard	
Sanjiv Misra	
Rachel Eng Yaag Ngee	
Mitsumasa Icho	(appointed 1 May 2017)
Yutaka Kyoya	(stepped down 1 May 2017)

The existing members of the HRCC, including the HRCC Chairman, are Independent and Non-Executive Directors, except for Mr. Mitsumasa Icho, 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 reviewed 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 reviewed and approved 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.

The framework and details of the fees paid to the Non-Executive Directors approved at the previous AGM of the Company in April 2017 are provided in the following paragraphs.

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 the responsibilities and average amount of time spent by a Director at Board and Board Committee meetings, as well as their discussions beyond formal meetings and separate discussions with management in the discharge of their responsibilities.

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 AGM.

Fees for Non-Executive Directors

At the April 2017 AGM, shareholders approved the payment of Directors' fees of up to S$2,000,000 under the existing fees framework for Non-Executive Directors set out in the paragraphs below. The aggregate fees paid quarterly in arrears to the Non-Executive Directors for the financial year ended 31 December 2017 entirely in cash amounted to S$1,697,600.00 (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 2017 is set out in the table below. The Non-Executive Directors only receive Directors' fees and do not receive any other benefits.

Fees paid to the Non-Executive Directors for the financial year ended 31 December 2017

Name	Directors' fees paid in FY 2017 (S$)
Current Directors	
Lim Ah Doo[1]	303,800
Jean-Paul Pinard	179,400
Sanjiv Misra	196,800
Nihal Vijaya Devadas Kaviratne CBE	141,400
Yutaka Kyoya	162,333
Yap Chee Keong	195,500
Marie Elaine Teo	182,000
Rachel Eng Yaag Ngee	165,100
Mitsumasa Icho[2]	116,100
Past Director	
Katsuhiro Ito[3]	55,167
Directorship on Subsidiary	
Nihal Vijaya Devadas Kaviratne CBE[4]	57,600

1. Appointed as Chairman on 1 January 2017.
2. Appointed on 1 May 2017.
3. Stepped down on 1 May 2017.
4. Fees paid as Independent and Non-Executive Chairman of Caraway Pte. Ltd., a 75:25 joint venture subsidiary of the Company.

Proposed Revision to the Fees for the Board Risk Committee (BRC)

The HRCC yearly reviews the adequacy of fees paid to Non-Executive Directors and may commission an independent review by an external consultant on the remuneration framework of Directors as well as key management personnel.

The Non-Executive Directors' fees have remained unchanged in the last three years. The Board has during the year, in conjunction with the HRCC, carried out a review on the adequacy of the fees paid to the Non-Executive Directors, in particular, the members of the BRC. The review took into consideration the expansive work done by the BRC, the amount of time spent in reviewing and revising the Group risk governance framework and the discussions held with key stakeholders. Consequent to the review, the Board approved the recommendation of the HRCC for an upward adjustment of the fees payable to the Chairman of the BRC from S$35,000 to US$50,000 and to each member from S$20,000 to S$25,000.

Details of the fees framework for Non-Executive Directors, which included the proposed changes to the Directors' fees payable to the BRC, are provided below:

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 **Board Risk Committee (From FY 2018)** **Capital and Investment Committee**		
Chairman's fee		50,000
Member's fee		25,000
Board Risk Committee (Till FY 2017) **Human Resource and Compensation Committee**		
Chairman's fee		35,000
Member's fee		20,000
Governance and Nomination Committee **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

The aggregate Directors' fees are subject to shareholders' approval at the AGM. 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.

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, the 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 2017

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	20.4%	75.4%	4.1%	100%	15,000,000[1]	1,901,794[3]
Shekhar Anantharaman	32%	68%	–	100%	5,000,000[2]	1,420,052[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 1,901,794 comprised of 1,202,147 Performance Share Awards and 699,647 Restricted Share Awards granted pursuant to the Olam Share Grant Plant. The actual number of shares to be delivered pursuant to the 810,000 Performance Share Awards granted will range from 0% to 192.5% of the base award and 392,147 Performance Share Awards granted will range from 0% to 200.0%, both of which are 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 1,420,052 comprised of 923,026 Performance Share Awards and 497,026 Restricted Share Awards granted pursuant to the Olam Share Grant Plan. The actual number of shares to be delivered pursuant to the 600,000 Performance Share Awards granted will range from 0% to 192.5% of the base award and 323,026 Performance Share Awards granted will range from 0% to 200.0%, both of which are 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 2017

Remuneration band	No. of executives
S$1,000,000 and above	7
Below S$1,000,000	3

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 AGM. 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 and 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

Sanjiv Misra	
Yap Chee Keong	
Mitsumasa Icho	(appointed 1 May 2017)
Shekhar Anantharaman	(appointed 4 January 2018)
Yutaka Kyoya	(stepped down 1 May 2017)
Sunny George Verghese	(stepped down 4 January 2018)

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 4 times during the year under review, which included a joint meeting with the Corporate Responsibility and Sustainability Committee ("CRSC") to review a specific country risk. The BRC has oversight of the following matters:

- To review with Management the Group's framework, guidelines, policies and systems to govern the process for assessing and managing risks;
- To review and recommend annual 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 and determine the risks to be escalated to the Board;
- To review market compliance updates and issues reported; and
- To review annually the Insurance Strategy and Plan.

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 ("CRCO") and the Risk Office instils the right culture throughout the Company for effective risk governance.

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 continually reviews its terms of reference taking into consideration the Risk Governance Guidelines and the Code as well as the changing needs of the organisation.

The Group 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 Company takes a holistic approach to enterprise-wide risk, monitoring risk across each value-chain step across a wide range of both quantifiable and non-quantifiable risks.

Risk Governance Structure

The Group has an institutionalised process in the governance of risk management matters. The CRCO is a member of the Executive Committee and reports to both the Group CEO and the BRC Chair.

The Risk Office reports to the CRCO and is responsible for identifying, assessing, measuring and monitoring risks, to provide the Company's senior management and the Board with assurance that all the risks borne by the Company are within its risk limits. The Risk Office is responsible for risk monitoring and control on an independent basis and undertakes regular stress-testing of the Company's portfolio.

The Company sets risk limits as part of the annual budgeting cycle, which are presented to the Board for approval. These limits include outright, basis, structure, arbitrage and Value-at-Risk ("VaR") as well as credit and counterparty limits. The CRCO is mandated to allocate the risk capital across businesses considering the competitive position, trading and market conditions and the track record of each business. Performance is continuously monitored, and risk capital allocation is recalibrated where necessary. The assigned limits are set at all levels of hierarchy within the structure, i.e. at business-unit level, value-chain step level and at profit-centre level, as well as any other limits the Risk Office deems appropriate.

Enterprise Risk Management

The Company's Enterprise Risk Management framework defines 51 individual risks across 11 categories. The oversight of each of the 51 risks is divided among the 5 Board Committees, namely, the BRC, AC, CIC, CRSC and HRCC. Of the 51 risks, 16 are evaluated on a quantitative basis and represented in the company's Group Risk Dashboard ("GRD"), the output of which is presented to the BRC quarterly. The Enterprise Risk Scorecard ("ERS") is the result of an assessment of each of the 51 risks for likelihood of occurrence and impact. Each risk is evaluated for each business unit both on an inherent and residual basis using a traffic-light system of red-amber-green. The ERS is also presented to the BRC on a quarterly basis which, in conjunction with the GRD assists the Board with (i) examining the effectiveness of the Company's risk management plans, systems, processes and procedures and (ii) reviewing Company-wide risk policies, guidelines and limits, as well as risk exposure and risk treatment plans. The BRC is responsible for the recommendation of the overall annual risk capital of the Company for the approval of the Board.

Risk Measurement, Market Compliance Controls, Risk Training and Communication

The BRC is advised by the CRCO and Risk Office on the risk measurement methodology adopted and any changes in methodology in line with industry best practices.

One of the Company's key priorities is to comply with the highest standards of business conduct. The Market Compliance Office ("MCO") is responsible for ensuring regulatory compliance for the Company's derivative trading units. The MCO carries out regular trader training courses to ensure familiarity with prevailing exchange rules globally and ensures that all new hires are comprehensively trained in the Company's Trading Compliance Manual. The BRC receives a quarterly update on the status of compliance, initiatives and changes in global regulatory laws and regulations impacting the Company's business and participation on exchanges. From time to time, the Company's Risk Office publishes risk advisories on pertinent matters to raise awareness and to promote industry best practices.

This section should be read in conjunction with the section on Risk Management in the Strategy Report of the 2017 Annual Report and the section on internal control in this report.

Audit Committee (AC)

Yap Chee Keong
Chairman

Nihal Kaviratne CBE	
Rachel Eng Yaag Ngee	
Yutaka Kyoya	(appointed 1 May 2017)
Katsuhiro Ito	(stepped down 1 May 2017)

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.

The AC met 7 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;
- Review the proposed scope of the Internal Audit function, the performance of the Internal Audit function, Internal Audit findings and to approve the Annual Internal Audit Plan and as and when there are changes to the plan;
- 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 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 person transactions falling within the scope of Chapter 9 of the Singapore Exchange Listing Rules;
- 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 prescribed by statute and the Listing Rules or recommended by the Code and by such amendments made thereto from time to time.

The external auditors update the AC at its quarterly meetings on any changes to the accounting standards, issues and developments with a direct impact on financial statements.

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 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 Auditors' Report of the Financial Report section of the Annual Report 2017.

External auditors

The external auditors report their 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 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.

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.

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 and Management engaged KPMG to review and formulate an integrated assurance framework to bring more clarity and to strengthen controls. The framework brings together the risk governance framework established by the Board Risk Committee with the various Board Committees providing oversight of designated key risk areas, the In-Business Control (IBC) framework implemented globally to monitor and report the inherent and residual risks in key risk areas, the internal audit framework and the work done by the control functions. The AC carried out a detailed review of the role, adequacy and effectiveness of the Internal Audit function during the year and recommended changes to the internal audit framework to bring more focus to and alignment with the Group's business. The Internal Audit function has under the guidance of the AC Chair enhanced the Internal Audit plan, report on findings and the Internal Audit manual. The AC is satisfied that the Internal Audit team has appropriate standing within the Company. During the year, the Committee met with Internal Audit, without the presence of Management, to discuss any issues of concern.

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 or unethical practices is set out in the CoC. A completely anonymous online report may be made using a reporting link http://www.jotform.me/iaolamint/FraudInformation Channel. 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 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 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 enterprise risk management framework to examine the effectiveness of the Company's risk management plans, systems, processes and procedures, 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 requirements 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 2017, Management in consultation with the AC further improved on the In-Business Control (IBC) framework implemented since 2016 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 control functions, the internal and external auditors, the assurance received from the Group CEO, the Group COO and the Group CFO as well as the 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.

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 AC participates in the appointment, replacement or dismissal and the evaluation 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.

As part of the Integrated Assurance Framework, the AC and IA regularly review the scope of the internal audit carried out by the Internal Audit team to ensure that it is comprehensive and 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 is in place 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 Annual Internal Audit Plan. It ensures that no limitation on audit has been imposed.

Capital and Investment Committee (CIC)

Sanjiv Misra
Chairman

Lim Ah Doo	
Jean-Paul Pinard	
Sunny George Verghese	
Shekhar Anantharaman	
Marie Elaine Teo	
Mitsumasa Icho	(appointed 1 May 2017)
Yap Chee Keong	(appointed 4 January 2018)
Yutaka Kyoya	(stepped down 1 May 2017)

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 the annual financing plan;
- 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; and
- To evaluate periodically the performance of the businesses in relation to the capital allocated.

In 2017, the CIC met 6 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 CIC. Under the revised Enterprise Risk Management framework, the CIC also provides oversight on certain risk category and risk events.

The CIC 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

Nihal Kaviratne CBE	
Marie Elaine Teo	
Yutaka Kyoya	(appointed 1 May 2017)
Sunny George Verghese	(appointed 4 January 2018)
Shekhar Anantharaman	(stepped down 4 January 2018)
Katsuhiro Ito	(stepped down 1 May 2017)

At Olam, we believe that profitable growth, as a way of doing business, needs to incorporate creating value on an ethically, 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 report and statement on sustainability activities, commitment and involvement 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 CRSC 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.

During the year under review, 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 active engagement on corporate responsibility and sustainability matters concerning the Group's business and operations, the Chairman and members of the CRSC may, collectively or individually, 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. We have supplemented our Company disclosure with details on investment performance and held investor days and field visits to Olam's operational sites.

To facilitate better understanding and analysis, we have improved the structure and content of our results announcements by publishing 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.

We have 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.

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.

Delivering quality and timely information in a transparent manner

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 and investor relations mailing list.

Our investor relations website (olamgroup.com/investor-relations) is the go-to resource for the investing community for quality and timely information. Besides announcements, it contains Company news, investor presentations, earnings webcasts, transcripts of earnings conference calls, historical financial information on spreadsheets, annual reports, consensus estimates, upcoming events, shareholding structure and dividend information.

In addition to the quarterly results briefings, 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 2017

Date	Event
28 February	Briefing on 2016 results
25 April	22nd Annual General Meeting
15 May	Briefing on Q1 2017 results
14 August	Briefing on Q2 2017 results
15 November	Briefing on Q3 2017 results
16 November	Morgan Stanley 16th Annual 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 on-the-go access to financial and non-financial information, webcasts, tweets and other resources.

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. We also commission annual surveys with the investing community to gather their feedback on annual reports.

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 all Board Committees, namely, the AC, BRC, CIC, CRSC, GNC and HRCC, 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. The Group CEO or Group COO delivers a presentation to update shareholders on the Group's progress over the past year.

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 22nd AGM 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 SGXNET after the AGM.

All Board members were present at the 22nd AGM:

Chairman of the Board Committees

Lim Ah Doo, Chairman of the GNC and HRCC

Yap Chee Keong, Chairman of the AC

Jean-Paul Pinard, Chairman of the CRSC

Sanjiv Misra, Chairman of the CIC

Marie Elaine Teo, Chairman of the BRC

Board Members

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

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

Rachel Eng Yaag Ngee, Independent and Non-Executive Director

Katsuhiro Ito, Non-Executive Director (stepped down on 1 May 2017)

Yukaka Kyoya, Non-Executive Director

Shekhar Anantharaman, Executive Director and Group COO

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.

Recognitions

Olam's 2016 Annual Report won Bronze Award at the 2017 Corporate & Financial Awards. The award was presented to Olam in the "Best Printed Report: International" category, which honours reports that successfully use one document to tell an organisation's corporate story to stakeholders and allow for ease of access to key information.

The 2016 Annual Report also won the Company the honour of international winner for being the most effective in integrating sustainability into corporate communications at the IR Society (UK)'s Best Practice Awards 2017.

The Company was declared the winner of the Singapore Corporate Governance Award (SCGA) 2017, Consumer Staples Category at SIAS 18th Investors' Choice Awards. The SCGA is jointly developed by SIAS with the Centre for Governance, Institutions and Organisations (CGIO) of the NUS Business School to recognise listed companies that have excellent corporate governance practices and shareholder interests.

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.

