Sharpening focus, accelerating sustainable growth

Strategy Report
Olam International Limited
Annual Report 2019
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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Our Capitals

We deliver value through our seven capitals

Financial Capital page 48
Manufactured Capital page 78
Human Capital page 84
Social Capital page 94
Natural Capital page 106
Intangible Capital page 118
Intellectual Capital page 124

Front cover image:
Top image: An Olam agronomist demonstrates correct harvesting techniques on a cocoa farm in Indonesia. Olam Cocoa works with smallholders in sustainability programmes to ensure we source cocoa that is both right-for-the-producer and right-for-the-planet.

Bottom image: At an Olam Cocoa Innovation Centre in Indonesia, a colour assessment is carried out as part of the process of crafting highly differentiated cocoa powders that meet the needs of individual customers.
Over the past 30 years, Olam has built a valuable portfolio of businesses that have achieved leadership positions.

By simplifying our businesses across two distinct and coherent groups, each with a clear vision for profitable and sustainable growth, it sharpens our focus and provides opportunities to capitalise on key market trends, while continuing to leverage the benefits of the Olam Group.
Olam International is a leading food and agri-business supplying food, ingredients, feed and fibre to over 25,000 customers worldwide. Our value chain spans over 60 countries and includes farming, direct and indirect sourcing network of an estimated five million farmers, processing, distribution and trading operations. We are organised by two operating groups – Olam Food Ingredients (OFI) and Olam Global Agri (OGA) both held by the parent Olam International Ltd (OIL) which provides both stewardship and acts as an accelerator incubating new growth engines.

Through our purpose to ‘Re-imagine Global Agriculture and Food Systems’, Olam aims to address the many challenges involved in meeting the food, feed and fibre needs of a growing global population, while achieving positive impact for farming communities, our planet and all our key stakeholders.

Headquartered and listed in Singapore, Olam currently ranks among the top 30 largest primary listed companies in terms of market capitalisation on SGX-ST.
Our existing business model
Built over 30 years from 1989 – 2019

Our value chain participation

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

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

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

---

**Edible Nuts**

**Spices**

**Cocoa**

**Coffee**

**Dairy**

**Grains and Animal Feed & Protein**

**Edible Oils**

**Rice**

**Sugar***

**Packaged Foods**

**Wood Products***

**Rubber***

**Fertiliser***

**Infrastructure & Logistics (ARISE)**

---

**Risk Management Solutions, Asset Management (Quantitative Fund, QF)**

**Trade and Structured Finance**

* De-prioritised businesses
Our Strategic Plan 2019-2024

Our strategic plan responds to 4 underlying trends, with 4 key strategic pathways and 4 key enablers – ‘4 x 4 x 4’

4 key trends
see page 12

1. Right-for-me
2. Right-for-the-planet Right-for-producers
3. How I live and consume
4. How it’s produced

4 key strategic pathways (1 to 4) and 4 key enablers (A to D)

A focus on niche commodities and businesses with leadership positions

Defensible niche strategies in mainstream commodity categories

A unique African and Asian footprint and operating capability

A model to out-origin our competition

Differentiated value-added solutions and services to customers

A uniquely shaped portfolio

Unlocking and maximising long-term value

How we win?

1
2
3
4
5
6

Leadership and Talent
Operational Excellence
Strengthen, streamline and focus our portfolio
Explore investments in new engines for growth
Improve margins
Offer differentiated products/services in existing and new channels

The Company decided to explore options that would unlock further value over and above our Strategic Plan on a sustained basis by re-organising our portfolio.

In May 2019, the Company appointed two independent Financial Advisors (FAs) – Credit Suisse and Rothschilds to conduct this exercise.

Building in part on the FAs recommendation, Olam has decided to re-organise its portfolio of businesses to create two new coherent operating groups.

Olam’s current strong foundation (built over 30 years)

Strategic Plan (2019-2024)

Re-Organisation Plan (January 2020 onwards)

Olam International (OIL)

1) Stewardship
   • Hold OFI and OGA
   • Parenting advantage (ensure continuity of the ‘Olam Way’, execute cross-cutting initiatives across the Olam Group)
   • Provide shared service to OFI and OGA to optimise synergies

2) Accelerator
   • Nurture gestating businesses to full potential (Packaged Foods, Infrastructure & Logistics, Olam Palm Gabon)
   • Incubate new engines for future growth
   • Exit non-core / de-prioritised businesses and assets, and redeploy capital for growth

Olam Food Ingredients (OFI)

• Industry-leading businesses offering sustainable, natural, value-added food ingredients which are ‘on-trend’
• Comprises Cocoa, Coffee, Edible Nuts, Spices and Dairy

Olam Global Agri (OGA)

• Differentiated global agribusiness with unique focus on high-growth emerging markets
• Comprises Grains and Animal Feed & Protein, Edible Oils, Rice, Cotton and Commodity Financial Services
Our financial and performance highlights

Volume

Sales volume by segment ('000 metric tonnes)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edible Nuts and Spices</td>
<td>1,667.7</td>
</tr>
<tr>
<td>Confectionery and Beverage</td>
<td>34,287.0</td>
</tr>
<tr>
<td>Food Staples and Packaged Foods</td>
<td>1,774.4</td>
</tr>
<tr>
<td>Industrial Raw Materials,</td>
<td>2,022.7</td>
</tr>
<tr>
<td>Infrastructure &amp; Logistics</td>
<td></td>
</tr>
</tbody>
</table>

(2018: 32,867.6)

Sourcing volume by region ('000 metric tonnes)

<table>
<thead>
<tr>
<th>Region</th>
<th>Asia, Middle East and Australia</th>
<th>Africa</th>
<th>Europe</th>
<th>Americas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25.8%</td>
<td>8.4%</td>
<td>25.4%</td>
<td>40.4%</td>
</tr>
</tbody>
</table>
Revenue

Sales revenue by segment (S$ million)

Edible Nuts and Spices: 13.4% (4,436.4)
Confectionery and Beverage Ingredients: 20.3% (6,686.2)
Food Staples and Packaged Foods: 53.4% (17,623.4)
Industrial Raw Materials, Infrastructure & Logistics: 12.9% (4,246.7)

Sales revenue by region (S$ million)

Asia, Middle East and Australia: 49.7%
Africa: 13.6%
Europe: 20.0%
Americas: 16.7%

(2018: 30,479.0)
EBITDA and Invested capital

EBITDA by business segment
($S million)

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edible Nuts and Spices</td>
<td>1,551.7</td>
<td>1,235.8</td>
</tr>
<tr>
<td>Confectionery and Beverage Ingredients</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Staples and Packaged Foods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Raw Materials, Infrastructure &amp; Logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity Financial Services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Invested capital by business segment
($S million)

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edible Nuts and Spices</td>
<td>15,647.6</td>
<td>14,812.2</td>
</tr>
<tr>
<td>Confectionery and Beverage Ingredients</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Staples and Packaged Foods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Raw Materials, Infrastructure &amp; Logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity Financial Services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Financial highlights and five-year summary

### For the 12 Months Ended 31 December (S$ million)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume ('000 Metric Tonnes)</td>
<td>39,751.8</td>
<td>32,867.6</td>
<td>20.9</td>
</tr>
<tr>
<td>Sales Revenue</td>
<td>32,992.7</td>
<td>30,479.0</td>
<td>8.2</td>
</tr>
<tr>
<td>Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)*</td>
<td>1,551.7</td>
<td>1,235.8</td>
<td>25.6</td>
</tr>
<tr>
<td>Earnings Before Interest and Tax (EBIT)*</td>
<td>1,056.2</td>
<td>843.0</td>
<td>25.3</td>
</tr>
<tr>
<td>Profit Before Tax*</td>
<td>583.6</td>
<td>375.4</td>
<td>55.5</td>
</tr>
<tr>
<td>Profit After Tax and Minority Interest</td>
<td>564.1</td>
<td>347.8</td>
<td>62.2</td>
</tr>
<tr>
<td>Operational Profit After Tax and Minority Interest*</td>
<td>498.2</td>
<td>346.6</td>
<td>43.7</td>
</tr>
</tbody>
</table>

### Per Share

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Per Share basic (cents)</td>
<td>16.0</td>
<td>9.2</td>
<td>73.9</td>
</tr>
<tr>
<td>Operational Earnings Per Share basic (cents)*</td>
<td>13.9</td>
<td>9.2</td>
<td>52.2</td>
</tr>
<tr>
<td>Net Asset Value Per Share (cents)</td>
<td>196.6</td>
<td>193.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Net Dividend Per Share (cents)^</td>
<td>8.0</td>
<td>7.5</td>
<td>6.7</td>
</tr>
</tbody>
</table>

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>25,670.4</td>
<td>23,446.8</td>
<td>9.5</td>
</tr>
<tr>
<td>Total Invested Capital</td>
<td>15,647.6</td>
<td>14,812.2</td>
<td>5.6</td>
</tr>
<tr>
<td>Total Debt</td>
<td>12,596.0</td>
<td>11,268.2</td>
<td>11.8</td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>3,179.6</td>
<td>2,480.4</td>
<td>28.2</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>6,432.0</td>
<td>6,325.4</td>
<td>1.7</td>
</tr>
</tbody>
</table>

### Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow Before Interest and Tax</td>
<td>1,454.4</td>
<td>1,154.7</td>
<td>26.0</td>
</tr>
<tr>
<td>Net Operating Cash Flow After Changes in Working Capital and Tax</td>
<td>1,358.8</td>
<td>2,085.3</td>
<td>(34.8)</td>
</tr>
<tr>
<td>Free Cash Flow to Firm</td>
<td>689.3</td>
<td>1,530.4</td>
<td>(55.0)</td>
</tr>
<tr>
<td>Free Cash Flow to Equity</td>
<td>134.6</td>
<td>1,066.3</td>
<td>(87.4)</td>
</tr>
</tbody>
</table>

