Re-imagining Olam
Offering tomorrow’s products and services

Strategy Report
Olam International Limited
Annual Report 2018
About this report

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

Governance Report
This section 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.

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Navigating the Strategy Report

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

Our Capitals
- Financial
- Manufactured
- Human
- Social
- Natural
- Intellectual
- Intangible

Front cover image:
At Olam Spices’ Innovation and Quality Centre in Fresno, California, USA, Hein Tran creates innovative recipes for customers using our high quality spice ingredients.
Our Vision
To be the most differentiated and valuable global food and agri-business (by 2040)

Our Governing Objective
To maximise long-term intrinsic value for our continuing shareholders

Our Purpose
Re-imagining Global Agriculture and Food Systems
How we win

Our success has and always will come from innovating our business model ‘The Olam Way’.

We have built deep industry expertise, distinctive capabilities and differentiated our business sufficiently to ensure profitable growth.

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

Where we operate

Farming and plantations
Selective upstream
- Perennial tree crops
- Broad acre row crops
- Forest concessions
- Dairy farming

Supply chain

Selective mid/downstream
- Global origination and sourcing
- Primary processing
- Inland and marine logistics
- Merchandising
- Trading
- Value-added solutions and services
- Risk management

Processing and ingredients

Selective mid/downstream
- Value-added manufacturing
- Branding and distribution (Africa)
As set out in our refreshed Strategic Plan, by 2024 we will be a global food and agri-business that delivers food, feed and fibre along with innovative solutions to our customers.

This supports our customers’ growing need for sustainable and transparent supply chains with a clear focus on tomorrow’s consumer preferences.
Our financial and performance highlights

Volume

Sales volume by segment
('000 metric tonnes)

32,867.6
(2017: 22,534.6)

Edible Nuts and Spices
5.1%
1,690.5

Confectionery and Beverage Ingredients
5.6%
1,836.3

Food Staples and Packaged Foods
82.5%
27,104.3

Industrial Raw Materials, Infrastructure and Logistics
6.8%
2,236.5

Sourcing volume by region ('000 metric tonnes)

Americas
37.8%

Asia, Australia and Middle East
22.0%

Africa
10.6%

Europe
29.6%
Revenue

Revenue by segment

(S$ million)

- Confectionery and Beverage Ingredients: 23.4% (7,129.8)
- Food Staples and Packaged Foods: 47.6% (14,506.3)
- Edible Nuts and Spices: 14.1% (4,312.0)
- Industrial Raw Materials, Infrastructure and Logistics: 14.9% (4,530.9)

Sales revenue by region (S$ million)

- Asia, Australia and Middle East: 43.0% (30,479.0)
- Americas: 16.9%
- Europe: 24.7%
- Africa: 15.4%

(2017: 26,272.5)
Our financial and performance highlights continued

Invested Capital and EBITDA

By business segment

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Invested Capital (S$ million)</th>
<th>EBITDA (S$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edible Nuts and Spices</td>
<td>3,069.9</td>
<td>-133.9</td>
</tr>
<tr>
<td>Confectionery and Beverage Ingredients</td>
<td>4,935.1</td>
<td>444.0</td>
</tr>
<tr>
<td>Food Staples and Packaged Foods</td>
<td>4,577.9</td>
<td>288.8</td>
</tr>
<tr>
<td>Industrial Raw Materials, Infrastructure and Logistics</td>
<td>1,571.7</td>
<td>176.2</td>
</tr>
<tr>
<td>Commodity Financial Services</td>
<td>117.6</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Total</td>
<td>14,812.2</td>
<td>1,235.8</td>
</tr>
</tbody>
</table>

By value chain segment

<table>
<thead>
<tr>
<th>Value Chain Segment</th>
<th>Invested Capital (S$ million)</th>
<th>EBITDA (S$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upstream</td>
<td>4,061.2</td>
<td>148.0</td>
</tr>
<tr>
<td>Midstream and downstream</td>
<td>5,151.3</td>
<td>405.2</td>
</tr>
<tr>
<td>Total</td>
<td>5,599.7</td>
<td>682.6</td>
</tr>
<tr>
<td>Total</td>
<td>14,812.2</td>
<td>1,235.8</td>
</tr>
</tbody>
</table>
### Profit and Loss Statement

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume ('000 Metric Tonnes)</td>
<td>32,867.6</td>
<td>22,534.6</td>
<td>45.9</td>
</tr>
<tr>
<td>Sales Revenue</td>
<td>30,479.0</td>
<td>26,272.5</td>
<td>16.0</td>
</tr>
<tr>
<td>Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) *</td>
<td>1,235.8</td>
<td>1,327.9</td>
<td>(6.9)</td>
</tr>
<tr>
<td>Earnings Before Interest and Tax (EBIT) *</td>
<td>843.0</td>
<td>947.2</td>
<td>(11.0)</td>
</tr>
<tr>
<td>Profit Before Tax *</td>
<td>375.4</td>
<td>630.8</td>
<td>(40.5)</td>
</tr>
<tr>
<td>Profit After Tax and Minority Interest</td>
<td>347.8</td>
<td>580.7</td>
<td>(40.1)</td>
</tr>
<tr>
<td>Operational Profit After Tax and Minority Interest *</td>
<td>346.6</td>
<td>431.5</td>
<td>(19.7)</td>
</tr>
</tbody>
</table>

### Per Share

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Per Share basic (cents)</td>
<td>9.2</td>
<td>18.6</td>
<td>(50.5)</td>
</tr>
<tr>
<td>Operational Earnings Per Share basic (cents) *</td>
<td>9.2</td>
<td>13.3</td>
<td>(30.8)</td>
</tr>
<tr>
<td>Net Asset Value Per Share (cents)</td>
<td>193.4</td>
<td>200.1</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Net Dividend Per Share (cents) ^</td>
<td>7.5</td>
<td>7.5</td>
<td>-</td>
</tr>
</tbody>
</table>

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>23,446.8</td>
<td>22,298.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Total Invested Capital</td>
<td>14,812.2</td>
<td>15,832.4</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Total Debt</td>
<td>11,268.2</td>
<td>11,587.9</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>2,480.4</td>
<td>1,986.4</td>
<td>24.9</td>
</tr>
<tr>
<td>Shareholders' Equity</td>
<td>6,325.4</td>
<td>6,443.6</td>
<td>(1.8)</td>
</tr>
</tbody>
</table>

### Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow Before Interest and Tax</td>
<td>1,154.7</td>
<td>1,369.2</td>
<td>(15.7)</td>
</tr>
<tr>
<td>Net Operating Cash Flow After Changes in Working Capital and Tax</td>
<td>2,085.3</td>
<td>2,203.9</td>
<td>(5.4)</td>
</tr>
<tr>
<td>Free Cash Flow to Firm</td>
<td>1,530.4</td>
<td>1,484.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Free Cash Flow to Equity</td>
<td>1,066.3</td>
<td>1,020.4</td>
<td>4.5</td>
</tr>
</tbody>
</table>

### Ratios

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Debt to Equity (times) **</td>
<td>1.32</td>
<td>1.46</td>
<td>(0.14)</td>
</tr>
<tr>
<td>Net Debt to Equity (times) adjusted for liquid assets **</td>
<td>0.29</td>
<td>0.51</td>
<td>(0.22)</td>
</tr>
<tr>
<td>Return on Beginning-of-period Equity (%) ^ ^</td>
<td>5.3</td>
<td>10.8</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Return on Average Equity (%) ^</td>
<td>5.3</td>
<td>10.1</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Return on Invested Capital (%)</td>
<td>4.5</td>
<td>5.4</td>
<td>(0.9)</td>
</tr>
<tr>
<td>EBITDA on Average Invested Capital (%)</td>
<td>8.1</td>
<td>8.2</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Interest Coverage (times) *</td>
<td>1.7</td>
<td>2.2</td>
<td>(0.5)</td>
</tr>
</tbody>
</table>

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* Excludes exceptional items  
* Excludes impact of capital securities distribution on net income and capital securities on equity  
^ Proposed final dividend of 4.0 cents is subject to shareholders' approval at the 24th Annual General Meeting.  
** Before Fair Value Adjustment Reserves  
^ ^ Excludes impact of capital securities distribution on net income and capital securities on equity
Our financial and performance highlights continued

Sales Volume ('000 metric tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014 Restated</th>
<th>2015 Restated</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>14,021.9</td>
<td>12,506.7</td>
<td>14,415.8</td>
<td>22,534.6</td>
<td>32,867.6</td>
<td></td>
</tr>
</tbody>
</table>

Sales Revenue (S$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014 Restated</th>
<th>2015 Restated</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>19,771.9</td>
<td>19,052.6</td>
<td>20,587.0</td>
<td>28,272.5</td>
<td>30,478.0</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2014 Restated</th>
<th>2015 Restated</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,129.0</td>
<td>1,085.2</td>
<td>1,202.8</td>
<td>1,327.9</td>
<td>1,235.8</td>
<td></td>
</tr>
</tbody>
</table>

Profit After Tax and Minority Interest (S$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014 Restated</th>
<th>2015 Restated</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>597.2</td>
<td>351.3</td>
<td>580.7</td>
<td>347.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Invested Capital (S$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014 Restated</th>
<th>2015 Restated</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>11,560.7</td>
<td>14,374.7</td>
<td>16,649.0</td>
<td>15,832.4</td>
<td>14,812.2</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2014 Restated</th>
<th>2015 Restated</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>294.3</td>
<td>295.6</td>
<td>363.8</td>
<td>431.5</td>
<td>346.6</td>
<td></td>
</tr>
</tbody>
</table>

Olam International Limited Annual Report 2018

- Edible Nuts and Spices
- Confectionery and Beverage Ingredients
- Food Staples and Packaged Foods
- Industrial Raw Materials, Infrastructure and Logistics
- Commodity Financial Services
Earnings Per Share (cents)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>11.5</td>
<td>11.0</td>
<td>11.5</td>
<td>13.3</td>
<td>9.2</td>
</tr>
<tr>
<td>Operational</td>
<td>24.0</td>
<td>15.2</td>
<td>18.5</td>
<td>19.5</td>
<td>16.3</td>
</tr>
</tbody>
</table>

Return On Equity**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning</td>
<td>7.8</td>
<td>6.8</td>
<td>6.7</td>
<td>7.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Of-period</td>
<td>(3.2)</td>
<td>6.4</td>
<td>7.7</td>
<td>7.7</td>
<td></td>
</tr>
</tbody>
</table>

Net Asset Value Per Share (cents)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restated</td>
<td>167.3</td>
<td>179.7</td>
<td>190.8</td>
<td>200.1</td>
<td>193.4</td>
</tr>
<tr>
<td>Resated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Shareholders' Equity (S$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restated</td>
<td>4,171.5</td>
<td>5,079.1</td>
<td>5,398.3</td>
<td>6,443.6</td>
<td>8,325.4</td>
</tr>
<tr>
<td>Restated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of Customers**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restated</td>
<td>13,800</td>
<td>16,200</td>
<td>22,900</td>
<td>22,000</td>
<td>19,800</td>
</tr>
<tr>
<td>Restated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Top 25 Customers’ Share of Total Sales Revenue (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restated</td>
<td>23.0</td>
<td>17.0</td>
<td>13.0</td>
<td>15.1</td>
<td>22.7</td>
</tr>
<tr>
<td>Restated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Excludes impact of capital securities on net income and capital securities on equity

**Figures for 2014 (restated) are computed based on 30 June year-end basis.
As a key player and leader in sourcing raw materials and transforming them to deliver food, feed and fibre to the world, Olam has laid the foundations that will balance near-term returns with long-term sustainable growth.
The Board worked closely with Management over the past year to review and finalise the latest Plan, launched in January 2019 with the Board’s full endorsement and confidence. The Company has identified 12 prioritised platforms poised for higher growth and will invest US$3.5 billion to consolidate their leadership positions over these next 6 years. This will enable Olam to achieve its 2024 ambition of becoming a global food and agri-business that delivers food, feed and fibre while meeting customer demand for sustainable and transparent supply chains, and innovative solutions that satisfy their consumers.

During the review process, we took the hard but necessary decision to deprioritise some businesses no longer aligned with our strategic priorities. Olam will therefore look to responsibly divest or sell down our stakes in four businesses, namely Rubber, Sugar, Wood Products, Fertiliser, and other assets to recycle US$1.6 billion in cash to fund growth.

Based on the strategic priorities this Plan has identified, Olam will now seek to maximise value for continuing shareholders. The Company will appoint financial advisors to explore and propose various options within the boundaries of the new Plan to unlock intrinsic value within Olam’s portfolio. This exercise is expected to be completed by Q4 2019.

**Sustainability**

Olam will continue to keep sustainability at the heart of the business. As befitting the Company’s holistic approach to sustainability, Olam launched the Living Landscapes Policy last year, which aims to create ‘net-positive’ impact towards the creation and restoration of natural and social capital. The launch of Olam AtSource was a major milestone – a comprehensive sustainable sourcing solution for traceability and on-the-ground impact, unrivalled in the agri-business space and proof that sustainability can be a major commercial differentiator.

Indeed, the Company’s various actions on sustainability continued to receive accolades in the year. A sustainability-linked club loan facility – the first such facility in Asia – won the Best Loan in Singapore in The Asset’s Triple A Country Awards. Olam also took home the Best Sustainability Report for Established Reporters award at the Singapore Sustainability Reporting Awards 2018.

**Governance**

The Board has engaged regularly with both Management and stakeholders for more informed decision making and enhanced business performance. Members of the Board visited Vietnam last September as Olam Vietnam celebrated its 20th anniversary of operations there. During the visit, the Board met with regional and country management and employees on various aspects of Olam’s core businesses and strategy in Vietnam, the fastest growing economy in Southeast Asia. The visit brought to life for the Board how Olam Vietnam has mirrored the Group’s and the country’s growth over the past 20 years to become a leading producer, processor and exporter of various commodities by fostering a close partnership with farmers. I also visited Gabon, Nigeria and USA operations with the One Olam ethos clearly visible from one continent to the other.

This culture has been essential to Olam’s success, reinforced by the Company’s values. However, every company needs to consistently reinforce ethical standards of conduct and throughout 2018 there was continued focus on Anti-Bribery and Corruption and Sanctions training.

**Board Changes**

In July 2018, Ms Rachel Eng stepped down as Non-Executive and Independent Director to pursue a new career and to focus on her responsibilities. In November 2018, Mr Mitsumasa Icho retired from the Board as aligned to his changing responsibilities within Mitsubishi Corporation.

I wish to thank Ms Eng and Mr Icho on behalf of the Board for their steadfast stewardship and contribution to Olam. I would also like to welcome Mr Kazuo Ito as Non-Executive Director, who was nominated by Mitsubishi Corporation to succeed Mr Icho. The Board at Olam now comprises 10 members, more than half of whom are independent.

**Acknowledgements**

On behalf of the Board, I would like to thank all of Olam’s 74,500-strong team around the world for their dedication to doing things ‘The Olam Way’. It is their drive, talent and hard work that will allow our Company to transcend boundaries (the meaning of ‘Olam’) and achieve the vision of becoming the most differentiated and valuable global food and agri-business by 2040.

I would like to also thank our investors for their ongoing trust and support. With this stable base of continuing shareholders, Olam has been able to take a long-term view of the business, balancing near-term returns with sustainable long-term growth. To the many other partners around the world, including loyal customers, farmers we work with and friends in civil society – thank you for your support as we continue to move forward and work in partnership to fulfil our purpose of Re-imagining Global Agriculture and Food Systems.

Lim Ah Doo
Chairman, Non-Executive and Independent Director
Embedding Olam 2.0: Building a Future-Fit Olam

2018 was a pivotal year for Olam marked by 2 key milestones:

Firstly, we made considerable progress in embedding the 6 key imperatives of Olam 2.0, our refreshed business model that forms the basis for the way we organise, lead, compete and grow in the market place.

Secondly, we developed a new Strategic Plan for the 6 year period (2019 to 2024), split into two 3-year cycles. This plan has helped us make clear choices on ‘where to play’ and ‘how to win’. Our new strategy is on trend and involves a much greater focus on rapidly evolving consumer preferences for health and nutrition, clean labelling, authenticity, supply chain visibility and traceability, and sustainability – all of which are driving a greater pre-disposition on the part of consumers towards products that are ‘Right-for-me’, ‘Right-for-the-planet’, and ‘Right-for-people/producers’.

Both these initiatives will make Olam Future-Fit and enable us to navigate the opportunities and challenges in our industry.

Sunny Verghese
Co-Founder and Group CEO
2018 – how far we have come

In November 2019, we will celebrate Olam’s 30th anniversary. Over the course of these 3 decades, we have become a leading company operating in the food and agri sector, with a unique portfolio, distinctive footprint and differentiated capabilities.

We are proud to be known for sustainable agricultural production, origination and supply chain management of specialty, often niche agri-commodities and ingredients, having significantly grown our own upstream and midstream assets, while our direct and indirect network of 4.8 million farmers has given us a global edge.

Today, we are a ‘Purpose-led company’, focused on Re-imagining Global Agriculture and Food Systems. Our Purpose requires us to figure out ways of how we can help produce more food, feed and fibre to meet the demands of a growing population using significantly fewer resources.

2018 Financial Performance

The year in review was another turbulent and volatile year for the global economy and for the food and agri-industry. Unremitting uncertainty across the board resulted in tougher than expected market conditions. Unpredictability in the geopolitical sphere with protracted US-China trade tensions, depressed commodity prices, a rising interest rate environment, ongoing currency volatility in some countries and unpredictable climatic patterns all contributed to creating these headwinds.

While these factors did impact our financial performance, our results were quite resilient under the circumstances.

Although we achieved continued top line growth with clear volume and revenue increase, allowing us to build relevant scale, our 2018 bottom line performance was below expectations, particularly in the second half of the year. Nevertheless, prudent management of our balance sheet, strong positive Free Cash Flow generation and improved net gearing, have positioned us well to embark on our refreshed 2019-2024 Strategy.

The lower financial performance in 2018 should also be viewed against a particularly strong showing in 2017, which also included significant one-off gains. In 2018, we grew our revenue and volumes by 16.0% and 45.9% respectively as we strengthened our leadership positions in many of our Business Units by delivering profitable growth. While our EBITDA was lower by 6.9% as improved performance from Cocoa, Packaged Foods and Wood Products was offset by lower contribution from Peanuts, Coffee, Rice and Dairy businesses, our operational discipline allowed us to maintain EBITDA/IC returns at 8.1%.

The lower EBITDA resulted in a decrease in Operational PATMI (PATMI excluding exceptional items) of 19.7%. Reported PATMI declined 40.1% versus the prior year, as 2017 PATMI included significant exceptional gains of S$149.2 million.

Our continued profitability and strong free cash flow generation enabled us to recommend a final dividend of 4.0 cents per share, maintaining a total dividend of 7.5 cents per share for 2018.

Our targeted focus on capital optimisation and cash generation resulted in strong positive Free Cash Flow to Firm (FCFF) of S$1.5 billion and Free Cash Flow to Equity (FCFE) of $1.1 billion. We also strengthened our balance sheet by reducing net debt by S$813.7 million and gearing to 1.32 times.

We continued to balance short and long-term growth imperatives by investing in our prioritised businesses while exiting non-core and deprioritised businesses and related assets. Acquisition highlights in the year included taking a 30.0% stake in Vietnam’s second largest cashew processor, Long Son. Divestments that released cash for reinvestment included our SIFCA joint venture in Africa and PT ACE in Indonesia.

So, as we look back on our 2018 performance, we can be proud of our achievements despite the challenges we faced.

We are also proud of the progress we made in driving our refreshed business model, Olam 2.0. We focused on embedding 6 priorities that will help us to stay ahead, and achieve our governing objective of maximising long-term intrinsic value for our continuing shareholders.
we have come
2018 – how far
Group CEO review continued
Olam International Limited Annual Report 2018
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Free Cash Flow generation and improved net
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The year in review was another turbulent and volatile
2018 Financial Performance
feed and fibre to meet the demands of a growing
ways of how we can help produce more food,
Systems
Today, we are a ‘Purpose-led company’, focused
global edge.
midstream assets, while our direct and indirect
significantly grown our own upstream and
We are proud to be known for sustainable
differentiated capabilities.
the food and agri sector, with a unique
become a leading company operating in
Olam’s 30th anniversary. Over the
In November 2019, we will celebrate
. Our Purpose requires us to figure out
1. Greenhouse gas
We focused on embedding 6 priorities that will
challenges we faced.
Cash for reinvestment included our SIFCA joint
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from Peanuts, Coffee, Rice and Dairy businesses,
Wood Products was offset by lower contribution
united 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, etc.), Intangible Capital
(brand, reputation, know-how etc.), Human Capital
(motivation and engagement of employees, attraction
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).
Understanding and impacting value across both financial
and non-financial Capitals is even more important today,
particularly in a world where businesses must meet
the increasing expectations of stakeholders. They
expect us to be Purpose-led, a force for good, an
agent of change, and a company that puts social and
environmental issues at the centre of our strategy,
and not as a separate sustainability or CSR initiative.
In 2017, in our first Integrated Annual Report, we began
reporting against all 6 non-financial Capitals described
above. This has helped us understand both the financial
capital we derive as a company, the strategic assets
that we are building by investing in these capitals
which will in turn build future value, and the value
we create for all our stakeholders. This approach and
measurement proved to be useful internally while also
helping external stakeholders to better understand
our business.
Our shareholders – a diversified,
supportive shareholder group with
long-term investment horizon

Embedding Olam 2.0 –
progress to date on the
6 priorities

1
Focus on drivers of long-term value
As I outlined in my CEO Review in the 2017 Annual
Report, we believe that to create value over the
long-term, it is clear that we 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, etc.), Intangible Capital
(brand, reputation, know-how etc.), Human Capital
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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).

Olam 2.0 priorities: summary
achievements

1
The development of a pioneering Integrated
Impact Statement to help us focus on a
broader set of drivers of long-term value
beyond Financial Capital

2
Putting sustainability at the heart of our
business by embedding our new Purpose
through the Re-imagineers programme; the
launch of Olam AtSource, a differentiated
customer proposition; as well as securing
Asia’s first sustainability-linked club loan
(US$500 million)

3
Focusing on driving Operational
Excellence across the company; these
efforts have helped us develop and track
‘metrics-that-matter’, achieve significant
cost savings and working capital efficiencies
along with improved business controls

4
Leading the sector’s digital disruption.
with up to 40,000 farmers and micro-
collectors benefiting from ‘Olam Direct’,
our digital origination model. The digital
transformation of the Company in 2018 has
also yielded strong results in the area of
building end-to-end digital supply chains
for food, feed, and fibre products that we
deliver to our customers

5
Further enhanced our culture, values
and spirit by investing in and embedding
‘Founder’s Mentality’ across the Company

6
Strengthened alignment to strategy
and enhanced coherence across the
organisation through 4 cross-cutting
Communities of Practice (Upstream,
Trading, Customer Engagement &
Founder’s Mentality); and 4 Task
Forces (Sustainability, Digital, Cost
Efficiency, Capital Productivity and
Integrated Reporting)
Despite this progress, our reporting assessments are still focused on measuring outputs, rather than outcomes or impacts. This makes it more difficult to articulate any trade-offs between the various capitals when we evaluate a particular investment choice or capital allocation decision. During the course of the year, the Integrated Impact Statement Task Force (a cross functional team), collectively worked to develop the Integrated Impact Statement (IIS) detailed in pages 108 to 110.

To improve our IIS approach and methodology, we benchmarked against other companies who are also looking at measuring these broader forms of capitals. The 2 main forms of measurement that these companies have undertaken include the ‘Value Added Statement’ (VAS) and Integrated Profit and Loss Statement (IP&L). While these statements are useful in terms of a short-term snapshot, these approaches do not consider their impact and dependencies on the capitals over the long-term.

Our objective is to broaden our focus beyond the short-term flows (e.g. environmental footprint over a year) to the stocks and dependencies on the capitals over the long-term. The ability of organisations to create sustainable value is dependent on nature and society. Through the Integrated Impact Statement, Olam has taken important steps to measure the business’s dependencies and impacts on the Natural, Social and Human Capital upon which future success relies.

Jessica Fries
Executive Chair, The Prince’s Accounting for Sustainability Project (A4S). Established by His Royal Highness, The Prince of Wales

The ability of organisations to create sustainable value is dependent on nature and society. Through the Integrated Impact Statement, Olam has taken important steps to measure the business’s dependencies and impacts on the Natural, Social and Human Capital upon which future success relies.

2
Putting sustainability at the heart of our business

At Olam, our business strategy and our sustainability strategy is combined into one. In 2017 after extensive internal and external consultations with our key stakeholders, we redefined our Purpose as ‘Re-imagining Global Agriculture: Growing Responsibly’. In 2018, as we refreshed our strategy for the next 6 years, we have re-articulated our Purpose to ‘Re-imagining Global Agriculture and Food Systems’. By this we mean how we, as a company, can help produce more food, feed and fibre with significantly fewer resources, reduce food waste, enhance biodiversity, tackle climate change and transform farmer livelihoods.

In our new CR&S2 Framework (see page 15), we have linked our Purpose to the 3 outcomes we want to generate, the 10 material areas that we will focus on, the impact of each on specific UN SDGs and the various policies and standards that will underpin our actions.

I believe the global Food and Agricultural System is broken. Today, agriculture, forestry and other land use accounts for around 25% of GHG emissions caused by human activities. Agriculture also accounts for 71% of our fresh water withdrawals, while the WWF Living Index cites that “of all the plant, amphibian, reptile, bird and mammal species that have gone extinct since AD 1500, 75% were harmed by overexploitation or agricultural activity or both.” And yet 1 in every 9 people still go to bed hungry every day (821 million people) – a number that has been rising for the past 3 years, while a third of the food that we produce is wasted (valued at just under US$1 trillion). Nearly 2 billion people suffer from micro-nutrient and vitamin deficiencies, and over 1.9 billion people are overweight or obese, with high prevalence of stunting and wasting amongst young children in developing countries – these are all manifestations of this problem. In addition, we do not price in the cost of externalities (the benefits that we derive from nature) incurred in producing our food. I had explained this context in more detail in my review in our last Annual Report.

In 2018 and 2019, a number of milestone reports called for greater urgency in tackling these issues:

- Three reports provided compelling evidence that there is a major difference between 1.5°C and 2°C global warming on climate impact. Once a certain threshold is crossed, feedback loops could push the planet’s climate towards a ‘hothouse earth’ scenario with temperatures potentially rising between 4 to 5°C with a devastating impact on global food security.
Our Sustainability Framework

**Purpose**

Re-imagining Global Agriculture and Food Systems

**Purpose Outcomes**

Prosperous Farmers and Food Systems  
Thriving Communities  
Regeneration of the Living World

<table>
<thead>
<tr>
<th>Material Areas</th>
<th>Economic Opportunity</th>
<th>Safe and Decent Work</th>
<th>Education and Skills</th>
<th>Health and Nutrition</th>
<th>Diversity and Inclusion</th>
<th>Climate Action</th>
<th>Healthy Eco-systems</th>
<th>Healthy Soils</th>
<th>Water</th>
<th>Reduced Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on UN SDGs</td>
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</tbody>
</table>

**Enablers**

<table>
<thead>
<tr>
<th>Policies Standards</th>
<th>Health and Safety</th>
<th>Quality and Food Safety</th>
<th>Labour</th>
<th>Living Landscapes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers</td>
<td>Olam Livelihood Charter</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plantations</td>
<td>Olam Plantations, Concessions and Farms Code</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>Supplier Code</td>
<td></td>
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<tr>
<td>Factories and worksites</td>
<td>QEHS Standards</td>
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</tr>
</tbody>
</table>

- The World Economic Forum’s 2019 Global Risks Report found that environmental risks accounted for 3 of the top 5 risks by likelihood and 4 of the top 5 risks by severity of impact.
- **Warnings on threats to biodiversity, critical for maintaining eco-systems and the world’s food supply.** The FAO report on biodiversity stressed the over-reliance on a few species of flora and fauna with others under threat of extinction: “Less biodiversity means that plants and animals are more vulnerable to pests and diseases...the increasing loss of biodiversity for food and agriculture puts food security and nutrition at risk”. As an industry dependent on insects for pollination, we cannot ignore the dire warning that “At present, a third of all insect species are threatened with extinction”11. Only decisive action can avert a catastrophic collapse of nature’s ecosystems which must include the restoration of wilderness areas and a drastic reduction in the use of pesticides and chemical fertiliser.

- More than 30 world-leading scientists from across the globe under the Eat Lancet Commission reached a scientific consensus to define a healthy diet within the boundaries of a sustainable food system and reverse the rising trend of illness and death rooted in nutrient-poor diets and environmentally unsustainable production systems. The science based targets, for example, dramatically limited animal-based protein for certain populations and recommended a significant reduction in sugar consumption. The launch, therefore, in March 2018 of our Living Landscapes Policy (LLP) could not have been timelier. Implementation of the Policy aims to achieve our 3 Purpose outcomes that support the co-existence of prosperous farmers and thriving communities with regeneration of the living world. We believe the LLP to be a pioneering approach for our sector, applying across products, and covering our plantations and farms, as well as our extensive third-party sourcing network. Developed with multiple stakeholder inputs, it represents a step-change in our ambition to put back more into food and farming systems than is taken out. Read more about this in the Natural Capital section pages 92-100.

