

Strategy Report

Olam International Limited Annual Report 2017



Re-imagining Global Agriculture

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.

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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](http://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 72,000¹ 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.

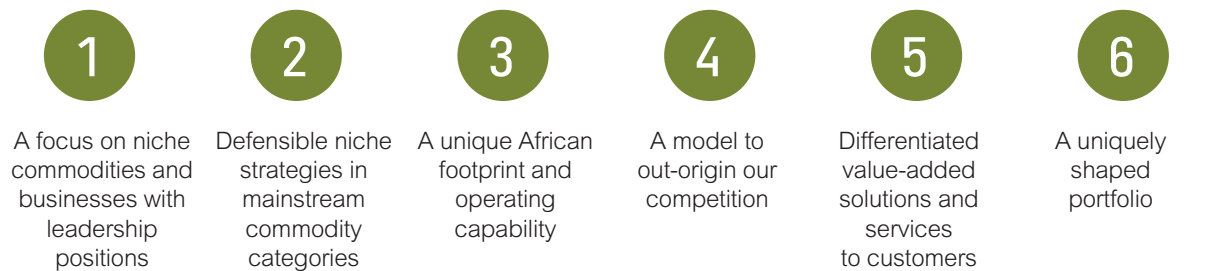
1. Employees includes full-time, seasonal, contract and temporary workers

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.



Our Capitals

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



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.

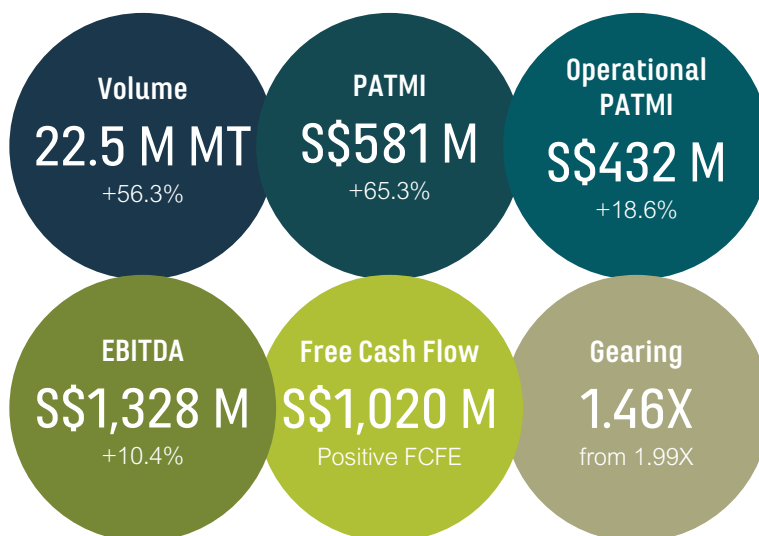
Financial Highlights

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)

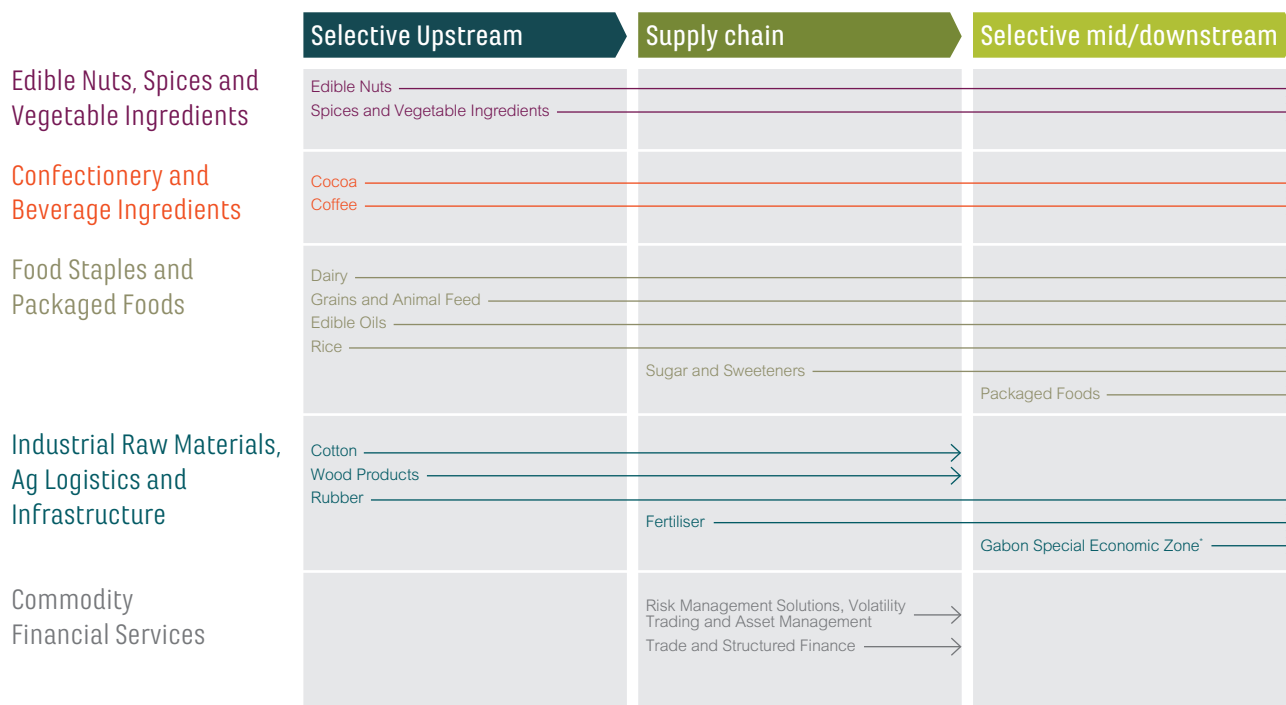


Where we operate

We operate in the upstream¹, midstream², and downstream³ 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

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

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 Boundaries¹, 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 exports¹. 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 scenario². 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 status³. 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 2050⁴.

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 <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Increasing attention paid towards ethical sourcing and ethical eating. Social entrepreneurship is increasing among younger generations. More companies advocating ethics as a competitive differentiator. 	<ul style="list-style-type: none"> 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&S¹ 10 material areas, specific goals and sustainability annual reporting, commitment to implementing the UN Sustainable Development Goals.
Healthy living <ul style="list-style-type: none"> 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). 	<ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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) emissions¹.

Agriculture also accounts for 71% of all fresh water withdrawals². 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 year³. 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 pollution⁴. 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 Germany⁵. 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 regions⁶.

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 IoT¹ 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 forecasting

- 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 visits 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

- SVI¹
- Cotton

Accelerate investments to achieve leadership

Cluster 2

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

- PFB²
- Palm
- Rubber
- Dairy
- CFS³

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
- GSEZ⁴

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:



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
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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."