### Ratios

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Debt to Equity (times)**</td>
<td>1.38</td>
<td>1.32</td>
<td>0.06</td>
</tr>
<tr>
<td>Net Debt to Equity (times) adjusted for liquid assets**</td>
<td>0.29</td>
<td>0.29</td>
<td>–</td>
</tr>
<tr>
<td>Return on Beginning-of-period Equity (%)^^</td>
<td>9.1</td>
<td>5.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Return on Average Equity (%)^^</td>
<td>8.9</td>
<td>5.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Return on Invested Capital (%)</td>
<td>6.9</td>
<td>4.5</td>
<td>2.4</td>
</tr>
<tr>
<td>EBITDA on Average Invested Capital (%)</td>
<td>10.2</td>
<td>8.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Interest Coverage (times)^*</td>
<td>2.1</td>
<td>1.7</td>
<td>0.4</td>
</tr>
</tbody>
</table>

* Excludes exceptional items
^ Proposed final dividend of 4.5 cents is subject to shareholders’ approval at the 25th Annual General Meeting.
** Excludes exceptional items
# EBIT on total interest expense
^^ Before Fair Value Adjustment Reserves
^^^ Excludes impact of capital securities distribution on net income and capital securities on equity.
## Our financial and performance highlights

### Five year summary continued

#### Sales Volume

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metric Tonnes</td>
<td>1,549.2</td>
<td>1,690.5</td>
<td>1,682.5</td>
<td>1,691.5</td>
<td>1,690.5</td>
<td>8,013.7</td>
</tr>
<tr>
<td>Sales Volume</td>
<td>1,441.5</td>
<td>2,063.6</td>
<td>27,104.3</td>
<td>34,287.0</td>
<td>7,904.9</td>
<td>9,496.1</td>
</tr>
</tbody>
</table>

#### EBITDA

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million</td>
<td>338.4</td>
<td>438.4</td>
<td>377.7</td>
<td>444.0</td>
<td>562.1</td>
<td>1,942.6</td>
</tr>
<tr>
<td>EBITDA</td>
<td>339.9</td>
<td>472.0</td>
<td>327.7</td>
<td>477.7</td>
<td>562.1</td>
<td>1,942.6</td>
</tr>
</tbody>
</table>

#### Invested Capital

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million</td>
<td>3,344.7</td>
<td>3,463.0</td>
<td>3,642.7</td>
<td>3,603.9</td>
<td>3,609.9</td>
<td>16,649.0</td>
</tr>
<tr>
<td>Invested Capital</td>
<td>3,463.0</td>
<td>3,603.9</td>
<td>3,609.9</td>
<td>3,609.9</td>
<td>3,609.9</td>
<td>16,649.0</td>
</tr>
</tbody>
</table>

#### Operational Profit After Tax and Minority Interest

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million</td>
<td>31.9</td>
<td>40.7</td>
<td>43.4</td>
<td>43.8</td>
<td>49.8</td>
<td>167.8</td>
</tr>
<tr>
<td>Operational Profit After Tax and Minority Interest</td>
<td>39.9</td>
<td>46.0</td>
<td>49.8</td>
<td>49.8</td>
<td>49.8</td>
<td>197.8</td>
</tr>
</tbody>
</table>

### Sector Breakdown

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11.0</td>
<td>11.5</td>
<td>13.3</td>
<td>9.2</td>
<td>13.9</td>
</tr>
<tr>
<td></td>
<td>(5.2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Net Asset Value Per Share (cents)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>179.7</td>
<td>190.8</td>
<td>200.1</td>
<td>193.4</td>
<td>196.6</td>
</tr>
</tbody>
</table>

### Number of Customers

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16,200</td>
<td>22,900</td>
<td>22,000</td>
<td>19,800</td>
<td>25,200</td>
</tr>
</tbody>
</table>

### Shareholders’ Equity (S$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,079.1</td>
<td>5,398.3</td>
<td>6,443.6</td>
<td>6,432.0</td>
<td>6,325.4</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17.0</td>
<td>13.0</td>
<td>15.1</td>
<td>22.7</td>
<td>23.1</td>
</tr>
</tbody>
</table>

### Return on Equity^ (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.8</td>
<td>6.7</td>
<td>6.4</td>
<td>7.7</td>
<td>5.3</td>
</tr>
<tr>
<td></td>
<td>(3.2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

^ Excludes impact of capital securities distribution on net income and capital securities on equity.
“With the launch of the refreshed strategy, the Board continued to explore options to maximise the Company’s long-term value, leading to the January 2020 announcement of the re-organisation of Olam”

**Improved Financial Performance**

Despite another year of geo-political tensions, continuing volatility and macro-economic uncertainty, Olam successfully concluded the first year of the 2019-2024 Strategic Plan with significantly improved financial performance across the board.

EBITDA grew 25.6% to S$1.55 billion, compared to S$1.24 billion in 2018, on higher contributions from all segments except Industrial Raw Materials, Infrastructure and Logistics. Most of the increase came from Confectionery and Beverage Ingredients, and Food Staples and Packaged Foods, notably Cocoa and Grains and Animal Feed & Protein businesses. Operational PATMI was S$498.2 million, up 43.7% on the prior year’s S$346.6 million. The Company divested de-prioritised businesses and related assets, and saw S$488.1 million of cash release out of the targeted US$1.6 billion for the 2019-2024 cycle. The Board of Directors has recommended a final dividend of 4.5 cents per share for a total dividend of 8.0 cents per share for 2019, an increase compared to 7.5 cents per share in 2018.
Harnessing expertise and dedication

The Board will draw on the relevant experience and expertise of our members which has been demonstrated throughout their tenure. It is at this point we thank in particular, Mr. Jean-Paul Pinard and Mr. Yutaka Kyoya, who will retire as Directors at the close of the forthcoming Annual General Meeting. Mr. Kyoya is also the Executive Vice President and Group CEO of the Consumer Industry Group of Mitsubishi Corporation – one of our major shareholders. We have gained considerably from their insights and counsel. I extend a special thanks to Mr. Pinard, who with more than 11 years of service to the Board and as Chair of the Corporate Responsibility and Sustainability Board Committee, has helped Olam become the sustainability leader it is today in the global food, agri and ingredients space.

I also take this opportunity to welcome three new board directors who were appointed in September 2019 as part of our annual succession planning: Dr. Joerg Wolle, Dr. Ajai Puri and Mr. Nagi Hamiyeh. All have distinguished backgrounds which will complement, augment and strengthen the Board’s overall skills set and stewardship effectiveness. I am confident they will add value and contribute to the long-term growth of Olam as well as continue to support high standards of governance and accountability to our shareholders.

In 2019, Olam turned 30 and so did Olam Nigeria where Olam had its beginnings in 1989. A number of countries and businesses also marked their own milestones. Both Côte d’Ivoire and Ghana celebrated 25 years, and in November, the Board was delighted to share in the anniversary celebrations with the Ghana team, meeting many of the employees, farmers and communities who have contributed to this success. These are all our stakeholders whom we wish to share our success and create value for as Olam celebrates its 30 years. As the world now faces the unprecedented challenges of COVID-19, the strength of all our stakeholder relationships across the continents will be ever more important.

Finally, I take this opportunity to thank all of our shareholders for their continued support throughout 2019. But most of all I extend the Board’s appreciation to the many Olam teams around the world whose dedication and efforts have led to such a positive start to this new Strategic Plan and new chapter for Olam.

Lim Ah Doo
Chairman, Non-Executive and Independent Director
“In January 2019, our 30th Anniversary year, we announced our refreshed six-year Strategic Plan to Re-imagine Olam, against which we have executed well, meeting or exceeding most goals and targets set for 2019. A year on, in January 2020, we marked another milestone by announcing a bold re-organisation of the Company into two distinct and coherent operating groups, each with a vision for profitable growth aligned to two important yet different trends, under the stewardship of Olam International.

“This simplification of our diverse portfolio sharpens our focus, enhances performance, and accelerates growth by capitalising on emerging key market trends, and enables us to attract the right talent, while continuing to leverage the benefits of the Olam Group. We will execute this re-organisation in a phased and stage-gated manner leading eventually to carve-out and potential IPO of the two businesses by attracting investors who are aligned with the vision of these two new entities, thus unlocking and maximising long-term value for the Group.”

Sunny Verghese, Co-Founder and Group CEO
Sharpening focus, accelerating sustainable growth

Living our Purpose to be future-ready

While this Report is first and foremost a review of our 2019 performance, it is also an opportunity to share our strategy going forward, our overall approach to achieving profitable growth with a view to creating long-term value, and to highlight key trends and other external factors impacting our business.

At the end of 2019, we all thought we had seen the back of a dramatic year. As the world woke up to the climate emergency we were fortunate that many extreme weather events across the world, including the fires in Australia did not impact our almond or cotton operations; we were able to navigate the ongoing USA China trade war thanks to our global footprint and diversified configuration of global sourcing and processing assets; we finally had some sense of certainty on Brexit in the United Kingdom and the EU. The entire Olam team worldwide came together and did an excellent job in navigating this volatile environment to deliver a strong financial, strategic, operational and organisational performance in 2019.

So with our 30th year anniversary under our belt, and the dawn of a new chapter for Olam following the announcement of our re-organisation on 20th January to sharpen our focus and accelerate sustainable growth, we looked forward to an ambitious 2020. But only a few months later, the world is in the midst of a global pandemic as a result of COVID-19, with economic impact potentially greater than the Global Financial Crisis in 2008/9. How this pandemic will evolve and the number of lives it will take is still unknown. These are indeed testing times and they will not end quickly. Unfortunately, it is not enough just to get through this crisis today, we also have to be thinking ahead to the next shock, potentially a second wave of COVID-19 or even another pandemic. Whilst in the short-term we must continue to work with customers, governments and communities on COVID-19 contingency planning to protect public health, and minimise impact of the demand shock and disruptions to supply, we must also quickly adapt to the strong possibility that normalcy as we knew it might not return for some time to come. We must identify new ways of living, working and conducting business while at the same time looking for opportunities to unlock value for Olam and all our stakeholders. The foundations that we have built over the last 30 years, and the course that we set at the start of 2019 with the announcement of our refreshed Strategic Plan 2019 – 2024, plus our strong Year One performance will, I believe, help us to achieve this. With Olam’s role at the centre of delivering food, feed and fibre to the world, never before has our Company Purpose to ‘Re-imagine Global Agriculture and Food Systems’ been so critical.