1. Established in 2004 to make sustainable decision making business as usual and to scale-up action across the global finance and accounting community.
2. Corporate Responsibility and Sustainability Report.
8. FAO: http://www.fao.org/3/i20599e/i20599e01.htm
9. WHO: https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight
11. Francisco Sanchez-Bayo of the University of Sydney and Kris Wyckhuys of the University of Queensland in Australia.
A key initiative under the LLP was the work by the CR&S team and expert partners to develop a risk-based approach to prioritise action on supply chain deforestation. Many recent efforts by the private sector to address tropical deforestation rely upon retroactive information on tree loss. Our Forest Loss Risk Index (FLRI) approach presents a methodology to shift the focus onto future risk of deforestation, so that action can be taken before trees are lost.

Both the LLP and FLRI will contribute to AtSource (launched in April 2018) – which we believe to be the most comprehensive sustainable sourcing solution on the market for B2B customers. It has the ability to track the environmental and social impact of a single product at each stage of its journey. Putting the extensive structures in place to provide this data has been challenging but generated much Intellectual and Intangible Capital, bringing together teams from across different supply chains to offer customers an ability to improve and secure their supply chains in partnership with Olam, with extremely positive feedback.

Our Re-imagine blueprint

In order to bring our Purpose to life, a major initiative was launched by our Corporate Communications team supported by our Human Resources and Corporate Responsibility & Sustainability Functions when they launched a company-wide Re-imagineers Programme which aims to reach all 38,000 full-time employees with brainstorming workshops on how we can Re-imagine Global Agriculture and Food Systems.

Led by more than 500 Re-imagineer millennials this has kick-started a greater sense of inclusion, inspiration and pride, where even colleagues not involved in sustainability initiatives, such as those in trading, accounting, logistics and other roles, feel they are contributing to front-line improvements for farmers, communities and our planet. All ideas are being curated and assessed to produce our Re-imagine Play Book for launch later this year.

Much more to be done

Despite these achievements, we know we are far from perfect. Indeed, about 10 years ago, we had a Vision to have end-to-end sustainable supply chains by 2020. But now the world has given us a deadline – 2030 when we are all to achieve the 17 UN Sustainable Development Goals.

Our sustainability framework and 10 material areas provide us with our road map but we are still grappling with issues including living versus minimum income, and how to improve human rights in third party supply chains where we have no visibility. Our Supplier Code now covers over 80% of all priority volumes but this is still dependent on the integrity of our suppliers. Our Compliance team is currently working with Business Units and the CR&S Function to strengthen training and auditing.

A recent trip to West Africa produced mixed emotions. We can be proud of the impact of our programmes on farmer livelihoods – around 445,900 smallholders globally are benefiting from programmes to increase yields and income – but remain frustrated that so many are still living in homes with no running water, sanitation, and with malnourished children.

A recent agri-business scorecard was launched by Oxfam1 in which Olam received the highest scores in 4 out of 5 categories amongst our peers. However, although ranked first for the smallholder category, with the Olam Livelihood Charter being acknowledged, our scores were still very low due in part to a lack of indicators on living income and measurement of value going to farmers, especially when prices are so low and the cost of production is high. Our Social Capital section and the Business Review segments in this Report explore Supply Demand dynamics and highlight the many ways we seek to improve farmer incomes. Even though we are already providing a multitude of social, financial and infrastructure services to help communities thrive, we recognise we need to better understand impact and not just report the outputs achieved.


Group CEO review continued
Collaboration and co-creation
We cannot Re-imagine Global Agriculture and Food Systems on our own. We need to co-design and co-create partnerships and approaches to help all farmers become more resilient. Each landscape and supply chain is different and needs a bespoke approach underpinned by our mutually agreed environmental and social aspirations, alongside an understanding of the needs of the farmers. Olam already has over 50 partnerships helping us to achieve this.

“Nothing short of systemic change will help us prepare for the future and sustain the agricultural systems we all rely on. Quite simply, it must be ‘Re-imagined’.”

We also need to galvanise those beyond the food and agri sectors, which is why I began my 2-year term as Chair of the World Business Council for Sustainable Development in January 2018. Action needs to happen at every level:

- Industry needs to change by building coalitions such that each participant in either the food and agri-sector, or the energy sector, or the automobile sector etc. can develop sectoral roadmaps to reduce our environmental footprints.
- Then civil societies, NGOs and the private sector also have to form unusual collaborations to work together to enhance impact, such as the Food and Land Use Coalition which draws on the expertise of a number of core groups and organisations including the EAT Foundation, the World Business Council for Sustainable Development (WBCSD), and the World Resources Institute (WRI).
- We also need scientists and researchers to innovate solutions which are practical and solutions based, that can solve for these intractable problems and I am delighted that the 2018/2019 Olam Food Prize for Innovation in Food Security has attracted more than 40 entries.
- Finally, government and policymakers have to create an enabling environment that will change the behaviour of corporates and individuals through policy interventions including mandatory foot printing disclosure, carbon pricing etc as we have seen in Singapore.

3
Driving Operational Excellence across the company
Over the course of the last 3 decades, the transformation of Olam has been phenomenal: from a small trader, to global supply chain manager, then to one of the world’s largest planters and today a major processor of speciality agri-commodities. We are also providing more value-added services and solutions to our customers. Building Operational Excellence as a core competency is vital to our ability to execute our strategy and deliver consistent performance.

In 2018, we focused on 4 aspects: i) developing metrics-that-matter for each of our profit centres; ii) driving sustained cost efficiency programmes; iii) improving working capital productivity, and iv) strengthening business controls.

We have developed digitally enabled performance dashboards to help review and monitor our businesses. We also developed a revised Risk Appetite Framework covering the boundary conditions and guidelines for each risk category and the constituent risk events. The Group Risk Dashboard and the Enterprise Risk Scorecard are key reports for the Management Team, the Board Risk Committee and the full Board to monitor and track the risks that the company takes and manages in the course of its business. The Integrated Assurance Framework overseen by the Board’s Audit and Compliance Committee has also been very instrumental in further improving the control framework in the company.

Also contributing significantly to Operational Excellence, our Compliance, Internal Audit, IT, Information Security, Legal and Risk functions provide guidance for our businesses and safeguards for our people and operations. New trading and privacy regulations such as MiFID II and the EU’s GDPR were a major focus, as was further strengthening of our Sanctions and Anti Bribery and Corruption (ABC) training – also one of the 10 Principles under the UN Global Compact of which we are a signatory.

The above initiatives have helped us create a sense of urgency and continuous improvement. This helps reduce errors, increases speed, frees up bandwidth, compounds our learning and improves predictability of performance, all of which reduces cost and drives profitable growth.
4

Leading the sector’s digital disruption

In 2018 the digital transformation of the company continued at an accelerated pace across 3 areas – Olam Direct, Olam Inside and Olam Forward.

The initiatives under Olam Direct were focused on 5 projects, namely: i) Digital Procurement; ii) Digital Warehouse; iii) Olam Traceability; iv) Digital Origination; and v) Olam Farmer Information System (OFIS). The objective of the Digital Origination project is to lead the sector’s digital disruption. In 2018, up to 40,000 farmers and micro-collectors benefited from ‘Olam Direct’, our digital origination model. Once we integrate these 5 projects, we would end up digitalising our supply chain end-to-end over time.

In the Olam Inside segment, the 2 initiatives that were digitalised include: i) AtSource (described in the earlier segment); ii) Customer Digital Engagement Portals, an E-Commerce initiative launched in 4 businesses including Edible Nuts, Spices, Cocoa and Coffee. These e-Commerce portals are enabling us to access a new set of small and medium scale customers.

On Olam Forward, we worked on 3 initiatives including: i) Smart Factories; ii) Smart Farms; iii) Smart Supply Chain. The handheld AgriPal and Agri dashboards which are data management tools have helped us in performance data driven decision making in our upstream farming and plantation operations, using drone data, planting, fertiliser usage, weather and climate, production and harvesting information to take better quality farm management decisions. Preventive and predictive maintenance using IoT1 sensors on the motors in our factories is already resulting in considerable cost and efficiency advantages.

5

Enhance our culture, values and spirit

At the heart of our success is our people. We believe we have some of the best talent in our industry with deep insights and expertise in both speciality and mainstream agri-commodities. We are focused on developing our employees to their full potential across every level of the organisation.

We have long been proud of our culture in Olam, cherishing our spirit of entrepreneurialism, rewarding stretch and ambition, and encouraging disruption and innovation to keep us ahead. We were therefore pleased to see engagement scores improve in 2018 compared to 2017. We believe that if we can move our employee population from being satisfied to engaged and inspired, we will see significant improvements in productivity, motivation and ownership. Our Purpose is the primary vehicle through which we expect our employees to become inspired as they see meaning in their work and the difference they can make. The Re-Imagineers programme described earlier to embed our Purpose is critical to this plan.

Retaining our Founder’s Mentality™ spirit is extremely important to build an inspired organisation. In 2018 a dedicated CoP engaged a wide cross-section of our managerial talent pool to assess the state of Founder’s Mentality™ in the company. 96% participated in the survey which was followed up by 112 intensive group discussions spanning all our countries, Business Units, Functions, roles and levels. Based on these surveys and group discussions, 8 focused group discussions were conducted as part of a qualitative survey to do a deep dive on the main themes and key issues that emerged. The summary output of this exercise showed that Olam has a very high score on its insurgency.

1. Internet of Things
There are 3 crucial elements that drive Founder’s Mentality namely: i) Insurgency; ii) Frontline obsession; and iii) Owner mindset.

**Insurgency** is driven by having i) a bold mission; ii) building ‘spikiness’; and iii) having limitless horizons. Olam’s scored in the top quartile on Insurgency with 88% of the employees being inspired by our Purpose and 94% being inspired by our Vision. We also received top quartile scores on ‘spikiness’ or edge, where Olam was regarded to have distinctive world class capabilities.

**Frontline obsession** is driven by: i) having frontline empowerment; ii) willing to do relentless experimentation; and iii) having customer and supplier advocacy. We scored very highly on frontline empowerment with 72% assessing that we hired the right talent for front line roles and they are supported by adequate resources. We also had top quartile scores on relentless experimentation as Olam’s culture encourages risk taking and experimentation. Supplier / farmer advocacy was assessed to be very good, however, only 57% believe that the voice of the customers are represented in our key decisions.

**Owner mindset** is driven by 3 factors: i) having cost and cash focus; ii) having bias for action; and iii) having an aversion to bureaucracy. We scored well on cost and cash focus and received declining scores from the last survey done in 2015 on bias for action and aversion to bureaucracy.

While we are pleased that Founder’s Mentality™ overall in Olam remains strong, based on these insights, we have identified key themes to improve. We have therefore designed specific interventions and developed 18 ‘micro-battles’ to be rolled out with the prototype being deployed during the period March to May 2019. Based on those learnings, we will scale and replicate the model across Olam.

### Strengthening alignment

In 2018, we focused on enhancing organisational coherence across the company through 4 cross-cutting Communities of Practice ‘CoPs’ (on Upstream, Trading, Customer Engagement & Founder’s Mentality) and 4 Task Forces (Sustainability, Digital, Cost Efficiency, Capital Productivity & Integrated Reporting). The various functions in the company (including HR, Finance & Accounts, Treasury, Corporate Tax, Internal Audit, Risk, Market Compliance, Insurance, Manufacturing and Technical Services (MATS), CR&S, Corporate Communications, Legal & Compliance, Investor Relations, Corporate Affairs, Strategic Investments & Business Development, IT, Olam Global Business Services) have all focused in 2018 on partnering the businesses and making the businesses successful.

Our top Management Teams, including the ExCo, OpCo and ManCom², have all improved their effectiveness and aspire to do even better in stewarding the company going forward.
Building towards 2024 and beyond

As part of a regular cadence, every 3 years we review and refresh our strategy, developing a 6 year plan split into two 3-year cycles. In 2018, we therefore undertook a comprehensive review of the business and in January 2019 announced our 2019-2024 Strategic Plan.

The Plan builds on the pivotal role we play in agri value chains – sourcing raw materials from origins across the world, transporting and processing them into speciality agri-products and ingredients for manufacturers, multinational brands, retailers and others. In particular, it has been developed in direct response to a number of rapidly evolving consumer preferences, as well as the technology advances influencing both purchasing behaviour and food and fibre production.

Consumer preferences include increasing demand for healthier and nutritious foods, and a desire for the ‘simplification’ of ingredients and ‘clean labels’ (‘Right-for-Me’); concerns about supply chain provenance, and whether a product is both environmentally and socially sustainable, and an increasing demand for ‘Purpose’ brands (Right-for-the-Planet and Right-for-the-Producer). Meanwhile e-commerce and ‘out-of-home’ eating/drinking is changing the face of ‘How I live and consume’.

Finally, the way food and fibre is being produced is also changing dramatically. From our plantations to our factories, the Internet of Things (IoT) helps achieve a precision in resource use or operational excellence unprecedented in previous years – we now have long wingspan drones at our disposal to map plantations and orchards so we can recognise where to intervene for disease infestation or nutritional deficiency – a process far faster than inspecting trees on foot.

Taken together, these consumer trends and technology advances have a very large impact on our customers, and therefore on our business, our strategy and our business model. They will require us to rethink the way we supply agri products and food ingredients, a ‘Re-Imagining’ of Olam.
Deciding where to play and how to win

Against this backdrop, we therefore needed to answer 2 central questions to develop our strategy: i) where to play; and ii) how to win.

We need to determine which areas of the business we want to prioritise and invest in, and which we want to de-prioritise and exit. This applies to specific businesses as a whole, as well as to SBU leaders, profit centres and related assets within individual businesses.

In addition, we need to decide in which geographies we want to stay invested, as well as in which parts of the value chain we want to invest, and how much. Finally, in terms of where to play, we should also be clear on the proportion of our capital to be allocated to businesses contributing to our bottom line, and to those still gestating.

Based on attractiveness, differentiation, leadership and cost position, execution capability and control over scarce resources and choke points, we have therefore decided to:

- **Remain in 12 strong businesses with leading positions in attractive market segments, with clear differentiation and competitive advantage, and in line with the identified consumer trends.** These include businesses involved in global food ingredients, global agri-supply, Africa packaged foods (the only region where we produce consumer brands), and Africa Infrastructure and logistics. Over the course of the 6 year Plan, this will therefore mean de-prioritising 4 businesses - Sugar, Rubber, Wood Products, Fertilisers and other assets that no longer fit with our strategic priorities. The result is a more focused, streamlined and stronger portfolio.

- **Balance capital allocation with selective integration in the value chain, including a special thrust on midstream and added-value ingredients** (~50% of our Invested Capital allocated to midstream/ingredients in 2024 from the current 38%)

- **Ensure we have a global presence and leadership to serve global customers.**

On the second question, of how to win, we set out 4 strategic pathways and 4 supporting enablers as outlined in the graphic below.

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Achieving our Strategic Plan

4 strategic pathways:
- Strengthen, streamline and focus our portfolio
- Improve margins
- Offer differentiated products/services to existing and new customers, as well expand into new customer channels and segments
- Explore investments in new engines for growth

1. Strengthen, streamline and focus our portfolio

Twelve Business Units out of 16 have been identified as having significant potential for future growth. Over the 6 years we plan to invest US$3.5 billion to enhance our leadership position in these businesses. Out of this US$3.5 billion, US$1 billion will be for maintenance Capex and US$2.5 billion will be new growth Capex.

This refreshed strategy has meant making some tough choices regarding the de-prioritised businesses of Sugar, Rubber, Wood Products, and Fertiliser. While they remain good businesses, which can be seen is this Report, they no longer fit with our strategic priorities. As a result of this process, we expect to release about US$1.6 billion of cash to redeploy in chosen businesses.

However, we will only divest from a position of strength, and in a responsible and orderly manner at the right time, over the next 6 years. Indeed, the pathway to exit might be a partial sell down and then full exit. Until then, we will be supporting these businesses to be in the best possible position and making any transition as smooth as possible.

We will be looking for responsible buyers who will provide effective environmental stewardship, particularly given the concessions in the Republic of Congo and Republic of Gabon. We are also looking to redeploy as many people as possible, as was the case with the Fundamental Fund and the Sugar desk which have already closed.

2. Improve margins

Our aim is to extract maximum value by improving cost competitiveness and optimising capital productivity. Over the course of the Plan, through sustained cost management and One Olam standardisation, we aim to take out ~US$200 million from different costs heads, including overheads and interest costs etc.

Equally, we will optimise capital productivity, reducing our cash to cash cycle, and working capital productivity. In 2018, we reduced this to 76 days from 97 days the previous year.
# Business Unit (BU) Strategies

<table>
<thead>
<tr>
<th>Business Unit (BU) Strategies</th>
<th>Edible Nuts</th>
<th>Edible Oils</th>
<th>Grains and Animal Feed</th>
<th>Infrastructure and Logistics</th>
<th>Cocoa</th>
<th>Dairy</th>
<th>Coffee</th>
<th>Rice</th>
<th>Cotton</th>
<th>Packaged Foods</th>
<th>Spices</th>
<th>Commodity Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maintain global leadership and expand almond and pistachio upstream, ingredients and co-manufacturing business.</td>
<td>Increase yield and cost efficiency in upstream palm oil business and invest selectively in the midstream refining business.</td>
<td>Expand destination processing: flour milling in West Africa, and animal feed operations. Continue to build an asset-light global trading business.</td>
<td>Extract full value from our existing Gabon operations and selectively expand into other markets in Africa.</td>
<td>Continue to grow business as the most integrated cocoa ingredient company providing solutions and innovations to customers worldwide.</td>
<td>Expand dairy farming in Russia. Grow midstream footprint to become a supplier of high quality dairy ingredients.</td>
<td>Maintain global leadership in the green coffee business and further expand the soluble coffee business.</td>
<td>Expand Asian origination and African distribution including branded packaged rice.</td>
<td>Maintain global leadership in the supply chain business while expanding integrated ginning and farming footprint.</td>
<td>Achieve leadership in selected categories in Nigeria and Ghana and expand into adjacent markets in West Africa.</td>
<td>Expand onion, garlic, tropical spices business in major origins. Invest in midstream spice processing to create further value.</td>
<td>Focus on quantitative strategies and embedded Risk Management Solutions (RMS).</td>
</tr>
</tbody>
</table>
3. Offer differentiated products/services in existing and new channels

Critical to our strategic roadmap, this pathway will see us position Olam to capitalise on the emerging consumer and technology trends I have outlined, offering more differentiated products and service solutions to our current and new customers, via existing and new channels. We already have initiatives in play but want to scale across the broad spread of our portfolio. Focus areas include:

- **AtSource:** launched in April 2018, new products and origins will rapidly be coming online.

- **Risk management solutions:** our aim is to extend our ability to offer both suppliers and customers customised risk management solutions, for example by offering a maximum guaranteed price contract – valuable for our customers.

- **Value-added services and offerings:** these extend from offering certified products such as Rainforest Alliance and Organic, while a major focus will be to push further into ingredients manufacturing with customised grades, qualities and formats. We are also investing significantly in product development capabilities, working with our customers to create ingredients and applications for new products and recipes.

Further we are focused on generating revenue via new customer segments/channels through co-manufacturing; food service and e-commerce. Brand owners, for example, are out-sourcing their manufacturing to Olam because they want to focus on brand building, and no longer see the manufacturing process as a core activity. As for food service, we feel we have not even scratched the surface of this huge industry. With specialist teams, we can reach new customers, not only international but small and medium sized too.

And finally e-commerce. Previously, the cost to service medium and small companies was very high. Now with having developed digital engagement channels for Spices, Edible Nuts and Coffee, we are able to serve these customers all over the world and this will be a large part of our growth.

4. Assess new engines for future growth opportunities that align with key consumer trends

With our supply chain reach and competencies, Olam is in a sweet spot of being able to meet all of these evolving consumer trends and needs. So we will have an engine for growth that will develop new opportunities with customers and other partners.

Similarly, at the supplier end, we are looking to get closer to farmers by launching a Farmer Services platform. We already have pilots running, where we create a marketplace platform, connecting our customers to the farmers, as well as the wider agri eco-system. For example, connecting farmers to agri-input partners, fertiliser and seed companies, micro-finance and crop-insurance companies.

All of this will be underpinned by the enablers already identified under Olam 2.0: Operational Excellence, Sustainability, Digital and Leadership and Talent.

**“By 2040 we aim to be a global food and agri-business supporting our customers’ growing need for sustainable and transparent supply chains, with a clear focus on tomorrow’s consumer preferences. In turn, this will help us achieve our Vision of being the most valuable and differentiated agri-business by 2040.”**
Our Goals

We aim to achieve 4 specific goals in this Plan:

- Return on Equity – achieve minimum of 12% and above by 2021
- At least 13% EBITDA on Invested Capital from 2021 onwards
- Free Cash Flow to Equity positive after investments from year 2 of the Plan
- Gearing (defined as Net Debt: Equity) of less than or equal to 2 every year

Maximising value for our shareholders

Having already embarked on the Strategy we are also committed to exploring all options to maximise value for our shareholders. We are in the process of appointing financial advisors to explore various options, for example by organising and repositioning our portfolio so that it is more easily understood by investors and analysts, and unlock the hidden value of the business. This exercise is expected to be completed by Q4 2019.

A collaborative effort

But of course, we can only generate long-term value with the dedication of Olam’s 74,500 strong team worldwide. 2018 was not an easy year and yet our people have remained resilient, engaged and focused, with much discretionary effort. I also want to call out the teams in the businesses that have been de-prioritised – their continuing hard work and motivation to succeed is recognised and we reiterate that we will be supporting them over this Plan horizon for the best possible outcome.

I thank our shareholders for their continuing support and endorsement of our refreshed Strategy. I also thank our Board for their counsel, with particular thanks to Ms Rachel Eng and Mr Mitsumasa Icho who have stepped down from the Board – their expertise has helped us to become the company we are today. At the same time we welcome Mr Kazuo Ito as Non-Executive Director, as nominated by Mitsubishi Corporation.

As we embark on this new Strategy, there are many challenges in our sector but there are also huge opportunities for those companies willing and able to re-position themselves and respond ahead of the curve to this rapidly changing landscape. We will offer a unique combination to our customers, a huge portfolio and network of upstream and supply chain sourcing, coupled with food and fibre manufacturing to the highest food safety and quality standards.

Truly a global food and agri-business. Together with our many partners, from customers to capital providers, NGOs to government agencies – who also all deserve our extended thanks - we have a bright and re-imagined future ahead of us.

Sunny Verghese
Co-Founder and Group CEO
Our business model

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

<table>
<thead>
<tr>
<th>What we do</th>
<th>What sets us apart</th>
<th>Our businesses</th>
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</table>
| Farming and plantations                 | 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. | Edible Nuts and Spices                                                                           |
| Selective upstream                      |                                                                                                                                                                                                                   | Confectionery and Beverage Ingredients                                                            |
| e.g. almonds, black pepper and palm oil |                                                                                                                                                                                                                   | Food Staples and Packaged Foods                                                                   |
| Supply chain                            | The breadth and depth of our origins and our closeness to farmgate: in 30 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. | Industrial Raw Materials, Infrastructure and Logistics                                              |
| e.g. cashew, cotton, garlic and rice    |                                                                                                                                                                                                                   | Commodity Financial Services                                                                      |
| Processing and ingredients             | We have invested in processing facilities around the world that are close to source and close to customers, supported 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. | e.g. almonds, black pepper and palm oil                                                             |
| Selective mid/downstream               |                                                                                                                                                                                                                   | Confectionery and Beverage Ingredients                                                            |
| e.g. cocoa powders, tomato pastes and fortified biscuits |                                                                                                                                                                                                                   | Food Staples and Packaged Foods                                                                   |
|                                                                                       |                                                                                                                                                                                                                   | Industrial Raw Materials, Infrastructure and Logistics                                              |
|                                                                                       |                                                                                                                                                                                                                   | Commodity Financial Services                                                                      |
The value we are creating long-term

**Financial Capital**
An enduring business where profits and Purpose are aligned, delivering strong returns for shareholders.

**S$5.3B**
tangible book value

*see page 40*

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

**397,000**
hours of training for employees

*see page 80*

**Natural Capital**
A regenerated living world that is able to support the needs of the future within Planetary Boundaries.

**599,000**
hectares protected

*see page 92*

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

**50+**
sustainability programme partners

*see page 104*

1. Includes forestry, palm, almonds, coffee and other plantation/farming operations

**Manufactured Capital**
Safe products from safe environments.

**S$852.8M**
total gross cash capex

*see page 76*

**Social Capital**
Sustainable supplies for customers from prosperous farmers boosting rural economies.

**445,900**
smallholders supported

*see page 85*

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

**AtSource**
pioneering sustainability solution

*see page 101*
Key trends driving our strategy

1. Right-for-me

Olam spices up ingredients with natural flavours

“Spices are punching above their weight. Americans and Europeans are embracing heat and unusual flavour combinations.

Take ‘sweet heat’ Mexican hot chocolate made with cinnamon and guajillo pepper, a lightly spiced chilli that accentuates the cinnamon without overwhelming it. We’re even seeing spice perk up more traditional meals like breakfast, such as jam infused with cayenne or spiced maple syrups, even garlic.

Authenticity is valued especially in ethnic street food dishes – with such a broad and integrated sourcing portfolio we can offer ‘deep indigenous spices’ – the high spice level found at the heart of countries of origin.

But ‘authentic’ spices can come with manufacturing challenges. The R&D team responded to customer requests for a more palatable high-heat chilli pepper ingredient for sauces by reducing the heat measurement of Scorpion chillies from 1 million to 50,000 Scoville Heat Units. The milder blend ensures better heat consistency and customers no longer have to wear respiratory equipment during the handling process!

Then you have customers looking for innovation. Plant proteins like pea are growing in popularity but they often have flavours that may need some masking and would benefit from some onions, garlic and cumin.

Also the reduction and replacement of sugar with spices versus artificial sweeteners is very much on-trend. The sugar content in rich and sweet Thousand Island Dressing can be reduced by substituting red pepper purée for the chilli sauce and ketchup.

As for colour, we have such a vibrant natural palette to choose from – which can be sold with a ‘clean label’. With plant-based proteins, like a cashew cheese, colouring with turmeric and paprika can bring it closer to the dairy-based equivalent which attracts the consumer.

And with ownership or active engagement from the Olam Spices team at every stage of the supply chain, our integrated involvement helps to ensure comprehensive food safety and integrity for our many customers.”

Jill Houk is corporate research and development chef for Olam Spices, and has written books including The Essential Dehydrator and The Complete Soda Making Book
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Key trends driving our strategy

2. Right-for-the-planet

Global consumption of nuts needs to double

Edible Nuts were already an exciting category to be in before we even read the report from the Eat Lancet Commission* earlier this year.

The authors are looking to set the first scientific targets for a healthy diet that can be grown within the earth’s available resources given they are already under so much pressure: “Transformation to healthy diets by 2050 will require substantial dietary shifts. Global consumption of fruits, vegetables, nuts and legumes will have to double”. And this is on the back of tree nuts consumption growing around 60% between 2006 and 2016 according to INC**.

The major drivers? Firstly, a continuing recognition of the health benefits by consumers – almonds are relatively well known, but take hazelnuts, they are a source of vitamin E, manganese, copper, omega-6 and antioxidants. Secondly, manufacturers are innovating with exciting ingredient formats – from snacking to low glycaemic cereal bars, butters to milks – almond milk is now joined by cashew milk. Consumers are also increasingly willing to pay a premium for nuts with a low environmental and high social impact.

Olam is unique in being able to offer the largest variety of nuts from all major origins, all-year-round and backed by extensive farmer and worker livelihood programmes as we have in Turkey for hazelnuts under Olam Progida and cashew. The Cashew team can offer traceability right from the Raw Cashew Nut farms to the shelf and are the largest supplier of Organic and Fairtrade. We also provide extensive processing capabilities, turning raw nuts into customised ingredient formats using advanced technologies to keep the flavour and nutritional values intact. Our new almond blanching and ingredients facility in Vietnam is hitting quality, yield and efficiency targets. In the USA, our Peanuts team is producing peanut pastes, granulated ingredients and dry roasted peanuts from a unique configuration of shelling, blanching and manufacturing assets. As for walnuts, we offer hand cracked walnut halves from both northern and southern hemispheres for that year round supply, then they are processed and packed in modified air packaging to ensure they get to our customers without losing quality.

Within the portfolio, we have edible seeds, last year adding ‘super foods’ chia and quinoa. Sesame is also processed in Turkey under Olam Progida.

Truly, with our portfolio, we have a strong opportunity to give consumers what they want: products Right-for-the-Planet, Right-for-the Producer and Right-for-Me.

Ufuk Özongun, Country Head
Turkey, and co-founder of Progida Hazelnut Processing Company acquired by Olam in 2011. He is a board member of the Istanbul Hazelnut Exporters Association

*Eat Lancet Commission
**INC

Olam International Limited Annual Report 2018
Key trends driving our strategy

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Read more: COO Review, Edible Nuts and Spices on page 54
Read more: Olamgroup.com/products/edible-nuts.html

Notes:
* https://eatforum.org/eat-lancet-commission/
** International Nut and Dried Fruit Council

Olam Edible Nuts: Largest variety, all-year-round

9 nuts and superfood varieties

19,000 HA of orchards operated

75,440 smallholders receiving sustainability support

30 manufacturing plants

300+ years in leadership team industry experience

Read more: COO Review, Edible Nuts and Spices on page 54
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Key trends driving our strategy

3. Right-for-the-producer

Increasing farmer resilience

Cocoa has been a part of who I am since my first job in a cocoa processing factory over 35 years ago. I’ve come to know cocoa farmers across every continent and lead the development of a business in my native country with the largest procurement network for sustainable cocoa.