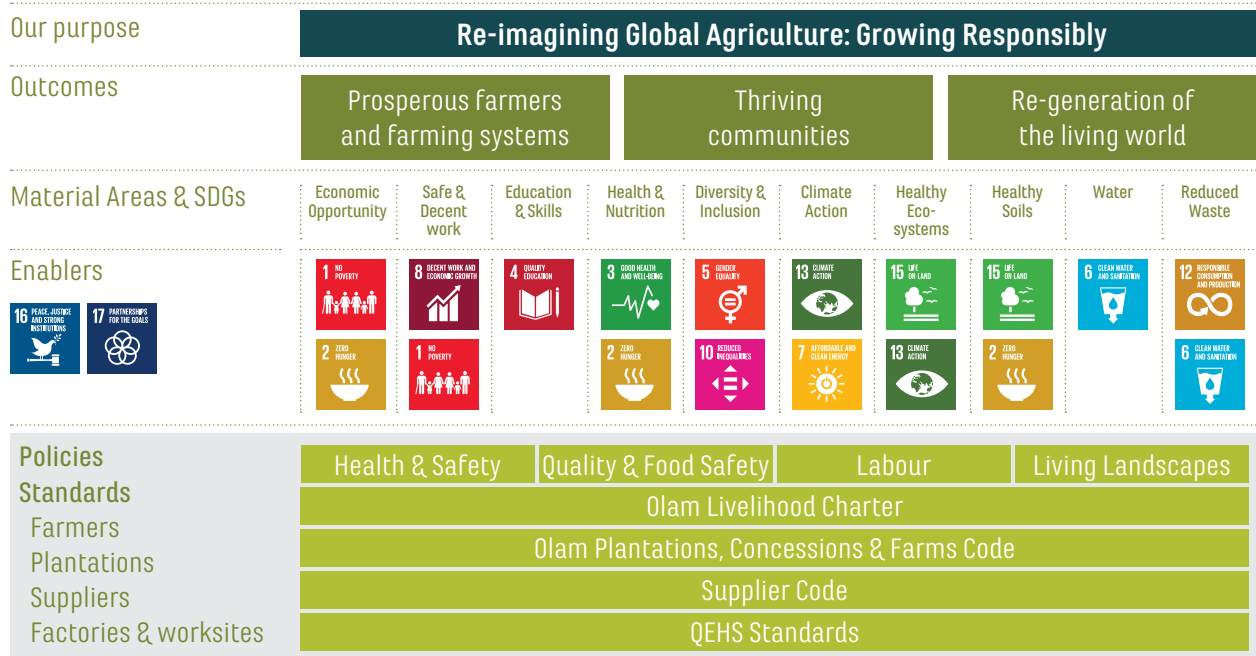
Temasek Holdings

(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 topics 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 ∞

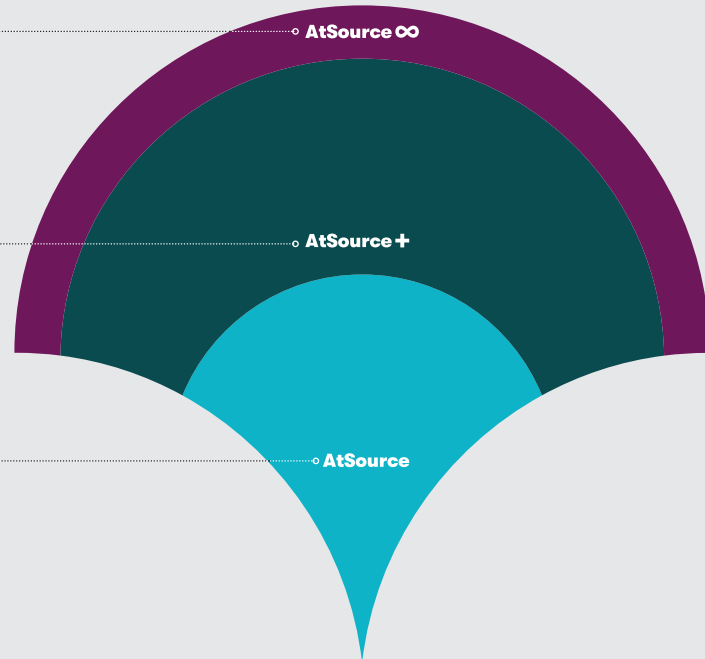
Infinity: Collaboration with customers to achieve transformational net-positive impact at community or landscape level

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 cyclicity 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

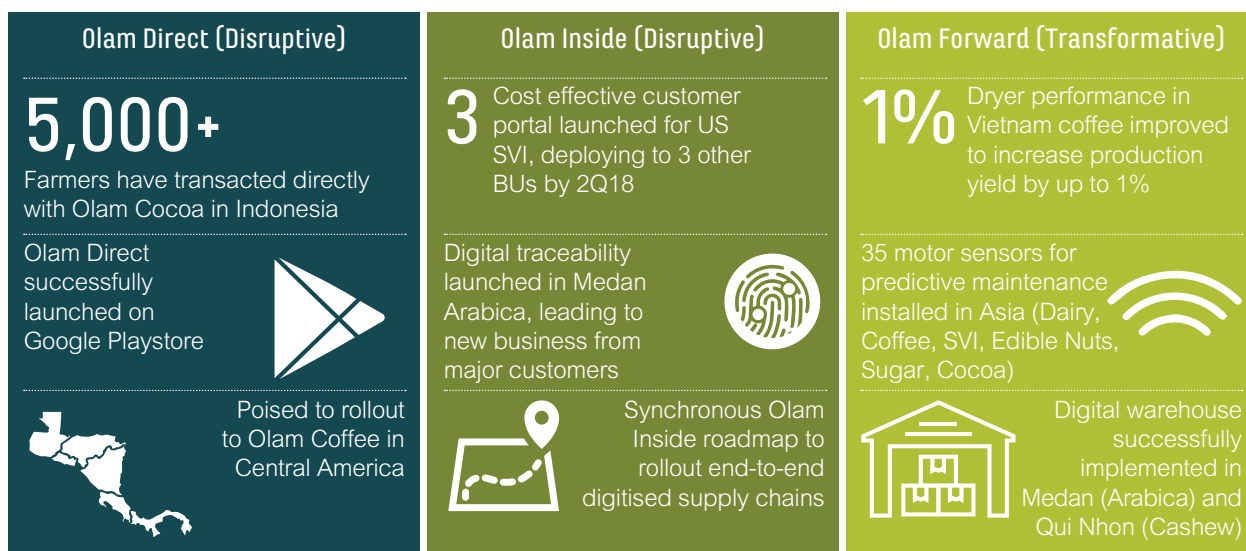
Digitalisation is disrupting and transforming almost every sector in today's world and fundamentally changing the way we live and do business. Digital disruptions are happening at both ends of our value chain. At the back end, we have the rise of platforms affecting origination (eg. Online Agri marketplaces) 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



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.

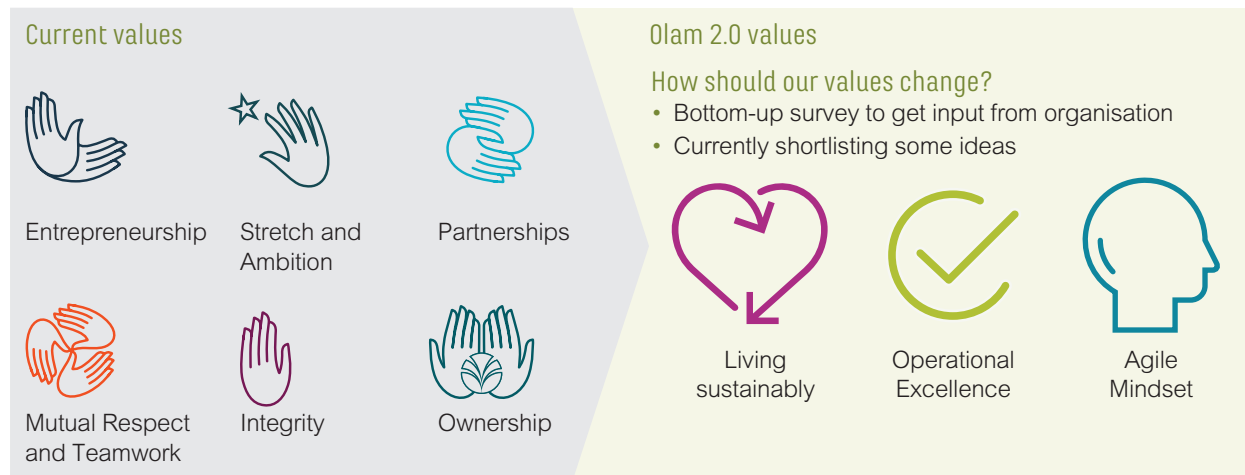
Key questions that we are asking in an extensive bottom up survey relate to which parts of our current culture should be preserved and which should we drop.