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 2 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 1 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 2017 are as follows:

Parties	FY 2017 S$
Singapore Telecommunications Limited	1,043,450
SP Services Ltd	7,067
StarHub Ltd	10,327
DBS Bank Limited	1,362,543
Standard Chartered Bank	2,255,485
Mitsubishi Corporation	19,045,095
Mitsubishi International Corporation	421,166
MC Agri Alliance, Ltd	61,740,625
MS Commercial Pte. Ltd.	2,390,861
Total	**88,276,619**

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 4 January 2018

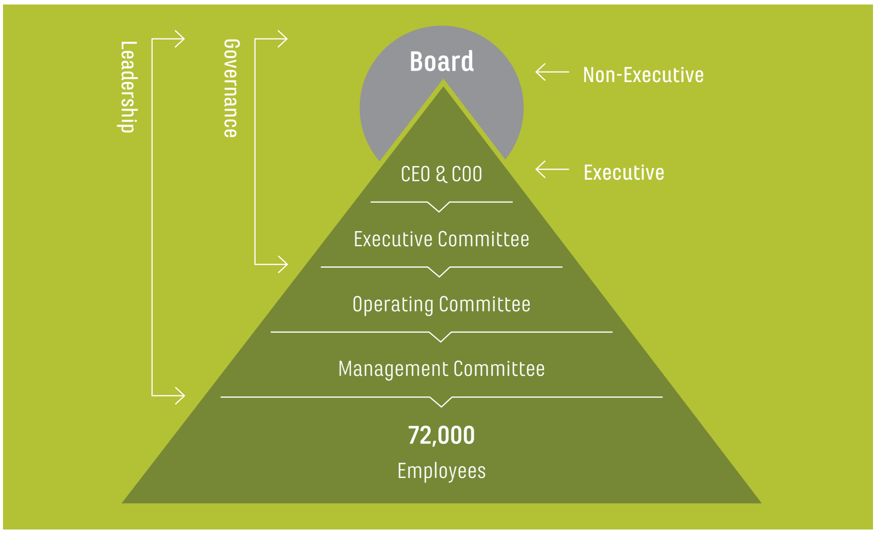
Directors	Membership	Board Committees	Date of first appointment
Lim Ah Doo	Chairman, Independent Non-Executive	Governance and Nomination Committee (C) Human Resource and Compensation Committee (C) Capital and Investment Committee (M)	**1 November 2016 (assumed Chairmanship on 1 January 2017)**
Sunny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

Principle/Guidelines	Page	Principle/Guidelines	Page
Guideline 1.3 Board delegation of authority	12	Guideline 7.3 Remuneration consultants	NA
Guideline 1.4 Board attendance	14	Principle 9 Remuneration policies, level and mix	20-21
Guideline 1.5 Material transactions for Board approval	12	Guideline 9.1 to 9.3 Remuneration of Directors, CEO and top 5 key management personnel	20-21
Guideline 1.6 Induction and training	15	Guideline 9.4 Remuneration of employees who are immediate family members of directors	22
Guideline 2.3 Directors' independence	15-16	Guideline 9.5 Employee share schemes	22
Guideline 2.4 Directors' nine years tenure	16	Guideline 9.6 Remuneration linked to performance	21
Guideline 3.1 Chairman and CEO relationship	16	Guideline 11.3 Adequacy of internal controls	26
Guideline 4.1 Nomination Committee	17	Guideline 12.1 Audit Committee	24-27
Guideline 4.4 Number of board memberships	18	Guideline 12.6 Audit and non-audit fees	25
Guideline 4.6 Appointments, selection, re-appointments	18	Guideline 12.7 Whistleblowing policy	25
Guideline 4.7 Key Directors' information	6-11	Guideline 12.8 Audit Committee training on changes to accounting standards and issues impacting financial statements	24
Guideline 5.1 Board evaluation	18	Guideline 15.4 Obtaining views of the shareholders	28-29
Guideline 7.1 Remuneration Committee	20	Guideline 15.5 Reasons where dividends are not paid	NA

LEADERSHIP TEAM



Executive Committee

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 Committee

Amit Khirbat
Anupam Jindel
Aravind Velamur Rajaqopala
Arun Sharma
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
Martial Genthon
MD Ramesh
Mukul Mathur
Neelamani Muthukumar
Raja Saoud
Rajeev Kadam
Ramanarayanan Mahadevan
Ranveer Chauhan
Ravi Pokhriyal
S. Venkita Padmanabhan
Sandeep Kumar Jain
Sathyamurthy Mayilswamy
Shekhar Anantharaman
Srivathsan Venkataramani
Sunny George Verghese
Supramaniam Ramasamy
Suresh Sundararajan
Tejinder Singh
Vivek Verma

Management Committee

Abhishek Sahai
Alain Fredericq
Amit Agrawal
Amit Gulrajani
Amit Khirbat
Amit Verma
Anurag Shukla
Anupam Gupta
Anupam Jindel
Aravind VR
Arouna Coulibaly
Arun Sharma
Ashish Govil
Ashok Hegde
Ashok Krishen
Bikash Prasad
Brijesh Krishnaswamy
Briony Rudder Mathieson
Chandrasekaran Balaji
Chris Beetge
Chris Thompson
Christopher Stewart
Chye Yeong
Damien Houlahan
Darshan Raiyani
Dave De Frank
David Watkins
Deepak Kaul
Devashish Chaubey
Eduardo Andrade De Freitas
G. Srinivasakumar
Gagan Gupta
George Joseph
Gerard Anthony Manley
Girish Kumar Nair
Greg Estep
Gurpreet Singh
Heemskerk Rinus
Indranuj Choudhury
Jagdish Parihar
Janaky Grant (Dr)
Jayant Parande
Jeff Pfalzgraf
Jeronimo Antonio Pereira
Jim Fenn
Joe Kenny
Joseph West
Joydeep Bose
Juan Antonio Rivas
Kartik Balasubramanian
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

7 Straits View
Marina One East Tower
#20-01
Singapore 018936

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

Commonwealth Bank of Australia

Credit Suisse Group AG

DBS Bank Ltd

ING Bank N.V.

JPMorgan Chase Bank, N.A.

Mizuho Bank, Ltd

National Australia Bank Limited

Natixis

Rabobank International

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

The Bank of Tokyo-Mitsubishi UFJ, Ltd

The Hongkong and Shanghai Banking Corporation Limited

Westpac Banking Corporation

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders as at 16 March 2018)

Name of Shareholder		Direct Number of Shares[1]	Deemed Number of Shares[1]
1.	Breedens Investments Pte. Ltd.[2]	1,394,271,494	–
2.	Aranda Investments Pte. Ltd.[2]	312,814,360	–
3.	Seletar Investments Pte Ltd[2]	–	1,707,085,854
4.	Temasek Capital (Private) Limited[2]	–	1,707,085,854
5.	Temasek Holdings (Private) Limited[2]	–	1,707,085,854
6.	Mitsubishi Corporation[3]	554,689,829	–
7.	Allan & Gill Gray Foundation (Guernsey)[4]	–	221,277,796
8.	Orbis Allan Gray Limited[4]	–	221,277,796
9.	Orbis Holdings Limited[4]	–	221,277,796
10.	Orbis Investment Management Limited[4]	–	221,277,796
11.	Orbis Investment Management (Hong Kong) Limited[4]	–	181,506,595
12.	Kewalram Singapore Limited[5]	223,769,921	–
13.	Chanrai Investment Corporation Limited[5]	–	223,769,921
14.	Kewalram Chanrai Holdings Limited[5]	–	223,769,921
15.	GKC Trustees Limited *(as trustees of Girdhar Kewalram Chanrai Settlement)*[5]	–	223,769,921
16.	MKC Trustees Limited *(as trustees of Hariom Trust)*[5]	–	223,769,921
17.	DKC Trustees Limited *(as trustees of Dayal Damodar Chanrai Settlement)*[5]	–	223,769,921

Notes:

(1) Percentages of shareholdings are calculated based on the total number of issued ordinary shares (excluding treasury shares) being 3,172,225,057 as at 16 March 2018.

(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 43.95%

(i) Breedens has a direct interest in 43.95% 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 9.86%

(i) Aranda has a direct interest in 9.86% 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** **53.81%**

(3) Total interest of **Mitsubishi Corporation** **17.49%**

(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**"), which 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.

Orbis Holdings Limited is the holding company for OIML and Orbis Investment Management (Hong Kong) Limited ("**OIMHK**"). Orbis Allan Gray Limited and Allan & Gill Gray Foundation (Guernsey) are the parent entities for Orbis Holdings Limited.

On 1 January 2017, OIML sub-delegated some of its portfolio management duties, including the authority to dispose of securities, to OIMHK. By virtue of the sub-delegation, OIAHK and OIMHK have 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 Emerging Markets Equity Fund (Australia Registered)
2. Orbis Institutional Emerging Markets Equity LP
3. Orbis Global Equity LE Fund (Australia Registered)
4. Orbis Global Equity Fund (Australia Registered)
5. Orbis Global Balanced Fund Wholesale Class (Australia Registered)
6. Orbis SIVAC – Orbis Global Balanced Fund
7. Orbis Institutional Equity LP
8. Orbis Institutional Global Equity Fund
9. Orbis Global Equity Fund
10. Orbis Institutional Global Equity (OFO) Fund
11. Orbis Institutional Global Equity LP
12. Orbis Institutional International Equity LP
13. Orbis Optimal LP
14. Orbis Optimal SA
15. Orbis SICAV – Orbis Global Equity
16. Allan Gray Australia Balanced Fund
17. Orbis SICAV – Orbis Institutional Equity
18. Orbis OEIC Global Balanced Fund
19. Orbis OEIC Global Equity Fund
20. Orbis SICAV - Orbis Emerging Markets 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** **6.98%**

(5) Kewalram Singapore Limited ("**KSL**") is a wholly-owned subsidiary of Chanrai Investment Corporation Limited ("**CICL**"), which in turn is a wholly-owned subsidiary of Kewalram Chanrai Holdings Limited ("**KCHL**"). By virtue of section 4(7)(d) of the Securities and Futures Act (Chapter 289), each of CICL and KCHL are deemed to be interested in the voting shares of the Listed Issuer ("**Shares**").

GKC Trustees Limited (as trustees of Girdhar Kewalram Chanrai settlement) ("**GKC Settlement**"), MKC Trustees Limited (as trustees of Hariom Trust)("**Hariom Trust**") and DKC Trustees Limited (as trustees of Dayal Damodar Chanrai Settlement)("**DDC Settlement**") are shareholders of KCHL. By virtue of section 4(5) of the Securities and Futures Act (Chapter 289), each of the GKC Settlement, Hariom Trust and DDC Settlement are deemed to be interested in the voting shares of the Listed Issuer ("**Shares**").

CICL, KCHL, GKC Settlement, Hariom Trust and DDC Settlement are deemed interested in the 223,769,921 Shares held by KSL.

Statistics of Shareholdings

As at 16 March 2018

Issued and fully Paid-up Capital	$3,812,922,224.14
Number of Ordinary Shares in issue (excluding Treasury Shares)	3,172,225,057
Number of Ordinary Shares held as Treasury Shares	98,793,600
Percentage of Treasury Shares held against the total number of Issued Ordinary Shares outstanding (excluding Treasury Shares)	3.11%
Class of Shares	Ordinary Shares
Voting Rights	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	106	1.73	3,230	0.00
100 – 1,000	793	12.92	652,959	0.02
1,001 – 10,000	4,058	66.12	19,177,275	0.61
10,001 – 1,000,000	1,158	18.87	50,572,747	1.59
1,000,001 and above	22	0.36	3,101,818,846	97.78
Total	**6,137**	**100.00**	**3,172,225,057**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Breedens Investments Pte Ltd	1,394,271,494	43.95
2	HSBC (Singapore) Nominees Pte Ltd	571,111,267	18.00
3	Citibank Nominees Singapore Pte Ltd	360,657,977	11.37
4	Aranda Investments Pte Ltd	312,814,360	9.86
5	Kewalram Singapore Limited	223,769,921	7.05
6	DBS Nominees (Private) Limited	68,416,414	2.16
7	Raffles Nominees (Pte) Limited	67,318,844	2.12
8	Daiwa Capital Markets Singapore Limited	50,000,000	1.58
9	UOB Kay Hian Private Limited	10,990,631	0.35
10	ABN Amro Clearing Bank N.V.	5,338,261	0.17
11	Maybank Kim Eng Securities Pte. Ltd.	4,614,019	0.15
12	OCBC Securities Private Limited	4,557,009	0.14
13	United Overseas Bank Nominees (Private) Limited	4,540,036	0.14
14	DB Nominees (Singapore) Pte Ltd	4,027,775	0.13
15	Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,604,437	0.11
16	CGS-CIMB Securities (Singapore) Pte. Ltd.	3,241,109	0.10
17	DBS Vickers Securities (Singapore) Pte Ltd	3,181,261	0.10
18	Mak Seng Fook	3,028,296	0.10
19	Phillip Securities Pte Ltd	2,430,023	0.08
20	OCBC Nominees Singapore Private Limited	1,683,566	0.05
Total		**3,099,596,700**	**97.71**

Public Float

Approximately 9.98% of the Company's Shares are held in the hands of the public. The Company announced on 27 February 2018 that it has asked SGX-ST for an extension of time to restore the public float to cross 10% following the vesting of shares in April 2018 under the Company's Restricted Share Awards (assuming there is no increase in the shareholding of substantial shareholders and Directors prior to April 2018).

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-Third Annual General Meeting of Olam International Limited (the "**Company**") will be held at Ballroom 1, The Westin Singapore, 12 Marina View, Asia Square Tower 2, Singapore 018961, on Wednesday, 25 April 2018 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 2017 together with the Auditors' Report thereon. Please refer to the explanatory note (i) provided.	**Resolution 1**
2. To declare a second and final dividend of 4 cents per share, tax exempt (one-tier), for the financial year ended 31 December 2017. 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. Nihal Vijaya Devadas Kaviratne CBE	**Resolution 3**
(b) Mr. Yutaka Kyoya	**Resolution 4**
(c) Mr. Yap Chee Keong	**Resolution 5**
(d) Ms. Marie Elaine Teo	**Resolution 6**
Please refer to the explanatory note (iii) provided.	
4. To re-elect Mr. Mitsumasa Icho who will cease to hold office in accordance with Article 109 of the Constitution, and who, being eligible, offers himself for re-election. 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 2018 ("FY 2018") (2017: S$1,697,600). 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. Please refer to the explanatory note (vi) provided.	**Resolution 9**

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 and subsidiary holdings) (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 and subsidiary holdings) (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 and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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;

SPECIAL BUSINESS	Ordinary Resolutions

(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.

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 and subsidiary holdings) 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 and subsidiary holdings);

SPECIAL BUSINESS	Ordinary Resolutions

"**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

"**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:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

where:

"**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

"**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

(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.

Please refer to the explanatory note (viii) provided.

9. **Authority to issue Shares under the Olam Scrip Dividend Scheme** — **Resolution 12**

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.

Please refer to the explanatory note (ix) provided.

SPECIAL BUSINESS	Ordinary Resolutions
10. **Authority to issue Shares under the Olam Share Grant Plan** 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 and subsidiary holdings) 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.	**Resolution 13**

By Order of the Board

Lai Kuan Loong Victor
Company Secretary
Singapore

Date: 10 April 2018

Notice of Annual General Meeting continued

Please read the following notes and the explanations 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 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 7 Straits View, #20-01 Marina One East Tower, Singapore 018936, 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 7 Straits View, #20-01 Marina One East Tower, Singapore 018936, 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 the audited consolidated financial statements of the 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. The Directors' Statement and the audited consolidated financial statements for the financial year ended 31 December 2017 together with the Auditors' Report thereon are provided in the Financial Report of the Annual Report. A copy may also be read on our website at olamgroup.com/annual-report-2017/.

(ii) Ordinary Resolution 2

Ordinary Resolution 2 is to declare a final tax exempt dividend of 4 cents per Share for the financial year ended 31 December 2017 ("**FY 2017**"). Together with the sum of 3.5 cents per Share of interim dividend declared for the second quarter FY 2017, the total dividend for FY 2017 is 7.5 cents per Share (approximately S$223 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 the Directors may consider appropriate in the interests of the 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. Nihal Vijaya Devadas Kaviratne CBE will, upon re-election as a Director, continue his office as Non-Executive and Independent Director and will remain as a member of the Audit Committee ("**AC**") and Corporate Responsibility and Sustainability Committee ("**CRSC**"). He will be considered independent.

Mr. Yutaka Kyoya will, upon re-election as a Director, continue his office as Non-Executive Director. He will remain a member of the AC, CRSC and the Governance and Nomination Committee ("**GNC**").

Mr. Yap Chee Keong will, upon re-election as a Director, continue his office as Non-Executive and Independent Director and will remain as Chairman of the AC and a member of the Board Risk Committee ("**BRC**"), Capital and Investment Committee ("**CIC**") and GNC. He will be considered independent.

Ms. Marie Elaine Teo will, upon re-election as a Director, continue her office as Non-Executive and Independent Director and will remain as Chairman of the BRC and a member of the CIC and CRSC. She will be considered independent.

Please refer to the Governance Report of the 2017 Annual Report for the profile of each of Messrs. Nihal Vijaya Devadas Kaviratne CBE, Yutaka Kyoya, Yap Chee Keong and Marie Elaine Teo.

(iv) Ordinary Resolution 7

Mr. Mitsumasa Icho will, upon re-election as a Director, continue his office as Non-Executive Director and will remain as a member of the BRC, CIC and Human Resource and Compensation Committee.

Please refer to the Governance Report of the 2017 Annual Report for the profile of Mr. Mitsumasa Icho.

(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 2018. The Directors' fees approved for FY 2017 were S$2,000,000 with the aggregate fees paid quarterly in arrears to the Non-Executive Directors for FY 2017 entirely in cash amounted to S$1,697,600. The exact amount of Directors' fees received by each Director for FY 2017 is disclosed in full on page 21 of the Governance Report of the 2017 Annual Report. Ordinary Resolution 8, if passed, will facilitate the quarterly payment in arrears of Directors' fees during FY 2018 in which the fees are incurred. The amount of Directors' fees is computed based on the fee structure as reported on page 21 of the Governance Report of the 2017 Annual Report. The Directors' fees proposed for payment also include the proposed increase in the fees payable to the BRC Chair and members from FY 2018, details of which are provided on page 21 of the Governance Report of the 2017 Annual Report as well as an additional provision of approximately fifteen per cent. (15%) for developments in the year (such as additional meetings of the Board and Board Committees and Board offsites, the appointment of additional Directors and/or the formation of ad-hoc and additional Board Committees) during FY 2018. Notwithstanding the proposed increase in fees payable to the BRC Chair and members from FY 2018, the overall Directors' fees proposed to be approved remained unchanged from FY 2017. The fees of the Directors shall not be increased except pursuant to an ordinary resolution passed at a General Meeting.