Côte d’Ivoire accounts for over 40% of world cocoa bean production. The trees are grown by around a million smallholder cocoa farmers, on tiny farms, where running water and electricity are luxuries. Deforestation is a major issue facing the industry but it’s inherently bound up with poverty as farmers encroach to grow more. We must ensure that we tackle both together – to source cocoa that is both Right-for-the-Producer and Right-for-the-Planet.

We are therefore focused on 3 key areas:

Sustainable production and farmer livelihoods – we have many long-standing programmes across the world but technology today is driving greater impact potential. As part of our goal to achieve 100% traceable cocoa volumes from our global, direct origination supply chain by 2020, we have scaled up our range of digital mapping tools. By recording data like labour and agricultural practices, as well as farm size and distance to infrastructure, we can issue farmers with tailored Farm Development Plans, delivering advice based on data about their farm – something they just never had.

Forest protection and restoration – this includes helping to preserve and rehabilitate 460,000 ha of classified forest here in Côte d’Ivoire.

Social inclusion and community engagement – such as partnerships to improve access to education for children.

We also shouldn’t under-estimate the importance of investing in processing in countries where cocoa is grown. Our year-round presence on the ground and our processing facilities give farmers visible market access. Having managed cocoa processing facilities in Europe, I’m pleased to now be closer to the farmers.

From our ultra-modern factories in Abidjan and San Pedro, we produce single origin cocoa cake, cocoa masses and cocoa butters under our Unicaco brand. These ingredients, with their distinctive West African flavour, become part of recipes worldwide. And this journey is one that we can now map for customers across multiple sustainability metrics for more informed interventions – Côte d’Ivoire being the first cocoa origin on AtSource.
Key trends driving our strategy

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Arouna Coulibaly, Director General
Cocoa & Coffee
OUTSPAN, OCP Olam
Cocoa, Côte d’Ivoire

Olam Cocoa: Creating a sustainable cocoa supply

#1 originator of cocoa beans and leading processor of cocoa ingredients

650,000 cocoa farmers in global sourcing network

228,000+ cocoa farmers in sustainability programmes

11 cocoa processing facilities worldwide

6 cocoa and chocolate ingredient brands (deZaan, Macao, Joanes, Britannia, Unicao and Huysman)

Read more: COO Review, Confectionery and Beverage Ingredients, page 60
Key trends driving our strategy

4. How I live and consume

Coffee: The story behind every cup

As a native Colombian, coffee runs through my veins. And that’s before I start my job each day looking for the most outstanding Colombian coffee to sell to our discerning customers. Our Colombian portfolio includes regional and own brands from our famous Dulima profile to exotic and complex varieties like Geisha, which find their way into homes, cafés and restaurants around the world. In fact, the trend for specialty coffee is driving out of home consumption with an emphasis on experience. In 2017, 46%* of coffee in the USA was consumed outside the home while 59% of all coffee consumed by North Americans is specialty.

Brands and coffee shop roasters are therefore looking to Olam to cater to multiple consumer demands, but this can impact cost and earnings variability. So Olam’s Big Data Analytics team employs algorithms to analyse both historical purchase data and social media posts on trending coffee flavours. We can then respond quicker to shifts in buying behaviour as well as recommend alternate grades or aromas.

Specialty Coffee is also characterised by the direct relationships with the farmers that grow the crop – offering a story behind every cup, bringing the origin closer to consumers. With more people drinking coffee that comes at a higher price premium, the credit extends beyond the barrister, to the roaster and producer too.

This was exactly the rationale behind the initiative ‘Tip the Farmer’, launched last year in partnership with ELAN RDC, Bean There Coffee Co., and Motherland Coffee Co. Tips, payable at the till or online, allow coffee drinkers to recognise the role of the farmers behind their cup. For the smallholder farmers in Democratic Republic of Congo and Burundi, it provides a necessary financial boost, with the aim of increasing their revenue and funding better education, agronomy and community developments.

Our coffee customers will be able to track the impact of social programmes like this, as well as the environmental footprint of their products, through Olam’s new sustainable sourcing solution AtSource. We are proud that coffee from Brazil and Vietnam, are 2 of the first supply chains available on AtSource. Colombia will come online soon!

* Specialty Coffee Association (SCA)
Key trends driving our strategy

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---

Olam Coffee: Connecting roasters to the finest green coffee

20
sourcing origins with direct presence

56,000
farmers receiving sustainability support

4
single estate plantations certified by Rainforest Alliance/UTZ and 4C (Brazil, Laos, Tanzania and Zambia)

2
major instant coffee processing plants (Spain and Vietnam)

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Read more: COO Review, Confectionery and Beverage Ingredients, page 60
Read more: https://www.olamgroup.com/products/confectionery-beverage-ingredients/coffee.html
5. How it’s produced

Precision palm production

The past year marked key progress on our palm plantations in Gabon since we first began our development 7 years ago. Olam Palm Gabon has become the first RSPO certified new planting producer of palm oil in Africa. We anticipate our certified volumes will double in the year ahead as more trees reach maturity. At the same time, we are focused on implementing practices to optimise productivity.

The scale of opportunity brought by advances in digital and big data, mean that we can respond to variables more accurately and more swiftly by adopting precision agriculture practices that improve yields, make best use of resources and reduce impacts. Digital apps and dashboards enhance worker productivity and provide timely management intervention.

From automated weather stations located across the plantations, we linked up climatic forecast data with a tensiometer system on a 126-hectare drip irrigated trial plot, and this prescribes exactly the right amount of water and nutrition for the trees giving us an impressive 89% improvement in yield.

Meanwhile, our trial of a mechanised spraying and fertiliser application has seen a 3-fold and 14-fold increase in productivity and uniformity respectively. We are now aiming to reach more than 10,000 ha by end-2019.

Access to aerial imagery via drones has been a game changer – we are seeing the benefits of this technology on our almond orchards, as well as on our palm plantations. Our GIS team monitors crop health, as well as our protected High Conservation Value areas (HCV) of forest and savannah – about the size of Singapore – and can alert our 64-strong HCV team in Gabon to control illegal activity. The drones are also monitoring the integrity of riparian buffer in the conservation area – critical for securing clean water resources for all users and creating corridors for wildlife.

These innovations and best practices are shared via our global Plantations Community of Practice – with almonds, black pepper, palm, rice, coffee and rubber all learning from each other. This Community’s ambition is to see Olam become the ‘world’s best planter’ – it drives our every move, getting more crop from less land and essentially re-imagining agriculture for the better.
Olam Palm Gabon: Sustainable plantations

1st certified new planting producer in Africa

55,385 HA
RSPO certified to date

31,500 MT
of certified sustainable palm oil in 2018

2 palm oil mills, 1 kernel crushing plant, 3 refineries, 1 processing unit

72,000 HA
protected as High Conservation Value areas

Read more: COO Review, Food Staples and Packaged Foods, page 64.
Notes
1. Olam Palm Gabon is a joint venture with the Republic of Gabon (RoG), 60:40 Olam:RoG
2. RSPO: Roundtable on Sustainable Palm Oil
Olam Direct is a disruptive digital initiative of Olam which is challenging the status quo. Through digital tools, Olam is disintermediating complex agriculture supply chains by directly reaching smallholder farmers. In Indonesia, where there are over 80 collection centres and over 800 micro collectors, Olam Direct reached up to 40,000 farmers in 2018. Here, an Olam farmer lead is receiving cocoa at Banjar Negeri collection centre in Pesawaran, Lampung, Indonesia, through digital scales which capture data directly on the Olam Direct mobile phone app for greater reliability.
Delivering value through the Capitals

This is our second integrated Annual Report using the Financial and Non-Financial Capitals approach through which we aim to communicate to our stakeholders the full range of factors materially affecting our ability to create value over time, and our stewardship of those factors. In doing so, we aim to show how we recognise the connectivity and interdependencies between the Capitals, and the importance of integrated Capitals thinking to minimise negative trade-offs which may affect our business and stakeholders in the near or long-term.

We have accordingly aligned our Human, Social and Natural Capital reporting with the 10 Material Areas under our Sustainability Framework which seeks to deliver the 3 outcomes of our Purpose to Re-imagine Global Agriculture and Food Systems. In turn, these Material Areas are aligned to the UN Sustainable Development Goals to which companies are increasingly being asked to demonstrate their contribution (see page 15).

This section begins with our Financial Capital creation – the COO review of 2018. Please also refer to our Financial Statements Report with comment from our CFO, Muthukumar N.

Our Capitals

Financial
page 40
The value we derive for our shareholders and the investments we make

Manufactured
page 86
The equipment, tools and infrastructure to serve our customers safely, consistently and efficiently

Human
page 80
The talent, skills, dedication and inspiration of our workforce, and our responsibility to keep them safe

Social
page 85
The relationships we forge and nurture with suppliers as well as communities where we operate

Natural
page 92
The land, water, biodiversity and other ecosystem services for crops to grow

Intellectual
page 101
The knowledge and IP that we create and use to keep us ahead

Intangible
page 104
The trust in our brand and our reputation which helps establish multiple stakeholder partnerships
Stronger balance sheet and cash flow position

We have grown our volumes and revenues, whilst managing our balance sheet very prudently. Our continued working capital optimisation initiatives, along with disciplined and targeted capital expenditure, while executing on planned divestments, have enabled us to deliver significant free cash flow to equity of S$1.1 billion and improve net gearing to 1.32 times.

A. Shekhar
Executive Director and Group COO
Our financial performance in 2018 was below our expectations and was lower as compared with our strong financial and operating performance in 2017. This was amid tough market conditions, particularly in the second half.

PATMI in 2018 declined 40.1% to S$347.8 million primarily due to the S$149.2 million one-off exceptional income we recorded in 2017 on the sale of 50.0% stake in our sugar refinery business in Indonesia, as well as the sale of farmland assets in the USA. On an Operational PATMI basis without the exceptional income, we were at S$346.6 million, down 19.7% from 2017.

In terms of volume, we grew 45.9% year-on-year from 22.5 million tonnes to nearly 33 million tonnes in 2018 with most of this growth coming from Food Staples and Packaged Foods segment, particularly from Grains trading volumes.

Our Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) declined 6.9% to S$1.2 billion in 2018 as improved performance from Cocoa, Packaged Foods and Wood Products was offset by lower contribution from Peanuts, Coffee, Rice and Dairy businesses. Segment wise, all but the Confectionery and Beverage Ingredients segment posted lower EBITDA in 2018 compared with the prior year. A review of the segmental performance is on pages 54 to 75.

### Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (‘000 MT)</td>
<td>32,867.6</td>
<td>22,534.6</td>
<td>45.9</td>
</tr>
<tr>
<td>Revenue</td>
<td>30,479.0</td>
<td>26,272.5</td>
<td>16.0</td>
</tr>
<tr>
<td>Net gain/(loss) in fair value of biological assets</td>
<td>61.3</td>
<td>(15.3)</td>
<td>n.m.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,235.8</td>
<td>1,327.9</td>
<td>(6.9)</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>(392.8)</td>
<td>(380.7)</td>
<td>3.2</td>
</tr>
<tr>
<td>Net Finance costs</td>
<td>(468.8)</td>
<td>(465.6)</td>
<td>0.7</td>
</tr>
<tr>
<td>Taxation</td>
<td>(52.3)</td>
<td>(79.2)</td>
<td>(34.0)</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>1.2</td>
<td>149.2</td>
<td>(99.2)</td>
</tr>
<tr>
<td>PAT</td>
<td>323.1</td>
<td>551.6</td>
<td>(41.4)</td>
</tr>
<tr>
<td>PATMI</td>
<td>347.8</td>
<td>580.7</td>
<td>(40.1)</td>
</tr>
<tr>
<td>Operational PATMI</td>
<td>346.6</td>
<td>431.5</td>
<td>(19.7)</td>
</tr>
</tbody>
</table>
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Known for its blue packaging, richness of milk, unique biscuit design and great taste, Perk Milk Shortcake has become a household name with Ghanaians.
Cash flow analysis

In 2018, our total assets of S$17.7 billion comprised S$8.3 billion of fixed assets, S$6.4 billion of working capital and S$2.5 billion of cash. These were funded by S$6.7 billion of equity, S$4.8 billion of short-term debt and S$6.5 billion of long-term debt.

Compared with 2017, our overall balance sheet shrank by S$476.6 million with a reduction in both fixed capital and working capital. As explained, our working capital came down substantially on continued optimisation initiatives which, along with the change in product mix as we did more bulk volumes with shorter cash-to-cash cycles and improved access to supplier credit, led to our overall working capital cycle reducing from 97 days a year ago to 76 days in 2018.

Balance sheet analysis

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Free cash flow to firm (FCFF) 1,530.4
Free cash flow to equity (FCFE) 1,066.3

Net operating cash flow for 2018 was a healthy S$2.1 billion. We incurred a lower gross capital expenditure (Capex) of S$852.8 million in 2018 compared with S$970.6 million in 2017. Net Capex after disposals and divestments amounted to S$417.0 million in 2018, a reduction from the previous year by S$220.4 million. This led to an improvement in Free Cash Flow to Firm (FCFF) and Free Cash Flow to Equity (FCFE) of S$1.5 billion and S$1.1 billion respectively.
Cash flow analysis

<table>
<thead>
<tr>
<th>S$ million</th>
<th>2018</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash flow (before Interest &amp; Tax)</td>
<td>1,154.7</td>
<td>1,369.2</td>
<td>(214.5)</td>
</tr>
<tr>
<td>Changes in Working Capital</td>
<td>930.6</td>
<td>834.7</td>
<td>95.9</td>
</tr>
<tr>
<td>Net Operating Cash Flow</td>
<td>2,085.3</td>
<td>2,203.9</td>
<td>(118.6)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(137.9)</td>
<td>(82.1)</td>
<td>(55.8)</td>
</tr>
<tr>
<td>Capex / Investments</td>
<td>(417.0)</td>
<td>(637.4)</td>
<td>220.4</td>
</tr>
<tr>
<td>Free cash flow to firm (FCFF)</td>
<td>1,530.4</td>
<td>1,484.4</td>
<td>46.0</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(464.1)</td>
<td>(464.0)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Free cash flow to equity (FCFE)</td>
<td>1,066.3</td>
<td>1,020.4</td>
<td>45.9</td>
</tr>
</tbody>
</table>

Uses of funds (S$ millions)

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed capital</td>
<td>18,208.9</td>
</tr>
<tr>
<td>Working capital</td>
<td>8,349.3</td>
</tr>
<tr>
<td>Cash</td>
<td>8,633.2</td>
</tr>
<tr>
<td>Others</td>
<td>526.2</td>
</tr>
</tbody>
</table>

Source of funds (S$ millions)

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>6,491.1</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>4,777.1</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>138.7</td>
</tr>
<tr>
<td>Equity &amp; reserves</td>
<td>6,652.9</td>
</tr>
<tr>
<td>Fair value reserve</td>
<td>(327.5)</td>
</tr>
<tr>
<td>Adjusted net debt</td>
<td>6,927.7</td>
</tr>
</tbody>
</table>
| Net operating cash flow for 2018 was a healthy S$2.1 billion. We incurred a lower gross capital expenditure (Capex) of S$852.8 million in 2018 compared with S$970.6 million in 2017. Net Capex after disposals and divestments amounted to S$417.0 million in 2018, a reduction from the previous year by S$220.4 million. This led to an improvement in Free Cash Flow to Firm (FCFF) and Free Cash Flow to Equity (FCFE) of S$1.5 billion and S$1.1 billion respectively.

Balance sheet analysis

In 2018, our total assets of S$17.7 billion comprised S$8.3 billion of fixed assets, S$6.4 billion of working capital and S$2.5 billion of cash. These were funded by S$6.7 billion of equity, S$4.8 billion of short-term debt and S$6.5 billion of long-term debt.

Compared with 2017, our overall balance sheet shrunk by S$476.6 million with a reduction in both fixed capital and working capital. As explained, our working capital came down substantially on continued optimisation initiatives which, along with the change in product mix as we did more bulk volumes with shorter cash-to-cash cycles and improved access to supplier credit, led to our overall working capital cycle reducing from 97 days a year ago to 76 days in 2018.

Compared with a year ago, net debt came down by S$813.7 million with a significantly lower working capital, reduced gross Capex as well as cash release from divestments. Our net gearing improved to 1.32 times by the end of 2018. Adjusting for readily marketable inventories and secured receivables, our net gearing would be a very healthy 0.29 times compared with 0.51 times in 2017.

Liquidity

We remain comfortable in our liquidity position at S$19.0 billion as at end-2018 including unutilised bank lines of S$9.7 billion, which means a headroom of almost S$7.8 billion over and above our borrowings to meet our repayment and Capex obligations.

Reduced net debt, gearing

<table>
<thead>
<tr>
<th>S$ million</th>
<th>2018</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross debt</td>
<td>11,268.2</td>
<td>11,587.9</td>
<td>(319.7)</td>
</tr>
<tr>
<td>Less: Cash</td>
<td>2,480.4</td>
<td>1,986.4</td>
<td>494.0</td>
</tr>
<tr>
<td>Net debt</td>
<td>8,787.8</td>
<td>9,601.5</td>
<td>(813.7)</td>
</tr>
<tr>
<td>Less: Readily marketable inventory</td>
<td>4,754.1</td>
<td>4,539.6</td>
<td>214.5</td>
</tr>
<tr>
<td>Less: Secured receivables</td>
<td>2,103.5</td>
<td>1,714.8</td>
<td>388.7</td>
</tr>
<tr>
<td>Adjusted net debt</td>
<td>1,930.2</td>
<td>3,347.1</td>
<td>(1,416.9)</td>
</tr>
<tr>
<td>Equity (before Fair Value Adjustment Reserves)</td>
<td>6,652.9</td>
<td>6,574.4</td>
<td>78.5</td>
</tr>
<tr>
<td>Net debt / Equity (Basic)</td>
<td>1.32</td>
<td>1.46</td>
<td>(0.14)</td>
</tr>
<tr>
<td>Net debt / Equity (Adjusted)</td>
<td>0.29</td>
<td>0.51</td>
<td>(0.22)</td>
</tr>
</tbody>
</table>

In India our Olam Spices team works with over 1,000 chilli farmers to ensure a traceable supply chain, while also providing training on Good Agricultural Practices.

Our Vietnam cashew processing facilities have shortened process times, minimised control points and incorporated precision grading and sorting. Delivering consistent quality cashews, customised grades and ingredients, as well as kosher and organic certified varieties.
Refinancing and diversifying sources of funds

We kept net finance costs flat at S$468.8 million in 2018 (2017: S$465.6 million) as lower net debt and higher finance income reduced the impact from higher interest rates even as benchmark rates increased.

We continued to refinance our loans at favourable market conditions and diversify our sources of funding. A notable achievement during the year was our breakthrough, innovative US$500.0 million sustainability-linked revolving credit facility – the first of its kind in Asia – that was supported by 15 banks. Unlike a syndicated loan where there is usually a lead bank which structures and arranges the financing, in this club loan format, we self-arranged the 15 participating banks and work in collaboration with them on achieving pre-set sustainability targets. Under this facility, Olam is committed to meet improvement targets for a comprehensive range of environmental, social and governance (ESG) metrics, as assessed by Sustainalytics, a global leader in ESG and corporate governance research and ratings. The metrics are tested on an annual basis and if the pre-set improvement targets are achieved, the interest rate on the facility will be subsequently reduced.

We hope to continue to secure a larger share of our financing from such sustainable channels, while continuing to ensure we remain on target to cover 25.0% to 35.0% of working capital needs through medium and long term sources of funds.

Refinancing in 2018

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Tenor</th>
<th>Effective Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 March</td>
<td>US$500.0 million sustainability-linked RCF</td>
<td>3-year due 2019</td>
<td>–</td>
</tr>
<tr>
<td>28 March</td>
<td>US$83.0 million term loan</td>
<td>5-year due 2023</td>
<td></td>
</tr>
<tr>
<td></td>
<td>US$80.0 million term loan</td>
<td>7-year due 2025</td>
<td></td>
</tr>
<tr>
<td>19 July</td>
<td>US$100.0 million notes</td>
<td>5-year due 2023</td>
<td>4.35%</td>
</tr>
<tr>
<td>20 September</td>
<td>JPY20.7 billion (US$183.0 million) term loan</td>
<td>3-year due 2021</td>
<td></td>
</tr>
<tr>
<td></td>
<td>JPY9.3 billion (US$82.0 million) term loan</td>
<td>5-year due 2023</td>
<td></td>
</tr>
<tr>
<td>28 September</td>
<td>US$570.0 million RCF</td>
<td>1-year due 2019</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>US$427.5 million RCF</td>
<td>2-year due 2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>US$427.5 million RCF</td>
<td>3-year due 2021</td>
<td></td>
</tr>
</tbody>
</table>

Borrowing mix1

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilateral banking lines</td>
<td>11.3</td>
<td>33.6</td>
</tr>
<tr>
<td>Bank syndication</td>
<td>50.4</td>
<td>28.7</td>
</tr>
<tr>
<td>Debt capital markets</td>
<td>38.3</td>
<td>37.7</td>
</tr>
</tbody>
</table>

1. Excludes capital securities
Strategic Plan update

During the year, we completed the last leg of our 2016-2018 Strategic Plan and executed the following initiatives, which were mainly targeted investments to strengthen our market positions, as well as divestments to release cash:

• Acquired a 30.0% stake in Vietnam’s second largest cashew processor Long Son Joint Stock Company for US$20.0 million. The transaction allows us to meet customers’ growing requirements for supply of sustainable and traceable cashews across all grades.

• Sold entire 50.0% interest in Nauvu Investments to Wilmar International for US$148.0 million.

• Sold wholly owned subsidiary PT ACE Dalle Kokoa Manufaktur, a company incorporated in Indonesia which held land as primary asset, to PT Mega Khatulistiwa Propertindo for US$14.0 million.

• Acquired 100.0% interest in Inversiones Andinas J&V S.A.C (Andinas) for US$3.5 million. Based in Peru, Andinas is involved in origination, processing, packaging and marketing of quinoa and chia, adding new adjacent products to our Edible Nuts portfolio.

• Announced our intention to acquire 60.0% interest in Cotontchad SN, a state-owned company with exclusive rights to procure, process and sell Chadian cotton and by-products, for US$16.5 million. Currently, this transaction is subject to completion of conditions precedent as per the agreement.

• Acquired 100.0% interest in Ruyat Oil Limited (Ruyat) for US$4.4 million. Ruyat is incorporated in Nigeria with principal activities in sourcing of crude vegetable oil, refining and marketing of refined, bleached and deodorised olein.

Post our announcement of our 2019-2024 Strategic Plan (see pages 20 to 25 for details) in early 2019, we disposed of our entire 51.0% shareholding in Collymogle Ginning Pty Ltd (CGPL) through our subsidiary Queensland Cotton Corporation Pty Ltd (QCC) in Australia, to PJ & PM Harris Pty Ltd (Harris) following an exercise of option for approximately A$4.1 million. (QCC had in 2014 sold down its shareholding in CGPL from 100.0% to 51.0% to Harris.)

Through wholly owned subsidiary Olam Argentina S.A., we also divested of our entire 100.0% equity interest in Olam Alimentos S.A., the company which had been involved in peanut shelling and blanching, to Adecoagro, for US$10.0 million.

We recently acquired 85.0% equity interest in YTS Holdings Pte Ltd, which owns 100.0% of Indonesia’s largest cocoa processor PT Bumitangerang Mesindotama (BT Cocoa), from its founding members, Piter Jasman and family, for US$90.0 million. This will expand our processing platform in Asia and enhance our product offering in the region.

These transactions are in line with the new Strategic Plan by divesting select businesses and redeploying capital into proven and high potential growth businesses, such as our peanut shelling, blanching and ingredients business in the USA, integrated Cotton ginning in Africa and the Cocoa ingredients business.

“During 2018, we executed targeted investments to strengthen our market positions, as well as divestments to release cash.”
Value chain review and analysis

### Overview

<table>
<thead>
<tr>
<th></th>
<th>Sales Volume (‘000 MT)</th>
<th>Revenue</th>
<th>EBITDA</th>
<th>Invested Capital (IC)</th>
<th>EBITDA/IC (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upstream</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>755.2</td>
<td>584.6</td>
<td>1,780.3</td>
<td>1,707.2</td>
<td>148.0</td>
</tr>
<tr>
<td><strong>Supply Chain</strong></td>
<td></td>
<td>27,827.9</td>
<td>17,089.3</td>
<td>19,475.8</td>
<td>15,208.7</td>
</tr>
<tr>
<td><strong>Mid / Downstream</strong></td>
<td></td>
<td>4,284.5</td>
<td>4,860.7</td>
<td>9,222.9</td>
<td>9,356.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32,867.6</td>
<td>22,534.6</td>
<td>30,479.0</td>
<td>26,272.5</td>
<td>1,235.8</td>
</tr>
</tbody>
</table>

**Note:**
IC excludes:
(a) Gabon Fertiliser Project (2018: $S245.4 million, 2017: $S248.0 million); and
(b) Long Term Investment (2018: $S135.8 million, 2017: $S257.5 million)

Of the total Invested Capital of $S14.8 billion in 2018, $S2.5 billion was either gestating or partly contributing, which implies that these investments are expected to achieve incremental earnings over time as they grow to full potential.

In terms of value chain activity, $S5.6 billion or 37.8% was invested in the Mid/Downstream segment of the value chain. This compares with Upstream at $S4.0 billion or 27.4% of total Invested Capital and Supply Chain at $S5.2 billion or 34.8%, clearly reflecting that the largest part of our investments is in the Mid/Downstream segment of the value chain.

Gestation mix

<table>
<thead>
<tr>
<th>Invested Capital ($S billion)</th>
<th>Upstream</th>
<th>Total</th>
<th>Supply Chain</th>
<th>Mid/Downstream</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gestating</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Partly contributing</td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Fully contributing</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>4.0</td>
<td>3.7</td>
<td>5.2</td>
<td>7.4</td>
<td>5.6</td>
</tr>
</tbody>
</table>

This falls in line with our new Strategic Plan of focusing our growth on the midstream processing and ingredients businesses over the next 6 years even as we continue to balance out the capital that is allocated across the Upstream, Supply Chain and Mid/Downstream segments. We expect capital invested in this segment to increase from the current 37.8% to around 50.0% by 2024.
**Upstream**

The Upstream segment registered a year-on-year volume growth of 29.2% in 2018. This came mainly from higher volumes in Rice and Dairy farming in Nigeria and Russia respectively, as well as the increase in partially yielding acreage in palm plantations in Gabon. Revenue grew by 4.3% in 2018 on higher volumes.

However, EBITDA fell by 21.4% on lower contribution from peanut farming in Argentina, dairy farming operations in Uruguay, as well as the increased period costs incurred on our partially yielding palm plantations in Gabon, partly offset by better performance in Wood Products from its forestry concessions in the Republic of Congo.

Invested Capital in the segment rose by S$145.8 million from the end of last year, mainly due to the increase in fixed capital with continued investments in the palm plantations. As a result, EBITDA/IC declined from 4.9% in 2017 to 3.7% in 2018.

Of the S$4.0 billion of Invested Capital in Upstream, about S$2.2 billion was partially contributing or gestating. The S$300 million of gestating assets were mainly our rubber plantations in Gabon, which are expected to come into production by 2022.

Olam Palm Gabon, a Joint Venture partnership with the Republic of Gabon, is committed to sustainable palm oil production and sourcing, establishing a traceable and transparent palm supply chain.
Supply Chain

The Supply Chain segment recorded a 62.8% volume increase in 2018, driven mainly by the significant increase in trading volumes in Grains compared with 2017. Revenue was up 28.1% on higher volumes, moderated by lower commodity prices.

EBITDA, however, declined 10.1% largely due to the reduced contribution from Coffee, Rice and Dairy supply chain businesses.

Invested Capital in the segment reduced by a further S$652.5 million in 2018 compared with 2017. This was due to positive impact from the working capital optimisation programme, the change in product mix and better access to supplier credit. EBITDA/IC was steady at 7.4% in 2018 (2017: 7.3%).

In Australia, we procure our grain directly from farmers. These grains are traded from our Melbourne office and sold into various Asian and Pacific destinations.
The Supply Chain segment recorded a 62.8% volume increase in 2018, driven mainly by the significant increase in trading volumes in Grains compared with 2017. Revenue was up 28.1% on higher volumes, moderated by lower commodity prices.

EBITDA, however, declined 10.1% largely due to the reduced contribution from Coffee, Rice and Dairy supply chain businesses.

Invested Capital in the segment reduced by a further S$652.5 million in 2018 compared with 2017. This was due to positive impact from the working capital optimisation programme, the change in product mix and better access to supplier credit. EBITDA/IC was steady at 7.4% in 2018 (2017: 7.3%).

**Mid/Downstream**

The Mid/Downstream segment saw volumes decline by 11.9% in 2018. This was primarily caused by the normalisation of Cocoa volumes as well as lower peanut shelling volumes in the USA. Revenues were down by only 1.4% as the increase in selling prices of products, such as cocoa ingredients and tomatoes, compensated for the impact of reduced volumes.