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

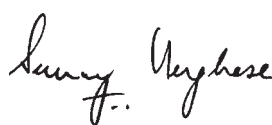
We believe that Olam 2.0 will catalyse and re-energise our employees and our leadership team. They are inspired by our new Purpose. We are also taking steps to renew our top management teams, reviewing our current structure, and re-examining the role of the centre in decision making. We want to build on the success of our Communities of Practice 'CoPs' (on Upstream, Trading, Customer Engagement & Founder's Mentality) and Task Forces (Sustainability, DTF¹, CETF², CPTF³ 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

Our business model

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

Resources and relationships we depend on

What we do

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

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

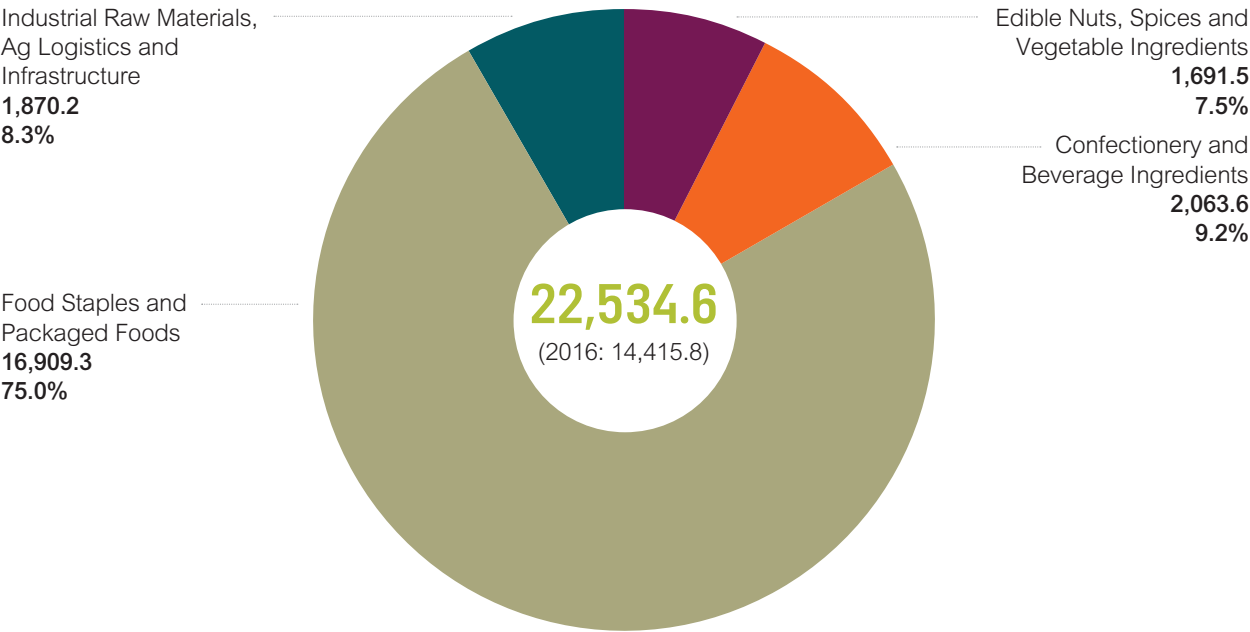
Safe products from safe
environments

Our financial and performance highlights

Volume

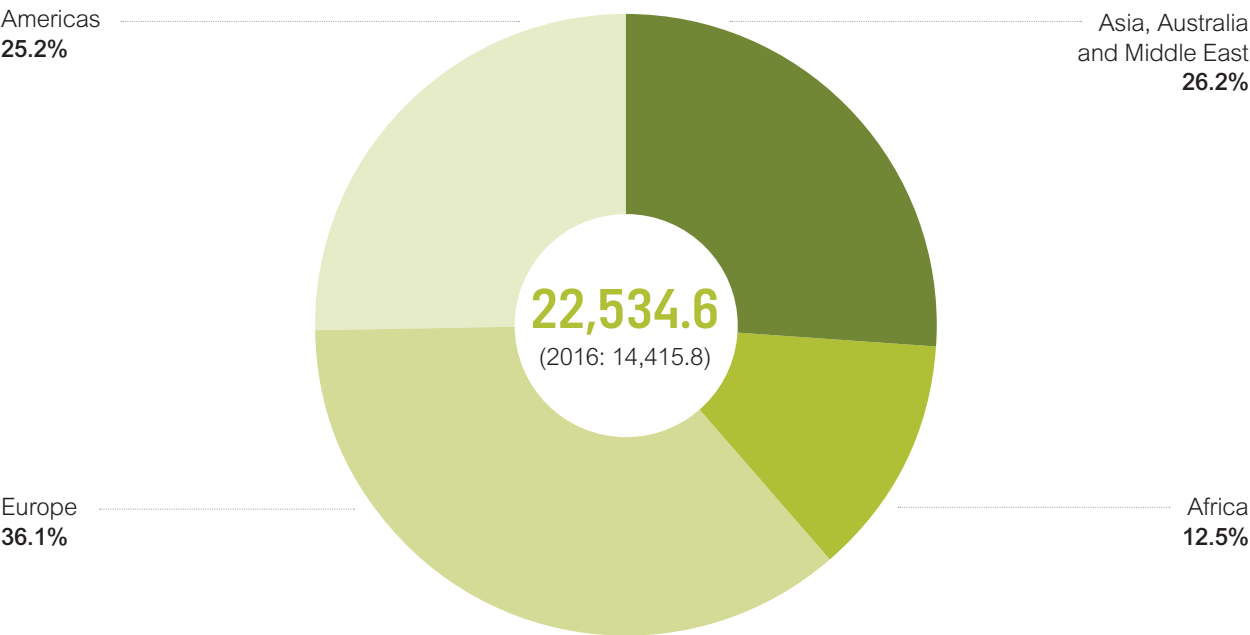
Sales volume by segment

[‘000 Metric Tonnes]



Sourcing volume by region

[‘000 Metric Tonnes]



Revenue

By segment

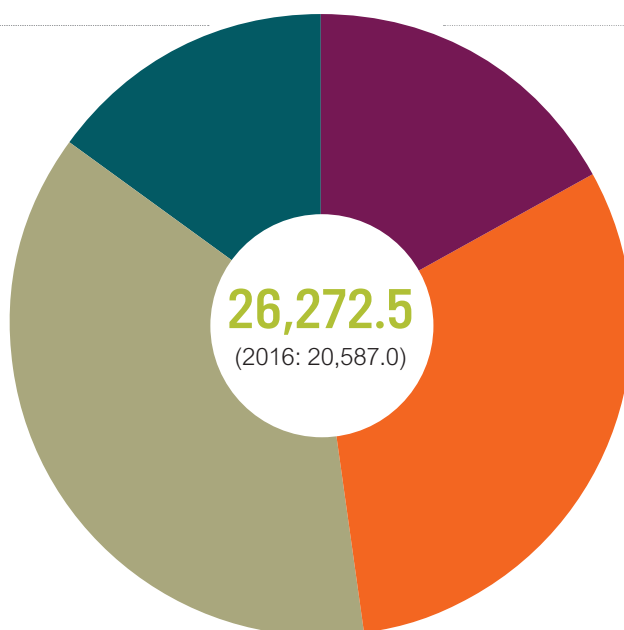
[\$\$ million]

Industrial Raw Materials,
Ag Logistics and
Infrastructure
3,876.6
14.7%

Food Staples and
Packaged Foods
9,767.1
37.2%

Edible Nuts, Spices and
Vegetable Ingredients
4,492.0
17.1%

Confectionery and
Beverage Ingredients
8,136.8
31.0%



By region

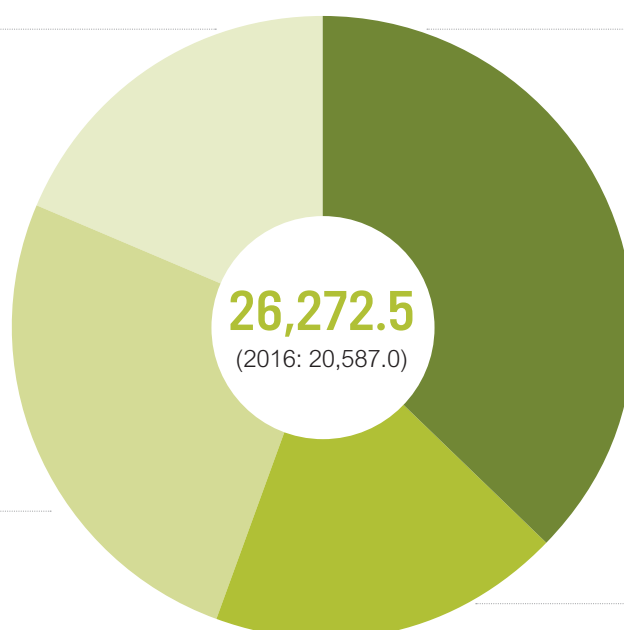
[\$\$ million]