(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 Auditors' independence should not be compromised and the AC 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.

(vii) Ordinary Resolution 10

Ordinary Resolution 10, if passed, will empower the Directors, effective until the earlier of (1) the 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 enables the Company to seek a mandate to permit its Directors to issue shares up to the fifty per cent. (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 and subsidiary holdings) 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 and subsidiary holdings) 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 2018 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 2017 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 the Olam Share Grant Plan may be found in the Governance Report and the Financial Report of the 2017 Annual Report.

NOTICE OF BOOKS CLOSURE

As stated in the Notice of Books Closure set out in the Company's announcement dated 27 February 2018, 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 2018** 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 2018** 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 2018** 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 2018**, will be made on 11 May 2018.

This page is intentionally left blank.

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-Third 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 Wednesday, 25 April 2018 at 10.00 a.m. at Ballroom 1, The Westin Singapore, 12 Marina View, Asia Square Tower 2, Singapore 018961, 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 2017 ("**FY 2017**") together with the Auditors' Report thereon		
2.	Payment of a second and final dividend of 4 cents per share for FY 2017		
3.	Re-election of Mr. Nihal Vijaya Devadas Kaviratne CBE as a Director retiring under Article 103		
4.	Re-election of Mr. Yutaka Kyoya as a Director retiring under Article 103		
5.	Re-election of Mr. Yap Chee Keong as a Director retiring under Article 103		
6.	Re-election of Ms. Marie Elaine Teo as a Director retiring under Article103		
7.	Re-election of Mr. Mitsumasa Icho 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 2018		
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 __________ 2018

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 2018.

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 7 Straits View, #20-01 Marina One East Tower, Singapore 018936, 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) be duly stamped (if required by law) 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 2, 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, Chapter 50 of Singapore.

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

@olam

Olam International Limited
7 Straits View
Marina One East Tower
#20-01
Singapore 018936
Telephone (65) 6339 4100
Facsimile (65) 6339 9755

olamgroup.com

Financial Report

Olam International Limited Annual Report 2017

Olam

Re-imagining Global Agriculture

Financial Report Olam International Annual Report 2017

olamgroup.com

Our vision

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

Our governing objective

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

This report is the first on our journey to develop a new model of reporting that provides insight into how we create value over the long-term. We aim to communicate how we identify, develop, preserve and deploy strategic assets in line with our company's purpose. A separate Global Reporting Initiative (GRI) report is available on our website at olamgroup.com.

Contents

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

This chapter offers narrative about our performance, strategy and market factors. It can be read independently as an Executive Summary or as part of the full report.

Governance Report

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.

Front cover image:

In the West Black Sea Region of Turkey, hazelnut farmer Zafer Bekta is being registered to the Olam Farmer Information System (OFIS) during harvest by agronomist Hüseyin Noyan, working in the Olam Progıda Sustainability team.

Read more on olamgroup.com

Directors' Statement

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 2017.

1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements set out on pages 12 to 84 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 2017, changes in equity of the Group and of the Company, the financial performance 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

Sunny George Verghese

Jean-Paul Pinard

Sanjiv Misra

Nihal Vijaya Devadas Kaviratne CBE

Yap Chee Keong

Marie Elaine Teo

Rachel Eng Yaag Ngee

Yutaka Kyoya

Mitsumasa Icho (Appointed on 1 May 2017)

Shekhar Anantharaman

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 2017 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.

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. 2017 or date of appointment, if later	**As at 31.12.2017**	**As at 21.1.2018**	As at 1.1.2017 or date of appointment, if later	**As at 31.12.2017**	**As at 21.1.2018**
The Company						
Olam International Limited						
(a) Ordinary shares						
Sunny George Verghese	111,646,477	**111,748,977**	**132,594,096**	–	–	–
Shekhar Anantharaman	12,619,672	**12,677,672**	**15,558,947**	–	–	–
Jean-Paul Pinard	–	**806,761**	**806,761**	–	–	–
(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	**–**	**–**	–	–	–
(c) 51,077,331 Warrants issued at an exercise price of US$1.09 for each new share [1]						
Sunny George Verghese	20,178,230	**20,845,119**	**–**	–	–	–
Shekhar Anantharaman	2,789,093	**2,881,275**	**–**	–	–	–
Jean-Paul Pinard	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**	–	–	–

4. Directors' interests in shares and debentures continued

Name of directors	Held in the name of the director or nominee: As at 1.1. 2017 or date of appointment, if later	Held in the name of the director or nominee: As at 31.12.2017	Held in the name of the director or nominee: As at 21.1.2018	Deemed interest: As at 1.1.2017 or date of appointment, if later	Deemed interest: As at 31.12.2017	Deemed interest: As at 21.1.2018
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**	**510,000**	–	**–**	**–**
(b) Mapletree Logistics Trust Management Ltd (Unit holdings in Mapletree Logistics Trust)						
Sunny George Verghese	505,000	**505,000**	**505,000**	–	**–**	**–**
Lim Ah Doo	185,000	**185,000**	**185,000**	–	**–**	**–**
(c) Mapletree Commercial Trust Management Ltd. (3.25% Bonds due 3 February 2023)						
Yap Chee Keong	$250,000	**$250,000**	**$250,000**	–	**–**	**–**
(d) Singapore Technologies Engineering Ltd (Ordinary Shares)						
Lim Ah Doo	31,300	**42,600**	**42,600**	–	**–**	**–**
(e) Starhub Ltd (Ordinary Shares)						
Nihal Vijaya Devadas Kaviratne CBE	19,000	**23,000**	**23,000**	–	**–**	**–**
Sanjiv Misra [3]	60,000	**60,000**	**60,000**	–	**–**	**–**
Rachel Eng Yaag Ngee	6,900	**19,800**	**19,800**	–	**–**	**–**
(f) Mapletree Industrial Trust (Ordinary Shares)						
Marie Elaine Teo	11,800	**11,800**	**11,800**	–	**–**	**–**
Sanjiv Misra [3]	–	**100,000**	**100,000**	–	**–**	**–**
(g) Singapore Airlines Limited (3.035% Notes due 2025)						
Yap Chee Keong	–	**$250,000**	**$250,000**	–	**–**	**–**

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. 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$1.09 and a total of 51,077,331 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, 21 August 2015 and 23 November 2016, comprising US$300,000,000 in principal amount of 4.50 per cent fixed rate notes due 2020.
3. 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

Jean-Paul Pinard

Sanjiv Misra

Mitsumasa Icho (Appointed 1 May 2017)

Rachel Eng Yaag Ngee

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 2017 are as follows:-

Expiry date	Exercise price ($)	Number of options
21 July 2019	2.28	32,175,000
17 February 2020	2.35	15,000,000
23 July 2020	2.64	3,185,000
17 December 2020	3.10	650,000
14 March 2021	2.70	1,195,000
30 December 2021	2.16	2,620,000
15 June 2022	1.76	16,442,000
Total		**71,267,000**

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.

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;
- instil 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 (including to the directors), are as follows:-

Type of Grant	Performance share awards ('PSA')		Restricted share awards('RSA')	
Date of Grant	**24 April 2017**	**5 May 2017**	**24 April 2017**	**5 May 2017**
Number of Shares which are subject of the Awards granted	**9,711,173**	**40,000**	**4,456,173**	**20,000**
Number of employees receiving Shares Awards	**320**	**1**	**319**	**1**
Market Value of Olam Shares on the Date of Grant	**$1.91**	**$1.90**	**$1.91**	**$1.90**
Number of Shares awarded granted to directors of the Company	**Sunny George Verghese 392,147**	**–**	**Sunny George Verghese 392,147**	**–**
	Shekhar Anantharaman 323,026	**–**	**Shekhar Anantharaman 323,026**	**–**
Vesting Date of Shares awarded	**April 2020**	**April 2020**	**Tranche 1 – 25%: 1 April 2018 Tranche 2 – 25%: 1 April 2019 Tranche 3 – 25%: 1 April 2020 Tranche 4 – 25%: 1 April 2021**	**Tranche 1 – 25%: 1 April 2018 Tranche 2 – 25%: 1 April 2019 Tranche 3 – 25%: 1 April 2020 Tranche 4 – 25%: 1 April 2021**

The actual number of shares to be delivered pursuant to the PSA granted in the table above will range from 0% to 200.0% 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.

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

Olam Share Grant Plan continued

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 of the Company	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 Tranche 2 – 25%: 1 April 2018 Tranche 3 – 25%: 1 April 2019 Tranche 4 – 25%: 1 April 2020

The actual number of shares to be delivered pursuant to the PSA granted in the table above 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 awards granted to the directors, are as follows:-

Name of Participant	Share awards granted during financial year under review	Aggregate share awards granted since the commencement of the scheme to the end of financial year under review	Aggregate share awards vested since the commencement of the scheme to the end of financial year under review	Aggregate share awards outstanding as at the end of financial year under review
Restricted Share Awards:				
Sunny George Verghese	392,147	802,147	102,500	699,647
Shekhar Anantharaman	323,026	555,026	58,000	497,026

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' or "Committee") comprises three Independent Non-Executive directors and a Non-Executive director. The members of the AC are Yap Chee Keong (Chairman), Nihal Vijaya Devadas Kaviratne CBE, Rachel Eng Yaag Ngee and Yutaka Kyoya (appointed on 1 May 2017). 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 with full access and cooperation of the management and full discretion to invite any director or executive officer to attend its meetings.

In performing its function, the AC held seven meetings during the year and 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;
- scope of work of the external and internal auditors, the results of their examinations and their evaluation of the Company's internal accounting control systems;
- the Company's material internal controls, including financial, operational, compliance controls and risk management via the integrated assurance framework (including the in-business control framework and reporting), audit and reviews carried out by the internal auditors along with the reviews by the control functions;
- whistle-blowers' reports;
- 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 Committee

- 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; and
- reported actions and minutes of the AC meetings to the board of directors with such recommendations as the AC considered appropriate.

As part of the review of the independence and objectivity of the external auditors, the Committee 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 Committee 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.

Please refer to the additional disclosures on the AC provided 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 2018

Independent Auditor's Report
For the financial year ended 31 December 2017
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 12 to 84, which comprise the balance sheets of the Group and the Company as at 31 December 2017, 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 2017 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 Fair value of retained interest in investment in jointly-controlled entity

During the current financial year, the Group divested 50% of an existing subsidiary as described in Note 13. As a result of the divestment, the retained interest of the investment at the Group is required to be remeasured and recorded at its fair value, which becomes the cost on initial recognition of the investment in a jointly-controlled entity. The fair value of the retained interest was determined using a value-in-use model by discounting the underlying cash flow forecasts. Due to the measurement of fair value being inherently judgemental, we have considered this to be a key audit matter.

Our procedures in relation to assessing the fair value measurement included:

- Understanding how the management determines the fair value measurement of the retained interest
- Evaluating the reasonableness of management's conclusions on key assumptions including forecast cash flows focusing on revenues and earnings before interest, tax depreciation and amortisation ('EBITDA'), assessing the appropriateness of discount rates with the assistance of our valuation specialist, and growth rates to historical trends and external market data to assess the reliability of management's forecast
- Testing the mathematical accuracy of the model

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 as disclosed in Notes 10 and 11 respectively that are associated with its operations and business units around the world. Management performs periodic reviews of goodwill, intangible assets with indefinite life and fixed assets for indication of impairment. Impairment assessments are performed whenever there are indicators of impairment based on the periodic reviews, or as part of an annual impairment assessment exercise as required. Realisable values of the fixed assets, goodwill and indefinite life intangible assets are determined based on the business units' cash flow forecasts and are performed by management with the help of independent professional valuers where applicable. Due to the element of judgement exercised in forecasting and discounting future cash flows, we have considered this to be a key audit matter.

Our procedures included:

- Evaluating the reasonableness of management's conclusions on key assumptions including forecast cash flows focusing on revenues and earnings before interest, tax depreciation and amortisation ('EBITDA'), assessing the appropriateness of discount rates with the assistance of our valuation specialist where required and growth rates to historical trends to assess the reliability of management's forecast and, in addition to comparing forecast assumptions to external market analysis, whilst considering the risk of management bias.
- Where independent professional valuers are involved, assessing the competence, capabilities and objectivity and evaluating the appropriateness of the impairment model prepared by independent professional valuers
- Testing the mathematical accuracy of the models
- Reviewing 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 the livestock, agricultural produce ('fruits on trees') and annual crops are subject to valuation. These significant biological assets across the Edible Nuts, Spices and Vegetable Ingredients and Food Staples and Packaged Foods segments, are fair valued by management and/or independent professional 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.

Our procedures in relation to assessing the fair value measurement included:

- Understanding how the management determines the fair value measurement of the biological assets, including the involvement of the independent professional valuers
- Evaluating the appropriateness of the valuation model prepared by management and/or independent professional valuers in determining the fair value which include forecast cash flows, discount rates and yield rates for the plantations and market prices of the fruits or nuts/crop and livestock
- Reviewing the sufficiency and appropriateness of the Group's disclosures on 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**

As disclosed in Notes 34 and 35 to the consolidated financial statements, the Group enters into various financial instruments which are required to be carried at fair value. Estimation uncertainty is high for those financial instruments where significant valuation inputs are unobservable (i.e. Level 3 instruments) as it involves exercise of judgement and use of assumptions and estimates. Due to the related judgement in estimation, this is considered a key audit matter.

Our procedures in relation to assessing the fair value measurement included:

- Assessing controls over identification, measurement and management of valuation risk, and evaluating the methodologies, inputs and assumptions used. The review also included comparisons of observable inputs against independent sources and externally available market data
- Evaluating the assumptions and models used or re-performing independent valuation assessment to assess the reasonableness of the computed fair value, with the help of our own valuation specialist where required
- Reviewing the appropriateness and adequacy of disclosures of fair value risks and sensitivities to reflect the Group's exposure to valuation risk

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 2017 comprises the information included in (i) Strategy Report, (ii) Governance Report and (iii) Director' Statement (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 Weng Sum.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
20 March 2018

Consolidated Profit and Loss Account
For the financial year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Sale of goods and services	4	**26,272,529**	20,587,032
Other income	5	**207,531**	47,265
Cost of goods sold	6	**(23,757,685)**	(18,363,777)
Net (loss)/gain from changes in fair value of biological assets	12	**(15,250)**	14,141
Depreciation and amortisation	10, 11	**(380,680)**	(353,481)
Other expenses	7	**(1,297,602)**	(1,103,939)
Finance income		**65,597**	30,248
Finance costs	8	**(531,178)**	(446,248)
Share of results from jointly controlled entities and associates	14	**67,631**	22,160
Profit before taxation		**630,893**	433,401
Income tax expense	9	**(79,248)**	(94,314)
Profit for the financial year		**551,645**	339,087
Attributable to:			
Owners of the Company		**580,743**	351,312
Non-controlling interests		**(29,098)**	(12,225)
		551,645	339,087
Earnings per share attributable to owners of the Company (cents)			
Basic	25	**18.62**	11.54
Diluted	25	**17.92**	11.14

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 2017

	Group	
	2017 $'000	2016 $'000
Profit for the financial year	**551,645**	339,087
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net gain/(loss) on fair value changes during the financial year	**336,076**	(44,170)
Recognised in the profit and loss account on occurrence of hedged transactions	**(68,037)**	(54,111)
Foreign currency translation adjustments	**(357,694)**	(306,122)
Share of other comprehensive income of jointly controlled entities and associates	**65,520**	(19,616)
Other comprehensive income for the year, net of tax	**(24,135)**	(424,019)
Total comprehensive income for the year	**527,510**	(84,932)
Attributable to:		
Owners of the Company	**560,419**	(80,320)
Non-controlling interests	**(32,909)**	(4,612)
	527,510	(84,932)