The segment held up its EBITDA performance in 2018 as higher contribution from Cocoa, Soluble Coffee, Spices and Packaged Foods was offset by a lower share of results from PT DUS and GSEZ, and reduced contribution from peanut processing, Edible Oils and the Animal Feed business.

Invested Capital was down from 2017 levels by S$513.5 million in 2018, largely arising from the reduction in working capital due to inventory optimisation initiatives for Cocoa and wheat milling. With the reduction in Invested Capital, EBITDA/IC improved from 11.1% in 2017 to 11.7% in 2018.

Filling glass jars with soluble coffee at the SEDA Villamuriel packaging plant in Palencia, Spain.
### Segmental review and analysis

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales Volume (’000 MT)</th>
<th>Revenue</th>
<th>EBITDA</th>
<th>Invested Capital (IC)</th>
<th>EBITDA/IC (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edible Nuts and Spices</td>
<td>1,690.5</td>
<td>1,691.5</td>
<td>4,312.0</td>
<td>4,492.0</td>
<td>339.9</td>
</tr>
<tr>
<td>Confectionery and Beverage Ingredients</td>
<td>1,836.3</td>
<td>2,063.6</td>
<td>7,129.8</td>
<td>8,136.8</td>
<td>444.0</td>
</tr>
<tr>
<td>Food Staples and Packaged Foods</td>
<td>27,104.3</td>
<td>16,909.3</td>
<td>14,506.3</td>
<td>9,767.1</td>
<td>288.8</td>
</tr>
<tr>
<td><strong>Food Category</strong></td>
<td>30,631.1</td>
<td>20,664.4</td>
<td>25,948.1</td>
<td>22,395.9</td>
<td>1,072.7</td>
</tr>
<tr>
<td>Industrial Raw Materials, Infrastructure and Logistics</td>
<td>2,236.5</td>
<td>1,870.2</td>
<td>4,530.9</td>
<td>3,876.6</td>
<td>176.2</td>
</tr>
<tr>
<td>Commodity Financial Services (CFS)</td>
<td>N.A.</td>
<td>N.A.</td>
<td>–</td>
<td>–</td>
<td>(13.1)</td>
</tr>
<tr>
<td><strong>Non-Food Category</strong></td>
<td>2,236.5</td>
<td>1,870.2</td>
<td>4,530.9</td>
<td>3,876.6</td>
<td>163.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32,867.6</td>
<td>22,534.4</td>
<td>30,479.0</td>
<td>26,272.5</td>
<td>1,235.8</td>
</tr>
</tbody>
</table>

**Note:**
- IC excludes:
  - (a) Gabon Fertiliser Project (2018: S$245.4 million, 2017: S$248.0 million); and
  - (b) Long Term Investment (2018: S$135.8 million, 2017: S$237.5 million)

**Segmental review and analysis**

Products from our Packaged Food Business – like Tasty Tom tomato paste and Royal Feast Rice – are sold in stores and markets throughout West Africa.
## Segment Sales Volume ('000 MT) Revenue EBITDA Invested Capital (IC) EBITDA/IC (%)

<table>
<thead>
<tr>
<th></th>
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<td>3,603.9</td>
<td>9.4</td>
<td>12.1</td>
</tr>
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<td>Confectionery and Beverage Ingredients</td>
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<td>444.0</td>
<td>327.7</td>
<td>4,935.1</td>
<td>5,347.0</td>
<td>8.6</td>
<td>5.7</td>
</tr>
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<td>4,577.9</td>
<td>4,678.3</td>
<td>6.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Food Category</td>
<td>30,631.1</td>
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<td>25,948.1</td>
<td>22,395.9</td>
<td>1,072.7</td>
<td>1,125.8</td>
<td>13,122.9</td>
<td>13,629.2</td>
<td>8.0</td>
<td>8.1</td>
</tr>
<tr>
<td>Industrial Raw Materials, Infrastructure and Logistics</td>
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<td>176.2</td>
<td>197.3</td>
<td>1,571.7</td>
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<td>9.6</td>
<td>9.1</td>
</tr>
<tr>
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<td>N.A.</td>
<td>–</td>
<td>–</td>
<td>(13.1)</td>
<td>4.8</td>
<td>117.6</td>
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<td>(12.1)</td>
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<td>163.1</td>
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<td>1,689.3</td>
<td>2,203.2</td>
<td>8.4</td>
<td>8.8</td>
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<tr>
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<td>26,272.5</td>
<td>1,235.8</td>
<td>1,327.9</td>
<td>14,812.2</td>
<td>15,832.4</td>
<td>8.1</td>
<td>8.2</td>
</tr>
</tbody>
</table>

**Note:**
- IC excludes:
  - (a) Gabon Fertiliser Project (2018: S$245.4 million, 2017: S$248.0 million);
  - (b) Long Term Investment (2018: S$135.8 million, 2017: S$257.5 million)

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Through our subsidiary, Queensland Cotton, Olam has built strong relationships with growers in Australia for whom we provide marketing, ginning, classing, warehousing, logistics and seed marketing.
Edible Nuts and Spices

EBITDA fell by 22.5% against the strong results achieved by the Edible Nuts business in 2017.

The Edible Nuts and Spices’ segment reported similar sales volumes in 2018 as in the previous year. Its revenues however declined 4.0% mainly due to lower prices across multiple products in the segment.

EBITDA fell by 22.5% against the strong results achieved by the Edible Nuts business in 2017. During the year under review, the Edible Nuts business had a lower EBITDA primarily due to lower contribution from the peanut business. The peanut farming operations in Argentina were adversely impacted by drought conditions during the crop season and floods at harvest, which significantly affected yield. The operating conditions were also exacerbated by currency devaluation. The peanut business in the USA recorded lower shelling volumes amid an oversupplied market. With the sale of the peanut shelling operations in Argentina to Adecoagro in early February 2019, we will therefore cease peanut farming operations in the country.

The Spices business posted a higher EBITDA in 2018 compared with 2017 as our USA dried onion and garlic, pepper grinding in Vietnam, spices trading in China and India as well as our dried onion processing in Egypt, did well. The tomato processing business, while still in negative territory, reported lower losses during the year.

<table>
<thead>
<tr>
<th>2018 volume</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,690.5 ('000 metric tonnes)</td>
<td>339.9 (S$ million)</td>
</tr>
</tbody>
</table>

Revenue | Invested Capital
--------|-------------------
4,312.0 (S$ million) | 3,609.9 (S$ million)

1. Renamed from Edible Nuts, Spices and Vegetable Ingredients
EBITDA fell by 22.5% against the strong results achieved by the Edible Nuts business in 2017.

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume ('000 metric tonnes)</th>
<th>Revenue (S$ million)</th>
<th>EBITDA (S$ million)</th>
<th>Invested Capital (S$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1,690.5</td>
<td>4,312.0</td>
<td>339.9</td>
<td>3,609.9</td>
</tr>
</tbody>
</table>

The Edible Nuts and Spices segment reported similar sales volumes in 2018 as in the previous year. Its revenues however declined 4.0% mainly due to lower prices across multiple products in the segment.

Invested capital in the segment was relatively unchanged compared with 2017. The increase in working capital on higher Edible Nuts inventory was compensated by a reduction in fixed capital. Fixed capital declined with the sale of land assets in the USA, partly offset by our investment in cashew processor Long Son in Vietnam.

EBITDA to average invested capital (EBITDA/IC) for the segment declined from 12.1% in 2017 to 9.4% in 2018 on lower EBITDA.

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**Investing in our Capitals for long-term value**

**Farming and plantations**

**Australian almonds grow with the wind**

- **Natural Capital**
  - In one of the first agreements of its kind in Australia, Olam is harnessing wind power for its planted almond orchards which covered almost 12,000 ha in 2018.
  - A 10-year deal for access to secure cost-effective renewable power offsets Olam’s grid electricity consumption, reducing emissions and costs.

**‘Carb currency tool’ for California nuts**

- **Natural and Intellectual Capital**
  - The California almond, pistachio and walnut agronomists are undertaking an agri first by working with UC Davis Carbohydrate Observatory to better understand non-structural carbohydrates (starch and sugar) and how they behave within the tree during specific growing periods.
  - Ascertaining a way to measure immediately available carbohydrates, versus stored non-structural carbohydrates, can help improve yields from a physiological perspective by better predicting bloom time, production levels, and cultural practice/chemical input impacts.

"Measuring the ‘carb currency’ of a nut-producing tree gives us a huge advantage in making the right calls and providing our trees with exactly what they need."

Kaushal Khanna, Sr. Vice President
Olam Edible Nuts

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**Invested Capital**

<table>
<thead>
<tr>
<th>Year</th>
<th>Working capital (S$ million)</th>
<th>Fixed capital (S$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 restated</td>
<td>1,587</td>
<td>1,777</td>
</tr>
<tr>
<td>2015 restated</td>
<td>1,415</td>
<td>2,048</td>
</tr>
<tr>
<td>2016</td>
<td>1,421</td>
<td>2,222</td>
</tr>
<tr>
<td>2017</td>
<td>1,608</td>
<td>1,996</td>
</tr>
<tr>
<td>2018</td>
<td>1,666</td>
<td>1,944</td>
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</table>

**EBITDA**

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (S$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>381</td>
</tr>
<tr>
<td>2015</td>
<td>394</td>
</tr>
<tr>
<td>2016</td>
<td>332</td>
</tr>
<tr>
<td>2017</td>
<td>438</td>
</tr>
<tr>
<td>2018</td>
<td>340</td>
</tr>
</tbody>
</table>
Pepper planting for living landscapes

Natural, Social and Human Capital

• In Brazil, black pepper vines grow across more than 350 ha in rural Bahia. A ‘cover crop’ is grown specifically between the vines for its ability to conserve the physical and biological aspects of the soil, reducing pesticide and herbicide use, and is a natural mulch for weed control. The plantation also uses the most technologically advanced drip irrigation in the world, achieving major water and energy savings compared to a central pivot irrigation system.

• In Vietnam, as in Brazil, the 150 ha plantation is creating significant employment opportunities in a very rural area – the 350-strong workforce will be scaled up to 1,000 by 2021 (about 35% are women). The Brazil plantation has also been voted 2 years in a row as a Great Place to Work Certificado Brazil 2018. Meet some of our experts in the Women in Ag series here: https://vimeo.com/303403307

• To regenerate the surrounding landscape in Vietnam, 450 ha of forest tree species will be planted by 2020.

First almond yield map for improved financial and natural resources visibility

Intellectual and Natural Capital

• Mapping variability in yield across the almond orchards in California has been a key part of the strategy to improve yields while conserving water and reducing chemical inputs. Traditional methods of collecting this kind of data include ‘load cells’ being installed on harvesters and calibrated to send gross weight data up to the ‘Cloud’. This ‘direct’ method, although feasible, is costly and includes highly sensitive load cell technology to work in a harsh environment.

• Instead, cumulative stress analytics were achieved through a trial at an Olam ranch in 2018 where flights were scheduled over the season and used to correlate the cumulative stomatal conductance (water stress) to potential yield losses in the field.

• Using Ceres imagery the team was able to produce the first ever yield map, identifying low performing areas caused, for example, by over or under irrigation, or changes in soil structure. Solutions included adjustment of pressure valves in the field, manipulation of irrigation schedules tailored to specific areas of the orchard, and variable rate application of soil amendments to target areas that need the most help.

Farming and plantations

We are committed to reducing our environmental footprint and supporting the communities where we operate. This includes investing in state-of-the-art irrigation systems and creating pollinator habitats for orchards like this one in California, USA. We are also working with the Almond Industry Boards of both Australia and California to participate in industry-wide sustainability initiatives.
Supply chain

USA onions in Egypt meet EU traceability and taste needs

Social and Intellectual Capital
- With Egypt supplying the EU with dried onions, Olam Spices is replicating the success of its California operations by developing a fully traceable and sustainable supply in the country, using the proprietary, high solids white onions developed in the USA.
- Providing an Onion Grower Guide to farmers, the team monitors the crop, with support provided to grower field staff on plant science, soil improvement, food safety, good labour practices and more. Climate resilience is enhanced through mini weather stations.

An agri labour contract first for Turkey

Social and Human Capital
- Turkish hazelnut farmers are dependent on a large workforce but significant labour rights issues occur. Since 2014, Olam Progida has worked with the Fair Labor Association (FLA), and others, to improve standards with FLA monitoring.
- Following FLA recommendations, Olam Progida instigated contractual agreements between farmers, labour contractors and seasonal migrant workers – a first not just for the hazelnut industry but for Turkish agriculture.
- This achievement was linked to the Esmahanim Role Model Sustainable Village, a hazelnut village in the Black Sea region, which also focused on improved living conditions for workers, female empowerment, environmental stewardship by the farmers and improved income for farmers.
- Olam Progida’s target is to convert most of its sourcing villages to Sustainable Villages by 2030. This is essential given that in the combined supply chains of Olam and another hazelnut company, the FLA 2017 assessment still “found that 12% of workers at the visited farms were underage” – similar to FLA findings in 2016 (11 percent).” The FLA said: “… the results show the challenges in improving deeply rooted systemic issues, especially with a largely migrant family workforce. The results suggest that company efforts must continue and must be strengthened.” Read more here: http://www.fairlabor.org/sites/default/files/documents/reports/hazelnut_executive_summary_turkey_2017.pdf.

Improving cashew yields and income

- By providing training focused on tree density, pruning, good weed management, bush fire prevention and optimal post-harvest techniques, Ivorian farmers in the Sustainable Cashew Growers Programme (SCGP) have improved yields from an average of 509 Kg/ha in 2015 to 620kg/ha in 2018.
- Since 2011, over 19,000 farmers have been trained with the support of Olam, Fair Match Support and IDH – The Sustainable Trade Initiative. The SCGP Programme is amongst the first AtSource supply chains.

Olam was the first organisation to provide training to us about cashew production. Thanks to the techniques learned, we have been able to considerably increase our farm yields and the quality of our production. In the 2010 years, it was hard to even get 300kg/ha.

Kini Datie, 61 year old cashew farmer from Tchélékro village, Côte d’Ivoire

AtSource Plus Garlic and Onion helps overcome consumer ‘Big Ag’ concerns

Olam Spices was one of the first 4 Business Units to launch AtSource in 2018 with onions and garlic from large-scale contract growers in California.
While many Olam supply chains and linked sustainability initiatives support smallholders in developing countries, there is still a need to step up improvements on farms, in farming communities and processing facilities in more highly developed nations.
Equally, customers and consumers still look for reassurance about farming practices in their country. There are misconceptions that all large-scale farmers pollute the planet with overuse of pesticides and other chemicals, as well as an impression that farms are nameless and faceless industrial entities. AtSource allows Olam Spices to tackle these issues head on and tell the true story of their USA farm suppliers, as well as what makes Olam operations unique.
AtSource Plus offers onion and garlic customers 100% traceability. The digital dashboard packages the environmental and social impact information surrounding the supply chains and presents it in a useful, customised format that customers can draw on in their marketing efforts and annual reports. Olam Spices can also use this information to shine a light on the efforts being undertaken to make farming in the USA more resilient and sustainable in the face of changing environmental conditions.
Read more: www.atsource.io
Mock trial for almonds safety awareness

- Olam Almonds Australia took part in an intense mock court session aimed at reinforcing safety awareness and culture.
- The mock trial, covering a simulated fatal forklift injury, saw qualified prosecutors and lawyers drilling participants on their knowledge and execution of safety standards.

Sesame team awarded for safety

- The Nigeria sesame processing plant was conferred the National Safety Award by the Federal Ministry of Labour and the National Industrial Safety Council. The plant recorded 3.3 million man hours without incident since 2015.
- In Turkey, the Samsun plant achieved BRC certification. An R&D centre is being established to make correlations between the characteristics of various varieties of sesame seeds for the best possible end use. This includes making ‘tailor made’ recipes and blends for Tahini clients.

Widespread origin reach means Olam Sesame is able to offer the best value Tahini to customers, without compromising on profile. Further the team made significant progress on producing ‘non browning’ varieties without processing agents for the bakery industry. Olam Sesame also continues to lead on lowering water consumption.

Energy grants for Spices and Tomatoes

- Olam Tomatoes received a grant from the California Energy Commission to fund a renewable solar hot water project, resulting in an annual reduction of 332 MT CO₂e.
- Olam Spices also received a grant for an electric onion toaster project at the Firebaugh facility. The project supports California’s electrification efforts and will replace the current natural gas fired towing capability.

Tomatoes innovation goes rustic

- Responding to customer demand, the Olam Tomatoes team designed and launched a premium pasta sauce using fresh vegetables as a differentiator in the cluttered USA market.
- Over 12 weeks, the team designed and produced 5 variants, introducing a special thermal process route to ensure food safety of fresh vegetables. The ‘Rustic Cut’ range achieved a significant profit increase in its second year.

Spices and Tomatoes derive Financial Capital from better waste management

- Over the last 3 years, the California-based plants for Olam Spices and Olam Tomatoes have achieved a 95% waste to landfill reduction through a robust waste management initiative that has resulted in cost savings of US$900,000. 2,875 tonnes of organic waste was reused for livestock feed, dog food and compost/fertiliser.

In the USA, Olam Edible Nuts provides peanut toll-processing services and manufactures peanut ingredients such as dry roasted peanuts, dry roasted peanut granules, peanut paste, peanut butter, and peanut butter variegate in their 4 process locations that are strategically located in the 3 key peanut production regions. In this picture, members of the R&D/Technical Team at the Edenton, NC location analyse a sample of peanut butter for both consistency and fineness of grind.
World Bank and Olam trial helps female cashew workers increase savings and provides greater incentive to work

In Côte d’Ivoire, Olam partnered with the World Bank to create financial autonomy for workers at the Dimbokro and Tournod cashew processing units. Many female workers in Sub-Saharan Africa feel pressured to share their income with family networks — a forced or pressured redistribution known as a ‘kin tax’. Knowing they will not be able to keep their full earnings, many experience low motivation in the workplace.

Initial results from the study show this effect can be reversed when workers have access to personal bank accounts where they can discretely save a portion of their earnings and thus protect it from familial pressure. The World Bank Policy Brief states: “Workers offered the direct-deposit commitment savings account increased labour and productivity earnings by 10%, which translates into an 18% increase for workers who opened an account.”

In addition to the personal employee benefits, the study indicates that tackling forced income redistribution through the use of financial services can benefit the employer and the economy as a whole. Finding the trial a success, Olam is now identifying other facilities around the globe where workers, particularly women, could benefit from a similar initiative. Read more: http://documents.worldbank.org/curated/en/119451545023411016/pdf/132909-BRI-PUBLIC-ProductivityBriefFINAL.pdf

Overcoming processing challenges

Despite Africa being a major origin for cashew, processing occurs primarily in Asia due to lack of infrastructure, skills shortage and other challenges. In addition to providing sustainability support to more than 56,000 cashew smallholders in Africa to improve yields, quality, environmental stewardship and livelihoods, Olam is the only major processor to have invested heavily in dedicated cashew processing facilities in Africa, including Côte d’Ivoire, Nigeria and Mozambique. In Côte d’Ivoire the team advocates for other processors to set up facilities and help the Government achieve its ambition of processing 100% of its cashew crop domestically.

“We need to continue supporting companies such as yours that add value in several ways to local products. You are at the forefront of quality in cashew processing. We would always like to be aware of the challenges you face so we, as Government, can timely intervene.”

Victor Borges, Governor of Nampula Province, Mozambique, visiting the processing facility which employs up to 1,400 people
Confectionery and Beverage Ingredients

The Confectionery and Beverage Ingredients segment recorded a 11.0% reduction in volumes on normalised Cocoa volumes in 2018 versus higher sales throughput in 2017 due to a significant working capital optimisation exercise undertaken during that year.

Revenues for the segment also went down by 12.4% due to the reduction in Cocoa volumes and historically low coffee prices.

In spite of lower volumes and revenues, the segment recorded a substantially improved EBITDA, growing by 35.5% during 2018 as the Cocoa business performed exceptionally well, both in supply chain and processing operations, compensating for the weaker results from Coffee. The deep downcycle on green coffee prices, which started in the second half of 2017, led to difficult market conditions that impacted the Coffee supply chain business adversely throughout the year. Meanwhile, our Soluble Coffee business in Vietnam and Spain continued to do very well as increased capacity was fully sold out during the year.

Invested capital in this segment continued to ease in 2018 by a further S$411.9 million compared with a year ago in 2017. This was primarily due to both Cocoa and Coffee reducing their working capital by better optimisation and good inventory management as well as lower prices during the year.

With an improved EBITDA on lower invested capital, EBITDA/IC for the segment increased from 5.7% in 2017 to 8.6% in 2018.

The Cocoa business performed exceptionally well, both in supply chain and processing operations.

<table>
<thead>
<tr>
<th>2018 volume</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,836.3 ('000 metric tonnes)</td>
<td>444.0 (S$ million)</td>
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<table>
<thead>
<tr>
<th>Revenue</th>
<th>Invested Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,129.8 (S$ million)</td>
<td>4,935.1 (S$ million)</td>
</tr>
</tbody>
</table>
Confectionery and Beverage Ingredients

The Cocoa business performed exceptionally well, both in supply chain and processing operations.

2018 volume: 1,836.3 ('000 metric tonnes)
Revenue: 7,129.8 (S$ million)
EBITDA: 444.0 (S$ million)
Invested Capital: 4,935.1 (S$ million)

The Confectionery and Beverage Ingredients segment recorded a 11.0% reduction in volumes on normalised Cocoa volumes in 2018 versus higher sales throughput in 2017 due to a significant working capital optimisation exercise undertaken during that year.

Revenues for the segment also went down by 12.4% due to the reduction in Cocoa volumes and historically low coffee prices.

In spite of lower volumes and revenues, the segment recorded a substantially improved EBITDA, growing by 35.5% during 2018 as the Cocoa business performed exceptionally well, both in supply chain and processing operations, compensating for the weaker results from Coffee.

The deep downcycle on green coffee prices, which started in the second half of 2017, led to difficult market conditions that impacted the Coffee supply chain business adversely throughout the year.

Meanwhile, our Soluble Coffee business in Vietnam and Spain continued to do very well as increased capacity was fully sold out during the year.

Invested capital in this segment continued to ease in 2018 by a further S$411.9 million compared with a year ago in 2017. This was primarily due to both Cocoa and Coffee reducing their working capital by better optimisation and good inventory management as well as lower prices during the year.

With an improved EBITDA on lower invested capital, EBITDA/IC for the segment increased from 5.7% in 2017 to 8.6% in 2018.

Olam Coffee helps develop Cool Farm Tool for reduced GHG emissions in agriculture

- Natural Capital
  - Conventional management of residue (i.e., water, pulp) from washed coffees causes large greenhouse gas emissions (GHGs). Rather than store wet pulp in heaps, Olam Coffee plantations in Laos, Tanzania and Zambia, now return it directly to the field for (i) soil organic matter build up, (ii) improved nutrient recycling, and (iii) decreased GHG emissions. Organic-rich water from the washing station will be irrigated back on to fields for reduced GHGs and mulching.
  - Olam Coffee supported research partners (Sustainable Food Lab, CCAFS-CGIAR, NUI-Galway) as part of the Cool Farm Alliance to understand and map the importance of these material flows for GHG emissions. Olam’s input helps strengthen the Cool Farm Tool which is the industry’s standard for carbon foot-printing.

Brazil Coffee Rainforest Alliance award

- Natural Capital
  - The Milano plantation in Brazil was awarded “High-Performance Sustainability Farm” by Rainforest Alliance. The plantation protects 1,175 ha of High Conservation Value area. The audit covered biodiversity and resource conservation, livelihoods and welfare.
  - Also, at Milano, the team reduced chemical fertiliser through combining coffee husks with chicken manure from a nearby farm, reducing costs and increasing the organic matter. Equally, when regenerating some areas, the team studied the nutrient profile of the soil and broke down the old coffee stock, incorporating a total of 20 MT per hectare of organic carbon, improving nutrient availability for the newly planted bushes.
Group COO review continued

Supply chain

Brazil and Vietnam Coffee go AtSource

Social and Natural Capital

- As 2 of the first supply chains in Olam to launch AtSource, Brazil and Vietnam will serve international coffee customers for both AtSource Entry Level and AtSource Plus
- In Daklak, Vietnam, 100% of the farmers earn additional money from producing at least 2 crops, compared to just 24% at the start. By training farmers on intercropping coffee with trees like durian and passion fruit, farmers build resilience to unstable coffee prices and rising temperatures. In the last 2 years, thousands of non-coffee saplings have been distributed and market access facilitated by connecting farmers with fruit buyers.

Nespresso ad features Indonesia co-op

Social and Natural Capital

- Coffee smallholders from Aceh, Indonesia, were stars in Nespresso’s Master Origin advertising campaign. The Fairtrade cooperative was established in partnership with Nespresso’s AAA Sustainable Quality Programme, with 1,800 farmers. As implementation partner, Olam Specialty Coffee provided training in Good Agricultural Practices in order to achieve the consistent high quality and sustainability expected by Nespresso’s consumers. Watch more here: www.youtube.com/watch?v=K6W9vi3dQX0
- Meanwhile, farmers in West Java have learned how coffee can help protect forests and mitigate climate impacts through the Nespresso AAA Programme. Read more here: www.olamgroup.com/news/all-news/blog/how-coffee-can-protect-people.html

A stepwise coffee approach in Uganda

Social and Natural Capital

- Despite much training, many smallholders are still finding it difficult to implement Good Agricultural Practices and extract full value from them. The Stepwise Climate Smart Investment Pathway (CSIP) unwraps recommended best practices into smaller phased packages, making it more affordable and less overwhelming for farmers
- In Mt. Elgon, Uganda, Olam Coffee is therefore taking this longer-term perspective. Rather than adopting a blanket approach independent of the farmers’ readiness for adoption of practices, a tailor-made package of services is likely to better guide farmers and structure their way to invest in their plantations. Given the advances in digitalisation, such assistance will become easier as Olam Coffee progresses in this field
- Read more about the Stepwise approach and its partners here: https://ccafs.cgiar.org/blog/learning-exchange-improved-extension-coffee-farmers#.XJDKgfZ2vTM

Seeing is believing for cocoa farmers

Social and Natural Capital

- Despite viewing Olam Cocoa’s demonstration plots, many cocoa farmers lack the confidence to prune their own trees or believe it will reduce crop volume. As well as impacting incomes, a lack of pruning can lead to deforestation as farmers seek more land to increase yields
- The One Farmer, One Acre programme in Ghana arranges for young adults within the farming community to prune an acre of a cocoa farm for a farmer with the labour costs covered by Olam Cocoa and Mondelez
- At the end of 2018, over 4,800 acres had been pruned involving more than 2,670 farmers. Improvements in yield have also resulted in farmers paying for extra acres to be pruned, which supports the young adults in work.
- Hear from the farmers on pruning: https://www.olamgroup.com/content/olamgroup/en/home-page/news/all-news/blog/things-i-learned-this-year-pruning-is-emotional.html
Halting deforestation in cocoa supply chains

Intellectual and Natural Capital

- Olam Cocoa is committed to ending deforestation and forest degradation. To date, the business has achieved 100% traceability of its sustainable cocoa supply chain in Ghana and Côte d’Ivoire, and is on track to achieve full traceability of its direct origination supply chain worldwide by 2020.
- Olam Cocoa will now be implementing the Olam Forest Loss Risk Index (see Natural Capital section). As defined in the Olam Living Landscapes Policy, within high risk areas, the response will include a blend of:
  - On-the-ground investigation
  - Detailed mapping of farms in each area using the Olam Farmer Information System, while working alongside Global Forest Watch to detect any illegal activity
  - Farmer support and training
  - Increased monitoring, both spatial and temporal
  - Ceasing business with suppliers operating illegally or who continue (legal) deforestation in contravention of the Olam Supplier Code
- As a founding signatory to the Cocoa & Forests Initiative (CFI), Olam Cocoa was the first cocoa company to sign a Letter of Intent with the Ivorian Ministry of Forests and Water, followed by a Memorandum of Understanding, supporting the preservation and rehabilitation of 460,000 ha of forêts classées Rapides Grah and Haute Dodo.
- In Ghana, Olam Cocoa is implementing a Partnership for Livelihoods and Forest Landscape Management programme in 5 districts around the Sui River with the local authorities, the Ghana Cocoa Board and Partnerships for Forests.

Olam Cocoa is taking a leadership position within the cocoa industry by engaging in a collaborative approach to forest restoration in the supply chain in Côte d’Ivoire. The company brings a high level of technical knowledge and an extensive on-the-ground understanding that is critical for balancing the protection of this sensitive area around the Tai National Park with the livelihoods of smallholder cocoa farmers. We look forward to developing the joint plan of action to accelerate our progress towards solving these complex issues.

Alain-Richard Donwahi, Minister of Water and Forests, Côte d’Ivoire

Instant coffee investment in Spain

Manufactured Capital

- In Spain, SEDA Outspan Iberia, Olam’s soluble coffee processing facility in Palencia, increased spray-drying capacity for private label instant coffee by 58%. This included replacing 2 extraction batteries with one modern battery.
- SEDA also worked closely with the Vietnam instant processing facility Café Outspan, to develop several freeze-dried coffee blends that could be produced in either Spain or Vietnam to better serve global customers.
- Further in Spain, SEDA successfully followed new EU legislation to reduce the acrylamide content of soluble coffee while maintaining the coffee’s flavour profiles and consumer experience. Applying across multiple food and beverage categories, the new EU legislation aims to mitigate possible health risks as acrylamide is a suspected carcinogen. It is produced when starchy foods are toasted at a high heat.