Americas
18.4%

Europe
25.8%

Asia, Australia
and Middle East
37.3%

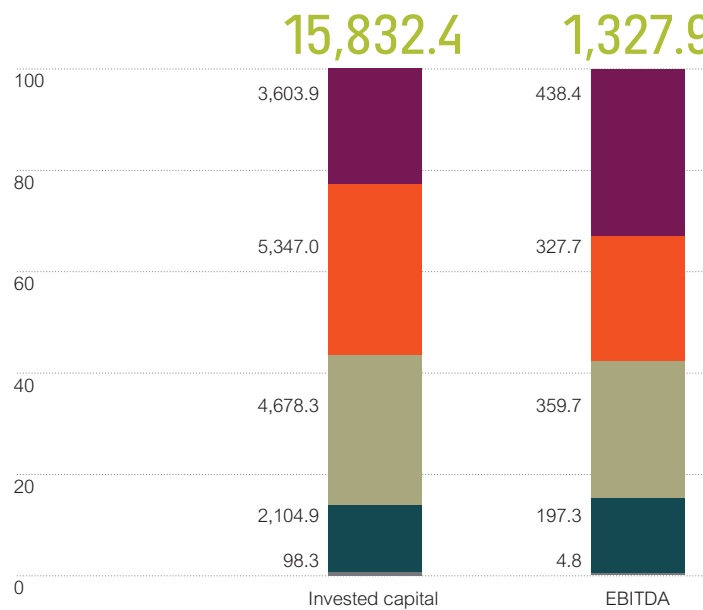
Africa
18.5%



Invested capital and EBITDA

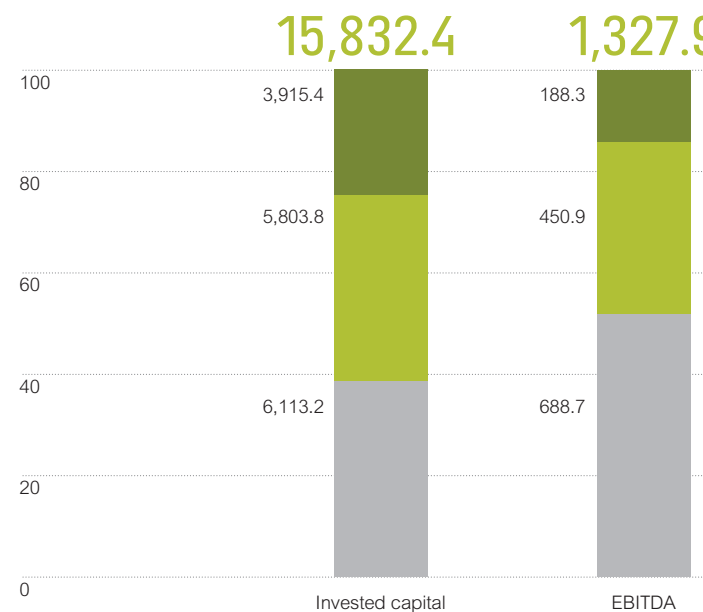
By business segment

[\$ million]



By value chain segment

[\$ 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.

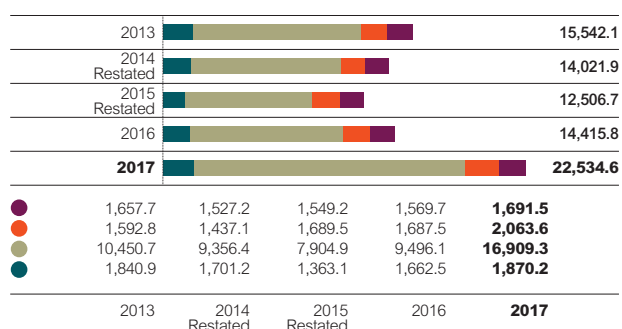
** Before Fair Value Adjustment Reserves

EBIT on total interest expense

Our financial and performance highlights continued

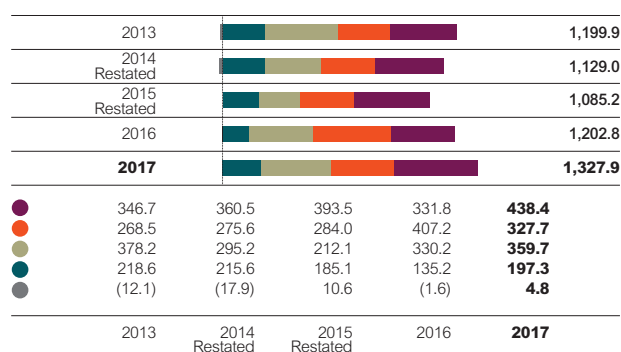
Sales volume

('000 Metric Tonnes)



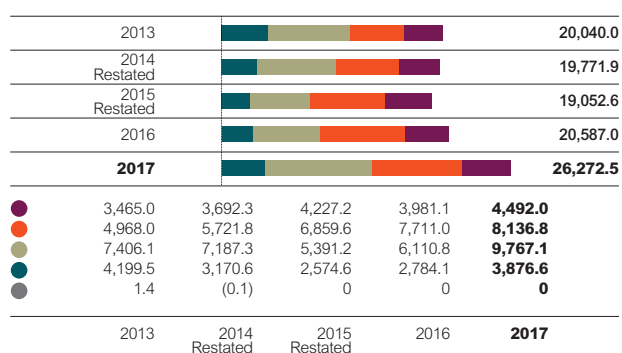
Earnings Before Interest, Tax, Depreciation and Amortisation

(\$ million)



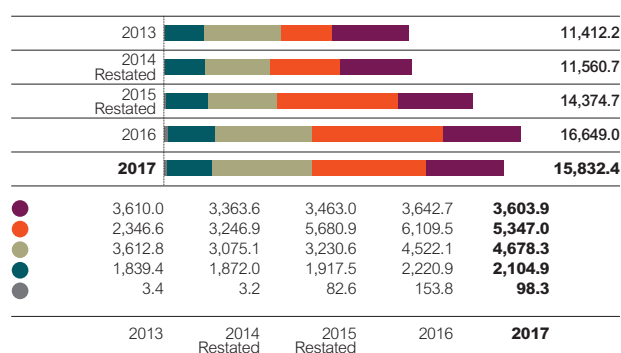
Sales Revenue

(\$ million)



Invested Capital

(\$ 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

Profit After Tax and Minority Interest

(\$ million)



Operational Profit After Tax and Minority Interest

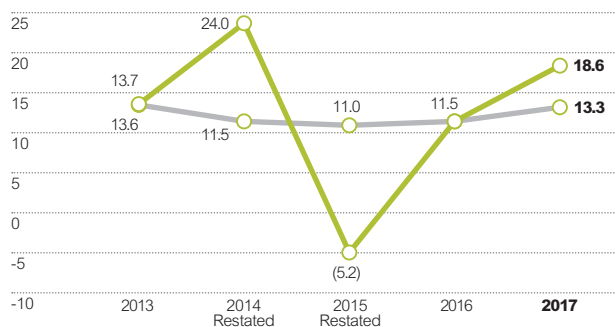
(\$ million)



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

Earnings Per Share

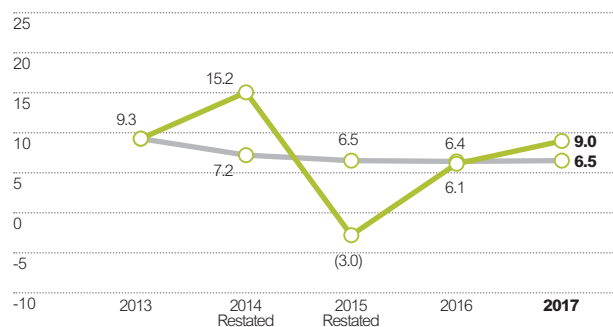
[cents]