Our Goals

We aim to achieve four specific goals in this Plan:

- **Return on Equity**
  - ≥12%
  - achieve minimum of 12% and above by 2021

- **EBITDA/IC**
  - ≥13%
  - At least 13% EBITDA on Invested Capital from 2021 onwards

- **Free Cash Flow to Equity**
  - (+) positive after investments from year two of the Plan

- **D/E**
  - ≤2.0
  - Gearing (defined as Net Debt: Equity) of less than or equal to two every year

Our strategic priorities and enablers

1. Operational Excellence
2. Sustainability
3. Digital
4. Explore investments in new engines for growth

Leadership and Talent
Strengthen, streamline and focus our portfolio
Offer differentiated products/services in existing and new channels
Every day the farming and food system feeds and clothes 7.5 billion people. This is a testament to the efforts and ingenuity of farmers and other participants across the food and agri ecosystem. But the way we now produce and consume food is not sustainable. We need to re-imagine a better system that properly meets the nutritional needs of a future population of an estimated 10 billion people (2050). One that delivers sufficient income for farmers and their families and produces all the food and fibre we need within the limits of our natural environment. Done differently, we believe the sector can rise up and deliver all of this and more.

Our purpose seeks three outcomes:
- **Prosperous farmers and food systems**
  Re-thinking how people and companies are financially rewarded to make the agricultural sector attractive and viable
- **Thriving communities**
  Revitalising communities who depend on agricultural systems so that people live well
- **Re-generation of the living world**
  Re-generating ecosystems, soils and water to create landscapes where industrial agriculture, smallholders and other rural commerce co-exist with nature

**Why we need to re-imagine:**

- **4 out of 10** planetary boundaries breached
  Stockholm Resilience Centre
- **3.5 billion** people could experience water scarcity by 2025
  World Resources Institute
- **11%** of global greenhouse gas emissions are from agricultural production
  World Resources Institute
- **3rd** largest producer of CO₂ globally would be food waste if it were a country
  World Resources Institute

When we announced our refreshed six-year Strategic Plan (2019-2024) at the start of 2019, we explained that it capitalises on the pivotal role that Olam plays in the agri and food value chains as well as the key trends shaping the sector. They are driven by evolving consumer preferences that show an increasing pre-disposition on the part of consumers to choose foods that have higher health and nutritive value, produced from raw materials and ingredients that are grown sustainably with established traceability and supply chain provenance, and impacted by advances in technology including the rise of e-commerce. Together, they have combined to underpin the rise of 'purpose' brands – products that are 'right-for-me', 'right-for-the-planet', and 'right-for-producers'.

Olam was already well-positioned to take advantage of these trends driven by our Purpose to ‘Re-imagine Global Agriculture and Food Systems’ to improve the livelihoods and prospects of our key stakeholders, including our farmers and producers, the communities that we operate in, and the planet that we live in. This has long been part of our DNA.

Today we are known for our extended sourcing and origination network of 5 million farmers, as well as our strategically located farming, manufacturing, storage, logistics and distribution assets in both origination and destination markets, altogether across more than 60 countries.

**Four key trends informed our choices**

1. **Healthy eating**
2. **Customisation**
3. **Premiumisation**
4. **Authenticity**
5. **Natural ingredients (flavour, colour)**
6. **Cool / niche brands**
Where to play and how to win

Our refreshed Strategic Plan was developed on the basis of answering two questions: (i) where to play; and (ii) how to win. We had to determine which parts of our business we wanted to prioritise and invest in, and which to deprioritise and exit. We also had to decide in which geographies we wanted to stay invested, and in which parts of the value chain, and by how much. Finally, we had to be clear on the proportion of our capital to be allocated to businesses contributing to our bottom line in the near term, to those still gestating and also to allocate some capital to seed future engines for growth. Based on attractiveness and winnability (differentiation, leadership position, cost competitiveness, execution capability and track record, control over scarce resources and choke points), we identified four key strategic pathways and four key enablers, with clear financial goals and targets to be achieved by the end of this plan in 2024.

We are pleased to have successfully completed the first year of this plan having met and exceeded our key goals and targets including delivering strong financial performance, successful execution of the identified strategic initiatives, and the planned release of cash by responsibly divesting the de-prioritised businesses and related assets.

“We from an overall financial perspective, we grew EBITDA by 25.6% to S$1.55 billion (2018: S$1.24 billion), PATMI by 62.2% on higher EBITDA growth, to S$564.1 million (2018: S$347.8 million) while generating Positive Free Cash Flow to Equity of S$134.6 million (2018: S$1.1 billion) and maintaining our net gearing of 1.38x (2018: 1.32x).”

Cross cutting offerings (purpose brands, etc)

2 Right-for-the-planet
- Environmental concerns (planetary boundaries)
- Social equity
- Assurance (certification)
- Supply chain provenance and traceability
- Direct link to producer

3 Right-for-producers
- Out-of-home / snacking
- Omni-channel purchasing
- Mobile connectivity
- Social media influencers

4 How it’s produced
- Advanced robotics
- Drones
- Unmanned vehicles
- Big data / analytics
- Precision agriculture
- Digital engagement
1. Strengthen, streamline and focus our portfolio:

**Focus on 12 strong businesses with market leading positions in attractive market segments** aligned with the identified consumer trends and with clearly demonstrated differentiation and distinct competitive advantage.

These include five businesses involved in global food ingredients (Cocoa, Coffee, Dairy, Edible Nuts and Spices), five businesses in the global agri-supply chain (Grains and Animal Feed & Protein, Edible Oil, Rice, Cotton and Commodity Financial Services) and three gestating businesses (Packaged Foods, Palm plantations in Gabon, and Africa infrastructure and logistics). We plan to invest US$3.5 billion over the course of the plan in these prioritised businesses including growth and maintenance capex. Our plan is to ensure we have a global presence and leadership to serve global customers.

In 2019, against this first strategic pathway, we made three critical acquisitions. These include:

- Acquisition of BT Cocoa, a leading cocoa processor in Indonesia to capitalise on Asia’s growth to become the largest global consumer of cocoa powder;
- Acquisition of Hughson Nut Inc in California to offer a fully integrated solution across the almond value chain, including processed whole nuts and value-added ingredients, including acquiring private label manufacturing and customer capabilities. This complements our investments to build similar capabilities in both Australia and Vietnam;
- Acquisition of Dangote Flour Mills in Nigeria, which doubles our installed wheat milling and pasta manufacturing capacity, enabling us to become the market leader in one of the fastest growing markets in Africa.

We invested a total of S$1.1 billion in 2019 (the first year of our plan) of which 81% was growth capital investments and 19% was maintenance capex investments.

**De-prioritise and exit four businesses** that are no longer central to this plan (Sugar, Rubber, Fertiliser and Wood). The plan envisages exiting 17 single business units and 25 related assets over the course of the six-year plan. We expect to release US$1.6 billion of cash by responsibly divesting these assets and reinvesting the proceeds in accelerating growth in the prioritised businesses.

In line with this strategy, we exited several businesses, assets and activities that were de-prioritised as part of this plan. In 2019, we have shut down and exited our Sugar, Rubber and Fertiliser trading desks; Wood Products origination and trading in Latin America, and closed down our Fundamental Fund business. We also sold our peanut farming and shelling operations in Argentina. In addition, we sold a partial stake in ARISE IIP (part of our infrastructure and logistics platform), sold our Permanent Water Rights (PWRs) from our Australian almond operations, and our spices dehydration (land and buildings) facility in Gilroy California under a Tiered Revenue Sharing Agreement and also shut down many tail profit centres in different Business Units.

All of these divestments generated cash release of S$488.1 million in 2019 which was well ahead of our planned divestment target for the first year.

These two actions together will deliver a more streamlined, stronger and focused, portfolio.

2. Improve margins through better cost and capital productivity

During the year, we achieved cost savings, productivity, yield and efficiency improvements of about US$70 million in 2019, exceeding our cost efficiency targets for the first year of implementation. We improved our working capital efficiency and the resultant cycle time from 76 days to 70 days. We generated around S$134.6 million of free cash flow to equity (FCFE) which was originally envisaged to be negative in the plan as a result of the substantial capex planned for Year One of the plan. We were also able to maintain our gearing well within our net debt-to-equity target of 2.0x at 1.38x.

3. Grow revenues and enhance margins by offering differentiated solutions and services to customers, and enter new channels and segments

This is a crucial pathway, as we pivot from being an agri-business to a value-added food and ingredients company.
Pathway 3a: Value-added offerings:

AtSource is, we believe, the most comprehensive sustainable sourcing solution for agricultural raw materials and food ingredients in the B2B marketplace. It offers a unique combination of environmental and social foot-printing data across a wide range of metrics, insights and teams on-the-ground to improve that footprint, not just at the farm level but across the whole of the product journey from the farm or origin to the manufacturing or retail customer’s door. Since the launch of AtSource in April 2018 with five supply chains, by end of 2019 we had put extensive and dedicated data collection processes in place for multiple products and origins. The team had also mapped over 1,000 port-to-port supply chains for traceable supply as well as enabling customers to track the carbon footprint of their product. AtSource has been received extremely well by our B2B customers and we see significant potential to scale this across more of our supply chains and with more of our customers.

A second focus area in providing value added offerings to our customers was our Risk Management Solutions (RMS) business. Agricultural commodity markets experience significant price changes and volatility, creating a difficult operating and risk management environment for producers, customers and other supply chain participants. Through our understanding of both physical cash markets, futures and derivative markets, supply and demand analysis/intelligence and our risk management expertise, we offer price risk management solutions to participants in the agricultural supply chain. In 2019, 16% of our RMS sales was embedded solutions for customers of our various products (compared to 10% in 2018), creating stickiness with our customers.

On value-added services, we continue to offer customised grades (as an example, there are more than 26 different grades of cashews and multiple ingredient formats, such as diced, roasted, paste etc.) and certified raw materials and ingredients (e.g. Organic, Rainforest Alliance etc.) to our customers.

Pathway 3b: new customer segments and channels

Contract manufacturing, co-manufacturing, private label manufacturing and food service segment.

Our aim is to become a major food service supplier as well as a private label contract manufacturer to the large retail brands. In 2019, five new retailers outsourced aspects of their manufacturing to Olam, enabling us to secure higher volumes at improved margins over and above our core supply chain and trading margins.