Consumer trends drive cocoa investments

Manufactured Capital

- Following a 3 year Business Collaborative Agreement, Olam Cocoa finalised preparations to acquire Indonesia’s largest cocoa processor, BT Cocoa, with the acquisition finalisation planned for Q1 2019. This will add 120,000 MT of cocoa bean processing capacity and 30,000 MT of cocoa mass pressing capacity. It will also strengthen Olam Cocoa’s brand portfolio by adding strong Indonesian national brand BT Cocoa and enable the further development and growth of the Huysman brand. The acquisition will underpin Olam’s Cocoa’s ability to support growing customer demand in Asia for cocoa ingredients, especially cocoa powder, that meet specific recipe and manufacturing requirements.
- Investment in Olam Cocoa’s Singapore processing facility further expanded powder milling capacity. Using the best cocoa from origin, this upgrade increases the production capacity of the premium deZaan cocoa powders for supply to the Asia Pacific market.
- Meanwhile in Africa, additional steps to streamline and strengthen the supply chain for deZaan TrueDark natural cocoa powder means that TrueDark is both crafted from Ivorian cocoa beans and processed in origin in Côte d’Ivoire.
- In response to the growing global preference for non-allergenic ingredients in product recipes, in 2018 Olam Cocoa also completed the process of replacing soybean lecithin in lecithinated cocoa powders with non-allergen sunflower lecithin.
Food Staples and Packaged Foods

Food Staples and Packaged Foods segment posted volume and revenue growth of 60.3% and 48.5% respectively in 2018. This was primarily driven by the growth in Grains trading volumes.

EBITDA was, however, lower by 19.7% compared with a strong 2017 performance. This was mainly due to reduced contribution from the Dairy, Rice and Edible Oils businesses. While the upstream operations in Russia did well, the farming operations in Uruguay experienced drought conditions, leading to higher feed costs. The Rice business reported lower earnings as it reduced merchandising volumes into Africa due to intense competitive pressures in the market. Edible Oils had higher period costs charged on our partially matured palm plantations in Gabon, an absence of income from Nauvu after the sale of the joint venture as well as margin compression in its processing operations in Mozambique.

Sugar had a steady performance in 2018 despite recognising only 50.0% share of refining income from joint venture PT DUS after we sold half of our stake. It overcame the difficult trading conditions which persisted for most of the year with higher trading income.

Volume and revenue grew 60.3% and 48.5% respectively in 2018, primarily driven by the growth in Grains trading volumes.

<table>
<thead>
<tr>
<th>2018 Volume</th>
<th>EBITDA</th>
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<tbody>
<tr>
<td>27,104.3 ('000 metric tonnes)</td>
<td>288.8 (S$ million)</td>
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<table>
<thead>
<tr>
<th>Revenue</th>
<th>Invested Capital</th>
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</thead>
<tbody>
<tr>
<td>14,506.3 (S$ million)</td>
<td>4,577.9 (S$ million)</td>
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</table>
While the wheat milling business had a better year, the Animal Feed business in Nigeria had a lower than expected EBITDA due to competitive margin pressures. Packaged Foods turned the corner in 2018 with strong positive EBITDA and market share gains in both Nigeria and Ghana.

Invested capital came down by S$100.4 million compared with 2017 mainly due to continued optimisation initiatives, change in product mix and improved access to supplier credit, all of which reduced the impact on working capital despite the nearly 10 million-tonne increase in Grains volumes. As a result of the above, EBITDA/IC for the segment declined from 7.8% in 2017 to 6.2% in 2018.

### EBITDA (S$ million)

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<tr>
<th></th>
<th>2014 restated</th>
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<th>2016</th>
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<tr>
<td>2014</td>
<td>295</td>
<td>212</td>
<td>330</td>
<td>380</td>
<td>289</td>
</tr>
<tr>
<td>2017</td>
<td>8.8%</td>
<td>6.7%</td>
<td>8.5%</td>
<td>7.8%</td>
<td>6.2%</td>
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### Invested Capital (S$ million)

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<tbody>
<tr>
<td>2014</td>
<td>3,075</td>
<td>3,231</td>
<td>4,522</td>
<td>4,878</td>
<td>4,578</td>
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<td></td>
<td>-2.1%</td>
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- **EBITDA**
  - **Volume and revenue** grew 60.3% and 48.5% respectively in 2018, primarily driven by the growth in Grains trading volumes.
  - **2018 volume** 27,104.3 (‘000 metric tonnes)
  - **Revenue** 14,506.3 (S$ million)
  - **EBITDA** 288.8 (S$ million)
  - **Invested Capital** 4,577.9 (S$ million)

**Vet and farmer focus drives AFP success**

- **Manufactured, Human, Intellectual, Social, Intangible Capital**
  - Since the inauguration of the integrated poultry farms, animal feed plant and hatchery in Nigeria in 2017, the Animal Feeds and Protein (AFP) business has achieved some major firsts in African poultry production
  - 140 qualified veterinarians are employed in our own breeder farms and operations to ensure high quality implementation of poultry farming and biosecurity practices. This focus on animal health and food safety was strengthened in July when AFP signed a Memorandum of Understanding with Ceva Santé Animale S.A., a leader in poultry vaccines, to further develop production in Nigeria
  - A joint committee will explore:
    - Upgrading the Veterinary Diagnostic Lab to become a reference lab for Sub-Saharan Africa
    - Development of private labs in other regions for cost-effective and timely diagnostic support for poultry and other animal husbandry farms
    - Training on latest techniques, with an option to extend to select customers
    - Research projects with other scientific partners for deeper epidemiological evaluation of diseases and appropriate solutions for Nigeria
  - The business also has established a contract farming model, supplying feed, vaccines and veterinary support to 25 farms rearing point-of-lay birds. Farmers testify this has helped to bridge their knowledge, skills and capacity gaps, improving productivity and income
  - The success of AFP contributed to Olam Nigeria being declared the Most Innovative Company in Agriculture: Value Chain by Business Day Research & Intelligence Unit (BRIU).
Aquafeed app monitors ROI for Nigerian fish farmers and Olam

Intellectual and Social Capital

- Olam Animal Feeds & Protein (AFP) business has a team of Aquaculture Technical Executives (ATEs) spread across Nigeria who regularly interact with fish farmers. As valued customers of Olam, the farmers receive customised technical advisory services on farm management from their respective ATE.
- Overcoming Nigeria’s connectivity challenges, Digital Olam and the Aqua Feed business developed a bespoke mobile web-based solution:
  - Farmer mobile app: allows farmers to capture data in real-time, including impact of different feed brands, water quality, and fish mortality, even without internet connectivity. The app also shows the ‘weight increase trend’ for the fish and the ‘feed conversion ratio’ achieved. Farmers can calculate ROI and compare their return on feed brands for improved income.
  - Mobile app for the ATEs: monitors day-to-day progress of each participating farm and advises farmers accordingly. They can also capture sales data and farm visits. The notification and reporting features enable them to manage farms and track sales performance.
  - Mobile app for Olam Managers: to monitor farm and ATE performance.
- This solution will help AFP capture higher market share while pioneering technology in the Nigerian fish farming community.

Closing the loop: Rusmolco makes use of waste

- Rusmolco is a one of the market leaders in milk production in Russia, with 150,000 ha of land assets engaged in feed production and crop farming. Dairy farming is often associated with negative impacts on the environment due to mishandling of manure and fertilisers which can degrade/contaminate local water resources, rendering farm land unusable or infertile; and the loss of ecologically important areas, such as prairies, wetlands, and forests etc.
- Rusmolco has implemented a full cycle of production with responsible manure disposal. On average, a cow produces twice as much manure as milk every day. Hence disposal of such large quantities of waste in an environmentally responsible way is a major challenge for dairies across the world. Rusmolco put the manure to use – separating the liquid and solid portions. After being treated in bio-reactors, the solid portions are used as bedding for the cows which is far more natural compared to inorganic bedding such as rubber mats. (The compost is both environmentally friendly, healthy and comfortable for cows.) The liquid portion is re-distributed through several technologies (irrigation pivots, spreaders, tankers etc) on fields as organic fertilisers in place of chemical fertilisers.

Rare bird species find safe haven in rice fields

Throughout the origins that Olam operates in, there is a strong focus on creating and maintaining living landscapes to protect and encourage biodiversity, for instance with responsible use of agri-chemicals.

In 2018, the Rice team in Nigeria published the findings of a 26-month field study on the bird life inhabiting Olam’s paddy fields. By identifying particular species, their numbers and food chains, the study presented a clear picture of the positive effect of Olam’s Rice farming operations on the bird life in the region.

Drawn to an abundant and safe food supply, the growing populations and rare sightings of non-native species – such as the Forbes Plover pictured – are a reassuring sign that these rice fields and surrounding habitat provide a safe and attractive landscape where birds and other wildlife can thrive. Some species also serve a useful role in keeping rice pests and rodents at bay.
Protecting Gabon’s animals and habitats

Olam Palm Gabon (OPG) implements an extensive biodiversity plan to protect iconic species including gorillas (pictured – a pregnant female), chimpanzees and elephants living in the forest around the plantations. Eco-guards patrol against poaching.

Olam has partnered with the Commonwealth Scientific and Industrial Research Organization (CSIRO) to develop a Vertebrate Pest Detect and Deter (VPDaD) sensor that uses light and noise to divert elephants safely back into the 72,000 ha of protected High Conservation Value areas and prevent intrusion into the plantations.

By the end of 2018, nodes had been deployed across the plantation, as well as being connected to a mobile network to enable online monitoring. In addition to protecting the crop, the monitoring will help protect employees, particularly those working on the edges of the plantation who may encounter passing elephants. Tragically one employee died as a result of such an encounter.

The efforts made by OPG to establish sustainable palm oil plantations and protect biodiversity, while operating in a highly forested nation like Gabon, were discussed in a National Geographic feature on palm oil in December 2018 which is available here: https://www.nationalgeographic.com/magazine/2018/12/palm-oil-products-borneo-africa-environment-impact/

Also in 2018, the team pushed forward with ground-breaking new work to test an integrated HCV-HCSA methodology in the Makouke concessions (which were cleared and planted from 1960 onwards by other companies). The assessment was initiated in March 2017, as a precautionary approach to ensure we uphold our commitments on HCV and HCS.

The Makouke HCV assessment report was submitted in April to the Quality Panel of the HCV Resource Network Assessor Licensing Scheme (ALS), and the review process was successfully concluded in December 2018 (a requirement for any new plantings under RSPO’s New Plantings Procedure). Additionally, in December 2018 the team voluntarily submitted a High Carbon Stock Approach (HCSA) report to the HCSA Steering Group for quality review. Summary reports are on the ALS and HCSA websites. Olam is also actively participating in the RSPO's No Deforestation Joint Steering Group (NDJSG) which aims to develop procedures for high forest cover landscapes, such as Gabon.

Our 2018 update on our Sustainable Palm Oil Policy commitments and road map was issued in February 2019. It covers our plantations and third party trading business, and key aspects such as development, supporting communities, labour practices, grievances and traceability.


Supply chain

Empowering female Indian sugar farmers

Social Capital

• To encourage climate-smart practices in sugarcane farming in India, Olam, together with NGO Solidaridad, major brands and International Finance Corporation (IFC), developed training programmes specifically targeting women. Over 400 women from 150 villages attended a dedicated session on farming techniques, water saving practices and agronomy

• This was part of a broader sustainable sugarcane programme in Maharashtra and Madhya Pradesh to safeguard production amid increasingly unpredictable rainfall patterns

• Convincing women, who make up 60% of the sugarcane farming workforce, to take part was challenging due to deep-seated traditional mindsets and cultural norms on gender roles

• Building the knowledge of these women farmers has not only improved their livelihoods but helped to reduce the gender gap in sugarcane farming.

Through training in Good Agricultural and Labour Practices, Olam Sugar helps smallholder farmers in India, to reduce their water consumption while increasing yields.
Working with partners for sustainable rice in Africa and Asia

Natural, Social and Intangible Capital

- Nearly 30% of cereal (milled rice included) is lost through breakage, spillage, as well as attacks from rodents, insects, mould and bacteria. Production is where most loss happens, but poor processing, transportation and storage also result in rice being spilled or spoiled before reaching consumers or, in many cases, impacting the farmers’ own food security.
- In Nigeria, as part of an outgrower programme around Olam’s commercial rice farm and integrated mill, Olam and partners have been working with around 16,700 smallholder rice farms to improve yields for the domestic market and reduce dependence on imports.
- In 2018, with research partners Sustainable Food Lab and Wageningen Research Centre, Olam brought together farmers, field coordinators and women’s groups, to quantify rice losses as part of the Rockefeller YieldWise Food Loss initiative. A key task was to first establish a complete picture of where losses occur from farm to mill.
- At peak harvest time at the end of 2018, the group undertook a pilot study with field observations, farmer surveys and direct value chain measurements across 80 rice farms in 4 states. Farmers acknowledged some of the current practices that make measurement difficult, but also the value in undertaking such measurements.
- Indicative losses have been quantified at about 35% with major hotspots in the initial harvesting stages. For farmers, this equates to an income loss of about US$520 per ha1; for Olam Rice Nigeria, a major procurement opportunity loss, and for Nigerian consumers, 97 million servings of rice.

The pilot provided a testing ground on how to scale and replicate this approach in other Olam value chains.
- During 2018, the Nigeria Rice Outgrower Initiative was recognised by the Financing for Sustainable Development Office of the United Nations as one of the 3 high impact success stories identified for global recognition by the United Nations Economic & Social Council.
- Across Thailand, Vietnam, and Indonesia, alongside governmental partners, Olam is advancing the Better Rice Initiative Asia (BRIA phase II), with the number of participating farmers increasing by 120% to 3,300 in 2018. The farmers are implementing solutions under the Sustainable Rice Platform (SRP) to reduce chemical usage, improve incomes and help Olam’s Rice customers connect better with their consumers through farmers’ success stories. Hear from one of the farmers: www.olamgroup.com/products/food-staples/rice/rice-sustainability.html.
- The programme’s popularity with farmers is leading to expansion with budgets approved to reach 10,500 Asian farmers by end of 2019. Additionally, Olam has launched a basmati project in India, trialling solutions with 300 farmers.
- Through multiple initiatives in 5 Asian and African countries, Olam aims to reach 150,000 farmers by 2023 with training and support under the Sustainable Rice Platform (SRP). Alongside partners like German development agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), IFAD, FMARD, and the Thai Rice Department, we can achieve greater scale.

1. Based on 2017 rice paddy price and volumes
Processing and ingredients

Olam Grains Nigeria first in Africa to achieve FSSC 22000 certification for wheat milling

Manufactured and Intangible Capital
- Food safety, quality and integrity have been the manufacturing priorities for Olam Grains and its wheat milling operations in Cameroon, Ghana, Nigeria and Senegal.
- In Nigeria, Olam Grains produces wheat flour, semolina and pasta at mills in Lagos, Port Harcourt and Warri. In 2018, it achieved FSSC 22000 certification – the first flour mills in Sub-Saharan Africa to do so.

Olam Grains re-engineers packaging for food safety and shelf-life

Manufactured and Intellectual Capital
- Olam Grains undertook extensive risk analysis to improve the food safety of semolina and ensure fresh product for Nigerian consumers.
- This included re-engineering its semolina packaging to be hermetically sealed with high barrier plastic – the first time this has been done for semolina in Nigeria. This process enhances quality and shelf-life while reducing food waste.

New premium high fibre biscuit for Ghana

Manufactured, Intellectual and Social Capital
- Nutrifoods Ghana Ltd., jointly owned by Olam and Sanyo Foods, launched its first premium oats digestive biscuit for the adult health segment under its new health brand Nutrisnax. Made from oats and whole wheat, it is high in fibre and devoid of trans-fat.
- Other biscuits for the healthy eating and snacking category include a sugar-free cream cracker under the Royal Cracker brand.

Quality and brand power awards for Pure Bliss

Manufactured and Intangible Capital
- PFB’s Pure Bliss biscuit range was awarded Africa’s Most Outstanding Premium Quality Biscuit Brand of 2018 at the African Quality Achievement Awards (AQAA) in September.
- In November, it won the BrandPower Golden Icon Award 2018 for Best Market Penetration in Biscuits Category in Nigeria.
- Launched in 2016, Pure Bliss with its differentiated offerings and an advertising tagline “Light up your Day”, is today a household brand in Nigeria, on a par with premium international offerings in terms of taste, quality and packaging.

Tasty Tom taps into growing demand for convenience in Nigerian cooking

Manufactured, Intellectual and Social Capital
- After extensive research among Nigerian women looking to reduce time spent preparing traditional tomato-based dishes, PFB launched the Tasty Tom Peppe and Onion Tomato Seasoning mix for the value-added culinary ingredients space.
- A blend of tomatoes, chillies, peppers and onions, it serves as a convenient core base for stews, Jollof rice and pasta meals which are hugely popular in Nigeria, and an alternative to fresh tomatoes which are expensive and only available for a few months of the year.
- Like Tasty Tom Tomato Paste, the mix is fortified with fibre and enriched with Vitamins A, D, E and K, as well as iron – important for addressing malnutrition.
Group COO review continued

Industrial Raw Materials, Infrastructure and Logistics

“Invested capital in 2018 decreased significantly by S$533.2 million on continued inventory optimisation initiatives undertaken by Cotton.”

The Industrial Raw Materials, Infrastructure and Logistics segment grew volumes and revenues by 19.6% and 16.9% respectively in 2018 on higher sales volumes from all businesses. However, EBITDA fell 10.7% on lower contribution from GSEZ, which offset growth from Wood Products and Rubber. Wood Products’ forestry concessions in the Republic of Congo benefited from strong prices in Europe and China while our Rubber business, particularly the processing business in Côte d’Ivoire, performed strongly. Cotton held steady during the year. Compared with 2017, invested capital decreased significantly by S$533.2 million on continued inventory optimisation initiatives undertaken by Cotton, positively impacting EBITDA/IC from 9.1% in 2017 to 9.6% in 2018.

<table>
<thead>
<tr>
<th>2018 volume</th>
<th>EBITDA</th>
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<tbody>
<tr>
<td>2,236.5 ('000 metric tonnes)</td>
<td>176.2 (S$ million)</td>
</tr>
</tbody>
</table>

Revenue

4,530.9 (S$ million)

Invested Capital

1,571.7 (S$ million)
Investing in our Capitals for long-term value

Farming and plantations

CIB expands health, education and technology in forestry concessions

Social and Natural Capital

- In September, subsidiary Congolaise Industrielle des Bois (CIB) successfully renewed Forest Stewardship Council (FSC®) certification for 1.3 million ha in the Republic of the Congo, one of the world’s largest contiguous FSC® certified tropical hardwood concessions
- FSC® certification verifies CIB’s continued progress on protecting wildlife, forests, natural landscapes, and indigenous communities in the region. 25% of the certified forest concession is permanently protected from forest operations. Indigenous communities are able to carry out their traditional hunting and fishing activities everywhere, except in strictly protected areas. 7% of the area is dedicated to agriculture/agroforestry for communities. The team is also implementing sustainable forest management practices for new concession Enyelle
- In this highly isolated area, CIB has constructed a borehole and 5 kilometres of water piping to convert local spring water into a reliable, safe supply of clean drinking water for over 4,500 villagers. Previously, community residents had no regular access to clean water and had to walk at least 2 kilometres which was unsafe
- Poor access to education in Enyelle has meant high drop-out rates and many families being unable to afford the cost of sending their children to school. CIB is building the first high school for 12 to 18 year olds from the local community. Additionally in Enyelle, CIB supplied 18,000 litres of fuel for generators to provide an improved and regular supply of electricity
Group COO review continued

- The CIB hospital and health clinics undertook over 20,000 consultations and provided over 2,500 hospital treatments to the local community population during 2018. They also supported the opening of a government-run clinic to improve access to healthcare in Pokola and the surrounding villages. For remote villages and the indigenous population, CIB hired an employee dedicated to improving health and sanitary awareness, and entered into a partnership with the Order of Malta as well as maintaining its support for Project Bwanga, to provide healthcare activities to remote and forest communities.
- In September, CIB was one of a number of companies around the world featured in a German documentary which was critical of certification standards. There were no direct allegations, however it raised some points about the impact of logging operations on communities, local ways of life and access to amenities. CIB had already commissioned an impact study to recommend where and how social impact resources could be applied more effectively.
- Equally, the team had also been working on minimising the impact of constructing ‘skid roads’ through digital technology. Built to transport fallen trees to main roads, and then to the sawmills, these roads were previously laid out following a manual walk of the area. A new digital approach uses GPS mapping and customised algorithms to find the shortest route, protect indigenous trees, and minimise damage to young growing trees. By removing the possibility of human error the system is saving time and fuel and is expected to significantly reduce the total distance of skid roads built annually.
- FSC® license codes:
  - CIB Kablo: FSC-C128941
  - CIB Pokola: FSC-C014998
  - CIB Loundoungo-T: FSC-C104637
  - CIB Pokola Loundoungou-T: FSC-C005457

Supply chain

Boosting productivity and livelihoods for Ivorian cotton farmers

Social Capital
- Global cotton consumption is forecast to increase to 27 million tonnes. Today, production is around 26 million tonnes. Africa contributes about 13-14% of international trade. As a fairly robust crop, cotton can be harvested, stored and transported easily from farm to port, making it a common cash crop option for smallholder farmers. In Côte d’Ivoire, subsidiary Société d’Exploitation Cotonière Olam (SECO) provided targeted support to more than 16,800 smallholder cotton farmers in 2018 under the Olam Livelihood Charter, from pre-financing and technical training, to healthcare and education.
- Initially dedicated to smallholder cotton growers, the SECO literacy programme has evolved to include farming communities. SECO engages a group of volunteers to teach the local youth and women who are unable to go to school, reaching over 3,000 people since 2011.
- In November, SECO welcomed international journalists to learn about African cotton and the economic, social and environmental programmes with farmers, and particularly for women. Read more in the UK’s Daily Telegraph: https://www.telegraph.co.uk/fashion/style/fashions-cotton-crisis-meet-women-farmers-leading-change/ and in Ethical Corporation here: http://ethicalcorp.com/reaping-rewards-more-inclusive-cotton-production-cote-divoire

Human and Social Capital
- Employing more than 1,000 people, Olam Rubber Gabon’s (ORG) Bitam operations were the first in the various plantation operations for palm and rubber to start harvesting from the employee vegetable garden.
- Growing vegetables can play an important role in cultivating farming skills and improving livelihoods and food security as workers feel confident setting up their own plots – currently Gabon imports around 60% of its food and there is limited agri knowledge among communities.
Better climate resilience for Mozambican cotton farmers

Social and Natural Capital


- IDH explains, “Instead of a single-angled focus such as on the farmer or on cash crop production only, a holistic definition is needed for providing households a variety of tools for empowerment and a greater chance to institutionalise a system change for improved livelihoods”. So, in addition to resilience training and infrastructure support, the programme encourages farmers to grow a second crop of vegetables, improving food security, nutrition and income. Read the testimonial from Disciplo Victor: www.idhsustainabletrade.com/initiative/mozambique-climate-resilience-program


Olam Rubber undertakes risk-based approach pilot with SAN

Natural and Social Capital

- Sustainable Agriculture Network (SAN) is an international network of NGOs focused on helping companies, producers and donors to move forward with their sustainability agenda in a practical and efficient way.

- In November, SAN, and SAN member Centre d’Etudes, Formation, Conseils et Audits (CEFCA), conducted a pilot using a risk-based approach in Olam’s smallholder rubber sourcing in Côte d’Ivoire.

- The objective was to assess a proposed risk framework for identifying and further characterising key sustainability issues among natural rubber supply chains. The results will be used to further develop Rubber Sustainability Standard criteria for segregating any identified unsustainable rubber from Olam sourcing.

- The pilot focused on the most critical issues for sustainable rubber production in Côte d’Ivoire:
  - Deforestation and encroachment on conservation areas
  - Land conflicts
  - Child labour
  - Legal compliance
  - Farmer income
  - Living conditions
  - Pesticides


- The report states: “Considering the limited area of primary forests in the country, current low prices for rubber, processing capacity and export quotas, the current overall risk of deforestation for establishing rubber plantations can be considered low… The overall risk of child labour should be considered low to medium.”

As a responsible buyer, Olam will further expand its implementation of the Olam Farmer Information System (OFIS), an in-house mobile application that traces and tracks production information of rubber farmers, with additional data designed based on risks identified through the pilot.

Nancy de Lemos, SAN Communication and Network Engagement Manager

Olam’s world-class ginning system, in Mozambique, helps improve fibre quality, benefitting both grower and spinning mill.
Processing and logistics

Optimising USA Cotton

- Olam Cotton is a universal supplier of all cotton growths to textile markets. In the USA, the business is diversified across the growing regions of Texas, Memphis, Georgia, California and Arizona with the team operating a complex supply chain from procurement, warehousing and shipping to quality management and allocation of cotton to contracts.
- Creating optimal lots for shipments from across more than 350 warehouses has largely been a manual process, so allocation for contract fulfilment, based on agreed quality, poses additional challenges.
- Olam’s Big Data Analytics team conducted an extensive study based on aggregated inventory data which primarily serve as the key parameters for cotton lot creation and routing. The key findings were used to build a heuristic algorithm that identifies and filters cotton bales; selects bales based on optimal quality groupings; optimises bale counts to maximum permissible weights; and allocates cotton at the lowest cost within expected shipment dates while meeting contract requirements for specific customers and markets.
- The result was a robust, plug and play smart algorithm that creates optimal cotton lots across the warehouses, reduces delays and minimises logistical cost and time over-runs. Most of all, it significantly reduces man hours, thereby freeing up teams for higher value tasks.

12 years+ injury free at Moura cotton gin

- In Australia, subsidiary Queensland Cotton has built strong relationships with growers for whom they provide marketing, ginning, classing, warehousing, logistics and seed marketing.
- The team is equally focused on its employees and seasonal workers. In 2018, the team hit a major milestone – 4,530 days or 12.4 years without a single lost time incident (LTI).

Infrastructure expertise delivers projects in Gabon

In partnership with the Republic of Gabon and the Africa Finance Corporation, Olam has invested in the development of the Gabon Special Economic Zone (GSEZ), which is developing infrastructure projects including:
- 1,126 ha multi-industry special economic zone in Nkok with 60 operational units and 26 under construction.
- 45 ha mineral port undertaken in partnership with Meridiam, an international public infrastructure investment fund. The port was commissioned in January 2017.
- 18 ha general cargo terminal in Owendo. The port which started operations in June 2017 handles solid and liquid bulk cargo while STCG, a subsidiary of global logistics player Bolloré Group, operates the container activities under a strategic partnership agreement.
- Electrification project to connect rural areas to the national grid, developing a 483 kilometre high-voltage and 180 kilometre low-voltage distribution network.
- Project to design, finance, build and operate the new international airport in Libreville under a 50-year concession. GSEZ also manages the current airport in Libreville.

‘Gouassou’ for SAIC rubber farmers eases pinch income points

- Côte d’Ivoire is the largest exporter of natural rubber in Africa and the team at Société Agro Industrielle de la Comoe (SAIC) sources naturally coagulated, or cup lump, rubber from about 2,000 smallholder farmers.
- The SAIC processing facility then manufactures 2 grades of top quality Technically Specified Rubber for international customers.
- In the local language, ‘Gouassou’ means bonus and it helps to address 2 pinch points in the year when rubber farmers are challenged in terms of cash flow. Firstly in April, when fresh tools are required to start tapping for the latex; secondly, in September when school starts and the farmers need to pay for fees and books.
- Bonuses included motorbikes, tricycles, tapping tools and safety boots.
Commodity Financial Services

Commodity Financial Services incurred a net loss of S$13.1 million in EBITDA for 2018 (2017: S$4.8 million) mainly due to losses in the Fundamental Fund, which we subsequently closed in the last quarter of 2018.

Compared with 2017, invested capital increased by S$19.3 million with most of it deployed in the funds management business.

**EBITDA**

(13.1)  
(S$ million)

**Invested Capital**

117.6  
(S$ million)

Olam’s Commodity Financial Services team offers customers expertise in funds management, developed through our insights in commodity markets and quantitative research capabilities.
Manufactured Capital

How our management of Manufactured Capital creates long-term value for Olam

• Our business depends on providing safe foods for customers and maintaining their trust (protecting Financial and Intangible Capital)
• It also depends on providing safe workplaces, machinery and transportation for our people and contractors (protecting Human Capital)
• Despite some challenging operating environments, business growth relies on our farming, processing and logistics capabilities being globally competitive, supported by procurement efficiencies and economies of scale
• To increase margins, our Manufactured Capital (with Intellectual Capital) can create additional value through quality and innovation
• By focusing on environmental stewardship we reduce Capital impacts and lower risk of fines.