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

Balance Sheets
As at 31 December 2017

		Group		Company	
	Note	31 December 2017 $'000	31 December 2016 $'000	31 December 2017 $'000	31 December 2016 $'000
Non-current assets					
Property, plant and equipment	10	**5,625,837**	5,367,039	**13,285**	12,581
Intangible assets	11	**1,207,283**	1,313,608	**280,547**	304,573
Biological assets	12	**471,656**	450,564	**–**	–
Subsidiary companies	13	**–**	–	**6,043,511**	5,550,460
Deferred tax assets	9	**95,871**	95,735	**–**	–
Investments in jointly controlled entities and associates	14	**1,070,940**	889,838	**780,557**	724,826
Long-term investments	15	**257,519**	148,492	**257,519**	136,321
Other non-current assets	21	**25,852**	30,400	**–**	–
		8,754,958	8,295,676	**7,375,419**	6,728,761
Current assets					
Amounts due from subsidiary companies	16	**–**	–	**1,926,416**	3,583,148
Trade receivables	17	**1,901,925**	1,656,457	**965,592**	385,620
Margin accounts with brokers	18	**399,680**	164,958	**304,862**	153,544
Inventories	19	**6,044,681**	7,414,311	**1,405,000**	1,144,986
Advance payments to suppliers	20	**743,516**	880,602	**116,243**	142,456
Advance payments to subsidiary companies	20	**–**	–	**852,001**	2,196,193
Cash and short-term deposits	33	**1,986,351**	2,144,051	**1,137,011**	1,274,672
Derivative financial instruments	34	**1,619,249**	1,926,151	**1,098,147**	1,118,686
Other current assets	21	**848,187**	986,678	**168,061**	151,116
		13,543,589	15,173,208	**7,973,333**	10,150,421
Current liabilities					
Trade payables and accruals	22	**(2,184,352)**	(2,201,494)	**(1,087,350)**	(949,283)
Borrowings	24	**(4,660,209)**	(5,983,035)	**(2,309,058)**	(3,632,631)
Derivative financial instruments	34	**(851,947)**	(987,942)	**(685,128)**	(681,162)
Provision for taxation		**(162,977)**	(84,949)	**(81,343)**	(24,739)
Other current liabilities	23	**(473,313)**	(383,731)	**(111,131)**	(115,176)
		(8,332,798)	(9,641,151)	**(4,274,010)**	(5,402,991)
Net current assets		**5,210,791**	5,532,057	**3,699,323**	4,747,430
Non-current liabilities					
Deferred tax liabilities	9	**(416,991)**	(505,876)	**(6,662)**	(8,103)
Borrowings	24	**(6,927,729)**	(7,687,553)	**(4,985,786)**	(6,435,337)
		(7,344,720)	(8,193,429)	**(4,992,448)**	(6,443,440)
Net assets		**6,621,029**	5,634,304	**6,082,294**	5,032,751
Equity attributable to owners of the Company					
Share capital	26	**3,674,206**	3,087,894	**3,674,206**	3,087,894
Treasury shares	26	**(187,276)**	(190,465)	**(187,276)**	(190,465)
Capital securities	26	**1,045,773**	930,416	**1,045,773**	930,416
Reserves		**1,910,878**	1,570,498	**1,549,591**	1,204,906
		6,443,581	5,398,343	**6,082,294**	5,032,751
Non-controlling interests		**177,448**	235,961	**–**	–
Total equity		**6,621,029**	5,634,304	**6,082,294**	5,032,751

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 2017

31 December 2017 Group	Attributable to owners of the 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	Total non-controlling interests $'000	Total equity $'000
At 1 January 2017	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
Profit for the financial year	–	–	–	–	–	–	–	580,743	580,743	580,743	(29,098)	551,645
Other comprehensive income												
Net gain on fair value changes during the financial year	–	–	–	–	–	336,076	–	–	336,076	336,076	–	336,076
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	–	–	(68,037)	–	–	(68,037)	(68,037)	–	(68,037)
Foreign currency translation adjustments	–	–	–	–	(353,883)	–	–	–	(353,883)	(353,883)	(3,811)	(357,694)
Share of other comprehensive income of jointly controlled entities and associates	–	–	–	14,916	50,604	–	–	–	65,520	65,520	–	65,520
Other comprehensive income for the financial year, net of tax	–	–	–	14,916	(303,279)	268,039	–	–	(20,324)	(20,324)	(3,811)	(24,135)
Total comprehensive income for the year	–	–	–	14,916	(303,279)	268,039	–	580,743	560,419	560,419	(32,909)	527,510
Contributions by and distributions to owners												
Buy back of capital securities (Note 26)	–	–	(235,800)	–	–	–	–	–	–	(235,800)	–	(235,800)
Issue of shares on exercise of warrants (Note 26)	585,542	–	–	–	–	–	–	–	–	585,542	–	585,542
Issue of shares on exercise of share options (Note 26)	770	–	–	–	–	–	–	–	–	770	–	770
Issue of treasury shares for Restricted Share Award (Note 26)	–	3,189	–	–	–	–	(3,189)	–	(3,189)	–	–	–
Issue of capital securities, net of transaction costs (Note 26)	–	–	347,727	–	–	–	–	–	–	347,727	–	347,727
Share-based expense	–	–	–	–	–	–	20,184	–	20,184	20,184	–	20,184
Dividends on ordinary shares (Note 27)	–	–	–	–	–	–	–	(180,399)	(180,399)	(180,399)	–	(180,399)
Accrued capital securities distribution	–	–	56,635	–	–	–	–	(56,635)	(56,635)	–	–	–
Payment of capital securities distribution	–	–	(53,205)	–	–	–	–	–	–	(53,205)	–	(53,205)
Total contributions by and distributions to owners	586,312	3,189	115,357	–	–	–	16,995	(237,034)	(220,039)	484,819	–	484,819
Changes in ownership interests in subsidiaries that do not result in loss of control												
Capital reduction in subsidiary without change in ownership	–	–	–	–	–	–	–	–	–	–	(25,604)	(25,604)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(25,604)	(25,604)
Total transactions with owners in their capacity as owners	586,312	3,189	115,357	–	–	–	16,995	(237,034)	(220,039)	484,819	(25,604)	459,215
At 31 December 2017	3,674,206	(187,276)	1,045,773	295,563	(1,006,585)	(130,785)	136,515	2,616,170	1,910,878	6,443,581	177,448	6,621,029

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 2017

31 December 2016 Group						Attributable to owners of the 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	Total non-controlling interests $'000	Total equity $'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)	–	–	–	–	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 years	–	–	–	–	–	(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.

	Attributable to owners of the Company									
31 December 2017 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
At 1 January 2017	3,087,894	(190,465)	930,416	140,486	298,656	(398,818)	119,520	1,045,062	1,204,906	5,032,751
Profit for the financial year	–	–	–	–	–	–	–	736,368	736,368	736,368
Other comprehensive income										
Net gain on fair value changes during the financial year	–	–	–	–	–	336,076	–	–	336,076	336,076
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	–	–	(68,037)	–	–	(68,037)	(68,037)
Foreign currency translation adjustments	–	–	–	–	(439,683)	–	–	–	(439,683)	(439,683)
Other comprehensive income for the financial year, net of tax	–	–	–	–	(439,683)	268,039	–	–	(171,644)	(171,644)
Total comprehensive income for the year	–	–	–	–	(439,683)	268,039	–	736,368	564,724	564,724
Contributions by and distributions to owners										
Buy back of capital securities (Note 26)	–	–	(235,800)	–	–	–	–	–	–	(235,800)
Issue of shares on exercise of warrants (Note 26)	585,542	–	–	–	–	–	–	–	–	585,542
Issue of shares on exercise of share options (Note 26)	770	–	–	–	–	–	–	–	–	770
Issue of treasury shares for Restricted Share Awards (Note 26)	–	3,189	–	–	–	–	(3,189)	–	(3,189)	–
Issue of capital securities, net of transaction costs (Note 26)	–	–	347,727	–	–	–	–	–	–	347,727
Share-based expense	–	–	–	–	–	–	20,184	–	20,184	20,184
Dividends on ordinary shares (Note 27)	–	–		–	–	–	–	(180,399)	(180,399)	(180,399)
Accrued capital securities distribution	–	–	56,635	–	–	–	–	(56,635)	(56,635)	–
Payment of capital securities distribution	–	–	(53,205)	–	–	–	–	–	–	(53,205)
Total contributions by and distributions to owners	586,312	3,189	115,357	–	–	–	16,995	(237,034)	(220,039)	484,819
Total transactions with owners in their capacity as owners	586,312	3,189	115,357	–	–	–	16,995	(237,034)	(220,039)	484,819
At 31 December 2017	3,674,206	(187,276)	1,045,773	140,486	(141,027)	(130,779)	136,515	1,544,396	1,549,591	6,082,294

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

31 December 2016 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 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

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 reserves 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 long term investment.

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 2017

	2017 $'000	2016 $'000
Cash flows from operating activities		
Profit before taxation	**630,893**	433,401
Adjustments for:-		
Allowance for doubtful debts	**43,911**	39,403
Amortisation of intangible assets and depreciation of property, plant and equipment	**380,680**	353,481
Share-based expense	**20,184**	13,282
Fair value of biological assets (Note 12)	**15,250**	(14,141)
Gain on disposal of subsidiary	**(121,188)**	–
(Gain)/loss on disposal of property, plant and equipment and intangible assets	**(29,205)**	5,405
Interest income	**(65,597)**	(30,248)
Interest expense	**531,178**	446,248
Inventories written down, net	**30,718**	18,910
Share of results from jointly controlled entities and associates	**(67,631)**	(22,160)
Operating cash flows before reinvestment in working capital	**1,369,193**	1,243,581
Decrease/(increase) in inventories	**856,220**	(259,677)
Increase in receivables and other current assets	**(35,655)**	(132,885)
Decrease/(increase) in advance payments to suppliers	**86,083**	(119,522)
(Increase)/decrease in margin account with brokers	**(196,761)**	14,061
Increase in payables and other current liabilities	**124,835**	270,258
Cash flows from operations	**2,203,915**	1,015,816
Interest income received	**65,597**	30,248
Interest expense paid	**(529,581)**	(378,028)
Tax paid	**(82,098)**	(48,420)
Net cash flows generated from operating activities	**1,657,833**	619,616
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**197,359**	31,981
Purchase of property, plant and equipment (Note 10)	**(951,086)**	(751,793)
Purchase of intangibles (Note 11)	**(7,163)**	(11,686)
Acquisition of subsidiaries, net of cash acquired	**–**	(588,137)
Net proceeds from associates and jointly controlled entities	**(12,374)**	(65,863)
Dividends received from associate	**22,278**	–
Proceeds on disposal of intangible asset	**–**	10
Proceeds from partial divestment of subsidiary	**113,539**	–
Net cash flows used in investing activities	**(637,447)**	(1,385,488)

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 2017

	2017 $'000	2016 $'000
Cash flows from financing activities		
Dividends paid on ordinary shares by the Company	**(180,399)**	(184,036)
(Repayment)/proceeds from borrowings, net	**(1,385,209)**	831,556
Proceeds from issuance of shares on exercise of share options	**770**	299
Proceeds from conversion of warrants	**585,542**	5,096
Proceeds from of capital securities, net of distribution	**58,722**	659,323
Payment for bond buy-back	**–**	(318,401)
Purchase of treasury shares	**–**	(94,384)
Net cash flows (used in)/generated from financing activities	**(920,574)**	899,453
Net effect of exchange rate changes on cash and cash equivalents	**(157,423)**	(112,924)
Net (decrease)/increase in cash and cash equivalents	**(57,611)**	20,657
Cash and cash equivalents at beginning of period	**1,939,418**	1,918,761
Cash and cash equivalents at end of period (Note 33)	**1,881,807**	1,939,418

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 2017 were authorised for issue by the Board of Directors on 20 March 2018.

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 7 Straits View, #20-01 Marina One East Tower, Singapore 018936.

2. Summary of significant accounting policies

2.1 Basis of preparation

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.

2.1.1 Convergence with International Financial Reporting Standard

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

The Group has performed an assessment of the impact of adopting the SFRS (I). Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of SFRS (I) will have no material impact on the financial statements in the year of initial application.

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 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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 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
Improvements to FRSs (December 2016):	
Amendments to FRS 28: Measuring an Associate or Joint Venture at fair value	1 January 2018
Amendments to FRS 109: Prepayment Features with Negative Compensation	1 January 2019
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123 Uncertainty Over Income Tax Treatments	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

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

In accordance with FRS 115, which is effective from 1 January 2018 onwards, excluding interest and dividend income and other such income from financial instruments recognised in accordance with FRS 109, revenues are recognised upon transfer of promised goods or services to customers in amounts that reflect the consideration to which Group expect to be entitled in exchange for those goods or services based on the five step approach as prescribed in the standard.

The Group has performed an impact assessment and does not expect a change in revenue recognition for sales of goods or services upon adoption on 1 January 2018.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use ('ROU') the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary high-level impact assessment of the adoption of FRS 116 on its existing operating lease arrangements as lessee. Based on its preliminary assessment, the Group expects these operating leases to be recognised as ROU assets and corresponding lease liabilities which will result in increase in total assets and total liabilities, EBITDA and gearing ratio. The Group plans to adopt the standard when it becomes effective in 2019.

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.

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.

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

(a) Agricultural produce ('Fruits on trees') and annual crops

The agricultural produce ('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 valuer using the market prices of livestock of similar age, breed and generic merit.

2.12 Impairment of non-financial assets

The Group performs periodic reviews of non-financial assets for indication of impairment. Impairment assessment are done whenever there are indicators of impairment, or as part of an annual impairment assessment exercise as required. The Group makes an estimate of the asset's recoverable amount with the help of independent professional valuers where applicable.

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.

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, and 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.

2. Summary of significant accounting policies continued

2.15 Impairment of financial assets

Trade receivables

The Group measures the loss allowance for its trade receivables at an amount equal to lifetime expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets.

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 trees 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.

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.

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. The Company is considered to have no contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue. Accordingly, the perpetual capital securities do not meet the definition for classification as financial liability and 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 swap 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 the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- 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 changes in the 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 profit and loss account. 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 profit and loss account.

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 profit and loss account. 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 profit and loss account.

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 and loss account 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 profit and loss account 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 and loss account.

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.

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) Impairment of goodwill and intangible assets with indefinite useful life

Management performs periodic reviews of goodwill, intangible assets with indefinite life for 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

(b) 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.

(c) 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.

(d) 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	
	2017 $'000	2016 $'000
Sale of goods	**26,068,654**	20,422,256
Sale of services	**203,875**	164,776
	26,272,529	20,587,032

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	
	2017 $'000	2016 $'000
Gain on disposal of subsidiary (Note 13)	**121,188**	–
Gain on disposal of property, plant and equipment and intangible assets, net [1]	**29,205**	–
Commissions and claims, sale of packaging materials, sales of scrap and others	**57,138**	47,265
	207,531	47,265

1. Net gain on disposal of property, plant and equipment in the current financial year includes the gain on sale of USA orchards farmland amounting to $34,168,000 in a Revenue Tier Sharing Arrangement where the Group will pay the buyer a share of the annual revenue from sale of harvests, while the Group continues to operate the orchards for the next 25 years.

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	
	2017 $'000	2016 $'000
Shipping, logistics, commission and claims	**(2,832,574)**	(2,682,495)
Foreign exchange on cost of goods sold [1]	**247,008**	179,348
Gains on derivatives net of fair value changes	**246,472**	63,609
Inventories written down, net (Note 19)	**(30,718)**	(18,911)
Export incentives, subsidies and grant income received [2]	**27,789**	51,384

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	
	2017 $'000	2016 $'000
Employee benefits expenses (Note 30)	**(704,252)**	(617,887)
Gain on foreign exchange, net	**31,518**	21,566
Bank charges	**(74,416)**	(57,530)
Travelling expenses	**(67,867)**	(55,829)
Transaction costs incurred in business combinations	**–**	(3,257)
Impairment loss on financial assets:		
• Trade receivables (Note 17)	**(41,207)**	(37,016)
• Advance payments to suppliers (Note 20)	**(2,704)**	(2,387)
Bad debts written back:		
• Trade receivables	**385**	35,083
• Advance payments to suppliers	**998**	756
Auditor's remuneration:		
• Ernst & Young LLP, Singapore	**(1,518)**	(2,000)
• Other member firms of Ernst & Young Global	**(8,458)**	(6,606)
• Other auditors	**(920)**	(1,601)
Non-audit fees:		
• Ernst & Young LLP, Singapore	**(776)**	(586)
• Other member firms of Ernst & Young Global	**(1,983)**	(137)
• Other auditors	**(629)**	(1,214)

8. Finance costs

Finance costs include the following:-

	Group 2017 $'000	Group 2016 $'000
Interest expense:		
• On bank overdrafts	**36,670**	44,390
• On bank loans	**298,195**	207,896
• On medium-term notes	**204,154**	174,899
• On bonds	**25,950**	40,213
• Others	**37,249**	35,419
	602,218	502,817
Less: interest expense capitalised in:		
• Property, plant and equipment and biological assets	**(71,040)**	(56,569)
	531,178	446,248

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 5.50% to 7.50% (31 December 2016: from 5.00% to 7.50%) per annum.