E-commerce

In the past, we were not able to access small and medium customers for our various products as the cost to serve them in the analogue world was quite high. By adopting e-commerce, we have now got viable cost to serve small and medium sized customers. In 2019 we launched our e-commerce initiatives in Speciality Coffee, Spices and Edible Nuts businesses, and by the end of the year we added 460 new e-commerce customers across multiple categories, generating US$30 million of incremental revenue at higher margins.

4. Explore new engines for growth

Olam’s current core business (Engine 1) has a relatively lower margin profile and is also exposed to inherent cyclicality and volatility that underpins the agri commodity sector. Managed well, it offers attractive returns on a risk adjusted basis. In our new Strategic Plan, as described in strategic pathway three above, we are pivoting this business into a more value added ingredient business with significant additional investments in midstream and processing activities, providing value added solutions and services and entering new channels and segments. These initiatives help us get more pricing power, create more stickiness with our customers and helps us secure larger share of the customers wallet.
Our 4th strategic pathway – developing an Engine 2 business by incubating new platforms for growth – is driven by the logic of seeking more attractive margin and return profile opportunities with lower volatility and cyclicality than our Engine 1 businesses and which are also less capital intensive. These are also expected to be ‘smart’ businesses that leverage Olam’s capabilities and assets in digital, sustainability, farmer networks and other related assets.

Pages 46 to 47 of this Report provide the detail of five highly interesting new engines for growth (Engine 2) where we bring together our unique capabilities, assets, intellectual property, sustainability advantage and our Purpose led business model. Each of these ideas have been tested for i) desirability (does it matter and is it attractive to the customer?); ii) viability (can we capture value/monetise?); iii) feasibility (will it work from a technical and operational / feasibility standpoint?); iv) winnability (can we win in terms of differentiation and building distinct competitive advantage?):

1. B2C Purpose brands:
The objective is to build a purpose-driven brand business with Olam Intellectual Property (IP) that will provide higher and more stable margins and offer us opportunities to enhance those margins by providing distinct customer value. Our plan is to consumerise the delivery of our capabilities that demonstrate traceable impact on all aspects of sustainability by building an emotive connect with consumers at a micro level and deliver impact at scale on the environment (planet), farmer (producers) and the communities that we operate in. As many of the large insurgent purpose brands rely very significantly on Olam’s back-end supply chain to provide traceability, supply chain provenance, assurance, AtSource products, certified raw materials and ingredients, and leveraging the Olam Farmer Information System (OFIS), we feel that we are in a unique position to deploy our sustainability advantage through a direct-to-consumer purpose brand business, targeted to launch later this year.

2. Farmer Services Platform:
Given the significant impact of the digital revolution, artificial intelligence and big data trends, we see a huge opportunity to improve farmer livelihoods and unlock latent value in line with the Company’s Purpose of Re-imagining Global Agriculture and Food Systems. There are over 500 million small-holder farming households worldwide with more than 2 billion people depending on farming for their livelihoods. According to Qu Dongyu, Director, FAO: ‘Smallholder farming is a potential engine for economic growth, poverty reduction and food security’. Access to agricultural trading platforms has the potential to unlock US$35 billion of additional income for smallholder farmers. We buy directly and indirectly from 5 million farmers worldwide and we are developing a digital farmer value proposition that solves the various frictions identified by the farmers in our ethnographic research including a crop care service, farm input services platform, credit platform, and a market off-take platform. We are in the process of developing and optimising a user interface and channel to provide a digital platform solution that is engaging and easy to use for the farmer.

3. Environmental Footprinting and Solutions app:
We are developing a direct to consumer and a B2B environmental footprinting application to enable both individual households and consumers as well as businesses to track and measure their carbon, water and waste footprint, and providing them mitigating and offsetting solutions to reduce that footprint. Some of the offsetting solutions that we plan to offer would include the emissions footprint within Olam’s extensive landscapes, including our farming and forestry operations. We are also gamifying the app to increase engagement and retention of the targeted B2C consumers as well as the B2B customers.
3. Land tokenisation and carbon trading:
We are in the process of developing a land tokenisation and carbon trading platform using blockchain. Based on the commitments made by countries under the Paris accord to bring down their emissions by 2030 and 2050, and the need to get to net zero emissions by 2050 to limit global warming to under 1.5 °C, we believe the carbon trading market and offsetting solutions market will grow considerably in the next several years. We are working in select countries that have developed, or are in the process of developing, national land use plans to help them tokenise their land holdings using blockchain. We are also measuring both the above ground and below ground carbon in our farming and forestry operations, and establishing the carbon credits we can generate by the sustainable management of these assets, and developing a carbon trading business around this.

4. Controlled Environment Agriculture:
Today at Olam we have substantive open field farming exposure across both perennial tree crops as well as broad acre row crops around the world. With the climate emergency that is upon us and bio-diversity collapse, agricultural risks are being magnified and amplified. The objective behind pursuing this Engine 2 idea is to reduce our agricultural risk in our open field farming exposure by allocating some of our capital to protected or control environment farming. This is in line with our Purpose of Re-imaging Global Agriculture and Food Systems while leveraging on our digital, sustainability, logistics assets and customer franchise. We plan to grow high value niche fruits (berries) and vegetables (snacking tomatoes, bell peppers, cucumber, mushrooms etc.), that are produced sustainably.

Enabling our Strategy
On pages 70 to 77, our Function heads describe the progress we have made against each of the four enablers identified under the Strategic Plan. This includes:

- **Building Operational Excellence as a core competency** – for example, we were able to deliver US$70 million in operational efficiencies in 2019.
- **Putting Sustainability at the heart of our business** – for example, in addition to the early success of AtSource, we continue to support smallholders in sustainability programmes reaching over 740,000 and exceeding our 2020 target of 0.5 million.
- **Digitalising Olam and leading the sector in digital disruption** – for example, we secured the world’s first digital loan.
- **Continue to build an Inspired team** – for example, we improved our employee engagement scores by 5% points between 2018 and 2020.

Much of this progress on embedding these four key enablers stems from efforts put in place under the six priorities that we had set out under Olam 2.0 in 2018. Progress in this regard also corresponds to our Capitals reporting framework, which we introduced in 2017.

In addition to Financial Capital, we also report now on Manufactured, Human, Social, Natural, Intangible and Intellectual Capital. We believe that by viewing our business through the lens of each Capital we better demonstrate how we are delivering against the Strategic Plan, including the challenges we face and the opportunities we seize to create and protect value. This approach also helps to bring to life the stakeholder ecosystem beyond Olam’s investors and capital providers, which include customers, employees, governments, civil society, technical partners and research institutions and, farmers/suppliers. On pages 104 to 105 we asked Oxfam, as a participant in our multi-stakeholder Living Landscapes Forum (established in 2019) to give their perspective. We are doing well based on the Oxfam report but know that we have a long way to go, and we also know we cannot do it alone.

This is why I accepted the nomination to Chair the World Business Council for Sustainable Development for another two years, and why we continue to be signatories to initiatives including the Ten Principles of the UN Global Compact. It is also why we commit much time to product and sector initiatives such as the Sustainable Rice Landscapes Initiative and support customer initiatives such as Mars’ Planet Pledge.

However, where there are challenges (even in the shadow of COVID-19) there are also opportunities and, in my role as Ambassador for the Food and Land Use Coalition, I supported the launch in September of The Global Consultation Report “Growing Better: Ten Critical Transitions to Transform Food and Land Use”. It is the first integrated, global assessment of the social, economic and health benefits of transforming our food and land use systems, and the large, growing costs and risks of inaction. It estimates that the “hidden costs” of global food and land use systems add up
to US$12 trillion, compared to a market value of the global food system of US$10 trillion – meaning that US$2 trillion of economic value is being destroyed by the sector if all externalities etc. are priced in. If action is not taken, and based on current trends, this could rise to US$16 trillion by 2050 with a huge impact on the availability of food, poverty, markets, and geopolitical stability.

But while this shows that transformation is urgent and necessary, the report also helps build stakeholder confidence that transformation is both achievable and profitable. “The transitions also open up business opportunities – from tackling food loss to creating the new value chains needed for regenerative agriculture and the shift to healthy diets – worth an estimated $4.5 trillion a year by 2030.” With our portfolio mix, embedded Purpose to Re-imagine Global Agriculture and Food Systems, along with our growing investment in innovation, we firmly believe we are in a strong position to capitalise on this transition, accelerate our growth and play our part in achieving the UN Sustainable Development Goals.

“At General Mills, we believe that regenerative solutions are critical for planetary health, better lives for farmers and the resilient, future-proofed supply chains we need to feed a growing global population. Simply sustaining degraded natural resources and ecosystems is not enough. Olam’s Living Landscapes Policy and ‘net-positive’ approach to regenerating the living world is a premier example of positive change happening across our agricultural value chain. On the transparency front, AtSource is offering unique line-of-sight into the environmental and social performance of key ingredients.”

Kevin O’Donnell, Global Director, Sourcing & Operations Sustainability, General Mills

### Living our purpose

Major goals and action plans for continuous improvement under our Sustainability Framework, combined with our global reach and collaborative approach will take us so far. But we also need evolutionary leaps and disruptive innovations that have the power to transform.

**This is a snapshot of how we have been re-imagining global agriculture and food systems in 2019...**

- Repositioned our corporate strategy and considered how to re-organise Olam to capitalise on traceable and sustainable sourcing trends and the rise of ‘purpose’ brands
- Advanced the Olam Re-imagineering movement across Olam:
  - 500 re-imagineers trained to run 660 workshops with 24,000 employees
  - Generating 1,200 ‘re-imagining’ ideas
  - Reviewed by an Advisory Committee to select the Top 25 ideas
  - Further reviewed to secure the Top Ten with seed funding totalling US$400,000 to advance to business case in 2020
- Increased the number of smallholders in our sustainability programmes to more than 740,000
- Connected farmers to markets with Olam Direct – from just 5,000 small-scale farmers in 2017, by end of 2019 we had registered more than 67,000
- Expanded our comprehensive sustainable sourcing offer – AtSource – page 124
- Convened the multi-stakeholder Living Landscapes Forum to advise how we achieve our vision to put more back into food and farming systems than we take out, as defined by the Olam Living Landscapes Policy
- Mapped Forest Loss Risk for more than 12,700 cocoa buying agents and 152 coffee buying stations
- Opened up our tech systems to an NGO partner to scale impact for the sector – page 115
- Accelerated third party innovations for the future of agriculture through awarding the third Olam Prize for Innovation in Food Security – page 125
- Led Asia in a second sustainability KPI-linked loan for US$525 million
- Secured the world’s first digital loan to help speed up digital transformation for Olam and our suppliers
- Began roll-out of the Integrated Impact Statement with verified methodology to help finance teams and businesses account for non-financial capitals – see page 131
Nevertheless, to really move the needle, decision makers globally need to be far more involved – this means policy makers, financial institutions and, within individual businesses, the finance and risk teams. At Olam, we have done just that by creating a new ‘Finance for Sustainability’ team, which will bring the rigour of finance and accounts to challenge, support and help embed sustainability initiatives in our businesses, become a centre of excellence (CoE) for multi-capital accounting and develop tools to help businesses understand the impact of their decisions on Human, Social and Natural Capital. On page 131, we show a case study of our Integrated Impact Statement.