Financial Capital derived from Manufactured Capital in 2018 (may also include other Capitals, e.g. Natural)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT of product procured / processed / transported</td>
<td>32.867 m</td>
<td>22.534 m</td>
<td>14.415 m</td>
</tr>
<tr>
<td>Supporting offices and networks in more than 60 countries</td>
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<td></td>
</tr>
<tr>
<td>Supporting 66 large manufacturing plants and 104 processing facilities</td>
<td></td>
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<tr>
<td>12 Innovation Centres developing new concepts for customers</td>
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</table>

How we created Manufactured Capital in 2018

2018

New cocoa processing facility in Bollingbrook, USA
New-build charter vessel replacing previous older vessel (4 in total)
Digital ‘Metrics That Matter’ dashboards live across 70+ facilities for 12 products
Development of e-commerce sites for Edible Nuts and Spices
Tech and digital investments across supply chains for Smart Farms and Smart Factories
Progress against 2016 – 2020
Manufactured Capital Goals

Goal:
Continue to provide safe and reliable foods for our customers

<table>
<thead>
<tr>
<th>2020 target</th>
<th>2018 achievements</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing safe and reliable foods for our customers</td>
<td>75% of relevant facilities BRC certified (72% in 2017)</td>
<td>Sesame and Tomatoes – page 58</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coffee – page 63</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grains – page 69</td>
</tr>
</tbody>
</table>

What are we trying to achieve and why?
• Remove or minimise risks at every step of the value chain, including pesticide and herbicide residues, bacteria and moulds, foreign objects and other contamination
• Increase awareness and upskill farmers in food safety, especially smallholders, through training which can also reduce food loss and waste
• Run processing operations in accordance with internationally recognised standards, and implement the systematic preventative approach called Hazard Analysis Critical Control Point (HACCP), which addresses physical, chemical and biological hazards across the operation as a means of prevention rather than relying on finished product inspection.

2018 and 2019 focus areas
The Centre of Excellence for driving long-term value through our Manufactured Capital is led by the Manufacturing and Technical Services Function (MATS), supported by other functions including Digital Olam and IT.

MATS Strategic Roadmap
4 key value drivers: (i) Ensuring Safety, Health, Quality & Sustainability (SHQ&S) leadership (ii) Enabling BU Growth (iii) Driving capital productivity and (iv) Improving cost efficiency
2018 focused on 5 key outcomes:

1. Deliver on safety agenda
• Continue the momentum on factory safety, expand to warehousing and distribution facilities

2. Mandate Performance management with ‘Metrics that Matter’
• Define ‘Metrics that Matter’ for all BUs across SHQ, innovation, planning, cost and capital productivity
• Enable central governance, create a transparent performance management culture

3. Capture immediate benefits by launching Olam and BU roadmaps
• Bridge gaps in quality and capture benefits from manufacturing and procurement

4. Set foundation in innovation and planning to drive differentiation
• Establish a central team to drive innovation and Sales & Operations Planning (S&OP) starting with select BUs as pilot

5. Build core team and required capabilities
• Assess the current team capacity especially in integrated planning, strategic sourcing and manufacturing excellence; identify new capabilities required to bridge the gap.

“Continued investment in achieving Safety, Health, Quality & Sustainability (SHQ&S) is essential to the delivery of quality products to our customers. While we keep our people safe at work, food safety is paramount – we focus on the highest standards in all aspects of our operations.”

Martial Genthon, President and Global Head, Manufacturing Operations, Innovation & Procurement
Throughout 2018, MATS and Digital Olam teams collaborated to improve quality consistency, machine efficiency and cost reduction in manufacturing value streams. Take, for example, coffee. A perfect cup today doesn’t just rely on the quality of the beans, or the water and milk, but IoT, the Internet of Things.

Olam Coffee ensures quality consistency in a finished product using IoT and Big Data analytics. In Smart Factories the analytics model recommends values to achieve optimal quality parameters.

The factories are equipped with Smart sensors to monitor performance of critical devices. Placed on industrial appliances, they relay data via Bluetooth to the gateway which then pushes it to the cloud. The results of predictive analytics performed on that data are received by users on a mobile app to take appropriate action. Meaning they are able to avoid unplanned shut-down events and thereby ensuring that our customers can deliver the perfect cup of coffee to their consumers.
Re-engineering spaghetti cartons

Key cost drivers in the Grains pasta business are the laminate pouches used for packaging the pasta bought by Nigerian consumers. Following an ideation session, the pouches were redesigned without compromising food safety or storage ability, giving an increase of 19% more pouches per kilogramme of laminate. Reduced packaging also has a positive impact on Natural Capital.

Recipes of the future

Working closely with Business Units, the Innovation Function is leveraging Olam’s scale to build new services through the 12 innovation centres located across Asia, Europe and USA.

The Bangalore Research & Development Centre has been collaborating with the Edible Nuts team to develop recipes and application innovations, such as cashew and almond pastes and edible nut milk for industrial and food service customers. Food service technologists at the Centre also support the Packaged Foods Business, for example with recipe formulation and process optimisation for biscuits. With Olam’s ability to supply consistently high quality ingredients in multiple formats, as well as create recipes to excite end consumers, we are well positioned to help customers profit from multiple growth opportunities in the changing consumer landscape.

Smart Factories: How digital is changing the face of processing

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer and end consumer</td>
<td>Mass produced experience</td>
<td>Made to order personalised product</td>
</tr>
<tr>
<td>Fragmented product information</td>
<td>Real-time farm to fork transparency</td>
<td>Full product and production process information to consumer</td>
</tr>
<tr>
<td>Manufacturing and distribution</td>
<td>Static and predefined</td>
<td>Event-based responsive flows</td>
</tr>
<tr>
<td>Task automation</td>
<td>Agile human / machine collaborative operations</td>
<td>Automatic materials handling with collaborative robots</td>
</tr>
<tr>
<td>Ways of working</td>
<td>Human decision</td>
<td>Machine judgement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Autonomous process decision making based on multi-factor analytics</td>
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Smart Factories yield more biscuits

Pure Bliss Milk Cookies are a premium biscuit brand product in Nigeria. Following an increase in consumer demand, there was a need to augment supplies. The Manufacturing Team at OK Foods worked closely with the SAP Continuous Business and Innovation Improvement (CBII) Team and an Operational Excellence plan was launched with significant success:

- Reduction in unaccounted and accounted for losses
- Monitoring through Smart Factory Dashboard and taking action
- Effective Planning and Preventive maintenance
- Investment in training for the line team
- Overall wastage reduction

Blissful results

- Operational Excellence improvement for the production line from 51% to 88%
- 56% increase in capacity per month
- 310% reduction in total losses
- 81% unaccounted loss reduction of cartons per day. (Results are PoC basis a single manufacturing line.)
- The system developed through cross functional teams in the OK Foods plant, with the help of IT, is now being fitted across multiple lines for OK Foods, saving considerable costs.
Human Capital

The talent, skills, dedication and inspiration of our workforce and our responsibility to provide them with a safe and healthy workplace

How our management of Human Capital creates long-term value for Olam

- We depend on the safety, engagement and motivation of our workforce to create sustainable, long-term growth
- Our culture is essential for unifying the organisation, which is so diverse and geographically spread out. It underpins our performance, encouraging innovation, disrupting the status quo and allowing employees to unleash their entrepreneurial spirit
- At every level, talent must be nurtured, as high calibre talent is a source of competitive advantage. Our Communities of Practice are helping us to achieve new competencies, and we are focused on attracting talent with skills from agronomy to cutting edge technologies
- Our leaders understand how best to deliver the strategy, and achieve agreed milestones by empowering their teams within safe boundaries
- Our reputation is built upon what our employees say about us, and their advocacy allows us to attract talent for the future
- Our efforts to ensure human rights are not violated, and that we are considered a fair employer, help us to maintain a harmonious environment
- Under Human Capital reporting we have included 2 Material Areas from our Sustainability Framework (page 15) Safe and Decent Work, and Health and Nutrition.

Financial Capital derived from Human Capital in 2018 (may also include other Capitals, e.g. Intellectual)

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<tr>
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<tbody>
<tr>
<td>Team of 74,500 people deliver our volumes and revenues (38,000 primary and 36,500 secondary)*</td>
<td>72,100</td>
<td>40,500; (35,000; 31,600)</td>
<td>69,700</td>
</tr>
</tbody>
</table>

How we created Human Capital value in 2018

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<tr>
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<tbody>
<tr>
<td>397,000 people-hours of training</td>
<td>237,000</td>
<td>Not reported</td>
<td></td>
</tr>
<tr>
<td>4,480 employees trained on human rights</td>
<td>8,700</td>
<td>2,700</td>
<td></td>
</tr>
</tbody>
</table>

Launch of iQUEST digital learning platform
CEO-led Core Process workshop on ‘The Olam Way’ for new managers

* Changes between Primary and Secondary totals due in part to changes in categorisation. Secondary workforce includes seasonal, casual and temporary, and all contract.
Goal:
Building an inspired and high performing organisation

Goal: Create an engaged and inspired talent base
2018 achievements:
- 3% increase in engagement overall; 4% increase in highly engaged category
- 7% engagement increase in senior management
- Engagement levels remained static in some large teams, and dropped in a few countries and functions
Our progress: on target

Goal: Build high calibre talent pipeline (continuing target)
2018 achievements:
- Olam Future Leaders Programme with 4–5 role rotations through the full value chain
- Introduction of iQUEST digital learning platform
- Signature programme for business leaders and traders under the Olam Learning Academy
- Regional Core Process to communicate the ‘The Olam Way’
Our progress: on target

What are we trying to achieve and why?
- Investment in Human Capital enables Olam to meet key performance milestones in fulfilling our Vision of being the most differentiated and valuable global food and agri-business by 2040
- The aim is to move employees from being ‘satisfied’ to ‘engaged’ and finally, to being ‘inspired’, which helps them to perform to the best of their ability
- In 2018, we specifically focused on:
  - Increasing employee outreach and communication
  - Increasing impacts of rewards and recognition, including compensation and incentives
  - Improving perceptions on performance management and careers
  - Learning and capability development

2019 focus areas
- Leaders to communicate refreshed 2019 – 2024 Strategic Plan – building hope and excitement about the future, while supporting those businesses being deprioritised
- Continue to institutionalise ‘The Olam Way’ – our blueprint for success, ensuring that everything has the unmistakeable ‘Olam signature’
- Help managers and employees to connect with and fulfil Olam’s Purpose to Re-imagine Global Agriculture and Food Systems
- Focus on teams with lower than average engagement scores
- Continue engagement building measures
- Build a culture of appreciation

Managerial talent by region (Band E and above)

- 36.5% Africa
- 33% Asia
- 3% Australasia
- 11% Europe
- 10.5% North America
- 9% South America
- 2% Middle East

Inspiring our team

Employee

Satisfied
Engaged
Inspired

Further information: olamgroup.com 81
We aim to create an inspired organisation, capable of delivering our ambitious plans, where each one of us treats the company as if it were our own. We design work to contribute meaningfully, and empower individuals with the freedom and autonomy, the learning opportunities and work environment to grow beyond boundaries and deliver to potential.

Joydeep Bose, President and Global Head Human Resources

‘Founder’s Mentality’ – achieving scale while retaining insurgency spirit

One of the barriers to growth is the perceived trade-off between the benefits of company size and the original ‘Founder’s Mentality’. A loss of the original founder/entrepreneurial spirit as it increases in size and complexity can set an ‘insurgent’ company on a downward spiral to becoming a company struggling with bureaucracy.

A dedicated Community of Practice (CoP) undertook a programme in 2018, with discussions involving more than 1,330 managers, to diagnose barriers to retaining our Founder’s Mentality, and identify interventions.

The groups identified that Olam’s Founder’s Mentality is very much alive and kicking but there are areas for improvement: stronger cost focus, improving cross learning across Business Units, reducing siloism and bureaucracy, and increasing talent obsession.

Our spirit is to be an insurgent in our industry

We are not afraid to disrupt the status quo

We are pioneers, inventing and innovating to create solutions for our suppliers and customers

See out GRI report at www.olamgroup.com
By 2020 eliminate serious incidents

Reduce Lost Time Injury Frequency Rate (LTIFR) to 0.3 in Olam processing operations (50% reduction from 2015 actual)

- LTIFR was reduced to 0.29 in Tier 1 plants
  - Our progress: ahead of target

Reduce LTIFR for Tier 2 facilities which include upstream operations: plantations, farming and forest concessions; processing plants, cotton gins and sawmills, infrastructure business and R&D centres

- Baseline established for 120 out of 170 Tier 2 facilities. July 2018 to December 2018 – LTIFR of 3.2

Sustain safety and health behaviour change

All locations routinely report unsafe acts and unsafe conditions, and near misses

- Good progress against safety success plan comprising:
  - Transparency in safety performance
  - Enhanced safety organisation
  - Improved safety reporting culture
  - Continuous improvement safety training programme

What are we trying to achieve and why?
- A zero harm workplace without fatalities or injuries
- Tragically in 2018, 12 employees or contractors lost their lives. These included vehicle, weather and plantation/concession related incidents.

2019 focus areas
- In 2019 – commit to creating An Even Safer Olam by:
  - Setting up Safety Committees at Group, regional and sub-regional level
  - Implementation of Life Saving Rules and Consequence Management
  - Roll-out of continuous improvement programmes addressing key risk areas

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

- Mutual Respect and Teamwork
  - We treat each other the way we want to be treated

- Stretch and Ambition
  - Our passion for doing more

- Integrity
  - We stay true to what we believe, say and do

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

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

Link to SDGs

3.6 Reduce traffic accidents
8.8 Promote safe working environments
Goal 2018 achievements

Olam complies with International Labour Organisation (ILO) principles

No moderate or severe breaches of compliance reported or observed in audits

No severe breaches were recorded by Olam Internal Audit. 3 ‘moderate’ issues being investigated, involving non-compliance with hours of work, overtime pay or minimum wage.

Diversity strategies are implemented

Launch of Global Fair Employment Policy – complies with the conventions of the ILO and United Nations Global Compact’s (UNGC) Guiding Principles on Human Rights and Labour

Diversity Task Force established

What are we trying to achieve and why?

Through the Olam Fair Employment Policy:

- Ensure compliance with all applicable national employment laws and international standards. In 2018, 30 grievances about labour practices were filed and 28 were resolved
- Create a fair and non-discriminatory workplace that provides equal opportunity to everyone
- Establish, maintain, and improve the worker-management relationship and ensure employees’ rights to self-representation
- Protect workers, including vulnerable categories such as migrant workers, and workers engaged through third parties, and prohibit the use of child labour and forced labour
- Provide safe and healthy working conditions.

2019 focus areas

- Training on the Fair Employment Policy
- Self-audit of prioritised countries – 80% of workforce
- Biannual tracking and monitoring of data as specified in the Policy
- Additionally, we hope to partner with the Fair Labor Association in 2019 and work with our suppliers to assess labour risks along the palm supply chain to support positive actions to improve labour practices within the sector.

Material area: Health and Nutrition

Ensuring provision of access to health, water, and sanitation infrastructure, as a minimum, meets the Olam WASH standard

By 2020, 100% of Olam’s direct operations are compliant with the Olam WASH Standard (Water, Sanitation and Hygiene)

Fair Employment Policy implemented which addresses WASH standards

Top 10 countries covering 80% of Olam employees conducted baseline audits. Action plans being developed

Olam Palm Gabon is implementing Alliance for Water Stewardship standard in 2019 with specific focus on WASH

Our progress: on target

What are we trying to achieve and why?

- Improve health and wellbeing of our employees and reduce absenteeism.

2019 focus areas

- Advancing the Alliance for Water Stewardship standards in Olam operations – 39 businesses
- Including WASH in Olam Healthy Living campaign activities – 22 businesses participated in 2018
- Increase access to nutritious food.
How our management of Social Capital creates long-term value for Olam

- Olam relies on relationships with multiple partners – from customers, to suppliers, investors, financiers, governments, civil societies and more.
- Our farmer suppliers are critical – with over 4.8 million small-scale and 8,600 large-scale farmers contributing to our 2018 volumes. We can only reach a proportion directly so rely on our Supplier Code and industry engagement to have a positive influence on the sector.
- Given the multiple pain points affecting farmers in emerging markets, smallholders are the main focus of our Social Capital efforts. This is because we need farmers to be able to grow what we need today, and in the future. Equally, we want them to see Olam as a reliable and fair buyer. To achieve this, we need to alleviate poverty and hunger in farming communities, as well as build their resilience to external shocks.
- We have encapsulated this in our Company Purpose to Re-imagine Global Agriculture and Food Systems which seeks to achieve 3 outcomes: Prosperous Farmers and Food Systems, Thriving Communities, and Regeneration of the Living World.
- 5 Material Areas in our Sustainability Framework (see page 15) contribute to this Social Capital value creation and delivery of our Purpose: Economic Empowerment; Health and Nutrition; Skills and Education; Diversity and Inclusion; and Safe and Decent Work.
- Our efforts are then recognised by others who share a similar ambition, culminating in multiple partnerships and investment opportunities to scale impact.

“Olam’s comprehensive and grassroots approach to improve agricultural value chains brings significant positive impacts to farmers and the agri-business industry.”

Gyo Shibata, Investment Officer, Japan International Cooperation Agency commenting in March 2018 on the US$163 million loan from the Asian Development Bank and Japan International Cooperation Agency. This will be applied towards Olam’s capital expenditure and permanent working capital requirements in countries with smallholder supply chains such as Vietnam and Indonesia.
Small-scale farmer issues

- Cash crops like cocoa, cashew, coffee and sesame are predominantly grown by smallholder farmers.
- They often suffer from low literacy (and even numeracy) rates, with little or no access to the internet, let alone knowledge of farming technology or best practices.
- Negotiating fair payment is an issue because they don’t have the means to find out what the global market is willing to pay (price discovery), instead simply selling to the nearest intermediary, who may sell to others, each taking a cut.
- Access to finance and credit is another hurdle due to lack of banking infrastructure and risk aversion by financial institutions.
- Logistics infrastructure is often poor culminating in both post-harvest and income losses.

Large-scale farmer issues

- Large-scale farmers in Australia, Europe, North and South America, and other regions, are not immune from many of the issues facing smallholder farmers and vice versa, just at a different relative scale. In 2018, large-scale farmers were particularly hit by:
  - Weather and climate change impacts such as drought and salinity as salt deposits rise with groundwater table levels (California, Australia); major forest fires (California).
  - Global trade and protectionism issues such as ‘tit for tat’ tariffs between China and the USA heavily impacting storage facilities and payment contracts for growers.
  - Low commodity prices / volatility and risk issues: In the USA, “in recent years, slightly more than half of farm households have had negative farm income and therefore rely on off-farm income to support their well-being”, according to the Department of Agriculture.
  - Consumer mistrust of ‘Big Ag’ and increasing demand for transparency.

Our Capitals continued

Financial Capital derived from Social Capital management in 2018 (may also include other Capitals, e.g. Natural)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>Selling 32.8m MT product which includes procurement from a network of &gt;4.86m farmer suppliers</td>
<td>4.76m</td>
<td>4.33m</td>
<td></td>
</tr>
<tr>
<td>Licence to operate farms, plantations and concessions in 14 countries</td>
<td></td>
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</tr>
<tr>
<td>Access to diversified funding sources e.g., US$163m loan from Asian Development Bank and Japan International Cooperation Agency to help smallholder farmers expand production sustainably</td>
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How we created Social Capital value in 2018

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<tbody>
<tr>
<td>&gt;445,900 smallholders in 24 countries supported under Olam Livelihood Charter (OLC)</td>
<td>363,000 in 21 countries</td>
<td>302,500 in 19 countries</td>
<td></td>
</tr>
<tr>
<td>18% OLC farmers are women</td>
<td>17%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>19% of leadership roles in OLC farmer groups held by women</td>
<td>Not collected</td>
<td>Not collected</td>
<td></td>
</tr>
<tr>
<td>US$25.45m in medium and long-term finance made available to smallholders to alleviate income gaps and invest in farms (0% or low interest rates)</td>
<td>US$27.56m</td>
<td>US$16.69m</td>
<td></td>
</tr>
<tr>
<td>US$30.96m in premiums paid to certain smallholder programmes by Olam and customer/certification partners</td>
<td>US$27.56m</td>
<td>US$32.24m</td>
<td></td>
</tr>
<tr>
<td>&gt;285,800 smallholders trained in Good Agricultural Practices for improved quality and yield (27% women)</td>
<td>&gt;253,170 (14%)</td>
<td>226,030 (14%)</td>
<td></td>
</tr>
<tr>
<td>1.5m MT total OLC product volume (46% increase)</td>
<td>1.03m MT</td>
<td>1.36m MT</td>
<td></td>
</tr>
<tr>
<td>12 schools renovated / refurbished / constructed; 4 teacher housing units constructed; plus investment in 3 migrant worker summer schools</td>
<td>Not reported</td>
<td>Not reported</td>
<td></td>
</tr>
<tr>
<td>&gt;10,000 children benefitted from school kits (text books, notebooks and bags)</td>
<td>Not collected</td>
<td>Not collected</td>
<td></td>
</tr>
<tr>
<td>&gt;202,340 people in Africa reached under the Olam Healthy Living campaign</td>
<td>250,000</td>
<td>190,000</td>
<td></td>
</tr>
<tr>
<td>&gt;218,000 smallholders trained on safety including occupational safety and safe pesticide handling</td>
<td>&gt;221,300</td>
<td>Not collected</td>
<td></td>
</tr>
<tr>
<td>&gt;214,700 smallholders trained in labour rights</td>
<td>&gt;232,900</td>
<td>&gt;203,690</td>
<td></td>
</tr>
<tr>
<td>&gt;50 OLC partnerships – customers, donors, DFIs scaling impact and contributing to UN SDGs</td>
<td>40</td>
<td>&gt;30</td>
<td></td>
</tr>
</tbody>
</table>

1. As defined by the Olam Livelihood Charter: Finance; Improved Yield; Labour Practices; Market Access; Quality; Traceability; Social Investment; Environmental Impact.
## Progress against 2016 – 2020
### Social Capital goals

<table>
<thead>
<tr>
<th>Goal</th>
<th>2018 achievements</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Smallholder farmers are supported in sustainability programmes such as the Olam Livelihood Charter</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bring 1 million hectares under the OLC with an estimated 500,000 smallholders</td>
<td>1.03 million ha managed by 445,900 smallholders (Increase of 19% and 23% respectively in 2017)</td>
<td>Cashew – page 57</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coffee – page 62</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cocoa – page 62</td>
</tr>
<tr>
<td><strong>People have improved livelihood potential through enhanced skills, economic resources and infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>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</td>
<td>At least 486,900 (445,900 OLC farmers and their communities, plus &gt;41,000 other beneficiaries)</td>
<td>How I Live Case Study – page 34</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Animal Feeds – page 65, 66</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rice – page 68</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cotton – page 72</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wood Products – page 71</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rubber – page 72</td>
</tr>
<tr>
<td><strong>Elimination of child labour</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No breaches in compliance reported or observed in audits for either Olam or third party supply chains</td>
<td>No incidents reported in Olam operations</td>
<td>Hazelnuts – page 57</td>
</tr>
<tr>
<td></td>
<td>Incidents reported in smallholder supply chains during monitoring audits with investigation and or remediation</td>
<td>Rubber – page 73</td>
</tr>
<tr>
<td></td>
<td>See also reports by Fair Labor Association (FLA) in hazelnuts and cocoa third party² supply chains at <a href="http://www.fairlabor.org">www.fairlabor.org</a></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Our progress</strong>: behind target</td>
<td></td>
</tr>
<tr>
<td><strong>Suppliers comply with the Supplier Code (human rights)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100% of priority product volumes covered by the Supplier Code: cashew, cocoa, coffee, cotton, hazelnut, palm and rubber</td>
<td>82%</td>
<td>Social Capital – page 85</td>
</tr>
<tr>
<td></td>
<td><strong>Our progress</strong>: on target (up from 70% in 2017)</td>
<td></td>
</tr>
</tbody>
</table>

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1. Other beneficiaries include:
- 14,000 people in 59 villages in Gabon with palm Social Contracts, and / or benefitting from employment
- 1,600 people in 25 villages in Gabon with rubber Social Contracts and / or benefitting from employment
- Avu Tanzania (coffee plantation) census: employment and social investments in 4 villages, totaling 2,216 households, representing 8,966 individuals
- NCCL Zambia (coffee plantation): employment and social investments benefitting >30 villages with 16,620 people based on 4 people per household
2. Fair Labor Association report links:

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1. Smallholder programmes by Olam and customer/US$30.96m
2. Smallholders trained in labour rights >232,900 >203,690
3. People in Africa reached under the Olam Healthy Living campaign >218,000 >202,340
4. New teacher housing units constructed; plus 12 schools renovated / refurbished / constructed; 1.5m MT total OLC product volume (46% increase) 1.03m MT 1.36m MT
5. 363,000 in 21 countries
6. Not collected
7. Not reported
8. 40 >30
9. 4.76m 4.33m
Our Capitals continued

What are we trying to achieve and why?

- Improved farmer livelihoods by better access to productive resources and vocational skills
- Respect for labour rights and environmental stewardship.

2019 focus area

Assessing impact pathways for measuring: Economic Opportunity:

- Income/poverty measures, such as increased income and number of people lifted above the national/international poverty line
- Income resilience and/or job security, such as dependency ratios (e.g. proportion of income from which various sources). Income diversification: Social Capital in the sense of household ability to lean on others for financial or food support during difficult times; savings and safety nets.

Education and Skills:

- Livelihoods skills provided (e.g. training opportunities)
- Livelihoods skills applied (number/percent of people trained applying the knowledge or skills they gained
- School attendance (in areas of high risk).

Safe and Decent Work:

- Application of labour rights in terms of eliminating the worst practices (child labour, forced labour) – and what we can do to prevent these in third party supply chains.

To preserve the quality and enhance the value of production, Olam promotes good post-harvest practices and access to drying and processing equipment. Drying equipment is an excellent example – affordable and simple, yet with a big impact on quality preservation. Solar dryer construction support in 2018 included: 15 for cocoa farmers in Ecuador, 6 for cocoa farmers in Nigeria, and 20 for coffee farmers in Peru.

Olam also provided 3 gas dryers to cocoa farmers in Ecuador and 10 smoke-free drying ovens to cocoa farmers in Democratic Republic of Congo. Olam installed innovative sundried coffee units using ‘solar bubbles’ which produce hot air to dry the coffee cherries. These are linked to Olam’s coffee washing stations, and by producing a favoured quality they provide farmers with better access to markets.

Improving quality and post harvest losses

Despite industry efforts, including those of Olam, millions of farmers still live below the World Bank’s extreme poverty line of US$1.90/day. With crop prices often set by governments, the challenge is to find multiple paths to increasing farmer income. In addition to training farmers in Good Agricultural Practices (>285,800 in 2018) to improve yields, Olam is engaged in:

- Supporting income diversification e.g. in Vietnam they are planting cash crop fruit trees like Durian and Passion Fruit alongside coffee bushes (which also has environmental benefits), planting food crops or engaging in animal husbandry
- Committing to fair procurement practices through contracts with suppliers in direct supply chains and investing in digital platforms so that farmers have access to information on global prices (price discovery). We are considering how to better drive fair payment practices across third party chains.
- Investing in social infrastructure, such as clinics and schools, where the Return on Investment per person over the long-term may be greater for the community as a whole than simply paying more to an individual farmer for their crop. For example, in 2018 Olam improved access to clean water in 112 communities through 83 new and 29 repaired water supply facilities including wells, boreholes, and pumps.
- Providing zero or low interest micro-finance and facilitating access to other financial services so farmers can invest in their farms.
- Providing premium payments for certified, verified or quality product.
- Engaging partners, such as development finance institutions, e.g. Asian Development Bank and certification partners like Rainforest Alliance – to scale initiatives to help farmers become more resilient.
- Developing cost effective and manageable impact assessments to better monitor living conditions, as well as using financial accounting methodologies to understand the potential cumulative impact and trade-offs of increasing or reducing investment in Human, Social and Natural Capitals. See the Integrated Impact Statement case study under Intellectual Capital.

1. The net annual income required for a family in a particular place to afford a decent standard of living for all members of that family. Elements of a decent standard of living include: food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events.
Unlocking value for farmers and Olam through digital innovation

While our sourcing base in recent years has increased, it is impossible for Olam to physically procure directly from all – so the majority sell to Olam via a chain of intermediaries.

Olam has, however, implemented a range of digital solutions to disrupt and help transform smallholder supply chains for the better. These include:

Olam Farmer Information System (OFIS)

OFIS captures rich data from farmers and their community on a hand-held device – including farm size, location, age of (tree) stock, economic, social and health infrastructure and eco-support systems.

With this data, we can design programmes more efficiently and, above all, provide customised advice to farmers to help improve yield.

By the end of 2018, around 248,850 farmers were registered and more than 187,230 farms mapped on OFIS globally across products namely Cocoa, Coffee, Cashew, Cotton etc., with 60,820 individual farm management plans generated for cocoa smallholders.

Read the article about how one farmer increased his yields from 7 to 25 bags: https://www.bbc.co.uk/news/business-44642175

Olam Direct

Completely disrupting the supply chain, Olam Direct enables small-scale farmers to bypass intermediaries and therefore retain more of the value of their crop. It also gives them transparency on price and other support. Read the Olam Cocoa case study which is benefitting up to 40,000 farmers and creating employment for intermediaries: www.olamgroup.com/sustainability/sustainability-framework/priority-areas/economic-inclusion.html

Material Area: Diversity and Inclusion

<table>
<thead>
<tr>
<th>Goal</th>
<th>2018 achievements</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women are economically empowered within our supply chain</td>
<td>81,780 female farmers (33% increase on 2017)</td>
<td>Cashew – page 59</td>
</tr>
<tr>
<td>Support 100,000 women to access economic opportunities, including female farmers, processors, distributors, and workers supported or employed by Olam</td>
<td>Total women empowered in Olam’s supply chains: &gt;10,900 in primary workforce. In addition, data available for temporary and contract women in cashew processing = 3,280</td>
<td>Sugar – page 67</td>
</tr>
</tbody>
</table>

What are we trying to achieve and why?