9. Income tax

(a) Major components of income tax expense

	Group 2017 $'000	Group 2016 $'000
Profit and loss account		
Current income tax:		
• Singapore	**81,210**	29,493
• Foreign	**73,742**	54,218
Overprovision in respect of prior years	**(900)**	(1,527)
	154,052	82,184
Deferred income tax:		
• Singapore	**(9,311)**	(347)
• Foreign	**(65,493)**	12,477
Income tax expense	**79,248**	94,314

	Group 2017 $'000	Group 2016 $'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	**(7,179)**	(1,457)
Deferred tax recorded in other comprehensive income	**(7,179)**	(1,457)

(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 2017 %	Group 2016 %
Statutory tax rate	**17.0**	17.0
Tax effect of non-deductible expenses	**2.3**	5.7
Higher statutory tax rates of other countries [1]	**3.3**	10.4
Tax effect on over provision in respect of prior years	**(0.3)**	(0.4)
Tax effect of income taxed at concessionary rate [2]	**(0.2)**	(0.2)
Tax effect on non-taxable/ exempt income [3]	**(6.2)**	(9.4)
Tax effect of jointly controlled entities/associates	**(1.8)**	(0.9)
Tax effect of deferred tax assets not recognised	**2.1**	6.7
Tax effect of others, net	**(3.6)**	(7.1)
	12.6	21.8

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 2016: 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 2 to 6 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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Deferred tax assets	**95,871**	95,735	**–**	–
Deferred tax liabilities	**(416,991)**	(505,876)	**(6,662)**	(8,103)
Net deferred tax liabilities	**(321,120)**	(410,141)	**(6,662)**	(8,103)

Details 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 2017 $'000	31 December 2016 $'000	**2017 $'000**	2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Deferred tax liabilities:						
Property, plant and equipment and intangible assets	**140,415**	207,620	**(65,005)**	39,267	**626**	680
Fair value adjustment on business combinations	**128,037**	198,461	**(28,409)**	(16,319)	**1,417**	9,634
Biological assets	**69,895**	63,814	**3,373**	(13,289)	**–**	–
Convertible bonds	**446**	483	**–**	323	**446**	483
Others	**–**	–	**(17,832)**	13,695	**–**	–
Gross deferred tax liabilities	**338,793**	470,378			**2,489**	10,797
Deferred tax assets:						
Allowance for doubtful debts	**(1,040)**	(3,467)	**(1,658)**	(649)	**–**	76
Inventories written down	**589**	76	**(532)**	–	**589**	–
Revaluation of financial instruments to fair value	**(9,264)**	2,618	**4,206**	(2,420)	**(4,762)**	2,618
Unabsorbed losses	**7,884**	43,912	**31,053**	(22,316)	**–**	–
Others	**19,504**	17,098	**–**	13,838	**–**	–
Gross deferred tax assets	**17,673**	60,237			**(4,173)**	2,694
Net deferred tax liabilities	**(321,120)**	(410,141)			**(6,662)**	(8,103)
Deferred income tax (credit)/expense			**(74,804)**	12,130		

Unrecognised tax losses and capital allowances for which no deferred tax assets have been recognised

The Group has tax losses of $372,978,000 (31 December 2016: $320,957,000) and capital allowances of $93,864,000 (31 December 2016: $99,149,000) 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 $284,965,000 (31 December 2016: $272,996,000) which will expire over financial years 2018 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 2017, 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.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $158,785,000 (31 December 2016: $163,009,000). The deferred tax liability is estimated to be $26,993,000 (31 December 2016: $27,711,000).

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).

10. Property, plant and equipment

Group	Freehold land $'000	Leasehold land and buildings $'000	Plant and machinery $'000	Other assets[1] $'000	Capital work-in-progress $'000	Bearer plants $'000	Total $'000
Cost							
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 and 1 January 2017	422,654	1,774,316	2,179,048	272,918	636,119	1,293,255	6,578,310
Additions	1,404	155,727	82,437	37,435	462,562	211,521	951,086
Disposals	(121,996)	(31,704)	(23,867)	(32,002)	(2,552)	–	(212,121)
Reclassification	17,144	221,619	158,624	9,188	(430,587)	24,012	–
Disposal of ownership interest in subsidiaries resulting in loss of control (Note 13)	–	(7,672)	(48,002)	(903)	(662)	–	(57,239)
Foreign currency translation adjustments	(26,228)	(62,021)	(124,037)	2,350	(11,065)	1,689	(219,312)
As at 31 December 2017	**292,978**	**2,050,265**	**2,224,203**	**288,986**	**653,815**	**1,530,477**	**7,040,724**
Accumulated depreciation and impairment loss							
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 and 1 January 2017	–	262,301	694,699	149,438	–	104,833	1,211,271
Charge for the year	–	83,158	158,366	45,420	–	60,101	347,045
Disposals	–	(14,708)	(15,477)	(28,253)	–	–	(58,438)
Reclassification	–	8,362	(9,377)	1,015	–	–	–
Disposal of ownership interest in subsidiaries resulting in loss of control (Note 13)	–	(3,781)	(29,594)	(715)	–	–	(34,090)
Foreign currency translation adjustments	–	(11,427)	(37,094)	6,329	–	(8,709)	(50,901)
As at 31 December 2017	**–**	**323,905**	**761,523**	**173,234**	**–**	**156,225**	**1,414,887**
Net carrying value							
As at 31 December 2017	**292,978**	**1,726,360**	**1,462,680**	**115,752**	**653,815**	**1,374,252**	**5,625,837**
As at 31 December 2016	422,654	1,512,015	1,484,349	123,480	636,119	1,188,422	5,367,039

1. Other assets comprise of motor vehicles, furniture and fittings, office equipment and computers.

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 January 2016	585	922	1,540	2,150	1,156	28,287	34,640
Additions	–	11	–	4	–	185	200
Disposals	–	–	(285)	(8)	(21)	(17)	(331)
Foreign currency translation adjustments	12	19	20	42	22	571	686
As at 31 December 2016 and 1 January 2017	597	952	1,275	2,188	1,157	29,026	35,195
Additions	–	–	–	7,284	700	1,320	9,304
Foreign currency translation adjustments	(45)	(73)	(97)	(349)	(106)	(2,255)	(2,925)
As at 31 December 2017	**552**	**879**	**1,178**	**9,123**	**1,751**	**28,091**	**41,574**
Accumulated depreciation							
As at 1 January 2016	296	290	975	2,103	1,054	10,750	15,468
Charge for the year	49	128	166	16	33	6,461	6,853
Disposals	–	–	(271)	(8)	(21)	(13)	(313)
Foreign currency translation adjustments	9	11	15	42	21	508	606
As at 31 December 2016 and 1 January 2017	354	429	885	2,153	1,087	17,706	22,614
Charge for the year	49	105	141	743	92	6,465	7,595
Foreign currency translation adjustments	(28)	(35)	(71)	(183)	(86)	(1,517)	(1,920)
As at 31 December 2017	**375**	**499**	**955**	**2,713**	**1,093**	**22,654**	**28,289**
Net carrying value							
As at 31 December 2017	**177**	**380**	**223**	**6,410**	**658**	**5,437**	**13,285**
As at 31 December 2016	243	523	390	35	70	11,320	12,581

The carrying amount of freehold land, leasehold buildings, plant and machinery and bearer plants of the Group held under financial lease at the end of the reporting period was $81,072,000 (31 December 2016: $124,600,000). The Group's land, buildings, plant and machinery with a carrying amount of $230,053,000 (31 December 2016: $201,931,000) 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 28 years and 1 and 16 years respectively (31 December 2016: 1 and 27 years and 1 and 15 years respectively). The cocoa plantations presently consist of trees aged between 1 and 17 years (31 December 2016: 13 and 15 years).

Immature plantations mainly consist of almond, palm and rubber trees aged between 1 and 5 years amounting to $707,317,000 (31 December 2016: $509,965,000).

At the end of the financial year, the Group's total planted area of plantations is approximately 96,786 (31 December 2016: 78,324) hectares, excluding hectares for those commodities whose plantations are not managed by the Group.

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 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
Disposals	–	–	–	(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 and 1 January 2017	694,567	136,864	156,627	78,443	185,811	80,851	140,752	1,473,915
Additions	–	–	–	6,947	–	–	216	7,163
Disposals	–	–	–	(797)	–	–	(117)	(914)
Re-classification	–	–	–	176	–	–	(176)	–
Foreign currency translation adjustments	(51,786)	(10,351)	(11,995)	(5,557)	66	(738)	(9,775)	(90,136)
As at 31 December 2017	**642,781**	**126,513**	**144,632**	**79,212**	**185,877**	**80,113**	**130,900**	**1,390,028**
Accumulated amortisation and impairment								
As at 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 and 1 January 2017	3,723	47,405	–	35,656	–	40,929	32,594	160,307
Amortisation	–	12,470	–	6,680	–	4,258	10,227	33,635
Disposals	–	–	–	(348)	–	–	(113)	(461)
Re-classification	–	–	–	39	–	–	(39)	–
Foreign currency translation adjustments	198	(3,879)	–	(2,297)	–	(2,514)	(2,244)	(10,736)
As at 31 December 2017	**3,921**	**55,996**	**–**	**39,730**	**–**	**42,673**	**40,425**	**182,745**
Net carrying value								
As at 31 December 2017	**638,860**	**70,517**	**144,632**	**39,482**	**185,877**	**37,440**	**90,475**	**1,207,283**
As at 31 December 2016	690,844	89,459	156,627	42,787	185,811	39,922	108,158	1,313,608
Average remaining amortisation period (years) – 31 December 2017	**–**	**1–14**	**–**	**1–10**	**–**	**9–19**	**1–48**	
Average remaining amortisation period (years) – 31 December 2016	–	1–15	–	1–10	–	10–20	1–49	

11. Intangible assets continued

Company	Goodwill $'000	Brands and trademarks $'000	Software $'000	Others[4] $'000	Total $'000
Cost					
As at 1 January 2016, as restated	147,327	897	35,001	52,660	235,885
Additions	–	–	10,295	443	10,738
Disposals	–	–	(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 and 1 January 2017	210,488	915	44,468	71,291	327,162
Additions	–	–	5,993	–	5,993
Disposals	–	–	(726)	–	(726)
Foreign currency translation adjustments	(16,120)	(70)	(3,536)	(5,460)	(25,186)
As at 31 December 2017	**194,368**	**845**	**46,199**	**65,831**	**307,243**
Accumulated amortisation					
As at 1 January 2016	–	–	9,911	7,123	17,034
Amortisation	–	–	3,211	2,494	5,705
Disposals	–	–	(718)	–	(718)
Foreign currency translation adjustments	–	–	311	257	568
As at 31 December 2016 and 1 January 2017	–	–	12,715	9,874	22,589
Amortisation	–	–	4,068	2,240	6,308
Disposals	–	–	(322)	–	(322)
Foreign currency translation adjustments	–	–	(1,067)	(812)	(1,879)
As at 31 December 2017	**–**	**–**	**15,394**	**11,302**	**26,696**
Net carrying amount					
As at 31 December 2017	**194,368**	**845**	**30,805**	**54,529**	**280,547**
As at 31 December 2016	210,488	915	31,753	61,417	304,573
Average remaining amortisation period (years)					
– 31 December 2017	**–**	**–**	**1–10**	**2–48**	
– 31 December 2016	–	–	1–10	3–49	

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.

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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Olam Orchards Australia Pty Ltd	**–**	–	**–**	–	**185,877**	185,811
Cocoa Processing Business	**231,835**	251,062	**–**	–	**–**	–
Quintessential Foods Nigeria Limited	**74,748**	80,947	**–**	–	**–**	–
McCleskey Mills Inc.	**74,671**	80,864	**–**	–	**–**	–
Universal Blanchers	**66,193**	71,684	**–**	–	**–**	–
Brooks Peanuts Company	**48,659**	52,694	**–**	–	**–**	–
Packaged Foods brands	**31,494**	34,108	**120,164**	130,130	**–**	–
Caraway Nigeria Africa Limited (Formerly known as 'Ranona Limited')	**43,032**	46,599	**–**	–	**–**	–
Progida Group	**12,499**	13,535	**–**	–	**–**	–
Acacia Investments Limited	**11,600**	12,562	**23,648**	25,608	**–**	–
Olam Spices & Vegetables Ingredients	**9,134**	9,965	**820**	889	**–**	–
Olam Food Ingredients Holdings UK Limited	**7,708**	8,226	**–**	–	**–**	–
Olam International – Brazilian Cotton (Queensland Cotton Holdings)	**5,880**	6,367	**–**	–	**–**	–
Olam Food Ingredients Spain, S.L.	**5,839**	6,323	**–**	–	**–**	–
Dehydro Foods S.A.E.	**4,697**	5,086	**–**	–	**–**	–
Queensland Cotton Holdings:						
• Australian Cotton	**5,023**	5,021	**–**	–	**–**	–
• Australian Pulses	**1,438**	1,437	**–**	–	**–**	–
• USA Cotton	**2,155**	2,154	**–**	–	**–**	–
Hemarus Industries Limited	**1,517**	1,410	**–**	–	**–**	–
Usicam S.A.	**738**	800	**–**	–	**–**	–
	638,860	690,844	**144,632**	156,627	**185,877**	185,811

11. Intangible assets continued

Impairment testing of goodwill and other intangible assets continued

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 2017 %	31 December 2016 %	**31 December 2017 %**	31 December 2016 %
Olam Orchards Australia Pty Ltd	**–**	–	**13.00**	13.00
Cocoa Processing Business	**2.00**	2.00	**10.00**	10.00
Quintessential Foods Nigeria Limited	**–**	–	**11.40**	11.40
McCleskey Mills Inc.	**1.50**	1.50	**14.00**	14.00
Universal Blanchers	**2.00**	2.00	**10.00**	10.00
Brooks Peanuts Company	**1.50**	1.50	**10.00**	10.00
Packaged Foods brands	**3.00**	3.00	**12.50**	12.50
Caraway Nigeria Africa Limited (Formerly known as 'Ranona Limited')	**3.00**	3.00	**12.50**	12.50
Progida Group	**2.00**	2.00	**12.50**	12.50
Acacia Investment Limited	**3.00**	3.00	**17.70**	17.70
Olam Spices & Vegetables Ingredients	**2.00**	2.00	**12.00**	12.00
Olam Food Ingredients Holdings UK Limited	**–**	–	**12.50**	12.50
Olam International – Brazilian Cotton (Queensland Cotton Holdings)	**2.00**	2.00	**13.00**	13.00
Olam Food Ingredients Spain, S.L.	**–**	–	**12.00**	12.00
Dehydro Foods S.A.E.	**2.00**	2.00	**12.90**	12.90
Queensland Cotton Holdings [1]	**–**	–	**13.00**	13.00
Hemarus Industries Limited	**–**	–	**11.50**	11.50
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.

12. Biological assets

Group	Fruits on trees and annual crops $'000	Livestock $'000	Total $'000
As at 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 and 1 January 2017	324,199	126,365	450,564
Net reductions	(30,398)	(53,214)	(83,612)
Capitalisation of expenses	64,453	70,180	134,633
Net change in fair value less estimated costs to sell	(22,668)	7,418	(15,250)
Foreign currency translation adjustments	(7,171)	(7,508)	(14,679)
As at 31 December 2017	**328,415**	**143,241**	**471,656**

Fruits on trees and annual crops

During the financial year, the Group harvested approximately 43,429 metric tonnes (31 December 2016: 44,071 metric tonnes) of almonds, which had a fair value less estimated point-of-sale costs of approximately $262,904,000 (31 December 2016: $463,805,000). 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 99,310 (31 December 2016: 111,712) 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 14.6% (31 December 2016: 15.0%) per annum	The estimated fair value increases as the estimated discount rate per annum decreases, and vice versa.
Market prices approximating $9,993 (31 December 2016: $9,500) 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 42,297 (31 December 2016: 32,290) cows, which are able to produce milk (mature assets) and 38,321 (31 December 2016: 39,579) heifers and calves, being raised to produce milk in the future (immature assets). The cows produced 245 million litres (31 December 2016: 166 million litres) of milk with a fair value less estimated point-of-sale costs of $146,978,000 (31 December 2016: $94,051,000) 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 $5,132 (31 December 2016: $69 to $3,796) 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 2017 $'000	31 December 2016 $'000
Unquoted equity shares at cost	**4,982,916**	3,101,835
Less: Impairment loss	**(16,130)**	(16,130)
Foreign currency translation adjustments	**7,380**	314,602
	4,974,166	3,400,307
Loans to subsidiary companies	**1,069,345**	2,150,153
	6,043,511	5,550,460

Loans to subsidiary companies denominated in currencies other than functional currency of the Company are as follows:-

	Company	
	31 December 2017 $'000	31 December 2016 $'000
Euro	**96,945**	513,596

No impairment has been recognised in both current and previous financial year 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 $74,131,000 (31 December 2016: $722,690,000) which bear interest ranging from 3.3% to 7.0% (31 December 2016: 1.0% 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:-

			Effective percentage of equity held by the Group	
Name of company	Country of incorporation	Principal activities	**31 December 2017 %**	31 December 2016 %
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]	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 Private 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

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 2017 %	31 December 2016 %
Caraway Pte Ltd [1]	Singapore	(a)	**75**	75
OK Foods Limited [1]	Nigeria	(a) & (b)	**75**	75
Caraway Nigeria Africa Limited [1] (Formerly known as 'Ranona Limited')	Nigeria	(a)	**75**	75
Nutrifoods Ghana Limited [1]	Ghana	(a)	**75**	75
Olam Sanyo Foods Limited [1]	Nigeria	(a)	**75**	75
Olam Cocoa Processing Cote d'Ivoire [1]	Ivory Coast	(a)	**100**	100
Seda Outspan Iberia S.L.[1]	Spain	(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 Inc [1] (Formerly known as 'Olam Holdings Partnership')	The United States of America	(a), (b) & (c)	**100**	100
Progida Tarim űrűnleri Sanayi ve Ticaret A.ş.[1]	Turkey	(a)	**100**	100
Progida Pazarlama 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 Palm Gabon SA [1]	Gabon	(a) & (c)	**60**	60
Olam Rubber Gabon SA [1]	Gabon	(a) & (c)	**60**	60
Olam Cam SA [1]	Cameroon	(a)	**100**	100
Panasia International FZCO [2]	United Arab Emirates	(a)	**100**	100
Olam International UK Limited [2]	United Kingdom	(b)	**100**	100
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**	100
Fasorel Sarl [2]	Mozambique	(a)	**100**	100
Quintessential Foods Nigeria Limited [1]	Nigeria	(a)	**100**	100
Olam Holdings B.V. [2]	Netherlands	(b)	**100**	100

(a) Sourcing, processing, packaging and merchandising of agricultural products and inputs.