As we harness the data from AtSource to inform customers about their supply chain footprint, we also learn about our own.

Based on 2019 data across 13 products and 26 supply chains, we know that:

- Despite the distance from one continent to another, the bulk of the carbon footprint profile of a product is largely due to agricultural operations and inputs like fertiliser, rather than transportation or processing
- AtSource Plus programmes currently cover 430,000 ha of land with more origins and farmer groups coming online
- Only 61% of the farmers under AtSource Plus programmes are food secure according to our surveys.

Now we have these insights, and many more, we can act on them with our customers and partners.

Through AtSource not only are we doing the right thing but in taking sustainability mainstream, we are able to monetise our efforts and experience. It is also important for motivating our 87,600 strong team and it aligns them to our Company’s Purpose as they see the positive impact we can have around the world.

This year, I was inspired by our employees’ dedication on my visits to Ghana, Nigeria, India, Indonesia, Vietnam, Australia and other countries. No matter how big we have become, as Olam Group, we always want to maintain the entrepreneurial spirit and passion that I saw in all our teams. We have built a unique culture and DNA in which we actively promote our entrepreneurial spirit, so whether someone is based in an R&D centre in the USA, a cotton gin in Côte d’Ivoire, or a trading floor in Singapore, they have the ability to speak up and share ideas. With the re-organisation of Olam this spirit has even more opportunity to thrive.

Other ways to inspire and motivate our teams include a renewed focus on Learning and Development which is covered by HR President Jaydeep Bose on page 76, as well as Nutrition and Health, particularly in emerging nations – where many of our workers are from very rural villages, and a workplace meal may actually be the most nutritious they receive that day.
I am also proud of the many health initiatives being undertaken by our teams across the world, both with employees and with communities. The Olam Healthy Living Campaign reached more than 215,600 people in 2019 in some of the most deprived areas. This focused on prevention, sensitisation, and treatment for malaria, HIV, breast cancer and others. The Grains and Animal Feed & Protein, and Cashew businesses in Nigeria also focused on a group of Neglected Tropical Diseases – read more about this in the Social Capital section of this report. Our networks and partnerships with NGOs in communities will be essential this year as we try to limit the impact of COVID-19 in countries and communities without the resources of developed nations.

At this point I would like to acknowledge the work of the Olam teams around the world. It is their dedication, spirit and resilience that drives the business forward. They have weathered Ebola, SARS, Zika, civil wars, cyclones and much more over the past 30 years. Whilst the world is in great turmoil today as a result of COVID-19, we will eventually emerge from this crisis stronger.

We believe that the Re-organisation of Olam announced in January of this year will motivate Olamites through the many opportunities it brings as well as attract new talent and, new investors.

We are also unwavering in our commitment to Safety – ensuring that we meet or exceed best practices are non-negotiable at Olam. It is of paramount importance that we keep our people safe and healthy at work and similarly, our products safe and healthy for all. This is especially crucial considering the scale of our operations, with more than 180 processing facilities; 1,900 warehouses; forestry concessions, plantations and farms across more than 3 million hectares, and some 87,600 employees including seasonal and contract employees. A consistent, measurable, iterative safety framework – an application of Operational Excellence – has to be a priority. I was therefore extremely saddened that we were unable to prevent four fatalities this year. We are doubling down on efforts to ensure that everyone goes home safely. This includes setting up the Group Safety Committee, chaired by myself.

I am also proud of the many health initiatives being undertaken by our teams across the world, both with employees and with communities. The Olam Healthy Living Campaign reached more than 215,600 people in 2019 in some of the most deprived areas. This focused on prevention, sensitisation, and treatment for malaria, HIV, breast cancer and others. The Grains and Animal Feed & Protein, and Cashew businesses in Nigeria also focused on a group of Neglected Tropical Diseases – read more about this in the Social Capital section of this report. Our networks and partnerships with NGOs in communities will be essential this year as we try to limit the impact of COVID-19 in countries and communities without the resources of developed nations.

At this point I would like to acknowledge the work of the Olam teams around the world. It is their dedication, spirit and resilience that drives the business forward. They have weathered Ebola, SARS, Zika, civil wars, cyclones and much more over the past 30 years. Whilst the world is in great turmoil today as a result of COVID-19, we will eventually emerge from this crisis stronger.

We believe that the Re-organisation of Olam announced in January of this year will motivate Olamites through the many opportunities it brings as well as attract new talent and, new investors.

Re-organisation of Olam to unlock value

In addition to implementing Year One of our Strategic Plan, as detailed by the Chairman on page 9, during 2019, with the help of the Board and financial advisors, we undertook a major initiative to explore how we can illuminate the hidden value in the Company, and further maximise long-term value by more logically and coherently organising our business.

This has culminated in the bold re-organisation of Olam into two operating groups under one holding company:

1. Olam Food Ingredients (OFI) offers sustainable, natural, value-added food products and ingredients so that consumers can enjoy healthy and indulgent products. It consists of Cocoa, Coffee, Edible Nuts, Spices, and Dairy. OFI has built a unique global value chain presence including its own farms, farm-gate origination and manufacturing facilities.

OFI partners with customers, leveraging a complementary and differentiated portfolio of ‘on-trend’ food products, to anticipate and meet demand for ‘right-for-me’, ‘right-for-producers’ and ‘right-for-the-planet’.

2. Olam Global Agri (OGA) is a leading player in high-growth Asian and African countries supplying food, feed and fibre to meet rising demand and a shift to protein-based diets. This group includes the differentiated businesses of Grains and Animal Feed & Protein, Edible Oils, Rice, Cotton, and Commodity Financial Services.

OGA has built proprietary operating capabilities including significant strengths in global origination, processing, trading, logistics, distribution, farming and risk management, and a deep understanding of the market via on-the-ground presence in these emerging markets over 30 years.

Olam International (OIL), as the parent company of OFI and OGA, will play a key role in unlocking the full value of the Olam Group by providing stewardship to the new operating groups and accelerating growth:

As a steward, Olam will ensure the continuity of the ‘Olam Way’, including our unique entrepreneurial culture, implement cross-cutting initiatives such as AtSource, and drive key enablers such as Sustainability, Operational Excellence and Digital Transformation. It will also offer shared services to OFI and OGA to optimise synergies.

As an accelerator, Olam will nurture gestating businesses to full potential, including Packaged Foods, Infrastructure & Logistics and Olam Palm Gabon, as well as incubate new engines for future growth. In addition, it will manage the responsible divestment of non-core assets and businesses identified in the Strategic Plan and redeploy capital for further growth.

More detail about the trends, rationale and the businesses can be found in the dedicated re-organisation chapter of this Report and in the interview with A Shekhar who has been appointed CEO of OFI, while I hold charge as CEO for OIL and OGA, and continue as Group CEO.

The re-organisation represents an important and positive reset of the business in which we will reinforce and build on our strong foundation laid over the last 30 years to achieve higher growth and value creation. We are also launching this Re-organisation Plan from a position of strength of successfully executing on the key strategic initiatives, as can be seen from the progress we made in 2019, Year One of our Strategic Plan.

We look forward to the launch of our two new, exciting and distinctive operating groups which we believe will appeal to our customers, motivate our employees and unlock and maximise long-term value for our continuing shareholders. We are inspired each day with the opportunity to truly live our Purpose to Re-imagine Global Agriculture and Food Systems. Combined with the high calibre and engagement of our Leadership and Management Teams, and the strong support and counsel of our Board and our long-term continuing investors, I believe we can successfully navigate these choppy waters. I thank all our key stakeholders for their trust and support.

Sunny Verghese,
Co-Founder & Group CEO
Accelerating growth: Re-organisation of Olam

During 2019, we announced our refreshed six-year Strategy and completed the exercise with independent financial advisors to explore options to unlock and maximise the Company’s long-term value.

Olam will now re-organise a diverse business portfolio to create two new coherent operating groups that are well-positioned for further growth in line with key consumer trends and emerging market opportunities.
Q&A with A. Shekhar
CEO, Olam Food Ingredients

In January 2020, Olam announced the re-organisation of the business into two operating groups – Olam Food Ingredients (OFI) and Olam Global Agri (OGA) with Olam International as the parent company. Executive Director A. Shekhar now leads OFI as Chief Executive Officer.

What excites you the most about OFI’s future?
OFI is in an excellent position to meet the growing demand from consumers for sustainable, traceable, and natural food products and ingredients, which can cater to their varied health, nutrition and wellness needs and preferences. And we are not just well positioned to deliver what consumers want today; but on what they will want – and what we can help shape for them – tomorrow.

I say this with confidence because each of OFI’s five Business Units sits right in the sweet spot of today’s food and consumer lifestyle trends. Cocoa, Coffee, Edible Nuts, Spices and Dairy are all categories that are already experiencing significant shifts towards more value-added applications and solutions. Both our existing clients, and the potential customers of tomorrow, will demand a much more innovative and differentiated range of services from us. This is exactly where we are focused within each of our Business Units and we will continue to build and invest further in the relevant assets and capabilities – which can henceforth be shared and leveraged at scale – across the entire OFI portfolio.