- 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]

2013		153.9
2014 Restated		167.3
2015 Restated		179.7
2016		190.8
2017		200.1

Shareholders' Equity

[\$ million]

2013		3,759.7
2014 Restated		4,171.5
2015 Restated		5,079.1
2016		5,398.3
2017		6,443.6

Number of Customers

2013		13,600
2014 Restated		13,800
2015 Restated		16,200
2016		22,900
2017		22,000

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

Top 25 Customers' Share of Total Sales Revenue

[%]

2013		21.0
2014 Restated		23.0
2015 Restated		17.0
2016		13.0
2017		15.1

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

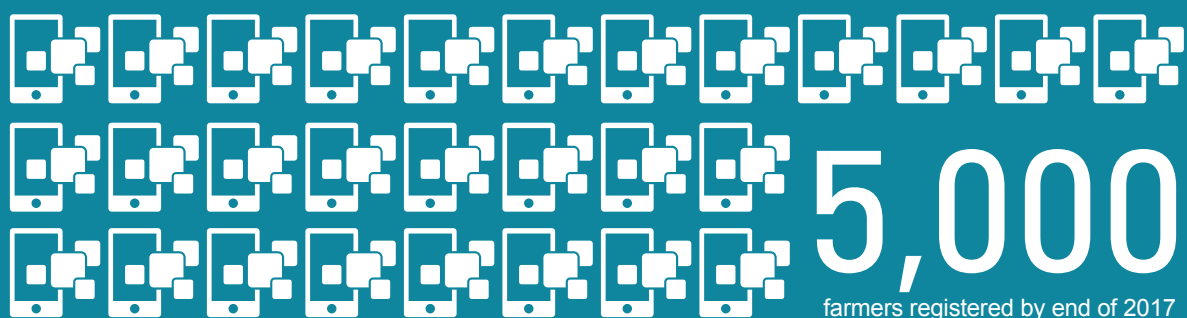
One of the many challenges for crops like coffee and cocoa is the sheer number of small-scale farmers living in very remote regions with limited infrastructure.

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 SECO¹ 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 Woodman² as a positive example of inclusive business.



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.

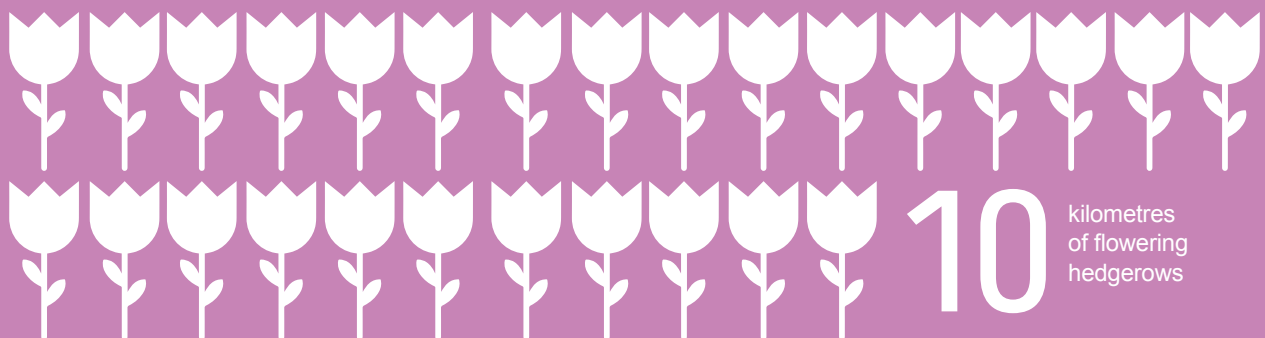
In 2014, with General Mills and Xerces Society for Invertebrate Conservation, the almonds team created almost 10 kilometres of flowering hedgerows so that bees and other pollinators can get the varied diet they need, as well as attracting bees naturally.

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 active¹. 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.



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 C00

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

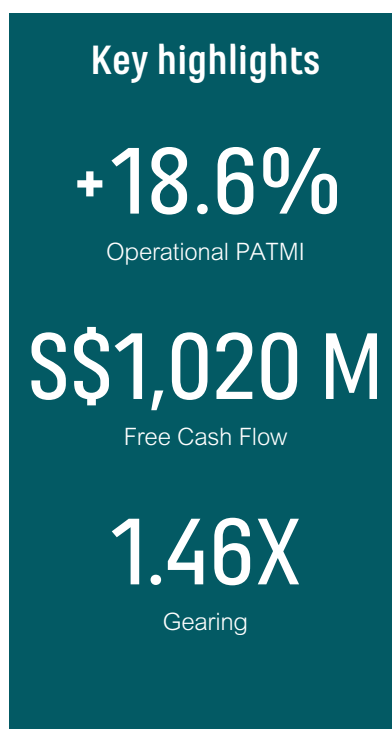
+65.3%

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.



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).

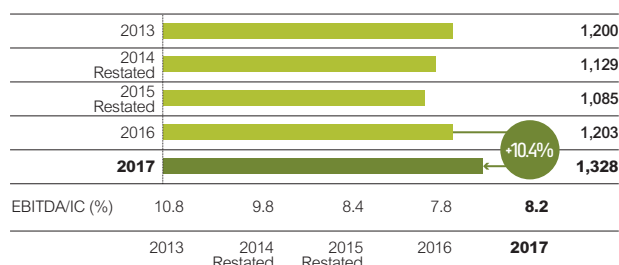
Edible Nuts, Spices and Vegetable Ingredients achieved a 32.1% growth in EBITDA from S\$331.8 million in 2016 to S\$438.4 million in 2017. Industrial Raw Materials, Ag Logistics and Infrastructure reported a 45.9% increase in EBITDA from S\$135.2 million to S\$197.3 million while Food Staples and Packaged 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.

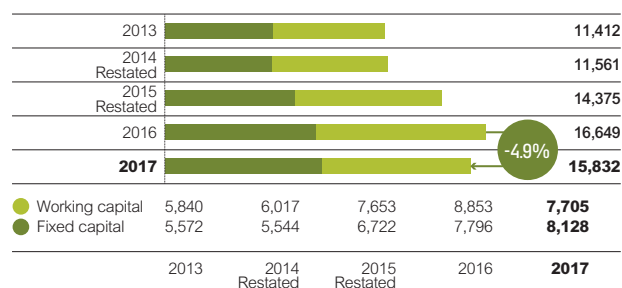
Earnings Before Interest, Tax, Depreciation and Amortisation

(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.



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

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.



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."



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

Uses of funds

[S\$ million]

2016		19,304.7
2017		18,208.9
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

2016 **2017**

Source of funds

[S\$ million]

2016		19,304.7
2017		18,208.9
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)

2016 **2017**

Cash-to-cash cycle

[Days]

2016	150
2017	97



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

Group COO's review continued

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

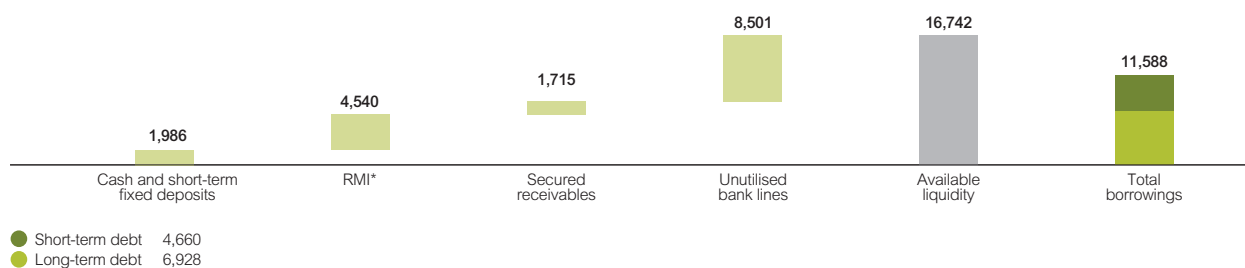
S\$ million	2017	2016	Change
Gross debt	11,587.9	13,670.5	(2,082.6)
Less: Cash	1,986.4	2,144.0	(157.6)
Net debt	9,601.5	11,526.5	(1,925.0)
Less: Readily marketable inventory	4,539.6	5,909.2	(1,369.6)
Less: Secured receivables	1,714.8	1,381.4	333.4
Adjusted net debt	3,347.1	4,235.9	(888.8)
Equity (before 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	1-year due 2018	
	US\$300.0 million	2-year due 2019	
	US\$300.0 million	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	1-year due 2018	–
	US\$120.0 million RCF	2-year due 2019	
	US\$120.0 million RCF	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	1-year due 2018	–
	US\$583.3 million RCF	2-year due 2019	
	US\$583.3 million RCF	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	
	2016	2017	

"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.