(b) Investment holding.

(c) Agricultural operations.

1. Audited by member firms of Ernst & Young Global.
2. Audited by other Certified Public Accounting ('CPA') firms.
3. No statutory audit is required.

13. Subsidiary companies continued

Disposal of ownership interest in a subsidiary resulting in loss of control

Far East Agri Pte Ltd

On 21 December 2017, the Company completed the sale of 50% stake in Far East Agri Pte Ltd (which holds 100% of PT Dharmapala Usaha Sukses in Indonesia), collectively known as "FEA group" to a third party. The cash consideration is $137,010,000, of which $20,552,000 is deferred; resulting in a net cash inflow on disposal of subsidiary of $113,539,000 recorded in the consolidated cash flow statement.

The net assets derecognised on disposal and together with the fair value of retained interest has resulted in a gain on disposal of $121,188,000 which has been recorded in 'Other Income' in profit and loss account (Note 5). Upon the sale, FEA Group ceased to be a subsidiary of the Company and has been classified as a jointly-controlled entity (Note 14(a)).

The value of assets and liabilities recorded in the consolidated financial statements as at 21 December 2017 that was disposed is as follows:-

	$'000
Property, plant and equipment (Note 10)	23,149
Non-current assets	29,244
Current assets	99,145
Cash and bank balances	2,919
	154,457
Current liabilities	60,704
Non-current liabilities	43,044
	103,748
Net assets	50,709

14. Investments in jointly controlled entities and associates

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Jointly controlled entities (Note 14(a))	**281,001**	247,748	**198,815**	124,256
Associates (Note 14(b))	**789,939**	642,090	**581,742**	600,570
	1,070,940	889,838	**780,557**	724,826

(a) Investments in jointly controlled entities

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Unquoted equity shares at cost [1]	**57,818**	1,551	**45,936**	–
Share of post-acquisition reserves	**63,830**	102,376	**–**	–
Loans to jointly controlled entities [2]	**154,022**	124,256	**154,022**	124,256
Foreign currency translation adjustments	**5,331**	19,565	**(1,143)**	–
	281,001	247,748	**198,815**	124,256

1. In the current financial year, the Group had divested 50% stake in Far East Agri Pte Ltd and its subsidiary and is now accounted for as a jointly controlled entity (Note 13).
2. Loans to jointly controlled entities are unsecured, not expected to be repayable within the next 12 months and are interest free, except for loan balances amounting to $39,277,000 (31 December 2016: $Nil) that bears interest ranging from 3.25% to 4.00% (31 December 2016: Nil).

As of 31 December 2016 and 31 December 2017, no jointly controlled entity was individually material to the Group. However, list of key jointly controlled entities among all the immaterial jointly controlled entities of the Group at the end of financial year are as follows:-

			Percentage of equity held	
Name of company	Country of incorporation	Principal activities	**31 December 2017 %**	31 December 2016 %
Held by the Company				
Nauvu Investments Pte Ltd [1]	Singapore	Sourcing, processing and trading of agricultural commodities and technical services	**50**	50
Far East Agri Pte Ltd [2]	Singapore	Processing and trading of agricultural commodities	**50**	–

1. Audited by Ernst & Young LLP, Singapore.
2. Audited by member firms of Ernst & Young Global.

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 2017 $'000	31 December 2016 $'000
Summarised balance sheet		
Non-current assets	**414,953**	563,044
Current assets	**115,238**	62,261
Total assets	**530,191**	625,305
Non-current liabilities	**262,479**	368,685
Current liabilities	**51,460**	7,387
Total liabilities	**313,939**	376,072
Net assets	**216,252**	249,233
Proportion of the Group's ownership:		
Group's share of net assets	**106,910**	123,492
Goodwill on acquisition	**20,069**	–
Loan to jointly-controlled entities	**154,022**	124,256
Carrying amount of the investments	**281,001**	247,748
Summarised statement of comprehensive income		
Revenue	**21,167**	13,535
Profit after tax	**455**	10,026
Total comprehensive income	**455**	10,026

14. Investments in jointly controlled entities and associates continued

(b) Investments in associates

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Unquoted equity shares at cost	**328,957**	350,714	**373,962**	373,424
Share of post-acquisition reserves	**214,353**	42,797	**–**	–
Loans to associates [1]	**289,927**	258,794	**263,682**	256,683
Less: Impairment loss	**(35,596)**	(35,596)	**(35,596)**	(35,596)
Foreign currency translation adjustments	**(7,702)**	25,381	**(20,306)**	6,059
	789,939	642,090	**581,742**	600,570

1. Loans to associates are unsecured, not expected to be repayable within the next 12 months and are interest-free except for an amount of $265,073,000 (31 December 2016: $256,683,000) that bears interest of 7.50% (31 December 2016: 5.00% to 7.50%) per annum.

As of 31 December 2016 and 31 December 2017, no associate was individually material to the Group. However, list of key associates among all the immaterial associates of the Group at the end of financial year are as follows:-

			Percentage of equity held	
Name of company	Country of incorporation	Principal activities	**31 December 2017 %**	31 December 2016 %
Held by the Company				
Gabon Special Economic Zone SA [1]	Gabon	Infrastructure development	**40.49**	40.49
Open Country Dairy Limited [2]	New Zealand	Processing and trading of agricultural commodities	**15.19**	15.19

1. Audited by member firms of Ernst & Young Global.
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 2017 $'000	31 December 2016 $'000
Summarised balance sheet		
Non-current assets	**1,727,544**	1,335,418
Current assets	**1,238,213**	1,026,082
Total assets	**2,965,757**	2,361,500
Non-current liabilities	**645,563**	838,299
Current liabilities	**814,339**	377,695
Total liabilities	**1,459,902**	1,215,994
Net assets	**1,505,855**	1,145,506
Proportion of the Group's ownership:		
Group's share of net assets	**511,797**	364,688
Goodwill on acquisition	**14,461**	18,608
Loan to associates	**263,682**	258,794
Carrying amount of the investments	**789,940**	642,090
Summarised statement of comprehensive income		
Revenue	**1,908,573**	1,072,362
Profit after tax	**179,916**	87,785
Other comprehensive income	**37,780**	(19,616)
Total comprehensive income	**217,696**	68,169

15. Long-term investments

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Quoted equity shares	**257,519**	136,321	**257,519**	136,321
Unquoted equity shares	**–**	12,171	**–**	–
	257,519	148,492	**257,519**	136,321

The Group's investment in quoted equity shares relates to a 18.56% (31 December 2016: 18.56%) investment in PureCircle Limited ('PureCircle'). Management has assessed and is of the view that the Group does not retain significant influence over PureCircle and is accounted for as fair value through other comprehensive income. The investment in unquoted equity shares relates to a 20% investment in Olam Grains Australia Pty Ltd which was disposed in the current financial year.

16. Amounts due from subsidiary companies

	Company	
	31 December 2017 $'000	31 December 2016 $'000
Trade receivables	**1,906,156**	1,886,313
Loans to subsidiaries	**1,877,382**	1,790,805
Non-trade payables	**(1,857,122)**	(93,970)
	1,926,416	3,583,148

Loans to subsidiaries include amounts totalling $1,112,709,000 (31 December 2016: $1,479,030,000) which are unsecured and bear interest ranging from 2.00% to 7.50% (31 December 2016: 0.60% 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 2017 $'000	31 December 2016 $'000
Euro	**1,200,445**	1,504,480
Indian Rupee	**1,275,453**	877,662
Great Britain Pounds	**154,531**	508,675
Australian Dollar	**(1,892,055)**	(2,227)
Amounts due from subsidiary companies are stated after deducting impairment loss:		
• Trade	**7,792**	8,261
• Non-trade	**22,630**	24,506
	30,422	32,767

17. Trade receivables

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Trade receivables	**1,635,078**	1,407,854	**963,987**	385,144
Indirect tax receivables	**266,847**	248,603	**1,605**	476
	1,901,925	1,656,457	**965,592**	385,620

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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Euro	**298,090**	24,619	**278,043**	12,337
United States Dollar	**144,301**	165,922	**–**	–
Great Britain Pounds	**56,791**	87,844	**36,734**	–

Trade receivables include amounts of $8,559,000, $21,836,000 and $Nil (31 December 2016: $295,000, $Nil and $2,318,000) due from associates, a jointly controlled entity and a shareholder related company, respectively.

The expected credit loss provision as at 31 December 2017 is determined as follows:-

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Trade receivables measured at amortised cost	**1,716,289**	1,458,774	**1,014,215**	414,387
Less: Lifetime expected credit loss for trade receivables	**(81,211)**	(50,920)	**(50,228)**	(29,243)
Total trade receivables measured at amortised cost	**1,635,078**	1,407,854	**963,987**	385,144
Movement in allowance accounts:-				
As at beginning of year	**50,920**	60,721	**29,243**	42,440
Charge for the year	**41,207**	37,016	**23,818**	27,972
Written off	**(6,102)**	(542)	**–**	–
Written back	**(1,272)**	(44,319)	**–**	(41,405)
Foreign currency translation adjustments	**(3,542)**	(1,956)	**(2,833)**	236
As at end of year	**81,211**	50,920	**50,228**	29,243

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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Trade receivables past due but not impaired:-				
Less than 30 days	**384,032**	346,694	**145,240**	56,932
30 to 60 days	**125,057**	194,829	**31,091**	9,584
61 to 90 days	**75,642**	38,006	**47,148**	10,832
91 to 120 days	**69,142**	20,578	**19,771**	813
121 to 180 days	**18,090**	8,459	**5,288**	1,880
More than 180 days	**39,079**	39,961	**22,787**	6,234
Total trade receivables measured at amortised cost	**711,042**	648,527	**271,325**	86,275

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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Margin deposits with brokers	**583,925**	1,037,352	**488,250**	970,574
Amounts due to brokers	**(184,245)**	(872,394)	**(183,388)**	(817,030)
	399,680	164,958	**304,862**	153,544

19. Inventories

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Balance sheets:				
Commodity inventories at fair value	**4,096,968**	5,365,835	**1,267,257**	1,038,380
Commodity inventories at the lower of cost and net realisable value	**1,947,713**	2,048,476	**137,743**	106,606
	6,044,681	7,414,311	**1,405,000**	1,144,986
Profit and loss account:				
Inventories recognised as an expense in cost of goods sold inclusive of the following (charge)/credit	**(21,442,547)**	(15,940,068)	**(17,535,130)**	(11,875,179)
• Inventories written down	**(46,757)**	(38,664)	**(25,397)**	(11,435)
• Reversal of write-down of inventories [1]	**16,039**	19,754	**11,321**	10,366

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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Third parties	**743,516**	880,602	**116,243**	142,456
Subsidiary companies	**–**	–	**852,001**	2,196,193
	743,516	880,602	**968,244**	2,338,649

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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
United States Dollar	**37,193**	67,803	**–**	–
Euro	**36,968**	30,269	**455,950**	613,857
Great Britain Pounds	**126**	168	**582**	62,596

20. Advance payments to suppliers/subsidiary companies continued

Advance payments to subsidiary companies are stated after deducting allowance for doubtful debts of $40,773,000 (31 December 2016: $43,483,000).

Advance payments to suppliers (third parties) for the Group and Company are stated after deducting allowance for doubtful debts of $11,423,000 and $769,000 (31 December 2016: $12,450,000 and $472,000) respectively.

The movement in the allowance accounts for advance payment to suppliers is as follows:-

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Movement in allowance accounts:-				
As at beginning of year	**12,450**	17,337	**472**	6,561
Charge for the year	**2,704**	2,387	**354**	452
Written off	**(2,093)**	(7,285)	**(13)**	(5,956)
Written back	**(998)**	(756)	**–**	(446)
Foreign currency translation adjustments	**(640)**	767	**(44)**	(139)
As at end of year	**11,423**	12,450	**769**	472

21. Other current/non-current assets

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Current:				
Sundry receivables [1]	**216,485**	362,123	**21,172**	1,189
Export incentives and subsidies receivable [2]	**70,479**	69,983	**–**	–
Amounts due from jointly-controlled entity, associates and a shareholder related company	**64,295**	29,425	**20,046**	23,314
Deposits	**61,168**	59,772	**2,121**	2,565
Option premium receivable	**5,843**	3,632	**4,798**	3,632
Staff advances [3]	**9,466**	8,182	**369**	492
Insurance receivables [4]	**17,679**	32,493	**6,858**	3,548
Short-term investment	**11,600**	4,478	**–**	–
	457,015	570,088	**55,364**	34,740
Prepayments [5]	**317,291**	356,819	**112,697**	116,376
Advance corporate tax paid	**67,351**	35,633	**–**	–
Taxes recoverable	**6,530**	24,138	**–**	–
	848,187	986,678	**168,061**	151,116
Non-current:				
Other non-current assets [6]	**25,852**	30,400	**–**	–

1. Sundry receivables include receivables amounting to $Nil (31 December 2016: $162,449,000) which relate to the sale-and-leaseback of the Awala palm plantations.
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 $11,061,000 (31 December 2016: $11,978,000).

22. Trade payables and accruals

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Trade payables	**1,637,565**	1,538,786	**923,272**	799,160
Accruals	**457,244**	567,802	**159,053**	150,123
Advances received from customers	**43,732**	51,459	**–**	–
GST payable and equivalent	**45,811**	43,447	**5,025**	–
	2,184,352	2,201,494	**1,087,350**	949,283

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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Euro	**178,813**	124,705	**173,627**	121,564
Great Britain Pounds	**140,042**	340,044	**124,962**	293,772
United States Dollar	**31,391**	37,336	**–**	–

Trade payables include amounts of $19,471,000 (31 December 2016: $Nil) and $Nil (31 December 2016: $18,000) due to an associate and a jointly controlled entity respectively.

Accruals mainly relate to operating costs such as logistics, insurance premiums and employee benefits.

23. Other current liabilities

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Interest payable on bank loans	**82,951**	81,355	**74,526**	75,110
Sundry payables	**339,816**	261,081	**–**	6,647
Option premium payable	**18,450**	33,419	**18,450**	33,419
Amount due to jointly controlled entities	**19,626**	–	**18,155**	–
	460,843	375,855	**111,131**	115,176
Withholding tax payable	**12,470**	7,876	**–**	–
	473,313	383,731	**111,131**	115,176

24. Borrowings

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Current:				
Bank overdrafts (Note 33)	**104,544**	190,165	**–**	–
Bank loans	**2,644,191**	3,220,351	**1,259,505**	1,694,362
Term loans from banks	**1,643,678**	1,842,830	**799,690**	1,218,610
Medium-term notes	**249,863**	719,659	**249,863**	719,659
Obligation under finance leases (Note 28(c))	**17,933**	10,030	**–**	–
	4,660,209	5,983,035	**2,309,058**	3,632,631
Non-current:				
Term loans from banks	**2,750,543**	4,232,530	**1,335,932**	3,092,015
Medium-term notes	**3,778,652**	2,983,926	**3,317,732**	2,983,926
Obligation under finance leases (Note 28(c))	**66,412**	111,701	**–**	–
Other bonds	**332,122**	359,396	**332,122**	359,396
	6,927,729	7,687,553	**4,985,786**	6,435,337
	11,587,938	13,670,588	**7,294,844**	10,067,968

Borrowings denominated in currencies other than functional currencies of Group companies are as follows:-

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Singapore Dollar	**1,482,143**	1,480,199	**1,481,730**	1,480,199
United States Dollar	**341,014**	253,992	**–**	–
Australian Dollar	**185,096**	200,279	**185,082**	200,279
Japanese Yen	**371,332**	146,690	**371,332**	146,690
Great Britain Pounds	**20,289**	18,703	**–**	–
Euro	**420,271**	–	**–**	–

Bank overdrafts and bank loans

The bank loans to the Company are repayable within 12 months and bear interest in a range from 1.95% to 3.65% (31 December 2016: 1.26% to 1.61%) per annum.