It might surprise you that OFI already serves more than 11,000 customers, from 102 manufacturing facilities, with a direct origination or distribution presence in more than 50 countries. Just imagine how much more we can grow – along with our customers, when we start harnessing our combined capabilities as a more coherent and cohesive OFI organisation.
What were the key drivers for creating two operating groups?
The rationale for the re-organisation is three fold.

Firstly, it enables us to internally focus, align and re-organise our major Business Units around the two broad thematic trends that we want to back as a Group. This will help us invest more in the requisite assets and capabilities to capitalise on each trend, as well as extract better synergies by leveraging these investments at scale within each of the operating entities.

Secondly, we believe that this focus will help our customers to win – bigger and better – with their customers and final consumers. The unique portfolio of capabilities, services and solutions – combined with the renewed organisational focus and attention within each of these entities, will help us redefine and deliver an even more unique value proposition to our customers and other channel partners.

Lastly, whilst both themes and entities have a compelling and exciting future, we recognise that there are distinct pools of investors (both existing and new), who might have differential interest and appetite for each theme. As we go forward and start reporting financial numbers and key metrics for each of the operating entities, our investors will have greater clarity and transparency to invest behind the themes that they prefer.

Coming in just the second year of the Strategic Plan, does the re-organisation imply a completely new strategy for OFI, or for Olam as a whole?

I would like to reiterate that this re-organisation does not represent a re-thinking of our Strategic Plan. All the pathways and enablers identified within the Plan remain vital and relevant to Olam’s future success. What we have now done is to better align the management and operating structure to enable each entity to implement their Plan more effectively. For example in OFI, even within the first year of the Plan (2019), we have been very encouraged by the initial results on several new initiatives like Private Label and Contract Manufacturing, Food Service, e-commerce, Digital etc. Basis this trajectory, I believe we can develop an even more ambitious – and achievable – ‘Strategic Plan – Plus’ for OFI. And the same principle holds good for OGA and OIL.

What needs to change within OFI? What are your immediate priorities?

It is more about a faster and more focused evolution than any radical transformation. Having said that, I believe in our next phase of growth, there will be two key pillars that will drive OFI’s success. The first one is customer-centricity. Whilst we already have a very strong customer franchise, I believe we can still raise the bar higher to build a more institutionalised customer-centric culture across all roles, levels and functions within the OFI organisation.

The second area is collaboration – both with our customers and external stakeholders, as well as internally within and across the OFI Business Units.

These are not just mere words, and there is a strong commercial logic to focus on these pillars. There is significant synergy which can be extracted at scale across the OFI portfolio, due to the strong customer and capability overlap between the categories. Equally, there is a huge growth potential to collaborate, innovate and co-create new applications with and for our customers, which we might not be able to capture within any single product group.

In 2020, we will take a re-look at OFI’s current value proposition across various customers and categories, and what we can do to sharpen it. We will identify and build requisite capabilities to capitalise on the major food consumption and lifestyle trends across key categories like Snacks, Beverages, Confectionery, Bakery, Dairy applications etc. We will also need to tailor our Innovation and ‘Go to Market’ capabilities, and collaborate effectively with our customers to create innovative applications and ingredient solutions within these categories.

From a customer viewpoint, this will mean many exciting initiatives to look forward to. OFI will seek to leverage on its application development capability across different food categories, provide digital solutions from the first to last mile of the food supply chain, and introduce adaptive manufacturing solutions, which will bring value to all our customers – and re-affirm our Purpose to Re-imagine Global Agriculture and Food Systems.

Most important of all, while we will consciously build and invest for the future, we will remain laser focused on delivering our 2020 budgets and Plan targets for 2020 and beyond.

What can investors look forward to in the next 18-24 months?

The immediate next steps of our re-organisation involve making it easier for our investors to understand the unique value proposition of each operating entity, and facilitate them in modelling the prospects of these businesses. This means providing better clarity on our management, operational and financial structures. When we report our H1 2020 earnings in August 2020, we will be providing historical financials for each entity (OFI/OFA/OIL), as well as the key operating metrics that might be relevant to track the progress of these groups going forward. We will then be engaging with investors to further present our investment case, as we explore the potential for a carve out and capital-raising options such as an IPO within the next 18-24 months.
Olam Food Ingredients (OFI)

Comprises Cocoa, Coffee, Edible Nuts, Spices and Dairy

CEO: A. Shekhar

A global leader offering sustainable, natural, value-added food ingredients, so consumers can enjoy the healthy and indulgent products they love.

Olam Food Ingredients (OFI) aims to become a unique global market-leading business of a kind not yet seen; one that draws from each of the links in its unique and integrated value chains, from farm to manufacturing facility, so as to meet the demands of an increasingly selective and discerning consumer landscape.

OFI comprises Olam’s industry-leading businesses of Cocoa, Coffee, Edible Nuts, Spices and Dairy. Its focus is the sustainable, natural, value-added food products and ingredients that are 'on-trend', and will evolve as these trends evolve.

Three building blocks underpin OFI:

• A complementary and differentiated ingredients portfolio anticipating and meeting consumer food choices
• Imaginative R&D and Quality experts tailoring solutions in partnership with customers
• Global value chain presence from own farms/farm-gate origination for transparent and sustainable sourcing, to adaptive manufacturing solutions

By combining these skills and assets under one coherent business, OFI has a differentiated and market-leading advantage in lock-step with customer and consumer expectations.

Meeting the needs of a changing consumer landscape

Our market drivers

• Health and nutrition
• Premiumisation
• Natural ingredients
• Indulgence
• Ethnic tastes
• Growth in private label
• Food service – increasing out-of-home consumption
• Environmentally and socially responsible
• Supply chain traceability and provenance
• Assurance/certification

How we respond

• Innovation centres and co-creation with customers on ingredients, blends, recipes, and solutions
• Natural colours and flavours – spices blends, no-added sugar purées
• No sodium innovations for clean labelling (e.g. cocoa, garlic and onion powders, high heat chillies)
• High-end, single origin ingredients (cocoa, coffee)
• Full range of edible nuts and formulations for healthy snacking and ingredients
• Wide range of specialty coffee products and dairy ingredients
• Growing presence in private label, food services, and e-commerce
• AtSource provides traceability and enhanced levels of impact
Our Business Unit leaders

Gerard A. Manley  
CEO, Cocoa

Vivek Verma  
CEO, Coffee

Ashok Krishen  
CEO, Edible Nuts

Greg Estep  
CEO, Spices

Sandeep Jain  
CEO, Dairy

Transforming ourselves to strengthen cross-cutting capabilities

**Shared customers**
New approach to cross-business key account management for food manufacturers, retailers, food service, and e-commerce customers

**11,000+ Customers**

**Centralised Product Development and Innovation**
Building integrated centres of excellence for product development, applications and solutions

**12 Innovation Centres**

**Private label / Co-manufacturing**
Manufacturing downstream / packaged food for retailers, brand owners and food service

**100+ Processing assets**

**Farmers / farm-gate presence**
Upstream operations in selective crops. Boots-on-the-ground at farm-gate all year round

**~250,000 ha**
Under Olam management

**Unified digital channels**
1st mile: digitising multiple supply chains on common Apps
Last mile: combining cross-business e-commerce initiatives, delivery fulfilment capability and digital marketing

**1,300+ Logistics assets (warehouses)**

**Sustainability**
Clear sector leadership in sustainability exemplified by AtSource, the most comprehensive B2B sustainable sourcing platform
Olam Cocoa – market leading and fully integrated cocoa business

Supplying over 2,000 customers globally, Olam Cocoa has an unparalleled presence in producing regions and is a close collaborative partner with customers for innovation and ingredient development.

Its portfolio of B2B cocoa ingredient brands is led by deZaan, with its heritage of more than 100 years of excellence, as well as African origin brand Unicao, South American origin brand Joanes, the regional Macao and Huysman cocoa powder brands, BT Cocoa in Indonesia, and Britannia confectionery and specialty fats brand. Within each brand portfolio, customers can select from technically specific formulations to support multiple applications, from dairy, biscuits and bakery, to beverages, ice creams and desserts, cereals and chocolate confectionery.

Its sustainability ambition, Cocoa Compass, sets challenging goals focused on tackling the key issues in the cocoa supply chain, including helping cocoa farmers achieve a living income; putting children first with a focus on accessing education and eliminating child labour; and protecting forests.

Strategic Plan 2019 highlights

- BT Cocoa acquisition – adds 120,000 MT of cocoa bean processing capacity and 30,000 MT of cocoa mass pressing capacity to serve increasing demand for cocoa products in Asia, especially cocoa powder
- Strengthens brand portfolio by adding strong Indonesian brand BT Cocoa; enables further development of Olam Cocoa’s Huysman brand
- Improved margins in supply chain, cocoa beans and ingredients trading, and ingredients processing operations
- Launched deZaan for Professionals food services line
- Launched Specialty Cocoa Beans business

Olam Cocoa – market leading and fully integrated cocoa business

Leading originator of cocoa beans and a globally leading processor of cocoa powders, cocoa liquor and cocoa butters

327,000 cocoa farmers in sustainability programmes

Top 3 cocoa processor with 12 facilities

Operational Excellence:

- Netherlands: new port terminal for bulk cocoa beans and new high flavour cocoa processing line (Koog)
- Brazil: new Operational Excellence Centre for Joanes facility
- Lost Time Injury (LTI): Koog achieved three years without LTI for second time, while Ghana OCP plant achieved 11 years

Sustainability:

- Cocoa Compass ambition for direct source supply chain launched – by 2030:
  - 150,000 farmers to achieve a living income
  - Child labour eliminated and all children have access to school
  - Natural capital costs reduced by 30%, and create an increase in tree carbon stock

Digital: Trained over 100 farmer leads on new digital Child Labour Monitoring and Remediation (CLMRS) tool as part of OFIS

Leadership and Talent: New dedicated Head of Leadership and Talent; Cocoa Management Toolkit to more than 200 managers to enhance leadership capabilities

1. As of March 2020
3. Olam Farmer Information System
Olam Coffee – deep origin presence and leading independent soluble coffee manufacturer

Olam Coffee has more than 25 years’ experience in the coffee business, serving all major consumption markets through origination, marketing, logistics, risk management, and futures trading capabilities. Procurement, agronomy and sustainability experts are based deep in growing areas sourcing commercial and specialty coffees.