- Women farmers and processors in emerging markets are empowered through access to training, agri-inputs and finance, boosting global production and improving their resilience to climate change
- They are also better empowered in terms of leadership and decision-making with respect to productive resources, and control over use of income
- Promote other aspects of diversity, such as opportunities for young people.

2019 focus area

Assessing impact pathways for measuring:

- Representation overall, in farming and workforce
- Representation in leadership, in farming associations, small and medium-sized enterprises (SMEs) and workforce
- Equality of opportunity, such as equal access to inputs and training; equal pay for equal work
Eliminating human rights abuses in our third party supply chains

- Human rights abuses can occur in any operational environment – farm, factory or office. Clearly, where we have close access to farmer suppliers – e.g. by buying directly or through the cooperative – we have more influence to ensure that children and adults are not exploited, forced, or bonded to work on farms or in other areas of operation. Even then, if we take just the 214,720 farmers who received training on labour standards, monitoring is challenging.

- The Olam Supplier Code is being rolled out to high-risk supply chains including cocoa, coffee, and hazelnuts (also covering environmental stewardship). Suppliers signing the Code give Olam the right to conduct announced inspections to ensure compliance. Olam also has the right to terminate an agreement with a supplier who contravenes the Code, although we will consider mitigating circumstances, such as poverty or lack of school, and focus on remediation measures. In doing so, we must distinguish between labour where health, education and play are impacted, and labour which might be classed as light work to support and learn about the family business, in the same way an adolescent might help parents in a developed nation.

- We have learned much from our affiliation with the Fair Labor Association (FLA), with whom we have long-running programmes. Read our UK Modern Slavery and Human Trafficking Statement here: https://www.olamgroup.com/content/dam/olamgroup/locations/europe/united-kingdom/united-kingdom---pdfs/olam-slavery-and-human-trafficking-statement-2017-2018.pdf

- We recognised more training on Supplier Code implementation would be beneficial and this will be rolled out intensively in 2019.

- Based on learnings from our Palm Oil Grievance Procedure, we launched a Global Grievance Procedure which applies to both Olam-owned operations and our third-party suppliers. As at the end of 2018, no grievances had been logged, other than for palm.

As part of the 70 year anniversary celebrations of Olam Cocoa brand Joanes in Brazil, the team began sponsoring the monthly school expenses for 8 children from the cocoa growing community. These include expenses such as boarding and fees – 6 children stay in the hostel and 2 are day scholars.
Olam Healthy Living campaign reaching 250,000 people, including community beneficiaries of health, water and sanitation infrastructure, health education campaigns, HIV testing, health check-ups, access to insurance initiatives, and similar services.

Reached 202,340 people in Africa¹, both workers and community members around operations. Also – 8,300 people in South America, Asia, Europe and USA trained on disease prevention

11,620 smallholders and others trained on nutrition (some overlap with above)

Teams leveraged resources for preventative efforts following Ebola outbreak in Democratic Republic of Congo

**Our progress:** on target given year-on-year reach.

### Increased availability of micronutrient fortified foods

**Produce 40 billion servings of micronutrient fortified foods**

44.45 billion servings of fortified foods in Africa, including yogurt drinks, oil, flour, tomato paste, milk and biscuits

**Our progress:** ahead of target

<table>
<thead>
<tr>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood Products – page 71</td>
</tr>
<tr>
<td>Rubber – page 72</td>
</tr>
</tbody>
</table>

¹ 56,560 direct beneficiaries (e.g. HIV/AIDS sensitisation, diagnosis and testing = 20,100 people; malaria sensitisation and screening = 10,500 with overlap) Indirect beneficiaries due to construction / renovation of borehole and latrine facilities in communities in Africa = 140,780

### What are we trying to achieve and why?

- Smallholder farming communities are healthy and can reach their production potential
- Communities around our own operations benefit from health programmes underpinning our social licence to operate – focus on prevention and treatment of HIV/AIDS
- We meet increasing demand for low-cost nutritious packaged foods in Africa, which in turn supports government relations and our Africa growth strategy.

### 2019 focus area

**Assessing impact pathways for measuring:**

- Access to healthcare and water
- Food availability
  - To include diversity of food produced on farms and availability of sufficient, safe and affordable food near the workplace
- Perception of food security

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*“We need companies like Olam to keep leading, and challenging the rest to step up. We also need to get the Asian markets on board: we can’t truly make an impact without China and India making big changes. Olam speaks the language of these emerging markets and can continue to help channel investments into the regions that need it most.”*

Joost Oorthuizen CEO of IDH – the Sustainable Trade Initiative.

In 2018, Olam signed an MoU with Netherlands-based development partner IDH to pilot new forms of smallholder engagement, prototype innovations, and work together on improved data gathering, analysis and impact measurement.

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Read more from Joost in conversation with Sunny about their mutual hopes and fears for agri-supply chains: www.olamgroup.com/content/olamgroup/en/home-page/news/all-news/blog/to-years-back-and-to-years-forward.html
Natural Capital

How our management of Natural Capital creates long-term value for Olam:

• Agriculture is fundamentally dependent on Natural Capital, withdrawing stocks, such as nutrients and water, for crop production, and impacting remaining capital e.g. through release of greenhouse gas (GHG) emissions (e.g. via fertiliser and land conversion). In many cases, demand and poor production practices are already outstripping the rate at which the Earth can re-generate: 4 out of 9 Planetary Boundaries, which define a safe operating space, have been breached (Stockholm Resilience Centre)

• Olam address issues in our direct and indirect operations through concerted focus on our 5 Material Areas related to Natural Capital – Climate Action, Healthy Soils, Healthy Eco-Systems, Water and Reduced Waste.

We aim to understand the regenerative capacity of nature, try to operate within those boundaries and, where necessary, aim to ‘put back’ through our agricultural practices. Through this, we can achieve our Purpose to Re-imagine Global Agriculture and Food Systems through our 3rd outcome: Regeneration of the Living World.

• With our Purpose in mind, we launched our Living Landscapes Policy in 2018. Our efforts to minimise and mitigate Natural Capital impacts (including trade-offs with other Capitals) have already led to learnings and innovation, as well as partnerships. These are in addition to the reduction of business risks regarding taxes (e.g. carbon emissions), fines (e.g. pollution) and reputational threats (e.g. deforestation)

• Equally, our approach generates Social Capital by contributing to the long-term prosperity of farmers and helping communities to thrive; this strengthens our social licence to operate.

Supporting living landscapes – Olam eco-guards help protect iconic species in the Republic of Congo and Gabon, such as elephants. We are dependent on bees to pollinate our orchards.

For more information on our management approach see our Global Reporting Initiative (GRI) Report at www.olamgroup.com
Financial Capital derived from Natural Capital in 2018
(may also include other Capitals, e.g. Social)

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling 32.9m tonnes of product volume from 15.06 million ha land – Olam and third party managed (3.04m managed by Olam directly (2.58 million+ forestry concessions); 1.03 million ha farmers with sustainability support; 10.98 million ha other third party suppliers)</td>
<td>22.53m MT</td>
<td>14.4m MT</td>
</tr>
<tr>
<td></td>
<td>12.4m ha</td>
<td>9.74m ha</td>
</tr>
<tr>
<td></td>
<td>2.46m ha;</td>
<td>2.41m ha;</td>
</tr>
<tr>
<td></td>
<td>0.86m ha = OLC1;</td>
<td>0.67m ha = OLC1;</td>
</tr>
<tr>
<td></td>
<td>9m ha = third party</td>
<td>6.67m ha – third party</td>
</tr>
<tr>
<td>The sale of crops/products grown on Olam-managed farming, plantation and forestry concession operations which emitted 1.23 tonnes CO2 e per metric tonne (MT) of product whilst sequestering 0.65 tonnes CO2 e per MT of product</td>
<td>1.14 tonnes</td>
<td>0.98 tonnes</td>
</tr>
<tr>
<td>The sale of products and ingredients from Olam processing operations which emitted 0.209 tonnes CO2 e per MT of product</td>
<td>0.213 tonnes</td>
<td>0.268 tonnes</td>
</tr>
<tr>
<td>Reliance on water to a value chain intensity of 3,374m3 per MT product</td>
<td>3,587m3</td>
<td>4,331m3</td>
</tr>
<tr>
<td>The sale of 1,911,709 MT third party verified crops which may generate a premium or better contractual terms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversified funding sources by meeting environmental criteria attached to US$500m 3-year, sustainability-linked revolving credit facility – Asia’s first green ‘club loan’</td>
<td></td>
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</tbody>
</table>

How we created Natural Capital value in 2018

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brought 1.033m ha of smallholder farms under OLC guidance1 for environmental stewardship</td>
<td>0.86m ha</td>
<td>0.67m ha</td>
</tr>
<tr>
<td>Trained 110,495 smallholders (14% women) in Climate-Smart Agriculture practices</td>
<td>&gt;99,0702</td>
<td>&gt;55,3702</td>
</tr>
<tr>
<td>Trained &gt;147,050 smallholders (12% women) in conservation (forests, land, biodiversity)</td>
<td>86,605</td>
<td>130,1602</td>
</tr>
<tr>
<td>Distributed 649,530 shade or forest tree seedlings / saplings</td>
<td>&gt;876,940</td>
<td>Not collected</td>
</tr>
<tr>
<td>Trained &gt;219,560 smallholders (11% women) in soil health / protection / soil water conservation</td>
<td>&gt;148,130</td>
<td>&gt;120,460</td>
</tr>
<tr>
<td>Trained &gt;114,320 smallholders in water efficiency</td>
<td>&gt;151,560</td>
<td>&gt;19,810</td>
</tr>
<tr>
<td>Protection of 599,081 ha of High Conservation Value areas (forests, wetlands, savannah and other areas)</td>
<td></td>
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</tr>
</tbody>
</table>

1. As defined by the Olam Livelihood Charter (OLC): Finance; Improved Yield; Labour Practices; Market Access; Quality; Traceability; Social Investment; Environmental Impact.
2. Data for women trained in Climate-Smart Agriculture not collected.
3. Includes forest conservation training along with other Climate-Smart Practices.
Progress against 2016 – 2020
Natural Capital goals

<table>
<thead>
<tr>
<th>Goal</th>
<th>2018 achievements</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increased energy efficiency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New target:</td>
<td>Science based targets developed</td>
<td>Almonds – page 55</td>
</tr>
<tr>
<td>By 2030, reduce greenhouse gas (GHG) emissions by 50% both in own operations and third party supply chains. Requires reduction of 3.85% per year</td>
<td>2% GHG intensity improvement for Tier 1 processing operations</td>
<td>Tomatoes and Spices – page 58</td>
</tr>
<tr>
<td></td>
<td>9% increase in plantation and farming GHG emission intensity</td>
<td>Coffee – page 61</td>
</tr>
<tr>
<td></td>
<td>5% increase in carbon sequestered in farming and plantation operations</td>
<td>Palm – page 67</td>
</tr>
<tr>
<td></td>
<td>GHG footprint calculator developed for AllSource supply chains</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Our progress:</strong> on target</td>
<td></td>
</tr>
<tr>
<td><strong>Avoided GHG emissions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By 2020, all Olam farms, plantations and Tier 1 facilities to have implemented their 2020 GHG reduction plans:</td>
<td>Energy strategy developed to focus on 20 plants contributing 80% of Tier 1 processing emissions</td>
<td>Palm – page 67</td>
</tr>
<tr>
<td>1. Operational efficiency</td>
<td>Climate-Smart operational plans in place at all plantations and farms</td>
<td></td>
</tr>
<tr>
<td>2. Avoid High Carbon Stocks for land development</td>
<td><strong>Our progress:</strong> on target</td>
<td></td>
</tr>
<tr>
<td>3. Climate-Smart Agricultural practices.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Increased share of renewable energy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By 2020, 25% of energy derived from renewable and biomass sources at Olam’s Tier 1 facilities (from 2015 baseline – 15%).</td>
<td>11% of energy derived from biomass and renewables</td>
<td>Almonds – page 55</td>
</tr>
<tr>
<td></td>
<td>Decrease due to lower quantity of bagasse available from lower sugar cane production in 2017 and reduced consumption of rice husk due to brown rice production</td>
<td></td>
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<tr>
<td></td>
<td>Cocoa shell boiler implementation plans in place for 2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Power Purchase Agreement implemented for Australian Almonds</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Our progress:</strong> behind target</td>
<td></td>
</tr>
<tr>
<td><strong>Reduced agricultural vulnerability to climate risks for farmers and Olam-managed plantations, concessions and farms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By 2020, implement the Olam 2020 Climate-Smart Agriculture (CSA) Programme.</td>
<td>Increased implementation of CSA practices e.g. 11% increase in CSA training and 70% increase in conservation training</td>
<td>Cocoa – page 63</td>
</tr>
<tr>
<td></td>
<td>Climate resilience plan in development, to be completed in 2019.</td>
<td>SRP rice farmer video on methane1</td>
</tr>
<tr>
<td></td>
<td><strong>Our progress:</strong> behind target</td>
<td>Cotton – page 72</td>
</tr>
</tbody>
</table>

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Climate change – reasons to be positive?

Climate change is already impacting agriculture. Equally, agriculture is a major cause – 10-12% of all manmade GHG emissions\(^1\). Even a 1.5°C increase in global temperatures will require radical and urgent transformation of all systems at an unprecedented scale. Although the challenge is enormous there are some reasons for Olam to be positive:

1. **Speed of digital and tech innovation**
Advances in precision agri technology for large-scale farmers, and mobile platforms such as Olam Direct, as well as access to an increasing number of weather stations in emerging markets for small-scale farmers, are giving the tools to both mitigate and adapt to impacts. Satellite technology provides better data to address negative practices like illegal deforestation (although globally rates of deforestation are still of significant concern).

2. **Better agronomy that saves money**
It is recognised that even simple changes in agronomy practices can increase yields while reducing fertiliser use – benefitting both the climate and the farmer, Sustainable Rice Platform (SRP) rice being one example.

3. **Increasing demand drivers**
Consumer expectation that products are sustainably sourced drives demand from multi-national customers who equally need to protect their supply chains and satisfy publicly declared targets e.g. around the UN Sustainable Development Goals. AtSource is our vehicle to drive increased demand.

4. **Increased access to finance**
While green finance is often seen as niche, there are encouraging signs. Olam is leveraging its sustainability strategy to access company-wide climate/sustainability linked financing (reduced costs of capital), and funding (for AtSource Plus and AtSource Infinity). We are exploring voluntary carbon credit generation (through upstream assets and Living Landscape Policy linked programmes), and lower insurance premiums. Such products will encourage Olam to invest more in sustainable solutions with greater impact potential.

5. **Country commitments galvanise action**
Of 162 pledges to the Paris Agreement for Climate Action, 104 countries intend to make agricultural GHG emission reductions and 126 list agriculture as a priority for adaptation.

6. **Natural Capital accounting improving**
While there is currently no standardised methodology for impact valuation, Olam and others are making considerable progress. See the Integrated Impact Statement on page 108. Olam is a member of the Natural Capital Coalition and The Prince’s Accounting for Sustainability Project (A4S). In 2018, we helped to convene the A4S Singapore Circle of Practice, bringing together finance leaders seeking to adopt integrated approaches to embed sustainability into finance processes and decision making.

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What are we trying to achieve and why?

- Reduce climate risks and severe weather impacts
- Build resilience to effects of climate change in our own and third party supply chains
- Play a leading role in delivering against Science Based Targets for the agricultural sector; help catalyse wider industry change through trade bodies and sector platforms.

2019 focus areas

Assessing impact pathways for measuring:

Mitigation
- Ensuring practical and robust plans are in place to implement Science Based Targets

Adaptation
- Climate-related risks and opportunities to be further integrated into Olam’s Enterprise Risk Scorecard and investment decisions in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations

Advocacy
- The value of taking leading positions in multi-stakeholder organisations to drive greater scale (strong link to Social Capital)

Regeneration
- To include CO₂e sequestration through our Living Landscapes Policy (LLP) activities, water stewardship and bringing unproductive land into productive use.

Goal | 2018 achievements | Read more
--- | --- | ---

Reduce indirect land impacts from third party farmers and suppliers

By 2020, 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

82% of priority product volumes which are directly sourced (cocoa, cashew, coffee, cotton, hazelnuts, palm, rubber)

An increase from 70% in 2017

Our progress: on target

Living Landscapes Policy targets met

29 time-bound commitments by 2020

Forest Loss Risk Index (FLRI) developed to identify future risk of forest loss and support action planning. Tested on 3 products (cocoa, coffee and cashew) in 3 countries (Côte d’Ivoire, Brazil and Vietnam), analysing a total potential sourcing area of 25 million ha

Comprehensive risk assessment process across businesses

Implemented Global Grievance Procedure for owned and third party supply chains. Progress updates available via the Grievance Log on olamgroup.com

Our progress: on target

Link to SDGs

- 2.4 Sustainable agriculture
- 13.a Climate change mitigation
- 13.1 Strengthen resilience to natural disasters
Progress on Living Landscapes Policy

As part of our efforts to Re-imagine Global Agriculture and Food Systems, the cross-commodity Living Landscapes Policy (LLP) was launched in March 2018. It seeks to go beyond forest policies—typically based narrowly on unacceptable land use management practices—to focusing on putting more back into food and farming systems than is taken out. In doing so, we can achieve the 3 outcomes of our Purpose: creating ‘living landscapes’ where prosperous farmers, thriving rural communities, and healthy ecosystems can coexist. The Policy applies to Olam plantations and third-party supply chains. Since March, we have:

- Implemented the new commitments and requirements into the updated Olam Farms and Plantations Code (due for release Q2 2019)
- Developed 90+ metrics for AtSource, integrating net positive and transformative indicators for Living Landscape food systems at the highest ‘AtSource Infinity’ level
- Rolled out revised Olam Supplier Code integrating LLP criteria and conducted suitable training of staff to drive compliance
- Consulted stakeholders to build understanding, partnerships and technical capacity to deliver living landscape outcomes
- To further tackle unacceptable land use practices we developed a methodology called the Forest Loss Risk Index (FLRI) to prioritise action to be taken before trees are lost. For coffee, we have so far analysed over 150 potential sourcing areas, covering 210 million ha across 20 countries. On the basis of the FLRI analysis we will prioritise high-risk sourcing areas to understand the drivers of deforestation, map smallholders’ farms using the Olam Farmer Information System (OFIS), train farmers on our requirements, exclude suppliers in persistent breach of our Policy, and engage with a wider stakeholder group to find long-term solutions to deforestation
- In Indonesia, a country with a high deforestation rate, the FLRI analysis has shown only 1 of 16 coffee sourcing areas having a high risk of future tree loss. In this area, which is on the edge of Bukit Barisan National Park in Southern Sumatra, we are already working with a coalition led by the Wildlife Conservation Society to cease smallholder farming in the national park, and improve productivity of the smallholders farming outside of it. In time this will allow for forest restoration in the park. Such partnerships are critical to achieving the regeneration goals set out in the LLP
- Note that for palm we use WRI’s Palm Risk tool
- To read the Living Landscapes Policy: www.olamgroup.com/sustainability/policies-codes-standards/living-landscapes-policy.html

Read more on the landscape approach: www.innovation-forum.co.uk/analysis.php?a=landscape-approach-the-big-picture-solution
**What are we trying to achieve and why?**

- Regenerated and biodiverse environments where pollinators such as bees, natural predators of pests like birds, and other species flourish and are protected
- High Conservation Value areas, and areas with high ability to sequester carbon, are protected. This reduces poaching and global warming.

**2019 focus areas**

Assessing impact pathways for measuring:

- **Net positive approach:** Natural and Social Capital of agriculture and land use
- **Biodiversity:** business and societal value of biodiversity with specific focus on soil and pollination.

### Material Area: Healthy Soils

#### Link to SDGs

- SDG 15.2 Sustainable land management
- SDG 15.3 Restore degraded land and soil
- SDG 15.5 Reduce degradation of natural habitats and loss of biodiversity

#### Goal 2018 achievements

**New goals to be set in 2019**

<table>
<thead>
<tr>
<th>Goal</th>
<th>2018 achievements</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing Nitrogen and Phosphorous Use Efficiency programme in Olam Coffee farms</td>
<td></td>
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<tr>
<td>IDH Cocoa Soils programme</td>
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<tr>
<td><strong>Our progress:</strong> target to be set</td>
<td></td>
<td></td>
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</tbody>
</table>

#### Link to SDGs

- 2.4 Sustainable food production systems
- 13.1 Strengthen resilience and adaptive capacity
- 15.3 Restore degraded land and soil

#### What are we trying to achieve and why?

- Increased soil natural capital stocks to increase productivity, which can also lead to carbon, water and biodiversity co-benefits – currently 33% of the world’s soil is degraded yet the costs of reversing soil degradation are often higher than prevention
- Reduced top soil erosion which in turn protects landscapes and water sources
- Reduced and judicious use of chemical fertilisers (which contribute to climate change) and increased use of organic composts (which reduces farmer costs).

#### 2019 focus areas

Assessing impact pathways for measuring:

- **Productivity**
- **Soil carbon storage**
- **Water regulation**

**Soil biodiversity**

To assess pathways for the above we need to consider the soil system as a whole. Current impact pathway studies undertaken show common linkages between the drivers, supporting processes, stocks (amount and properties), eco-system services and resulting benefits for the outcomes above. Further work is required on water storage capacity, soil structure, soil nutrients and soil biology.

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Dr. Jessica Davies – Pentland Centre for Sustainability in Business, Lancaster University. Co-author of the Natural Capital Synthesis Report: Soil Natural Capital Valuation in Agri-Food Business which was funded by a NERC Policy and Practice Impact Award as part of the Valuing Nature Programme.
Material Area: Water

Goal: Increased water use efficiency in Olam’s direct operations

- Continued implementation of ‘more crop per drop’ water smart agriculture in Olam plantations and farms – 2% improvement in water efficiency versus 2017
- 8% reduction in Tier 1 processing water use efficiency; decrease in efficiency partly driven by new Nigerian beverage production line

Our progress: on target

Goal: Increased water use efficiency in priority supply chains

By 2020, 100% of priority supply chains to have Water Resource management plans

- Water risk mapping undertaken for Olam Livelihood Charter (OLC) programmes. Prioritised action plans to be developed in 2019
- Mozambique cotton water resource management plan implemented.

Our progress: on target

What are we trying to achieve and why?

- Optimal water use by harnessing precision technology and irrigation for our own operations
- Training smallholders on Good Agricultural Practices to conserve water and build their resilience
- Ensuring water courses are protected for both our future use and those relying on the same water body.

2019 focus areas

Assessing impact pathways for measuring:

Water stewardship
- Identification and implementation of Alliance for Water Stewardship (AWS) Standard for Olam’s priority operations (plantations and processing)

Water use efficiency
- Assess and address efficiency increases.

Link to SDGs
- SDG 6.1 Access to safe and affordable drinking water
- SDG 6.2 Access to adequate and equitable sanitation and hygiene
- SDG 6.4 Water use efficiency and sustainable withdrawal
## Material Area: Reduced Waste

<table>
<thead>
<tr>
<th>Goal</th>
<th>2018 achievements</th>
<th>Read more</th>
</tr>
</thead>
</table>
| **New target:** By 2024, 100% utilisation of by-products in own operations | By-product utilisation mapping to commence in 2019  
1,438 m³ of biomass energy production from by-products (cocoa, coffee, cashew, rice) | Spices and Tomatoes – page 58  
Dairy – page 66 |
| **New target:** By 2030, reduce post harvest loss by 50% in own operations and Olam-managed farmer programmes | Zero Waste Policy being implemented in Olam Palm Gabon  
Post-harvest loss field study for Nigerian smallholder rice programmes as part of Rockefeller Yieldwise Food Loss Initiative. Post harvest loss result = 35%. Action plans to be developed in 2019 and learnings transferred to other supply chains  
Co-lead of WBCSD Food Loss and Waste Programme. | Rice – page 68  
Social Capital – page 85 |
| **New target:** By 2024, zero waste to landfill in own operations | Developed 2018 baseline |

### What are we trying to achieve and why?

- Minimise crop loss and by-product waste to increase volumes without land expansion, reduce costs, contribute to global food security and reduce greenhouse gas (GHG) emissions (primarily at the supply rather than processing and consumer end of the value chain).

### 2019 focus areas

- **Standardise measurement**
  - Standardise our food loss and waste measurement to establish baselines at the Business Unit level and identify operations where the most significant losses are occurring and affecting all players

- **Utilisation of crop by-product**
  - Better utilisation of biomass waste for reduced energy costs e.g. cocoa husks or alternatives
  - Advocate and share best practices at an industry level through Champions 12.3 and the Food Loss and Waste Coalition.

When increases in the availability of raw materials are discussed, the emphasis is too often placed on increasing yields. Targeting crop and product losses can be a way to bring more product volumes to market without increasing the area of land cultivated or adding additional inputs such as fertiliser.
Intellectual Capital

The knowledge and IP we create to keep us ahead

How our management of Intellectual Capital\(^1\) creates long-term value for Olam

- Astutely differentiated business model and strategy drive growth and position Olam to capture value from emerging trends while navigating sector dynamics
- Deep understanding of specialist agri-products and agri-chain expertise meet customer demands for reliable supply and value-added services
- Entrepreneurial spirit underpins innovation hubs, R&D, digital, and accounting for sustainability
- Honing expertise by sharing best practices across Business Units, Functions and teams to improve Human Capital
- Leads to insight and innovation to reduce Natural Capital impacts, and create Intangible Capital.

Financial Capital derived from Intellectual Capital in 2018 (may also include other Capitals, e.g. Manufactured)

2018

AtSource recognised for pioneering vision and capability by customers
Olam Direct benefits ~40,000 Indonesian farmers disrupting the supply chain to benefit farmers and Olam
Suite of digital applications for Smart Farms; Smart Factories and Digital Origination
Legal Function protects IP and strengthens commercial agreement processes, also reducing process variability for Operational Excellence

How we created Intellectual Capital value in 2018

2018

Re-imaginers initiative stimulates ideas from across business to achieve Purpose
Development of Olam Integrated Impact Statement for improved analysis of risk and opportunity across Capitals

10 patents registered in 2018 and 5 granted (e.g. ingredients, processing)
3rd edition of US$75,000 Olam Prize for Innovation in Food Security (total entries in March 2018 = 41)

Gaining and sharing best practices through industry leadership, including:
- Co-chair Climate-Smart Agriculture, Low Carbon Technology Partnership, WBCSD
- Founding member Global Agri-business Alliance, WBCSD
- CEO Champion for Champions 12.3 on Food Loss and Waste
- Member – Food Reform for Sustainability and Health (FReSH)
- A4S Accounting for Sustainability, Singapore Circle of Practice

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\(^1\) 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 excluded the latter (Intangible) as a separate Capital given its importance.
Teams across Olam are creating and implementing Intellectual Capital in tailored digital solutions from farm to back office.

Improving traceability through co-operatives and LBAs: Smallholder supply chains are highly fragmented, making traceability difficult. Olam cannot physically source directly from all farmers, instead we have to buy via co-operative structures, intermediaries or Licensed Buying Agents (LBAs).

Olam Traceability solution is used by the co-operatives and local/licensed buying agents at origins to register, record, and manage farmer transactions and dispatch the produce to Olam warehouses. It enables Olam to trace products as they are automatically synched to inventory systems during the scanning, tagging and recording phases. It also allows for co-operatives, intermediaries and local buying agents to trace deliveries on their smartphones, provide instant information to customers, reduce audit duration (by as much as 2 weeks), and improve accuracy compared to manual processes.

Introducing Ivy: Robotic Process Automation is the application that mimics tasks performed by humans and works like a digital assistant by undertaking repetitive rule-based processes which require interactions with multiple IT systems.

In 2018, Olam Global Business Services (OGBS) developed and implemented bots (or programmes) across Finance, Supply Chain, IT and Master Data Management. These bots perform activities like recording transactions, processing emails, and generating reports. Each works independently and requires minimal human intervention. In addition to cost savings, we are seeing faster turnaround of transactions, higher accuracy and 24/7 availability.

Ivy is Olam’s first ChatBot and answers queries regarding supplier invoices. Enhancements are in progress to roll out this service further.

Helping to build rural digital eco-systems: Cocoa, Coffee and Cashew teams in Côte d’Ivoire and Ghana continued to work with think tank CGAP (housed at the World Bank) to better understand the barriers to take-up of digital financial services by smallholders. Mobile network providers are urged to work more closely with agri-businesses to digitise and market face-to-face payments. Read more: www.cgap.org/blog/building-rural-digital-ecosystems-one-small-payment-time
AtSource has the ability to track the environmental and social impact of a product at each stage of its journey – from the farm through logistics and processing, and up to the customer’s factory door. There are 3 tiers for AtSource with increasing level of granularity and opportunity for the customer.

Customers have direct access to data through a digital dashboard and can use it in their marketing to demonstrate ethical sourcing.