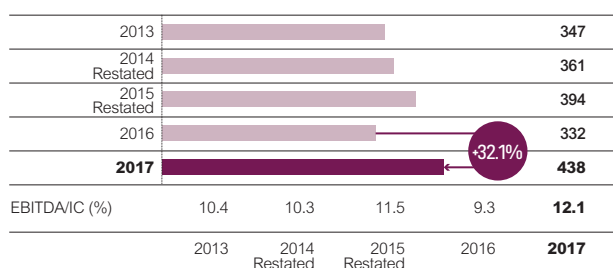
Revenues grew 12.8% mainly on higher volumes, as well as higher almond and cashew prices compared with 2016.

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.

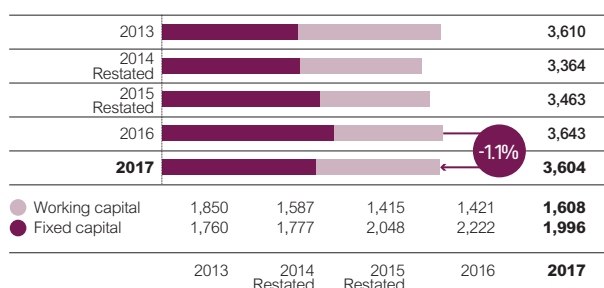
Invested capital in the segment declined slightly by S\$38.8 million as compared with 2016. This was a combination of a decrease in fixed capital on account of the sale of edible nuts farmland assets in the USA and an increase in working capital due to higher prices, especially in cashew and almonds.

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]



Invested capital [S\$ million]





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

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

(\$ million)

EBITDA

438.4

(\$ million)

Invested Capital

3,603.9

(\$ million)



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.

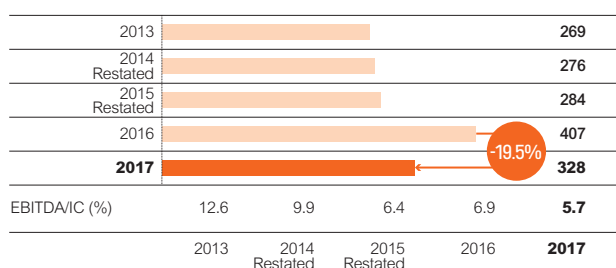
However, revenue growth was modest at 5.5% as the volume growth was mostly offset by lower prices for both coffee and cocoa.

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.

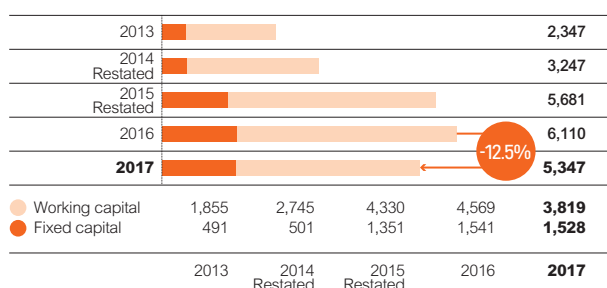
Invested capital in this segment fell by a substantial S\$762.5 million as compared with 2016. This was mainly on account of lower working capital following targeted optimisation initiatives as well as lower cocoa and coffee prices from a year ago.

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

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



Invested capital (\$ million)





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

Products

- Cocoa
- Coffee

2017

Volume

2,063.6

(‘000 Metric Tonnes)

Revenue

8,136.8

(\$ million)

EBITDA

327.7

(\$ million)

Invested Capital

5,347.0

(\$ million)



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 report¹ 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 Ghanaian 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.

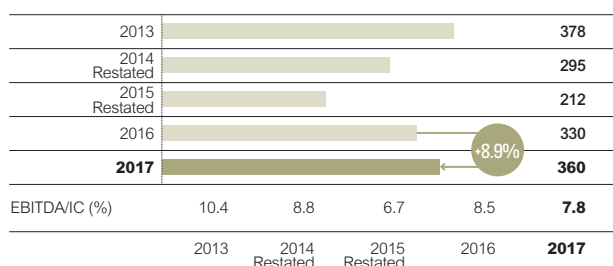
EBITDA grew 8.9% in 2017 as compared with 2016. The Grains and Animal Feed platform benefited from the increase in wheat milling volumes and margins in West Africa, and the commencement of the animal feed business in Nigeria. This was partially offset by the lower contribution from the trading business 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.

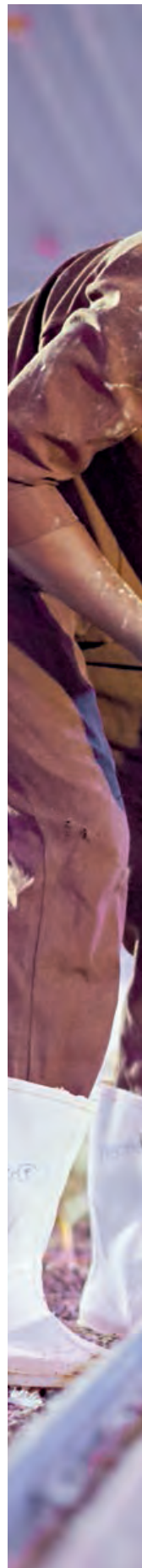
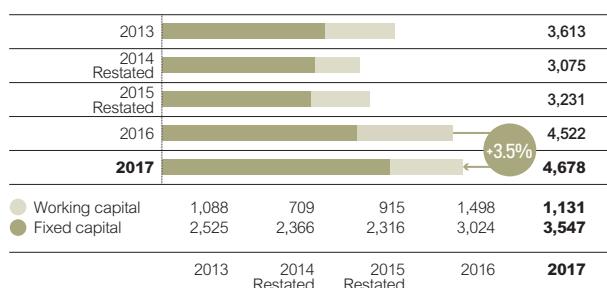
Compared with 2016, overall invested capital went up by S\$156.2 million owing to the growth in fixed capital. Fixed capital increased due to the construction of animal feed mills and hatchery in Nigeria, expansion of wheat milling capacity in Ghana and Nigeria, and continued investments in palm plantations 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]



Invested capital [S\$ million]





Above: Animal Feed facilities in Nigeria.
Right: Biscuit factory in Ghana.

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%.



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 JV¹ 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 dioxide². 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.

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.

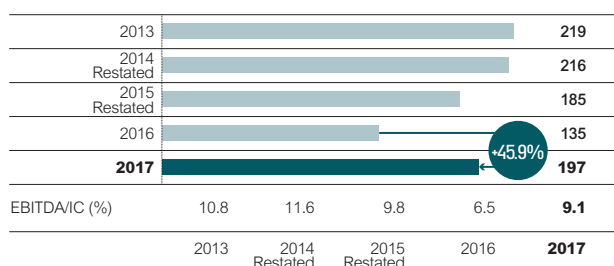
Revenues increased by 39.2% on the back of higher sales volumes.

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.

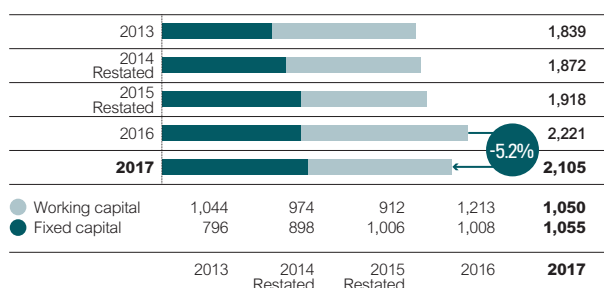
Invested capital declined by S\$116.0 million compared with a year ago, as inventory optimisation initiatives brought down working capital. Fixed capital was up slightly with investments in upstream Rubber plantations in Gabon and integrated ginning operations in Côte d'Ivoire.