The bank loans and bank overdrafts to the subsidiary companies are repayable within 12 months and bear interest in a range from 0.65% to 22.00% (31 December 2016: 0.80% to 26.00%) per annum.

Bank loans include an amount of $17,885,000 (31 December 2016: $24,079,000) 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 2.47% to 3.20% (31 December 2016: 1.56% to 2.76%) 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 0.91% to 12.00% (31 December 2016: 1.20% to 12.00%) per annum. Term loans from banks to the subsidiary companies are repayable between two to fifteen years (31 December 2016: two and seven years).

Term loans from banks include an amount of $101,141,000 (31 December 2016: $93,992,000) secured by the assets of subsidiaries. The remaining amounts of term loans from banks are unsecured.

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		Company	
	Maturity	**31 December 2017 $'000**	**31 December 2016 $'000**	31 December 2017 $'000	31 December 2016 $'000
Current:					
Multicurrency medium-term note programme:					
• 5.75% fixed rate notes	2017	–	719,659	–	719,659
• 6.00% fixed rate notes	2018	**249,863**	**–**	249,863	–
Non-current:					
Multicurrency medium-term note programme:					
• 6.00% fixed rate notes	2018	**–**	**249,638**	–	249,638
Euro medium-term note programme:					
• 4.25% fixed rate notes	2019	**399,077**	**398,484**	399,077	398,484
• 5.80% fixed rate notes	2019	**349,422**	**349,047**	349,422	349,047
• 4.50% fixed rate notes	2020	**398,741**	**430,748**	398,741	430,748
• 4.875% fixed rate notes	2020	**185,082**	**200,279**	185,082	200,279
• 1.375% fixed rate notes	2020	**68,272**	**73,860**	68,272	73,860
• 4.00% fixed rate notes	2020	**66,662**	**72,119**	66,662	72,119
• 6.00% fixed rate notes	2022	**483,369**	**483,030**	483,369	483,030
• 4.50% fixed rate notes	2021	**600,963**	**653,891**	600,963	653,891
• 1.427% fixed rate notes	2021	**67,241**	**72,830**	67,241	72,830
• 0.47% fixed rate notes	2022	**67,848**	**–**	67,848	–
• 4.375% fixed rate notes	2023	**396,378**	**–**	396,378	–
• 0.9725% fixed rate notes	2022	**72,089**	**–**	72,089	–
• 3.65% fixed rate notes	2022	**66,706**	**–**	66,706	–
• 0.9825% fixed rate notes	2022	**95,882**	**–**	95,882	–
Other medium-term notes:					
• 3.90% fixed rate notes	2022	**233,800**	**–**	–	–
• 3.73% fixed rate notes	2022	**227,120**	**–**	–	–
		3,778,652	**2,983,926**	3,317,732	2,983,926

Obligations under finance leases

Obligations under finance leases amounting to $18,101,000 (31 December 2016: $19,602,000) are guaranteed by a subsidiary company.

Obligations under finance leases bear interest ranging from 8.05% to 25.00% (31 December 2016: 0.96% to 9.22%) per annum and are repayable between 1 and 25 years (31 December 2016: 1 and 20 years).

Other bonds

	Group and Company	
	31 December 2017 $'000	31 December 2016 $'000
Non-current:		
7.50% unsecured senior bonds [1]	**332,122**	359,396

1. 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.

24. Borrowings continued

A reconciliation of liabilities arising from financing activities is as follows:-

	Group				
	31 December 2016 $'000	Cash Flows $'000	Non-cash changes		**31 December 2017 $'000**
			Foreign exchange movement $'000	Disposal of subsidiary (Note 13) $'000	
Bank borrowings and obligations under finance leases (exclude bank overdrafts)	9,417,442	(1,779,508)	(491,308)	(23,869)	**7,122,757**
Medium-term notes	3,703,585	394,299	(69,369)	–	**4,028,515**
Other bonds	359,396	–	(27,274)	–	**332,122**

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 2017 $'000	31 December 2016 $'000
Net profit attributable to owners of the Company	**580,743**	351,312
Less: Accrued capital securities distribution	**(56,635)**	(33,568)
Adjusted net profit attributable to owners of the Company for basic and dilutive earnings per share	**524,108**	317,744

	No. of shares	No. of shares
Weighted average number of ordinary shares on issue applicable to basic earnings per share	**2,814,058,047**	2,753,842,602
Dilutive effect of convertible bonds	**–**	6,332,446
Dilutive effect of share options	**2,314,339**	1,035,086
Dilutive effect of performance share plan	**35,528,711**	23,098,975
Dilutive effect of warrants	**72,287,589**	66,835,892
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	**2,924,188,686**	2,851,145,001

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 for the previous financial year. During the current financial year, there are no such items.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and the date of these financial statements.

26. Share capital, treasury shares, perpetual capital securities and warrants

(a) Share capital

	Group and Company			
	31 December 2017		31 December 2016	
	No. of shares	$'000	No. of shares	$'000
Ordinary shares issued and fully paid [1]				
Balance at beginning of year	**2,829,036,837**	**3,087,894**	2,825,645,142	3,082,499
Issue of shares on exercise of warrants	**391,928,073**	**585,542**	3,221,695	5,096
Issue of shares on exercise of share options	**80,000**	**770**	170,000	299
Balance at end of year	**3,221,044,910**	**3,674,206**	2,829,036,837	3,087,894

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 2017		31 December 2016	
	No. of shares	$'000	No. of shares	$'000
Ordinary shares issued and fully paid [1]				
Balance at beginning of year	**101,165,100**	**190,465**	52,196,000	96,081
Use of treasury shares for share awards/options [2]	**(1,631,500)**	**(3,189)**	–	–
Share buyback during the year	**–**	**–**	48,969,100	94,384
Balance at end of year	**99,533,600**	**187,276**	101,165,100	190,465

2. The Company used 1,631,500 treasury shares during the current financial year towards the release of 1,321,500 restricted share awards and issuance of 310,000 shares on exercise of share options.

(c) Capital securities

S$275,000,000 7.00% 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.

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.

On 4 September 2017, the Company has repurchased the remaining of the S$275,000,000 7% Perpetual Capital Securities at an amount approximating S$235,800,000. The repurchase was made by way of on-market purchases and the repurchased portion was cancelled in the current financial year.

US$500,000,000 5.35% Perpetual Capital Securities

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 US$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.

Combined S$350,000,000 5.50% Perpetual Capital Securities

On 11 July 2017 and 4 August 2017, the Company issued subordinated perpetual capital securities (the 'capital securities') with an aggregate combined principal amount of S$350,000,000 (S$300,000,000 and S$50,000,000 respectively) under the US$5,000,000,000 EMTN Programme. Issuance costs incurred amounting to $2,273,000 were recognised in equity as a deduction from proceeds.

The capital securities were priced at par and bear a distribution rate of 5.50% 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.

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.

During the current financial year, the exercise price for each Warrant were adjusted from US$1.14 to US$1.12 and finally US$1.09. A total of 391,928,073 Warrants were exercised at a maximum price of US$1.14 and minimum price of US$1.09 and new ordinary shares were issued. The outstanding number of warrants following the aforementioned exercise is 51,077,331 with an exercise price of US$1.09 expires on 29 January 2018. Post 31 December 2017, a further 49,973,747 Warrants at the exercise price of US$1.09 each were exercised and all remaining subscription rights under the Warrants which have not been exercised as at 29 January 2018 have lapsed and ceased to be valid.

27. Dividends

	Group and Company	
	31 December 2017 $'000	31 December 2016 $'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 2017: $0.035 (31 December 2016: $0.030) per share	**97,740**	82,296
• One tier tax exempted second and final dividend for financial year ended 31 December 2016: $0.030 (31 December 2015: $0.035) per share	**82,659**	101,740
	180,399	184,036
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 2017: $0.040 (31 December 2016: $0.030) per share	**124,860**	81,836

28. Commitments

(a) Operating lease commitments

Operating lease expenses of the Group and Company (principally for land, offices, warehouses, employees' residences and vessels) were $162,948,000 (31 December 2016: $117,866,000) and $68,406,000 (31 December 2016: $37,536,000), respectively. These leases have an average tenure of between 1.0 and 19.0 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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Within one year	**136,750**	98,816	**43,955**	26,511
After one year but not more than five years	**284,703**	229,080	**37,363**	21,477
More than five years	**467,117**	581,424	**774**	1,398
	888,570	909,320	**82,092**	49,386

(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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Capital commitments in respect of property, plant and equipment	**57,621**	15,267	**–**	–

(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 2017 $'000	**31 December 2017 $'000**	31 December 2016 $'000	31 December 2016 $'000
	Minimum lease payments	**Present value of payments (Note 24)**	Minimum lease payments	Present value of payments (Note 24)
Not later than one year	**19,322**	**17,933**	14,812	10,030
Later than one year but not later than five years	**32,301**	**25,623**	65,743	40,740
Later than five years	**83,363**	**40,789**	132,860	70,961
Total minimum lease payments	**134,986**	**84,345**	213,415	121,731
Less: Amounts representing finance charges	**(50,641)**	**–**	(91,684)	–
Present value of minimum lease payments	**84,345**	**84,345**	121,731	121,731

29. Contingent liabilities

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Contingent liabilities not provided for in the accounts: Financial guarantee contracts given on behalf of subsidiary companies[1]	**–**	–	**9,776,482**	6,954,277

1. Amounts utilised by subsidiary companies on the bank facilities secured by corporate guarantees amounted to $2,046,030,000 (31 December 2016: $1,089,198,000).

The Company has agreed to provide continuing financial support to certain subsidiary companies.

30. Employee benefits expenses

Employee benefits expenses (including executive directors):-

	Group	
	31 December 2017 $'000	31 December 2016 $'000
Salaries and employee benefits	**652,171**	571,963
Central Provident Fund contributions and equivalents	**30,290**	31,813
Retrenchment benefits	**1,607**	829
Share-based expense (relates to OSGP only)	**20,184**	13,282
	704,252	617,887

(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.

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 2017		31 December 2016	
	Number of share options	**Weighted average exercise price $**	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	**72,742,000**	**2.20**	74,417,000	2.20
Forfeited during the year	**(1,085,000)**	**2.38**	(1,505,000)	2.66
Exercised during the year [1]	**(390,000)**	**1.97**	(170,000)	2.28
Outstanding at the end of the year [2]	**71,267,000**	**2.20**	72,742,000	2.20
Exercisable at end of year	**71,267,000**	**2.20**	60,238,000	2.29

1. The weighted average share price when the options were exercised in the current financial year was $1.97 (31 December 2016: $2.28).
2. The range of exercise prices for options outstanding at the end of the financial year was $1.76 to $3.10 (31 December 2016: $1.76 to $3.10). The weighted average remaining contractual life for these options is 2.52 years (31 December 2016: 4.52 years).

30. Employee benefits expenses continued

(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% and 200% 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') • Relative Total Shareholder Return • Return on Equity ('ROE') • Profit after Tax and Minority Interest ('PATMI') Growth
Vesting Condition	Vesting based on meeting stated performance conditions over a three-year performance period
Payout	0% – 192.5% and 200% 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	RSA and PSA	PSA
Grant date:	24 April 2017	15 April 2016	7 April 2015
Dividend yield (%)	2.333	2.753	2.87
Expected volatility (%)	22.035	22.747	7.82
Risk-free interest rate (%)	1.394	1.197	1.33
Expected term (years)	2.94	2.72	2.74
Index (for Relative TSR)	Not applicable	FTSE Straits Times Index	FTSE Straits Times Index
Index volatility (%)	Not applicable	14.081	7.82
Correlation with Index (%)	Not applicable	35.4	38.8
Share price at date of grant ($)	1.910	1.720	1.985
Fair value at date of grant ($)	1.594	1.400	1.848

The number of contingent shares granted but not released for both PSA and RSA awards as at 31 December 2017 was 38,897,596 (31 December 2016: 27,637,500).

Based on the achievement factor, the actual release of the PSA awards could range from zero to maximum of 59,553,509 (31 December 2016: 42,762,913) fully-paid ordinary shares of the Company.

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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Subsidiary companies:				
• Sales of goods	**–**	–	**3,549,093**	3,288,693
• Sales of services, net	**–**	–	**1,539**	29,125
• Purchases	**–**	–	**11,002,794**	7,113,429
• Insurance premiums paid	**–**	–	**14,365**	13,295
• Commissions paid	**–**	–	**30,475**	56,074
• Interest received on loans, net	**–**	–	**60,355**	80,824
• Consultancy fee paid	**–**	–	**85,885**	30,850
• Management fee received	**–**	–	**46,688**	35,049
• Trademark income	**–**	–	**–**	204,817
• Dividend received	**–**	–	**12,997**	101
• Toll processing charges paid	**–**	–	**120,672**	–
• Warehouse rental paid	**–**	–	**383**	–
Jointly controlled entities:				
• Sales of goods	**2,844**	–	**–**	–
• Management fee received	**383**	204	**–**	–
• Interest received on loans	**8**	–	**8**	–
Associates:				
• Sales of goods	**81,070**	31,347	**79,266**	19,659
• Purchases	**316,421**	165,859	**316,417**	165,852
• Finance income	**22,758**	14,659	**22,758**	14,659
• Dividend received	**22,325**	12	**22,325**	12
• Management fee received	**2,351**	664	**2,351**	664
• Director Fees received	**38**	77	**38**	77
• Miscellaneous income	**131**	255	**131**	255
Shareholder related companies:				
• Sale of goods	**54,751**	58,002	**19,466**	48,585
• Purchases	**123**	1,278	**–**	485
• Others	**–**	78	**–**	–

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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Directors' fees	**1,755**	1,866	**1,698**	1,806
Salaries and employee benefits	**20,511**	19,581	**16,796**	16,629
Central Provident Fund contributions and equivalents	**557**	448	**126**	130
Share-based expense	**4,543**	2,803	**3,688**	2,279
	27,366	24,698	**22,308**	20,844
Comprising amounts paid to:-				
Directors of the Company	**11,389**	10,550	**11,332**	10,490
Key management personnel	**15,977**	14,148	**10,976**	10,354
	27,366	24,698	**22,308**	20,844

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 2017 Options/shares	31 December 2016 Options/shares
Employee Share Option Scheme:		
Directors	**20,000,000**	20,000,000
Key management personnel	**16,800,000**	16,800,000
Olam Share Grant Plan:		
Directors	**3,321,846**	2,052,000
Key management personnel	**5,750,000**	3,700,000

33. Cash and short-term deposits

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Cash and bank balances	**1,174,552**	1,556,636	**601,561**	723,680
Deposits	**811,799**	587,415	**535,450**	550,992
	1,986,351	2,144,051	**1,137,011**	1,274,672

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.1% to 21.0% (31 December 2016: 0.00% to 12.50%) 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 2016: 1 and 365 days) depending on the immediate cash requirements of the Group, and interest earned at floating rates ranging from 0.80% to 19.50% (31 December 2016: 0.00% to 9.96%) per annum and may be withdrawn on demand.

Deposits amounting to $1,119,000 (31 December 2016: $1,545,000) 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 $Nil (31 December 2016: $14,468,000) (31 December 2016: remaining maturity period of three months) and may be withdrawn on demand.

Cash and bank balances and deposits denominated in currencies other than functional currencies of Group companies are as follows:-

	Group		Company	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Euro	**876,917**	294,709	**865,456**	290,061
United States Dollar	**68,335**	86,235	**–**	–
Great Britain Pounds	**17,214**	103,304	**14,039**	102,285
Singapore Dollar	**17,075**	49,808	**16,798**	49,806
Japanese Yen	**10,881**	267,271	**10,881**	267,208
Swiss Franc	**1,359**	210,833	**1,284**	210,015
Australian Dollar	**579**	3,625	**576**	3,324

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 2017 $'000	31 December 2016 $'000
Cash and bank balances	**1,174,552**	1,556,636
Deposits	**811,799**	587,415
Structured deposits	**–**	(14,468)
Bank overdrafts (Note 24)	**(104,544)**	(190,165)
	1,881,807	1,939,418

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 $30,287,000 (31 December 2016: $22,991,000) 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.