Its Specialty Coffee team works with Olam origins, as well as other exporters, providing roasters with a vast selection of the best green coffees, from established origins like Colombia, Indonesia and Guatemala to niche origins like Laos, Yemen and Burundi.

As the largest independent producer of soluble coffee, Olam Coffee also operates two state-of-the-art soluble coffee processing facilities in Spain and Vietnam providing frozen extract, spray dried, agglomerated and freeze-dried coffee to bulk and private label customers.

Top 3
leading supplier of green coffee by market share in global trade

15+
origins with on-the-ground operations in Africa, Asia and Central and South America, plus additional sourcing

61,600
smallholders receiving sustainability support, 16% women

Strategic Plan 2019 highlights

- South America: new mill capacity in Guatemala and Peru, expanded warehousing in Brazil
- Africa: new wet mill in Uganda to focus on Specialty Coffee
- 15+ origins on AtSource, including 23,700 farmers in programmes that meet criteria for AtSource Plus (to end of 2019)
- USA: new Coffee Innovation Centre; developing cascara beverage ingredient

See page 82

Sustainability:

- Advocated for Price Stabilisation Fund to support farmers and improve climate change resilience
- Trained more than 27,000 farmers on child labour and labour rights

See website

Digital:

- Digitised coffee supply chain by introducing Olam Direct to 260 farmer leads to reach close to 4,000 farmers in six origins. Aim: 25,000 farmers in 2020

See page 128

Leadership and Talent:

- Invested in skills and excellence at all levels from origin teams to sales team

See page 86

Olam Edible Nuts – the broadest nuts and superfoods portfolio

Olam is the leading supplier of edible nuts and is the only global integrated player with farming, procurement, processing and distribution capabilities, spanning a unique portfolio which includes almonds, cashew, hazelnuts, peanuts, pistachios, walnuts, macadamias, sesame, quinoa and chia.

Through its worldwide network of more than 50 processing and packaging facilities, it offers a range of conventional and organic whole nuts, semi-finished, customised products and value-added ingredients to food manufacturers and retailers. In addition to its global sourcing capabilities, a team of agronomists and sustainability experts support yield improvements while preserving natural resources.

19,500 ha planted with almonds, walnuts and pistachios

59,600 cashew, hazelnut, sesame and superfoods farmers in sustainability programmes

19,500 ha

59,600

Strategic Plan 2019 highlights

- Acquired Hughson Nut Inc to offer integrated almond ingredients processing capacity in the USA, including processed whole nuts and value-added ingredients. Complements operations in Australia and Vietnam
- Exited Argentina peanuts business; focused sesame on major origins
- Almonds: sale of water rights and revenue-sharing arrangement for water rights and orchards improved returns
- Almonds: increased acreage footprint in the USA by 800 ha
- Cashew: launched nut paste and butter; contract manufacturing
- Cashew: increased cashew drying capacity (Africa) for premium pricing
- Sesame: entered private label in Turkey for Tahini
- Superfoods: increased private label volume
- Launched www.olamediblenuts.com targeting SMEs
- Hazelnuts, cashew and quinoa on AtSource Plus with ~42,000 farmers

Enablers

Operational Excellence:
- Peanuts: Hershey 2019 Supplier Summit Operational Excellence Award
- Superfoods and Hazelnuts: achieved BRC AA certification for Peru facility and Piraziz facility respectively – first Turkish hazelnut exporter to receive AA score five years in a row. First hazelnut exporter in Turkey to join the National Quality Movement (UKH), part of the Turkey Quality Association (KalDer)
- Sensors fitted across processing facilities to improve efficiency and costs

Sustainability:
- Almonds: implemented groundwater recharge for orchards, among other measures
- Hazelnuts: Olam Progida won Nestlé Sustainable Supplier of the Year

Digital:
- Cashews: first deployment of Olam Direct in Africa, Ghana
- Superfoods: 650 farmers registered on OFIS’ with target of 2,000 in 2020

1. Olam Farmer Information System
Olam Spices – ‘on trend’ flavour solutions

Scale and global reach have established Olam Spices as a category leader and trusted partner to customers around the world – from small family businesses to large corporations.

As a result of the long-standing relationships with farmers and strict food safety standards, Olam Spices has become the number one supplier of dried garlic and onion, as well as a global leader in chillies, pepper, tropical spices, purées and parsley.

With a strong presence in all key producing origins and state-of-the-art processing facilities worldwide, Olam Spices offers the broadest synergistic product portfolio in the industry. Culinary experts at the Innovation and Quality Center in Fresno, California, work side-by-side with customers to develop concepts, test ingredients and evaluate aroma, texture and colour to deliver the perfect flavour solution.

Olam Spices is committed to long-term investment in the sustainability of its global supply chains. The goal is to reduce consumption of natural resources and positively enrich the livelihoods of the people and communities it impacts.

### Largest
- Dried onion and garlic supplier globally

### 18
- Product lines with even further customisation capabilities available

### 1,300
- Farmers in sustainability programmes from five origins

### 12
- Spice sourcing origins in Africa, Asia, Europe, South America and the USA

#### Strategic Plan

**2019 highlights**

- Installed new pepper grinding capacity in Vietnam
- Relocated and upgraded Chinese dried garlic facility to improve processing efficiency and ensure premium quality and on-time delivery
- Sale of the real estate assets of onion and garlic processing facility in Gilroy, California, and revenue-sharing arrangement for use of the assets, thereby improving returns
- Reformulated GardenFrost™ purées – thaws 10x faster, no added sugar
- Expanded organic line to include black pepper, cassia, chilli, cumin, and turmeric
- Began production of blends and seasoning mixes (India, New Mexico)
- Expanded e-commerce – revenue increased more than four-fold
- Gained customers in new sectors e.g. animal feed

#### Enablers

**Sustainability:**

- Egypt onions, and USA onions, parsley and garlic supply chains on AtSource Plus
- Initiated Rainforest Alliance (RA) certification for Indian chilli and turmeric. Achieved RA certification for black pepper in Vietnam

**Digital:**

- Over 4,000 black pepper smallholders in Cambodia on Olam Direct

**Leadership and Talent:**

- Conducted trainings and deep dives into key business areas, including sales, manufacturing and technical support, agricultural operations and innovation
Olam Dairy – focused on quality milk products and dairy ingredients

Olam is a global dairy supplier, active in all major dairy producing and consuming markets focused on service excellence. A worldwide supply chain and distribution network offers a full range of products in categories for milk powders; fat products; cheese as well as milk and whey protein concentrates, permeates and lactose.

In Russia, subsidiary Rusmolco is an integrated dairy business with over 154,000 hectares of land assets involved in feed production, heifer raising, commercial crop production, elevation and seeds. It is one of the leading fresh milk producers in the country with current production of about 120 million litres per year. Rusmolco has established itself as one of the most efficient milk producers in the country with an average production of over 11,000 kgs/cow/year which is over twice the national average per cow productivity while producing some of the highest quality milk in Russia.

In Malaysia, a large manufacturing facility produces ingredients for application in fresh dairy products. In New Zealand, Olam is a minority shareholder in Open Country Dairy, which supplies cheese and dairy ingredients to Olam Dairy through product off-take arrangements.

Strategic Plan 2019 highlights

• Russia: commenced new dairy farm at Serdobsk. By 2022 fresh milk production in Rusmolco operations will exceed 500,000 litres per day
• Malaysia: increased focus on midstream with expansion of Johor plant
• Developed five new recipes offering customised product solutions for application in beverages and yoghurts
• Added food service offerings in select South East Asian markets
• Readiness for Rusmolco to enter AtSource in 2020

Enablers

Operational Excellence:
• Russia: focus on improving yield in upstream operations; includes undertaking study to identify and improve possible causes of heat stress to cows inside sheds and milking station which can reduce productivity
• Malaysia: began implementation of FSSC 22000 Version 5 in Johor plant; increased digitalisation to improve efficiencies

Sustainability:
• Ensuring complete recycling of dairy waste through irrigation systems in Rusmolco

Digital:
• Multiple initiatives including robots to manage feed for herds

Leadership and Talent:
• Drive to achieve best in class trading
• Rusmolco tractor operator, Sergey Zakharov, wins Russian National Championship for Land Cultivation and Ploughing
How we are delivering our Strategy

In discussion with Lai Kim Leng, Olam Dairy Ingredients R&D Manager, Malaysia

What kind of products do you produce in Johor?
We develop and produce functional ingredients, primarily by protein encapsulation, which are suitable for applications into beverage, bakery, yoghurt and other direct consumption categories. Two new products were recently launched catering for the yoghurt and bakery markets.

How are you delivering against the trends ‘Right-for-me, Right-for-the planet, Right-for-producers’?
We are seeing a continuing trend of demand shifting from whole milk powder to fat-filled as customers seek healthier, cost-efficient dairy replacers. In our drinking milk recipe, we eliminated trans and hydrogenated fats. With many of our milk products being sold in Africa, we focus on affordability and fortification in nutrition-deprived countries.

What initiatives were undertaken in 2019?
2019 was a good year for us. Our recipe cost reduction helped a leading customer improve their gross margins. We created a process enabling palm oil-based fat filled milk to undergo yoghurt fermentation with a profile similar to UHT grade whole milk powder. We also shortened the yoghurt fermentation process from 7 hours to 5.5 while retaining texture and taste profile.

We expanded our dry powder blending facility which is compliant with all international food safety regulations, using automated control processes.

How do you approach food safety overall?
A safe, quality and nutritious product begins right from the product development stage: with the selection of ingredients, formulation design; establishing product and process control; manufacturing and production; storage and distribution; and lastly into product application. During the product concept stage, the R&D team assesses the customer and market needs, and ensures alignment to the regulations where the product is produced and exported. Meanwhile the Quality and Operations team is making sure the mandatory and voluntary standards, process and product operation controls are properly administered. This is a repeating cycle for both brand-new innovation product and improved product. In other words, 100% of product manufactured is assessed through the same development life cycle for continual improvement.

What new product developments and trends do you see in 2020?
Demand for fat-filled milk powder will definitely continue to grow. In 2020, we plan to introduce plant-based protein into fat-filled milk and develop more private label products. We will also remain focused on cost effective recipes to meet nutrition needs of customers in Africa.