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]



Invested capital [S\$ million]





Above: Uploading cotton bales in Australia.
Right: GSEZ general cargo port in Gabon.

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

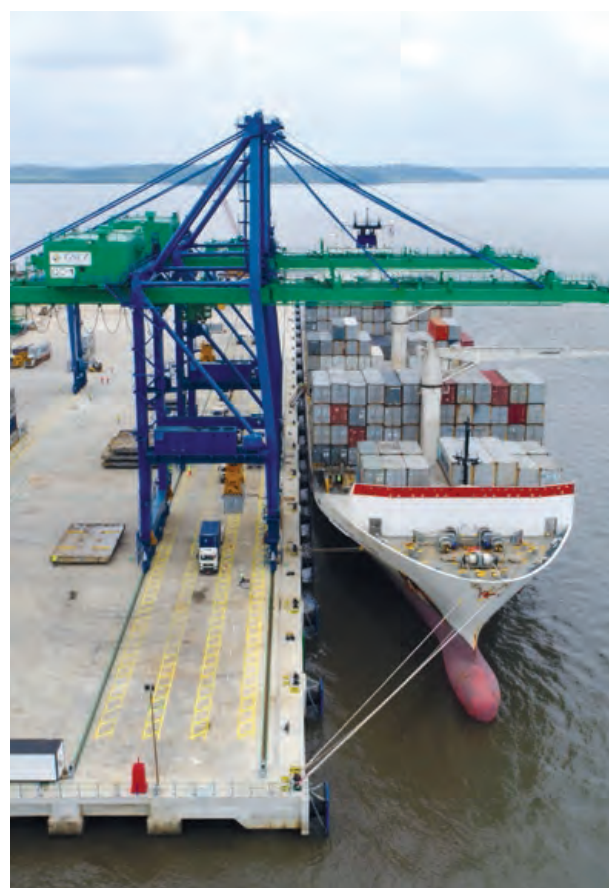
197.3

(S\$ million)

Invested Capital

2,104.9

(S\$ million)



Industrial Raw Materials, Ag Logistics and Infrastructure – Capitals snapshot

Manufactured: Owendo International Port, Gabon

- Managed by Gabon Special Economic Zone (GSEZ) SA¹, 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 hectareage 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 m² 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[®] certification² 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

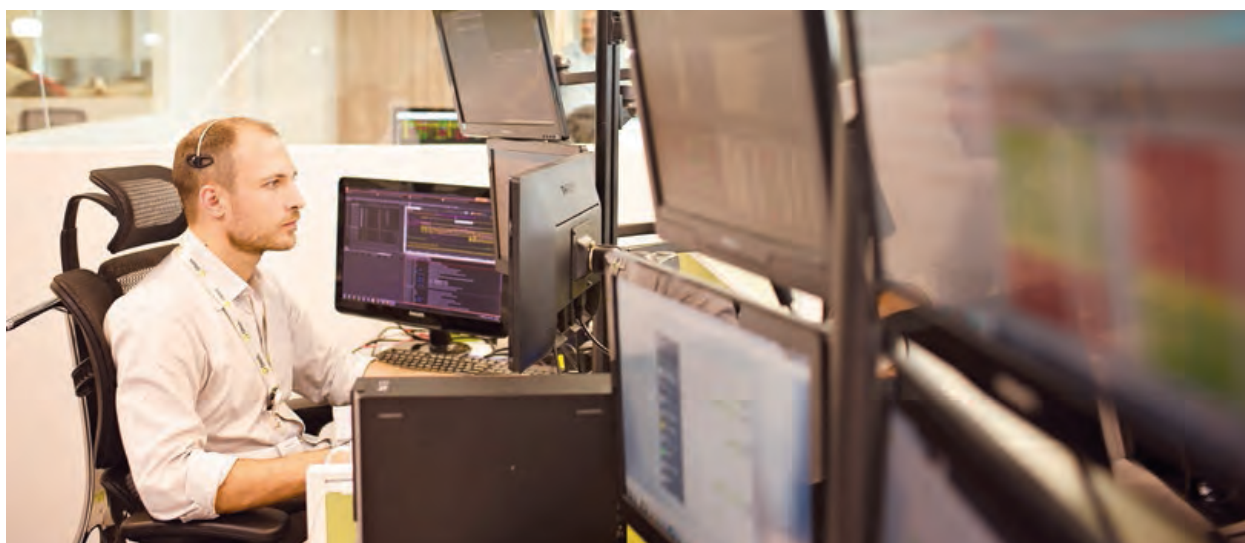
4.8

(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)

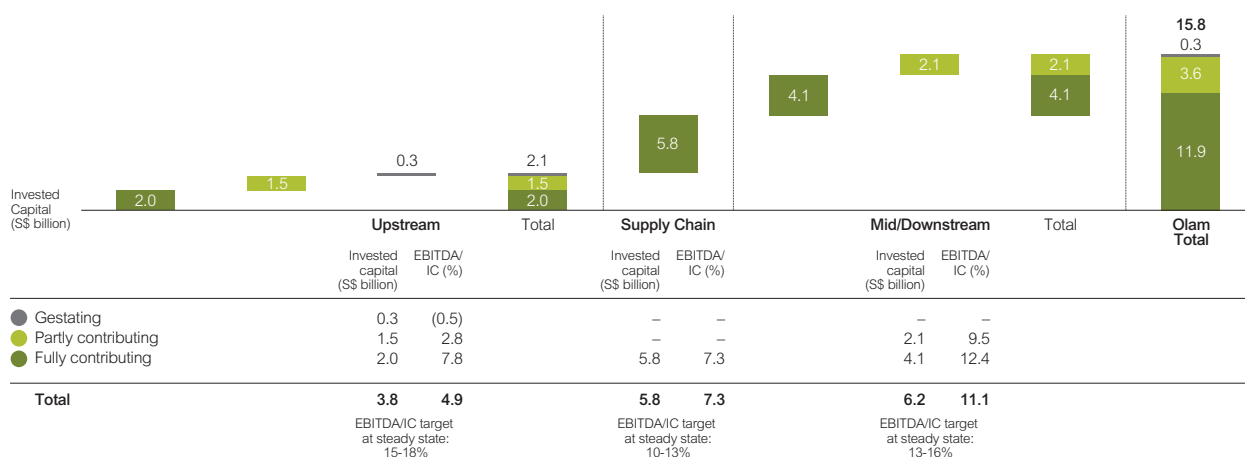
In the Upstream segment, while fully contributing (mature) businesses such as almonds met targeted returns, other fully contributing businesses like Dairy and Rice farming had not yet reached full potential in terms of earnings expectations due to underperformance in previous years, although these had 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

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.

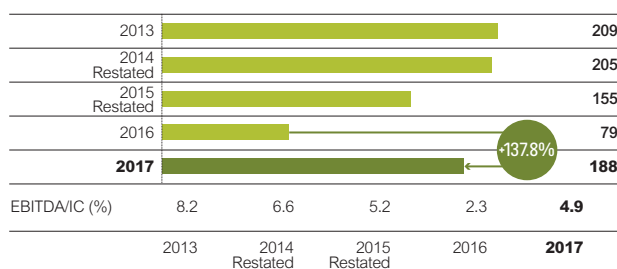
"EBITDA showed a substantial growth of 137.8%."



Rice farm in Nigeria.

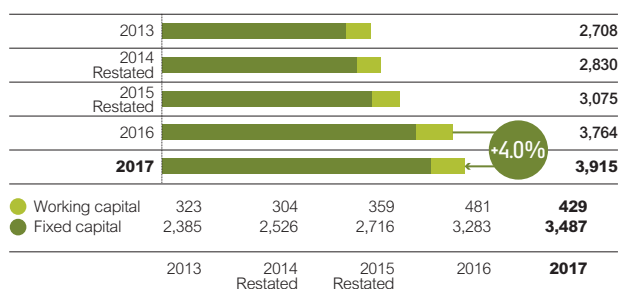
EBITDA

[\$\$ million]



Invested capital

[\$\$ million]





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.