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) Loans to jointly-controlled entities and associates (Note 14) Other current assets – Sundry receivables, export incentives and subsidies receivable, deposits, staff advances, insurance receivables, amount due from jointly-controlled entity, associates and a shareholder related company (Note 21) Amount due from subsidiary companies (Note 16)	A percentage of the financial asset calculated by taking the default sovereign risk rating 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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
By operating segments:				
Edible nuts, spices and vegetable ingredients	**337,909**	253,620	**219,463**	68,467
Confectionery and beverage ingredients	**675,624**	556,669	**444,534**	77,805
Industrial raw materials	**178,959**	79,105	**156,962**	47,890
Food staples and packaged food business	**442,381**	518,460	**143,028**	190,982
Commodity financial services	**205**	–	**–**	–
	1,635,078	1,407,854	**963,987**	385,144

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 2017		31 December 2016	
	Profit net of tax $'000	**Equity $'000**	Profit net of tax $'000	Equity $'000
	Increase/ (decrease)	**Increase/ (decrease)**	Increase/ (decrease)	Increase/ (decrease)
SGD – strengthened 0.5%	**(7,217)**	**5,629**	(6,692)	6,275
GBP – strengthened 0.5%	**(673)**	**(5,287)**	(322)	(2,983)
USD – strengthened 0.5%	**(380)**	**–**	689	–
AUD – strengthened 0.5%	**(225)**	**4,439**	(134)	2,609
EUR – strengthened 0.5%	**1,615**	**(6,103)**	(2,954)	(10,129)

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 2017 $'000				31 December 2016 $'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)	**2,094,809**	**–**	**–**	**2,094,809**	2,201,494	–	–	2,201,494
Other current liabilities (Note 23)	**377,892**	**–**	**–**	**377,892**	294,500	–	–	294,500
Borrowings	**4,995,442**	**7,039,874**	**555,524**	**12,590,840**	6,465,152	7,727,079	689,751	14,881,982
Derivative financial instruments (Note 34(f))	**851,947**	**–**	**–**	**851,947**	987,942	–	–	987,942
Total undiscounted financial liabilities	**8,320,090**	**7,039,874**	**555,524**	**15,915,488**	9,949,088	7,727,079	689,751	18,365,918
Company								
Financial liabilities:								
Trade payables and accruals (Note 22)	**1,082,325**	**–**	**–**	**1,082,325**	949,283	–	–	949,283
Other current liabilities (Note 23)	**36,605**	**–**	**–**	**36,605**	40,066	–	–	40,066
Borrowings	**2,531,888**	**5,043,954**	**401,238**	**7,977,080**	4,010,284	6,492,154	508,758	11,011,196
Derivative financial instruments (Note 34(f))	**685,128**	**–**	**–**	**685,128**	681,162	–	–	681,162
Total undiscounted financial liabilities	**4,335,946**	**5,043,954**	**401,238**	**9,781,138**	5,680,795	6,492,154	508,758	12,681,707

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 2017 $'000				31 December 2016 $'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	**2,046,030**	**–**	**–**	**2,046,030**	1,089,198	–	–	1,089,198

(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 $27,607,000 (31 December 2016: $25,393,000).

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 2017, the settlement dates on open foreign exchange derivatives and commodity derivatives ranged between 1 and 24 months (31 December 2016: 1 and 24 months), except for power purchase agreement (10 years).

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 2017				
Derivatives held for hedging:				
Foreign exchange contracts	**257,385**	**(176,798)**	**143,026**	**(164,497)**
Foreign exchange contracts – Cash flow hedge	**–**	**(11,619)**	**–**	**(11,619)**
Commodity contracts	**2,603,631**	**(1,956,800)**	**2,163,097**	**(1,754,690)**
Power purchase agreement	**13,801**	**–**	**–**	**–**
Interest rate swaps	**–**	**(1,199)**	**–**	**(1,199)**
Total derivatives held for hedging	**2,874,817**	**(2,146,416)**	**2,306,123**	**(1,932,005)**
Derivatives held for trading:				
Foreign exchange contracts	**3,806**	**(2,388)**	**3,806**	**(2,388)**
Commodity contracts	**124,791**	**(87,308)**	**124,791**	**(87,308)**
Total derivatives held for trading	**128,597**	**(89,696)**	**128,597**	**(89,696)**
Total derivatives, gross	**3,003,414**	**(2,236,112)**	**2,434,720**	**(2,021,701)**
Gross amounts offset in the balance sheet	**(1,384,165)**	**1,384,165**	**(1,336,573)**	**1,336,573**
Net amounts in the balance sheet	**1,619,249**	**(851,947)**	**1,098,147**	**(685,128)**

	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)

34. Financial risk management policies and objectives continued

(f) Derivative financial instruments and hedge accounting continued

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:-

		Group 31 December 2017		Group 31 December 2016	
	Line item in the Balance Sheets where the hedging instrument is reported:	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Fair value hedge					
Hedged item:					
Inventories	Inventories	1,135,411	–	767,870	–
Sales and purchase contracts	Derivative assets/ (liabilities)	67,384	–	274,192	–
Hedging instruments:					
Commodity contracts	Derivative assets/ (liabilities)	55,832	–	–	(225,817)
Cash flow hedge					
Hedged item:					
Forecasted transactions denominated in foreign currency	Fair value adjustment reserves	214,878	–	76,655	–
Hedging instruments:					
Foreign exchange contracts	Derivative assets/ (liabilities)	–	(11,619)	–	(41,305)

Fair value hedge

The Group is exposed to price risk on the purchase side due to increase in commodity prices, on the sales sides and inventory held to decrease in commodity prices. Therefore, the Group applies fair value hedge accounting to hedge its commodity prices embedded in its inventories, sales and purchase contracts and uses commodity derivatives to manage its exposure. The Group determines its hedge effectiveness based on the volume of both hedged item and hedging instruments.

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, sales and purchases contracts. The accumulated amount of fair value hedge adjustments included in the carrying amount of the inventories for the current financial year amounts to $178,271,000 (31 December 2016: $276,553,000).

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 2016: 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 $68,037,000 for the current financial year. The net hedging loss recognised in the 'Other Comprehensive Income' in relation to such transactions amounts to $11,619,000 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 gain of $146,841,000 for both the Group and Company for the financial year ended 31 December 2017 (31 December 2016: gain of $22,544,000). 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.

35. Fair values of assets and liabilities continued

(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 2017			
	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)	257,519	–	–	257,519
Derivative financial instruments				
• Foreign exchange contracts	–	261,191	–	261,191
• Commodity contracts	107,212	1,166,466	70,579	1,344,257
• Power purchase agreement	–	–	13,801	13,801
	364,731	1,427,657	84,380	1,876,768
Financial liabilities:				
Derivative financial instruments				
• Foreign exchange contracts	–	179,186	–	179,186
• Foreign exchange contracts – Cash flow hedge	–	11,619	–	11,619
• Commodity contracts	223,277	435,004	1,662	659,943
• Interest rate swaps	–	1,199	–	1,199
	223,277	627,008	1,662	851,947
Non-financial assets:				
Biological assets (Note 12)	–	–	471,656	471,656
Inventories (Note 19)	–	3,707,281	389,687	4,096,968
	–	3,707,281	861,343	4,568,624

	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
Derivative 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:				
Derivative 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)	–	–	450,564	450,564
Inventories (Note 19)	–	4,550,262	815,573	5,365,835
	–	4,550,262	1,266,137	5,816,399

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 investment relates to one investment in the current financial year, of which is based on quoted closing prices at the balance sheet date.

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, inventories and power purchase agreement 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.

Certain commodity contracts which were valued based on Level 3 in the previous financial year, are valued based on Level 2 in the current financial year as there were available broker quotes unlike in the previous financial year.

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	Nil (31 December 2016: 14.6%)
Commodity contracts	Comparable market approach	Premium on quality per metric tonne	0% to 33% (31 December 2016: 0% to 17%)
Commodity contracts	Comparable market approach	Discount on quality per metric tonne	0% to 25% (31 December 2016: 0% to 21%)
Power purchase agreement	Discounted Cash Flow	Electricity Pricing per megawatt hour	0% to 21% (31 December 2016: Nil)
Non-financial assets:			
Inventories	Comparable market approach	Premium on quality per metric tonne	0% to 23% (31 December 2016: 0% to 20%)
Inventories	Comparable market approach	Discount on quality per metric tonne	0% to 23% (31 December 2016: 0% to 20%)

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

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 2017		
		Effect of reasonably possible alternative assumptions	
	Carrying amount $'000	Profit/(loss) $'000	Other comprehensive income $'000
Recurring fair value measurements			
Financial assets:			
Commodity contracts	**70,579**	**(621)**	**–**
Power purchase agreement	**13,801**	**381**	**–**
Financial liabilities:			
Commodity contracts	**(1,662)**	**182**	**–**
Non-financial assets:			
Biological assets – increased by 0.5%	**471,656**	**(1,863)**	**–**
Biological assets – decreased by 0.5%	**471,656**	**1,874**	**–**
Inventories	**389,687**	**3,996**	**–**

	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, as restated – increased by 0.5%	450,564	(1,853)	–
Biological assets, as restated – decreased by 0.5%	450,564	1,864	–
Inventories	815,573	7,801	–

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%.

35. Fair values of assets and liabilities continued

(c) Level 3 fair value measurements continued

(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	Power purchase agreement – assets $'000	Long-term investment – unquoted (Note 15) $'000	Inventories $'000
At 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 and 1 January 2017	**122,606**	**(12,775)**	**–**	**12,171**	**815,573**
Total gain/(loss) recognised in the profit and loss account					
• Net gain on fair value changes	**(52,027)**	**11,113**	**13,801**	**–**	**(12,226)**
• Purchases and sales, net	**–**	**–**	**–**	**(12,171)**	**(413,660)**
At 31 December 2017	**70,579**	**(1,662)**	**13,801**	**–**	**389,687**

(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, 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 obligations from finance leases

The carrying amount of the bank loans, term loans from banks and obligations from finance leases 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 loans to associates

Loans to subsidiary companies, loans to jointly controlled entities and loans to associates 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.

35. Fair values of assets and liabilities continued

(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 continued

(iii) 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 2017				
Financial liabilities:				
Medium-term notes	**4,028,515**	**4,090,749**	**3,567,595**	**3,629,829**
Other bonds	**332,122**	**360,259**	**332,122**	**360,259**
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

The fair value of medium-term notes and all bonds is determined directly by reference to their published market bid price (Level 1) or valued using valuation techniques with market observable inputs (Level 2), where relevant at the end of the respective financial years.

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 2017.

The Group calculates the level of debt capital required to finance the working capital requirements using traditional and modified financial metrics including leverage/gearing ratio and asset turnover ratio.

As at balance sheet date, leverage ratios are as follows:-

	Group	
	31 December 2017	31 December 2016
Gross debt to equity:		
• Before fair value adjustment reserve	**1.76 times**	2.36 times
Net debt to equity:		
• Before fair value adjustment reserve	**1.46 times**	1.99 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 2017			
Financial assets:			
Loans to jointly controlled entities (Note 14(a))	154,022	–	–
Loans to associates (Note 14(b))	289,927	–	–
Long-term investments (Note 15)	–	257,519	–
Trade receivables (Note 17)	1,635,078	–	–
Margin accounts with brokers (Note 18)	399,680	–	–
Other current assets (Note 21)	457,015	–	–
Cash and short-term deposits (Note 33)	1,986,351	–	–
Derivative financial instruments (Note 34(f))	–	–	1,619,249
Other non-current assets (Note 21)	14,791	–	11,061
	4,936,864	257,519	1,630,310
Financial liabilities:			
Trade payables and accruals (Note 22)	2,094,809	–	–
Other current liabilities (Note 23)	460,843	–	–
Borrowings (Note 24)	11,587,938	–	–
Derivative financial instruments (Note 34(f))	–	11,619	840,328
	14,143,590	11,619	840,328

Company	Amortised cost $'000	Fair value through Other Comprehensive Income $'000	Fair value through Profit or Loss $'000
31 December 2017			
Financial assets:			
Loans to jointly controlled entities (Note 14(a))	154,022	–	–
Loans to associates (Note 14(b))	263,682	–	–
Long-term investments (Note 15)	–	257,519	–
Amounts due from subsidiary companies (Note 16)	1,926,416	–	–
Trade receivables (Note 17)	963,987	–	–
Margin accounts with brokers (Note 18)	304,862	–	–
Other current assets (Note 21)	55,364	–	–
Cash and short-term deposits (Note 33)	1,137,011	–	–
Derivative financial instruments (Note 34(f))	–	–	1,098,147
	4,805,344	257,519	1,098,147
Financial liabilities:			
Trade payables and accruals (Note 22)	1,082,325	–	–
Other current liabilities (Note 23)	111,131	–	–
Borrowings (Note 24)	7,294,844	–	–
Derivative financial instruments (Note 34(f))	–	11,619	673,509
	8,488,300	11,619	673,509

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 and borrowings. 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 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Segment revenue :												
Sales to external customers	**4,491,982**	3,981,093	**8,136,794**	7,710,976	**3,876,629**	2,784,204	**9,767,124**	6,110,759	**–**	–	**26,272,529**	20,587,032
Segment result (EBITDA)	**438,403**	331,790	**327,709**	407,288	**197,287**	135,182	**359,670**	330,230	**4,896**	(1,608)	**1,327,965**	1,202,882
Depreciation and amortisation	**(136,865)**	(134,707)	**(99,498)**	(97,192)	**(26,662)**	(24,271)	**(117,253)**	(96,996)	**(402)**	(315)	**(380,680)**	(353,481)
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(531,178)**	(446,248)
Finance income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**65,597**	30,248
Exceptional items[1]	**28,001**	–	**–**	–	**–**	–	**121,188**	–	**–**	–	**149,189**	–
Profit before taxation											**630,893**	433,401
Taxation expense											**(79,248)**	(94,314)
Profit for the financial year											**551,645**	339,087
Segment assets	**4,051,846**	4,185,983	**6,054,288**	7,212,619	**2,914,211**	2,794,927	**5,960,449**	5,642,221	**174,111**	260,835	**19,154,905**	20,096,585
Unallocated assets [2]											**3,143,642**	3,372,299
											22,298,547	23,468,884
Segment liabilities	**447,956**	543,317	**707,254**	1,103,141	**561,218**	349,162	**1,282,132**	1,120,138	**75,815**	107,053	**3,074,375**	3,222,811
Unallocated liabilities[3]											**12,603,143**	14,611,769
											15,677,518	17,834,580
Other segmental information:												
Share of results from jointly-controlled entities and associates	**27**	–	**1,511**	(232)	**63,324**	6,772	**2,769**	15,620	**–**	–	**67,631**	22,160
Investments in jointly-controlled entities and associates	**1,542**	1,245	**1,542**	2,726	**479,827**	495,865	**588,029**	390,002	**–**	–	**1,070,940**	889,838
Capital expenditure	**135,612**	139,153	**159,472**	132,139	**99,004**	129,561	**556,756**	350,480	**242**	460	**951,086**	751,793

(b) Geographical segments

	Asia, Middle East and Australia		Africa		Europe		Americas		Eliminations		Consolidated	
	31 December 2017 $'000	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000	**31 December 2017 $'000**	31 December 2016 $'000
Segment revenue:												
Sales to external customers	**9,809,906**	6,823,304	**4,854,419**	3,646,339	**6,784,873**	5,466,757	**4,823,331**	4,650,632	**–**	–	**26,272,529**	20,587,032
Intersegment sales	**10,895,287**	6,279,030	**3,569,317**	2,932,461	**1,666,624**	2,628,457	**3,365,854**	2,645,897	**(19,497,082)**	(14,485,845)	**–**	–
	20,705,193	13,102,334	**8,423,736**	6,578,800	**8,451,497**	8,095,214	**8,189,185**	7,296,529	**(19,497,082)**	(14,485,845)	**26,272,529**	20,587,032
Non-current assets [4]	**3,775,732**	3,391,133	**2,799,057**	2,527,224	**806,691**	803,504	**1,373,478**	1,573,815	**–**	–	**8,754,958**	8,295,676

(c) Information on major customers

The Group has no single customer accounting for more than 10% of the turnover.

38. Segmental information continued

1 Exceptional items included the following items of income/(expenses):-

	Group	
	31 December 2017 $'000	31 December 2016 $'000
Wage agreement settlement, USA	**(6,167)**	–
Gain on sale of USA orchards farmland	**34,168**	–
Gain on disposal of subsidiary (Note 13)	**121,188**	–
	149,189	–

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 2017 $'000	31 December 2016 $'000
Cash and bank balances	**1,174,552**	1,556,636
Fixed deposits	**811,799**	587,415
Other current/non-current assets	**803,901**	984,021
Long-term investments	**257,519**	148,492
Deferred tax assets	**95,871**	95,735
	3,143,642	3,372,299

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 2017 $'000	31 December 2016 $'000
Borrowings	**11,587,938**	13,670,588
Deferred tax liabilities	**416,991**	505,876
Other liabilities	**435,237**	350,356
Provision for taxation	**162,977**	84,949
	12,603,143	14,611,769

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 19 January 2018, the Company announced the acquisition of 546,000 Ordinary Shares in Long Son Joint Stock Company ('Long Son'), a company established under the laws of Vietnam, and a Cashew processor, for a total consideration of US$20,000,000 (approximately S$27,402,000). Following the acquisition, Long Son became a 30% associated company of the Company; and

(b) On 29 January 2018, all remaining subscription rights under the Warrants (Note 26(d)) which have not been exercised have lapsed and ceased to be valid.

Stay up to date

olamgroup.com

@olam

Olam

Olam International Limited
7 Straits View
Marina One East Tower
#20-01
Singapore 018936
Telephone (65) 6339 4100
Facsimile (65) 6339 9755

olamgroup.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C124277