AtSource – one of the most significant contributions to Olam’s Intellectual Capital to date

- We believe AtSource to be an unrivalled sustainability solution for the B2B market. We are aiming for all physically sourced volumes to be ‘AtSource ready’ by 2025. AtSource development has required a huge investment of Intellectual Capital. For example, establishing a standardised set of core metrics that allow for differences between large and small-scale supply chains. Smallholders may only farm 2 ha. In contrast, the majority of Olam Spices’ Californian garlic and onion farmers are well-diversified large-scale farms over several hundred hectares.
- Having core metrics supports the integrity of the AtSource offering, enabling a customer purchasing multiple products to have a common dashboard. However, AtSource also allows for additional product and origin specific metrics to reflect our customers’ desire for tailored insights and solutions. AtSource is further designed to have relevance to global initiatives, such as sustainability certifications, and reporting frameworks such as Global Reporting Initiative and the UN Sustainable Development Goals.
- In terms of implementation, Business Units had to overcome challenges in operationalising AtSource. From the farm to manufacturing – the AtSource offering needed to be understood at all levels. Data and other IT systems had to be mapped and merged, processes and methodologies for data collection and validation standardised. Getting all parts of the business to work together towards a common goal was challenging but very useful, bringing many added benefits beyond the launch of AtSource.

I have spent more than 16 years in sustainable sourcing in FMCG and retail but joining AtSource has helped me to really understand the challenges facing agri suppliers when asked for traceability, assurance and impact measurement. With AtSource, we have channelled and commercialised Olam’s extensive sustainability expertise into a unique and strong proposition for customers that can catalyse transformational change for farmers, communities and planet.

Fiona Wheatley, Olam AtSource Platform Manager

Find out more at www.AtSource.io
The AtSource offering builds over 3 tiers, progressively increasing the level of impact; from reassurance and information (Entry), measurable impact (Plus), to transformational change (Infinity).

Intangible Capital

How our management of Intangible Capital creates long-term value for Olam:

- To achieve both our Vision of being the Most Differentiated and Valuable Global Food and Agri-business by 2040, and our Purpose of Re-imagining Global Agriculture and Food Systems, we are wholly dependent on customers wanting to buy from us and others financing or partnering with us
- In turn, this depends on the strength of our brand and reputation. Indeed, our Intangible Capital is the culmination of how we manage all our other Capitals: Financial, Human, Social, Natural, Intellectual and Manufactured
- The benchmarks and valuations in 2018 came not only from within Olam but also from the judgement and opinion of peers and third parties, so our measurement of Intangible Capital will be based not only on the way in which we manage our business but also on the commitments and contributions we make to others.

Making the intangible tangible

- Our corporate brand and product brands depend on:
  - Ethics based governance and culture, not least abiding by all laws and international standards (see also Governance Report)
  - The expertise of our teams and quality of our facilities to offer consistent products, as well as innovation and solutions to customers (Intellectual and Manufactured Capital)
  - Alignment of values between employees and leadership for an inspired workforce with a focus on integrity (Human Capital)
  - Responsible corporate citizenship and creation of long-term value for others through the good management of Social, Natural, Human, and Manufactured Capitals etc.
  - Effective risk management backed by policies, codes and standards across the organisation
  - Industry leadership to share knowledge and scale impacts
  - Open communication, transparency and stakeholder engagement, including integrated reporting, as well as participation in events and media articles.

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

Our Capitals continued

A historic, Europe-based cocoa processing operation, our flagship deZaan label has been the go-to solution for manufacturers around the world since 1911.

Read more:

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

Financial Capital derived from Intangible Capital in 2018 (may also include other Capitals, e.g. Manufactured)

2018
Launched AtSource – comprehensive B2B sustainable sourcing solution for customers
32 trademarks registered

How we created Intangible Capital value in 2018

2018
- CEO Sunny Verghese appointed chair of the World Business Council for Sustainable Development for 2 years
- Amplified Purpose of Re-imagining Global Agriculture and Food Systems externally, encouraging others to Re-imagine with us

Won multiple awards including:

Business excellence awards
- Africa CEO Forum Awards 2018 – International Company of the Year
- Association of Ghana Industries (AGI) Industry and Quality Awards – Best Company Employer in Ghana

Corporate governance and sustainability awards
- ASEAN Business Advisory Council (ASEAN-BAC) AGROW Awards – Champion Inclusive Agri-business
- The Asset Triple A Country Awards – ‘Best Loan in Singapore’ for Asia’s first sustainability-linked club loan
- Singapore Sustainability Reporting Awards (SSRA) 2018 organised by Singapore Institute of Directors, SGX and Global Compact – Best Sustainability Report for Established Reporters
- SIAS Singapore Corporate Governance Award – Sustainability winner and runner-up ‘Most Transparent Company

Innovation award
- Business Day Research & Intelligence Unit Most Innovative Company in Agriculture: Value Chain Management

Human Resources awards
- HR Asia Magazine Best Companies to Work for in Asia 2018 Indonesia Edition – PT Olam Indonesia
- HR Asia Magazine Best Companies to Work for in Asia 2018 Vietnam Edition – Olam Vietnam Limited
- RH Magazine’s ‘Best HR Manager in Agri-business and Chemical Industry’ – Olam Côte d’Ivoire and Senegal

Brand awards
- BrandPower Golden Icon Award 2018 for Best Market Penetration in Biscuits Category – Pure Bliss
- Introduced 2 major new policies to create greater Human, Social and Natural Capital value:
  - Pioneering global cross-commodity Olam Living Landscapes Policy
  - Olam Fair Employment Policy
- Introduced global cross-commodity Grievance Procedure to improve transparency

Anti-Bribery and Corruption (ABC) training of more than 7,680 employees. Trade Sanctions and Counter-Party Screening training rolled out to 1,680 employees.
In March, Olam secured Asia’s first sustainability-linked revolving credit facility. The US$500 million facility – involving 15 banks – was also recognised as the Best Loan in Singapore in The Asset magazine’s annual Triple A Country Awards.

In April, Olam was instrumental in establishing His Royal Highness The Prince of Wales’ Accounting for Sustainability’s (A4S) first Circle of Practice (COP) in Asia and Singapore, comprising 9 leading companies including DBS Bank, CapitaLand, Japfa, Sysmex Asia Pacific and SATS. The A4S aim is to bring together the finance community to embed effective responses to social and environmental risks and opportunities into finance processes and decision making. Read more about our efforts in this area under Intellectual Capital with the Olam Integrated Impact Statement.

Our Purpose to Re-imagine Global Agriculture and Food Systems is strengthening our brand positioning and identity, particularly as stakeholders see us really acting on our Purpose through the Re-imagineers Programme (see Human and Intellectual Capital) or through sponsored initiatives to encourage others, such as the Olam Prize for Innovation in Food Security (3rd edition launched in September).

Operations-wise, Olam Palm Gabon (OPG) achieved the second Roundtable on Sustainable Palm Oil (RSPO) certification for the Bilala palm oil mill and concessions in Mouila. In December, OPG was featured in National Geographic magazine as a positive example of environmentally and socially responsible palm production.

Together with leading sustainability media title Eco-Business, we organised the ‘Re-imagining a Brighter Future’ photo competition to shine a light on creative solutions to tackle climate change, taking our Re-imagine message around the world. Brandon Rooney won the open-to-all category with ‘Stillness, Stability’, depicting a farmer harvesting from his seaweed farm in Indonesia. Seaweed is recognised for its potential to combat climate change by oxygenating acidified oceans.
Our Capitals: A summary

Throughout this report we have aimed to show the importance we place on all drivers of long-term value, both financial and non-financial, as defined by our 7 Capitals. The summary below demonstrates the integrated thinking underpinning our business model, which in turn will give us the ability to achieve our 2019 – 2024 Strategic Plan to Re-imagine Olam, as well as our Purpose to Re-imagine the sector.

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

Governing Objective
To maximise long-term intrinsic value for our continuing shareholders

Capitals to achieve vision and governing objective

- Financial Capital
- Manufactured Capital, Intellectual Capital and Intangible Capital
- Human Capital and Social Capital
- Natural Capital

Purpose
Re-imagining Global Agriculture and Food Systems

Purpose Outcomes

<table>
<thead>
<tr>
<th>Material Areas</th>
<th>Prosperous Farmers and Food Systems</th>
<th>Thriving Communities</th>
<th>Regeneration of the Living World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Opportunity</td>
<td>Safe and Decent Work</td>
<td>Education and Skills</td>
<td>Health and Nutrition</td>
</tr>
</tbody>
</table>

Impact on UN SDGs

- Enablers
What do cash from operations, net income margin and revenue growth have in common? Most, if not all financial metrics, are linked to an underlying dependency on other Capitals, ‘invisible’ in financial reporting (Financial Capital). This oversight to the economic value of nature, and other invisible capital, puts future wealth creation at risk.

Against this backdrop there has been a rapid development of non-financial reporting in recent years to support decision making. Leading companies are using a P&L approach to disclose their first efforts at demonstrating how a company’s Financial Capital is linked to an underlying impact and dependency on other Capitals. Through collaboration and consultation with internal teams and industry leaders, Olam has developed both a P&L and Balance Sheet approach via the Integrated Impact Statement (IIS).

Of the 7 non-financial Capitals, 3 have accounting methodologies robust enough to develop an IIS: Human, Social and Natural. Even so, methodologies are still being tested for reliability, scalability and comprehension given we want businesses across Olam to be using the IIS. During 2019, we will therefore be sharing our approach with stakeholders for critique.

Sustainability is at the heart of Olam. The IIS gives finance and business teams the needed numerical link between actions on the ground and their impact and dependency on the Capitals. This will help in both improving the understanding of the Capitals and in taking necessary steps towards increasing the long-term value for the company.

Rishi Kalra, Group Head, Corporate Finance

What is it?
- Olam’s IIS reports on our non-financial performance
- Presented in an easy-to-understand Profit & Loss (P&L), Balance Sheet (BS) and Risk and Opportunity Statement
- Designed to complement financial reporting
- Measures both the positive and negative impact of our operations, which in turn determines value to Olam and our stakeholders
- Incorporates Olam’s own concept of ‘Capital Boundaries’ to capture additional insight into whether the cumulative impact from our activities are adding to, or eroding the Capital stocks we depend upon for our future value

How we will use it?
- Enables us to measure and compare the invisible impacts of our business and investment decisions
- Enhances understanding, accountability and stewardship of our long-term value drivers
- Promotes understanding of dependencies and trade-offs between financial and non-financial impacts
- Uncovers risks and unlocks new opportunities for innovation and efficiencies
- Informs more effective decisions and action
Benefits of a Balance Sheet

The incorporation of a Balance Sheet allows us to understand whether our business activities are sustainable over the long-term.

Peer applications of Human, Social and Natural Capital accounting are presented in a P&L, focusing on the flows to and from each Capital rather than accounting for the net impact of the Capital itself. By introducing the balance sheet, the Olam IIS is able to measure the change in assets (Capitals). This allows us to assess whether operations are sustainable or unsustainable when measured against boundaries, such as the Planetary Boundaries set by the Stockholm Resilience Centre (Natural Capital), the Living Wage (Human Capital) and UN Sustainable Development Goals (Social Capital).

Methodologies

All methodologies have been independently reviewed in line with the International Standard on Assurance Engagements (ISAE) 3000 for Relevance, Neutrality, Reliability, Accuracy, Understanding and Scalability. Examples include:

Human Capital:

- **e.g. wages paid impact on employees and their quality of life (living wage concept):** In financial statements employees are deemed as costs. Olam pays a salary which is reported in the Financial Statement within the P&L or as a capitalised cost. Given our business depends on employees, it is useful to understand whether we pay a wage that contributes to an employee’s quality of life and life expectancy. An improvement in ‘quality of life’ would likely reduce sick leave, associated private medical care costs and disruptions to business activities. The living wage concept compares living wage with salary paid, which when compared to a Healthy Utility Index, provides an understanding of Olam’s contribution to an employee’s quality of life.

Human Capital Boundary: The threshold above which people have access to an income level sufficient to live a good life.

Social Capital:

- **e.g. Health and Safety injuries sustained by employees:** Injuries and fatalities also impact society as they represent a loss of economic output generated as well as social costs such as healthcare. Understanding this impact on their own community can galvanise team leaders, for example, to have an unrelenting focus on safety.

Olam invests significantly in Social Programmes including infrastructure such as clinics and schools. A Social Return on Investment can help identify where investment can be made most efficiently to provide the greatest benefit to communities. Olam impacts the local economy via the taxes we pay to the government in the country of operation. The Societal Tax Contribution calculation attempts to show the impact.

Social Capital Boundary: The threshold above which society has the means to deliver a good life. For example, based on the ideal provision of public institutions and services.

Natural Capital:

- It is widely accepted that we do not pay the true cost of many natural resources. The IIS includes valuation methodologies for greenhouse gas emissions, water and land use. Understanding these costs is essential for stewardship but also for risk mitigation e.g. government policy brings in taxes.

Natural Capital Boundary: The threshold to which Natural Capital is in a safe space – and the acceptable degradation of the natural ecosystem transformed into agricultural use.
Externally, we can use the Olam IIS to:

- Help customers target sustainability interventions more effectively
- Have a stronger licence to operate with stakeholders on the ground
- Attract diversified and lower rates of capital
- Share best practice to help increase wider take-up
- Build trust and reputational enhancement

Learnings and next steps

To date, Olam has undertaken case studies in Cocoa, Palm and Dairy. These are now being analysed further to tighten methodologies as well as understand short-comings. As all methodologies depend on formula and third party expert studies, they can only ever be an approximation but taken together, the IIS provides a valuable tool that can help uncover issues and provoke the questions necessary to Re-imagine Global Agriculture and Food Systems so that farmers prosper, communities thrive and our world can regenerate.

*SIBD*: Build investment resilience by enhancing the Capex process to manage risks

- Risk: Identify emerging risks and provide improved quantitative understanding of non-financial risks
- Finance: Support the BU teams to steer operational performance management and strategic target setting
- HR: Support the implementation of the Fair Employment Policy by measuring the value created through the standard maturity levels
- Treasury: Enable access to diverse financing and lower cost of capital through improved information on project evaluation and management of proceeds

Internally, we can use the Olam IIS to:

- Track and monitor performance management across teams/operations/locations
- Holistically allocate capital
- Identify cost and resource efficiencies
- Uncover opportunities for innovation and differentiation
- Improve risk and reputation management
- Create a long-term value business narrative

Customers: Support our customers in meeting their sustainability targets. Identify opportunities for innovation and to co-create partnerships

- Investors: Justify our capital investment and capital allocation to investors and banks
- Governments: Demonstrate the positive impacts of Olam’s business and highlight areas for focus
- NGOs: Support engagement and collaboration through enhanced transparency and understanding of impacts

Internally, the Olam IIS can be used to strengthen stakeholder engagement and identify mutual value.

Externally, the Olam IIS can be used to strengthen stakeholder engagement and identify mutual value.
Engaging stakeholders

Given the extent of our business – sourcing, trading, growing, processing and distributing crops and industrial raw materials, many considered to be ‘high-risk’ sustainability-wise, and many in emerging markets, Olam has a wide and diverse stakeholder base. Engagement therefore happens at every level of the business, across products, geographies and functions and is an essential component of our reputation management.

We can only Re-imagine Global Agriculture and Food Systems if we engage with others and that requires open dialogue. In the development and launch of our Living Landscapes Policy in March 2018, we consulted widely with customers, NGOs and others to build the mutual understanding, partnerships and technical capacity to deliver our living landscape outcomes.

Dr Christopher Stewart
Senior Vice President and Head of Corporate Responsibility and Sustainability

<table>
<thead>
<tr>
<th>Stakeholder Focus area</th>
<th>Engagement</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital providers (shareholders, creditors, analysts)</td>
<td>Business and financial performance update on refreshed Strategic Plan update on engagement with NGOs</td>
<td>Bilateral meetings quarterly results roadshows annual report Olam Insights – 2018 issue: In a sweet spot, Olam’s winning South East Asia strategy CEO Review – page 10 COO Review – page 40 Olamgroup.com</td>
</tr>
<tr>
<td>NGOs and civil society (Also some customers on a Business Unit basis)</td>
<td>Deforestation in cocoa and palm supply chains community engagement, provision of services and water quality in Gabon (palm) strength of forestry certification standards land tenure rights for smallholders, as well as wider community rights (FPIC) living incomes for smallholders and greater value distribution, sourcing practices and fair deals, women’s empowerment including time poverty, land tenure, resilience, equal pay and grievance opportunities human rights including impact assessments and commitments</td>
<td>Bilateral meetings written responses webcast on launch of Olam Living Landscapes Policy roundtables (e.g. London Innovation Forum) speaker platforms e.g. Global Landscapes Forum Bonn; RSPO RT’16 etc integrated Annual Report and separate Global Reporting Initiative (GRI) Report CEO Review – page 10 Palm – 2018 Progress Report* Palm Grievance Log* Wood Products – page 71 Natural Capital – page 92 Social Capital – page 85 Human Capital – page 102 Social Capital – page 85 2018 GRI Report on <a href="http://www.olamgroup.com">www.olamgroup.com</a></td>
</tr>
</tbody>
</table>
Engaging stakeholders continued

Mapping materiality via the UN SDGs

In 2018, the food and agri sector increasingly saw sustainability progress being measured by a company’s contribution to the UN Sustainable Development Goals (SDGs) which seek to transform the world through sustainable development by 2030.

The UN states they are the “blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to hunger, poverty, inequality, climate, environmental degradation, prosperity, and peace and justice”. Sustainable agriculture is seen as being “at the heart of the 2030 Agenda and the first fundamental step to securing zero hunger” (FAO).

As can be seen from our Sustainability Framework (page 15), Olam has mapped many targets of the 17 Goals against our Material Areas. This was influenced by our materiality process with stakeholders including customers, civil society, investors etc.

There are many targets under the Goals and through the process, we identified which of the targets are a priority for both Olam and our stakeholders, as well as those which may be important to Olam, but less so for stakeholders. Equally, where we believe we have a strong influence in achieving the SDG target or where we have less influence.

Information on our contribution to each SDG indicator can be found under the 3 Capitals, Human, Social and Natural. We have also highlighted those targets we consider to be enablers for the related SDG goal. For more information on our materiality process, see our 2019 GRI Report on Olamgroup.com.

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

<table>
<thead>
<tr>
<th>Human Capital</th>
<th>Social Capital</th>
<th>Natural Capital</th>
<th>Enablers</th>
</tr>
</thead>
</table>

Olam International Limited Annual Report 2018

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In September, Olam Spices and Edible Nuts hosted a group of 34 global investors from the United Nations Principles for Responsible Investment (UN PRI) in Fresno, California, USA. The investors sought to understand how leading agriculture companies are dealing with the challenge of water security in California, and how water policies are affecting farms and food processors. Olam was selected as one of a few companies for the visit based on our reputation of leading in sustainability and water stewardship.

Discussions, led by Olam Spices Sustainability Manager Adrienne Gifford, included the impacts of the Sustainable Groundwater Management Act (SGMA) regulation on farmers and ranchers. A visit to the almond orchards focused on the efforts Olam Edible Nuts is making to re-charge underground aquifers. This includes water recharge ponds, dry wells for re-charge, automated irrigation and remote sensors, direct plant sensors, and water reservoirs.

Many investors are interested in water risk – especially in agricultural supply chains, where reduced water impacts yields and profits. It must be managed through a strong water stewardship programme, going beyond an organisation’s boundaries to help address the shared water challenges faced by the wider community, which also requires stakeholder engagement.

Adrienne Gifford, Olam Spices Sustainability Manager
Olam has a rigorous risk management framework that identifies and assesses the likelihood and impact of risks and what actions are needed to mitigate their impact across the entire business. The framework defines individual risks across 11 categories.

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

Risk Governance Structure
Overall responsibility to monitor and assess risk lies with the independent risk function (Risk Office). The Group’s Chief Risk & Compliance Officer (CRCO) is a member of the Executive Committee and reports to both the CEO and the Chair of the BRC, which comprises the Executive and Non-Executive Directors.

The Risk Office reports to the CRCO and is responsible for identifying, assessing, measuring and monitoring risks, to provide the Group’s senior management and the Board with assurance that all risks are within our risk tolerance. The Risk Office undertakes regular stress-testing of the company’s portfolio.

Risk Appetite Framework
The Risk Appetite Framework, designed in 2018, defines levels of tolerance for the main risks assumed by the company. It considers the following factors:

- Trading and Operational Risk
- Capital and Liquidity
- Regulatory Compliance (external) – impact on reputation
- Internal Compliance – controls on ESG and other related risks
- Concentration Risks – geographic concentration
- Risk categories are classified on a 5-point risk scale from 1 (lowest) to 5 (highest) with defined measures, possible impacts and escalation protocols.

Risk Budgeting
Risk limits are presented to the Board Risk Committee as part of the annual budgeting cycle. These limits – outright, basis, structure, arbitrage and Value-at-Risk (VaR), as well as credit and counterparty limits – are set based on factors such as risk versus return, volatility of past earnings, adherence to limits and maximum loss limits derived from scenario and stress-testing.

The strength of the management team, prevailing market conditions and the macro-economic outlook are also considered in determining the limits.

Risk Assessment and Control
Of the 50 risks, 16 are evaluated on a quantitative basis and represented in the Group Risk Dashboard (GRD), which is presented quarterly to the Board Risk Committee.

We take a rigorous and holistic approach to risk management from both a top-down strategic perspective and a bottom-up business perspective. It is enterprise-wide and applied at every critical point along our value-chain.

Jagdish Parihar
Chief Risk and Compliance Officer
The Enterprise Risk Scorecard assesses the likelihood of each of the risks occurring and their potential impact. Each risk is evaluated 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 examining the effectiveness of the risk management systems and procedures and reviewing risk exposure and risk treatment plans.

Risk Measurement
Olam continually upgrades risk measurement methodology and focuses on the measurement of quantity, tenor, diversified VaR and stress testing to determine potential impact of adverse events on the books.

The VaR methodology calculates the potential loss arising from exposure to market and currency risks. Market risk (i.e. commodity price and currency risk) VaR is calculated over a one-day time horizon with a 95% confidence level for each portfolio product. Credit and counterparty risk is assessed by applying default rates (based on counterparty ratings) and underlying commodity exposures as appropriate.

Market Compliance Controls
The Market Compliance Office (MCO) is responsible for ensuring regulatory compliance for Olam’s derivative trading units. The MCO carries out regular trader training courses to ensure compliance with prevailing exchange rules globally and ensures that all new managers are comprehensively trained in the Trading Compliance Manual.

Risk Training and Communication
Olam has laid out risk policies that guide new hires on the risks they will be required to manage. The Risk Office frequently presents to senior management bodies to continuously reinforce of the control environment and risk culture. The Risk Office also publishes advisories to raise awareness of risk issues and to promote best practices.
### 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. The Group 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 the Group operates. The Group’s 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
The Group 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
The Group aims for transparency with stakeholders, addressing issues as they arise but also seeking to improve wider understanding of issues in the agri-complex. The Group makes information available.

### Political and Sovereign Risks
The Group has a deep-seated presence in many of the countries in which it operates, built over many years, and has consequently gained substantial knowledge of local practices. The Group maintains global political risk and terrorism risk insurance.

### Reputational Risks
The Group has put in place a suite of policies, codes and standards to guide actions and behaviours. These include the Olam Code of Conduct; the Olam Crisis Escalation Procedure; the Olam Plantations, Concessions and Farms Code; the Olam Livelihood Charter; the Olam Supplier Code; the Olam Fair Workplace Policy and the Olam Living Landscapes Policy.

### Regulatory and Compliance Risks
The Group’s Market Compliance Office is a global function whose primary role is to ensure that the Group is fully compliant with all external regulation.

### Capital Structure and Financing Risks
The Group has a strong base of long-term shareholders. The company maintains strong banking relationships providing committed banking lines, thereby assuring good liquidity.

### Natural Perils
The Group 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 within the Group’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.
Trading Risks
- Price Risk
- Basis Risk
- Structure Risk
- Arbitrage Risk
- Liquidity Risk

Operational Risks
- Credit Risk
- Counterparty Risk
- Transactional Currency Risk

Political and Sovereign Risks
- Duty, Tariff and Export/Import Ban
- Asset Nationalisation Risk
- Selective Discrimination Risk
- Forced Abandonment Risk
- Terrorism/Kidnapping Risk

Regulatory Risks
- Market Compliance Risk

Natural Perils Risks
- Pandemic Risk
- Fire Risk
- Flood Risk
- Earthquake Risk
- Hurricane/Typhoon/Storm Risk

Operational Risks
- Stock Risk
- Quality Risk
- Fraud Risk
- Systems and Controls Failure Risk

Regulatory Risks
- Bribery/Corruption Risk
- Other Regulatory Risk
- Transfer Pricing Risk
- Taxation Risk

Cybersecurity and Other Risks
- Cybersecurity Risk
- IT Risk

Financial Risks
- Project Execution Risk
- Asset Utilisation Risk
- Interest Rate Risk
- Funding Liquidity/Margin Call Risk
- Credit Metrics Risk
- Activist Investor Risk
- Short Seller Attack Risk

Currency Risks
- Translational Currency Risk

Reputational Risks
- Social Risk – Safe and Decent Work
- Social Risk – Economic Opportunity
- Social Risk – Food Safety and Product Recall Risk
- Environmental Risk – Healthy Ecosystems
- Environmental Risk – Water
- Environmental Risk – Climate Action
- Environmental Risk – Healthy Soils
- Environmental Risk – Waste
- Safety and Health Risk

Agricultural Risks
- Weather Risk
- Pests and Diseases Risk
- Agronomy/GAP (Good Agricultural Practices) Risk
Important changes

Change in fiscal year-end to 31 December
Since 2015, the Company (Olam International Limited) has 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 2 to 7 and the Group on COO’s review pages 40 to 75 for the years between 2014 (restated) and 2018, from January to December in each year, unless otherwise indicated.

Restatements due to changes in accounting standards and policies
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 were restated due to the adoption of new and revised standards which became effective for annual financial periods beginning on or after 1 January 2016, including amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants and the early adoption of FRS109 Financial Instruments.

Business segmentation and reporting
For financial reporting purposes, we organise our 16 businesses into 5 segments – Edible Nuts and Spices (renamed from Edible Nuts, Spices and Vegetable Ingredients); Confectionery and Beverage Ingredients; Food Staples and Packaged Foods; Industrial Raw Materials, Infrastructure and Logistics (renamed from Industrial Raw Materials, Ag Logistics and Infrastructure); and Commodity Financial Services (CFS). The table in the next column shows the distribution of businesses across these 5 segments.

<table>
<thead>
<tr>
<th>5 business segments</th>
<th>16 businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edible Nuts and Spices</td>
<td>1. Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts, sesame and beans, including pulses, lentils and peas)</td>
</tr>
<tr>
<td></td>
<td>2. Spices (formerly Spices and Vegetable Ingredients. These include pepper, onion, garlic, capsicums and tomato)</td>
</tr>
<tr>
<td>Confectionery and Beverage Ingredients</td>
<td>3. Cocoa</td>
</tr>
<tr>
<td></td>
<td>4. Coffee</td>
</tr>
<tr>
<td>Food Staples and Packaged Foods</td>
<td>5. Rice</td>
</tr>
<tr>
<td></td>
<td>6. Sugar and Sweeteners</td>
</tr>
<tr>
<td></td>
<td>7. Grains and Animal Feed</td>
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<tr>
<td></td>
<td>8. Edible Oils</td>
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<tr>
<td></td>
<td>9. Dairy</td>
</tr>
<tr>
<td></td>
<td>10. Packaged Foods</td>
</tr>
<tr>
<td>Industrial Raw Materials, Infrastructure and Logistics</td>
<td>11. Cotton</td>
</tr>
<tr>
<td></td>
<td>12. Wood Products</td>
</tr>
<tr>
<td></td>
<td>13. Rubber</td>
</tr>
<tr>
<td></td>
<td>14. Fertiliser</td>
</tr>
<tr>
<td></td>
<td>15. Infrastructure and Logistics (formerly Ag Logistics and Infrastructure. This includes Gabon Special Economic Zone or GSEZ)</td>
</tr>
<tr>
<td>Commodity Financial Services (CFS)*</td>
<td>16. Funds Management (formerly Market-making, Volatility Trading and Asset Management)</td>
</tr>
</tbody>
</table>

* Risk Management Solutions and Trade and Structured Finance, which were previously two separate businesses under Commodity Financial Services, have been reclassified as embedded services for all businesses. Market-making and volatility trading activities were discontinued in 2018.

This General Information is intended to help readers understand the bases of our financial reporting and analysis contained in this Annual Report 2018.
In addition, we report our financial performance on the various value chain initiatives across 3 value chain segments as follows:

<table>
<thead>
<tr>
<th>3 Value Chain Segments</th>
<th>Value chain activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upstream</td>
<td>Includes all activities relating to farming (annual row crops), plantations (perennial tree crops), dairy farming and forest concessions</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>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</td>
</tr>
<tr>
<td>Midstream and Downstream</td>
<td>Includes all activities relating to secondary processing, contract manufacturing, branded distribution, private label activities and Infrastructure and Logistics</td>
</tr>
</tbody>
</table>

**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 Infrastructure and Logistics businesses.
- **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 the audited consolidated 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**: Except in Financial and Performance Highlights where total assets comprise non-current assets and current assets in the balance sheet, total assets are defined as 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
- **Return on Equity**: Excludes impact of capital securities distribution on net income and capital securities on equity
- **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 2018 have been audited. The sections that have been audited are set out on pages 5 to 82 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 15 March 2019.

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.
Disclaimer

Certain sections of our Annual Report 2018 have been audited. The sections that have been audited are set out on pages 5 to 82 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 15 March 2019.

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