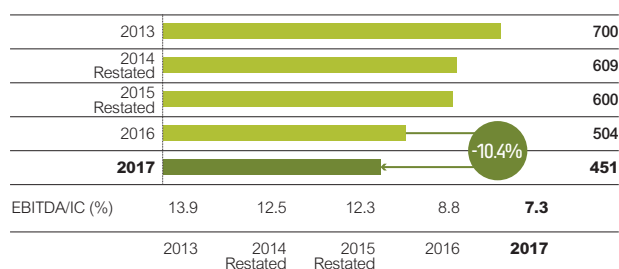
Invested capital in the segment was off 2016 levels by a significant S\$733.7 million due to positive effects from the working capital optimisation programme and lower prices.

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."

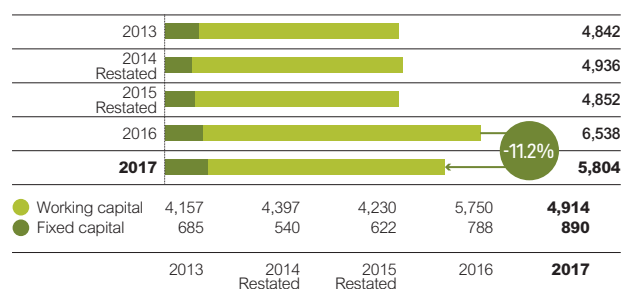
EBITDA

[\$ million]



Invested capital

[\$ 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.

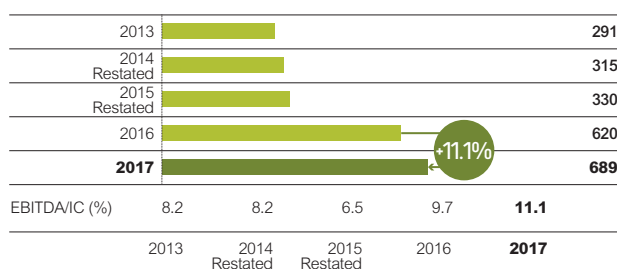
"EBITDA was higher by 11.1% in 2017 compared with 2016."



Cashew processing in Vietnam.

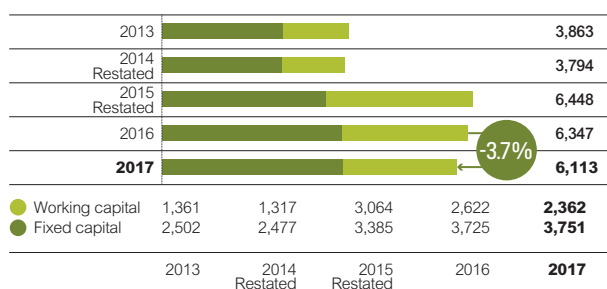
EBITDA

[\$ million]



Invested capital

[\$ 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 occurred 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 MATS¹ 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 <ul style="list-style-type: none"> 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). Reduce LTIFR in Olam-managed plantations, concessions and farms by 50% from baseline determined in 2016.	LTIFR (YTD) was reduced to 0.31 at the Tier 1 plants, which is a 26% reduction. Primary focus in 2017 continued to be in Olam-managed plantations, concessions and farms. Recalculated baseline based on business change.	Ahead of target 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, MATS¹ and HR material areas – Livelihoods, Food Security and Nutrition, and Labour²
- 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.	<p>363,000 farmers have benefited from livelihood support through the OLC.</p> <p>11,800 villagers in palm and rubber Social Contracts, and or benefitting from employment.</p> <p>2,600 farmers under GRAINE programme in Gabon active in crop production.</p> <p>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.</p> <p>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).</p>	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.	<p>Reached 250,000 people in Africa:</p> <p>63,202 direct beneficiaries (e.g. HIV/AIDS sensitisation, diagnosis and testing = 20,900 people; malaria sensitisation and screening = 24,300)</p> <p>Indirect beneficiaries due to construction / renovation of borehole and latrine facilities in communities in Africa.</p>	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 globally².

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 stewardship³.

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 CO₂e per metric tonne (MT) of product produced from Olam-managed concessions, plantations and farms	21% increase
0.21 tonnes CO₂e 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 resources at a landscape level avoiding societal risks.

Approach overall

- Pursue 2020 CR&S goals for identified material areas under Natural Capital: Climate Change, Land, Water¹
- 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.

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

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

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 record¹ 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.



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

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

Intellectual Capital

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 Progida 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	

Manufactured Capital continued

- 4 cargo vessels are now chartered by Olam Chartering under a Joint Venture company called Stamford Panasia¹. 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.

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

1. 49% Olam

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.

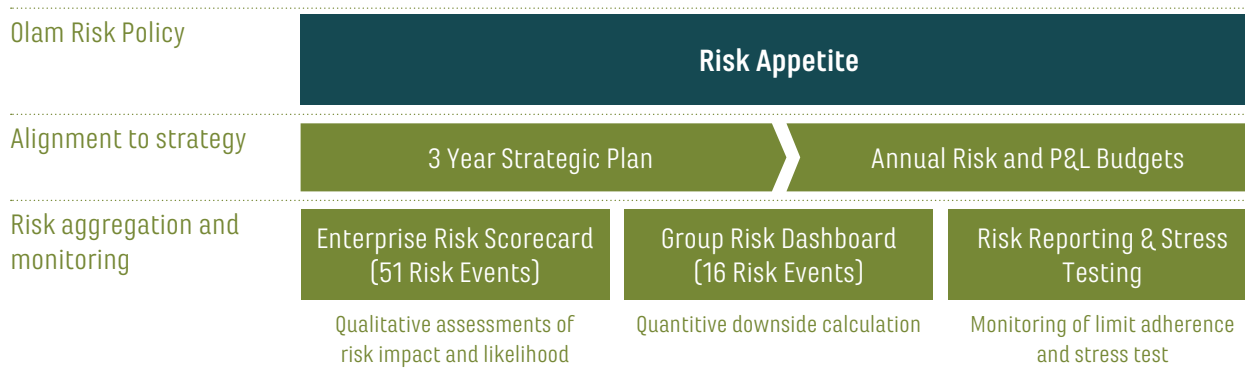
The process identifies risks from a top-down strategic perspective and a bottom-up business perspective. Overall responsibility to monitor and assess risk lies with Olam's independent risk function (Risk Office).

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



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: <ul style="list-style-type: none"> Price Risk Basis Risk Structure Risk Arbitrage Risk Derivative Risk Liquidity Risk Operational Risks: <ul style="list-style-type: none"> Credit Risk Counterparty Risk Currency Risks Transactional Currency Risk Political and Sovereign Risks: <ul style="list-style-type: none"> Duty, Tariff and Export/Import Ban Asset Nationalisation Risk Selective Discrimination Risk Forced Abandonment Risk Terrorism/Kidnapping Risk Regulatory Risks: <ul style="list-style-type: none"> Market Compliance Risk Natural Perils Risks: <ul style="list-style-type: none"> Fire Risk Flood Risk Earthquake Risk Hurricane/Typhoon/Storm Risk 	Operational Risks: <ul style="list-style-type: none"> Stock Risk Quality Risk Fraud Risk Systems and Controls Failure Risk Regulatory Risks: <ul style="list-style-type: none"> Bribery/Corruption Risk Other Regulatory Risk Transfer Pricing Risk Taxation Risk Cybersecurity and Other Risks: <ul style="list-style-type: none"> Cybersecurity Risk IT Risk 	Operational Risks: <ul style="list-style-type: none"> Project Execution Risk Asset Utilisation Risk Capital Structure and Financing Risks: <ul style="list-style-type: none"> Interest Rate Risk Funding Liquidity/ Margin Call Risk Credit Metrics Risk Activist Investor Risk Short Seller Attack Risk Currency Risks: <ul style="list-style-type: none"> Translational Currency Risk 	Reputational Risks: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> Weather Risk Pests and Diseases Risk Agronomy/GAP (Good Agricultural Practices) Risk 	Other Risks: <ul style="list-style-type: none"> 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 (CFS). 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.

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