At the Olam Dairy innovation centre in Malaysia, the R&D team are developing fortified drinking milk recipes to cater for nutrition-deprived countries.
Olam Global Agri (OGA)

Comprises Grains and Animal Feed & Protein, Edible Oils, Rice, Cotton and Commodity Financial Services

CEO: Sunny Verghese

An unrivalled leader in food, feed and fibre in high-growth emerging markets with proven expertise, processing capabilities and a global origination footprint

The population of sub-Saharan Africa is projected to double by 2050. Around 2027, India is projected to overtake China as the world’s most populous country. Both Africa and Asia will see a rapidly expanding middle class with its demands for more protein and fat-based diets. China and India alone are expected to contribute 1 billion people to the global middle class by 2030.

Olam Global Agri (OGA) will leverage Olam’s unique specialist expertise in emerging markets, as well as proprietary operating capabilities, to become a leading player in supplying these high growth regions.

Three building blocks underpin OGA:

- Deep understanding of market needs via on-the-ground presence in Africa and Asia over 30 years
- Proprietary operating capabilities in global origination, processing, trading, logistics, distribution, and risk management
- Fundamental strengths and strategic manufacturing assets in key destination markets

Operating across global food, feed and fibre supply chains

Our market drivers

- Global population growth and growing middle class in emerging markets continues to drive increased demand for food, feed and fibre
- Shift towards protein-based diets in Africa and Asia
- Continued emphasis on national and global food security
- Significant base of smallholder farmers with limited capacity
- Increased government intervention/policy changes
- Over-capacity amongst large, global players
- Environmentally and socially responsible production and consumption

How we respond

We have a unique and differentiated business model:

- Long-standing presence and unique expertise in emerging markets
- Offering fortified products including edible oils, flour, rice
- Eliminating unacceptable land-use practices and sustaining living landscapes
- Proprietary operating capabilities in global origination, processing, trading, risk management solutions etc.
- Building smallholder capacity to raise productivity and improve livelihoods

1. UN Department of Social and Economic Affairs
2. Caixa Bank Research
Our Business Unit Leaders

- **KC Suresh**
  CEO, Grains and Animal Feed & Protein

- **Ashok Hegde**
  CEO, Cotton and Edible Oils

- **Devashish Chaubey**
  CEO, Rice

- **Manvinder Singh**
  CEO, Asset Management (Quantitative Fund, QF)

Transforming ourselves to strengthen cross-cutting capabilities

- **Local distribution**
  Significant penetration in terms of width and depth of distribution, offering cross-selling opportunities

- **Trading and Risk Management**
  Proprietary knowledge and insight through shared research and best practice, and real-time risk management

- **Global origination**
  A network of procurement offices strategically located in key growing origins

  - **1.46 million** Farmers
  - **13,000 ha** Under Olam management

- **Freight and logistics**
  Sharing bulk freight management expertise across all businesses. Proficiency in operating critical emerging ports

  - **Logistics assets**
    - **400+ Warehouses**
    - **4 Vessels**

- **Consumers**
  Providing fortified, nutritious and affordable food, and knowing how to cater to the changing preferences of convenience food and shift in dietary habits to more protein consumption

  - **10,600** Customers
  - **1 Innovation Centre**

- **Licence to operate**
  Co-operating with governments to meet their national food security agenda
  Managing all stakeholders, including governments, communities, suppliers holistically

  - **~30 Countries**

~30
Olam Grains and Animal Feed & Protein
– leadership in emerging markets

The Grains and Animal Feed & Protein business is built upon a configuration of African processing assets in wheat milling and animal feed production in Africa and a global footprint in the grains supply chain and bulk ocean freight business. Animal Feed & Protein (AFP) has become a leading player in Nigeria, operating poultry breeding farms with hatchery to provide broiler and layer day-old-chicks, and feed mills to provide poultry and fish feed, to local farmers.

Olam Grains is the largest wheat miller in Africa with facilities in Ghana, Senegal, Cameroon and Nigeria, where it recently completed the acquisition of Dangote Flour Mills to strengthen its position as the market leader in flour and pasta products. In the grains supply chain, Olam originates, markets and distributes grains into markets in North Asia, South East Asia, Africa, Middle East, Europe, Americas. While in the ocean freight business, it selectively invests in vessels or enters into long-term charters mainly for handling and risk management of its own captive requirements, as well as for third-party volumes.

2019 highlights

• Nigeria: acquisition of leading flour and pasta manufacturer Dangote Flour Mills to consolidate leadership position in the most populous country in Africa. Complementary flour and pasta manufacturing capabilities will serve consumer demand for bakery, snacks and pasta products
• Nigeria: the B2B business developed and launched Supreme Lite Flour which reduces oil absorption of fried flour products; the B2C business entered the Premium Pasta market with the launch of Crown Premium Pasta range
• Continue to be the undisputed leader in quality in Cameroon, Senegal and Ghana

Enablers

Operational Excellence:
• Nigeria: first flour milling company in Africa to achieve full range of international food safety and quality management certificates for Port Harcourt plant including FSSC 22000
• Nigeria: implemented Barge Operations project to overcome road congestion in Apapa – barges convey trucks from the terminals to the plants, improving throughput

Sustainability:
• Multiple initiatives to support poultry and fish farmers; planted 1,000 trees in Ghana; launched programme in Senegal to help women become entrepreneur bakers; supported extensive community health programmes

Digital:
• Nigeria: launched the ’Bakewell’ App to connect directly with artisanal bakers of Nigeria. Facilitates instant feedback opportunities, advice and solutions for customers

Leadership and Talent:
• Nigeria: Animal Feed & Protein supports Veterinary Traineeships, through which university graduates receive on-the-job training from senior farm supervisors to learn best-in-class poultry farming practices

See page 101
See page 123
Olam Edible Oils – focused on traceable supply

Olam Edible Oils supplies a portfolio of oils to customers in the retail, food manufacturing, food service and personal care sectors across Africa, the Middle East, Europe and Asia. These oils include palm, soybean, rapeseed and sunflower oils.

In countries with low food and nutrition security, edible oils are critical for a balanced, nutritious and healthy human diet. Palm products form the biggest share of this sector, accounting for a significant proportion of demand in Africa and Asia. In Nigeria, the business refines crude vegetable oils and markets refined, bleached and deodorised palm oil, palm olein and refined soybean oil.

In its palm oil supply chain, Olam Edible Oils has made significant progress in its commitment towards traceable and sustainable supply chains involving third-party suppliers. In 2018, the business achieved 100% traceability to mill for all its direct suppliers and continues to work with these suppliers to develop a more transparent and traceable supply chain while protecting forests and improving labour practices.

Strategic Plan 2019 highlights

- Completed Nigeria refinery upgrade (post acquisition in 2018) by doubling capacity and making it multi-oil refining by adding soybean oil to existing palm refining
- Exploring midstream refining investments opportunities to service edible oil needs in CEMAC region (Tchad and Cameroon)

Enablers

Operational Excellence:
- Plant efficiency improvements and direct costs improvements achieved despite inflation in fuel and labour
- Value delivery led by the Manufacturing, Innovation & Procurement (non commodity) Function exceeded budget targets in procurement costs and process improvements
- Focused on zero-tolerance for controllable losses and counter-party defaults
- Continued focus on ensuring food safety and quality

Sustainability:
- 100% palm oil supply chain volumes traceable to mills as per the target in the Olam Sustainable Palm Oil Policy

2. Central African Economic and Monetary Community (CEMAC)
Olam is one of the top two cotton merchants globally by market share, supplying all cotton growths to the world’s textile markets. Its global sourcing network of growers, ginners and suppliers across all the four major growing continents of Africa, Asia, the Americas and Australia, coupled with its farming footprint in Australia and Brazil, are matched by a diversified customer base of textile mills across all major markets.

The largest private ginner globally, Olam Cotton utilises the latest technology and world-class ginning systems to produce superior and consistent quality cotton. In Australia, it is a major processor and marketer and in recent years, commenced farming with a JV partner. In Brazil, Olam Cotton recently began farming operations (to Better Cotton Initiative standards (BCI)), undertaking crop rotation with soya and corn to ensure soil health. In Africa it has leadership positions through integrated ginning and contract farming operations, engaging with smallholder farmers to produce traceable and sustainable cotton. This control over the raw cotton supply chain helps improve fibre quality with improved farming and ginning practices benefitting the cotton grower, spinning mill and end users. Risk management solutions help some of the world’s best cotton growers produce with confidence.

**Strategic Plan 2019 highlights**

- Tchad: acquired 60.0% interest in Cotontchad SN – state-owned company
- Australia: divested remaining 51.0% shareholding in Collymongle Ginning Pty Ltd (CGPL)
- Brazil: planted over 4,600 hectares across two adjacent leased farms supporting first and second crops
- Côte d’Ivoire: began preparing Société d’Exploitation Cotonnière (SECO) operations to launch on AtSource Plus in 2020 for traceable and sustainable cotton

**Enablers**

**Operational Excellence:**
- Australia: major re-engineering of warehousing and logistics resulted in significant savings despite tough trading conditions

**Sustainability:**
- Africa: provided inputs and trained farmers on Good Agricultural Practices, including supporting more than 17,000 female farmers
- Continued to support Cotton Made in Africa and Better Cotton Initiative standards

**Digital:**
- Côte d’Ivoire: implemented VEGA warehousing digital app in ginning operations
- Australia: new Cotton Grower Portal provides cotton growers with live ginning, contract and payment information

**Leadership and Talent:**
- Olam Cotton President and Regional Head for North and South America, Azeem Abdul Syed, voted President of the International Cotton Association (ICA)
- Quality and Export Manager for Queensland Cotton, Michael O’Rielley, appointed Chairman of the Australian Cotton Shippers Association
Commodity Financial Services

Olam’s funds management business combines insights in commodity markets with quantitative research capabilities. Over the years, the team has developed more than 25 proprietary quantitative trading strategies/algorithms covering several themes such as trend, term structure, mean reversion, risk parity, quanta-mental and value investing to capture a range of market opportunities. A ‘Multi Asset Multi Strategy’ approach to investing ensures diversification across assets, strategies and trading horizon. CFS has an early mover advantage in quantitative/algorithm-based trading space and uses proprietary big data solutions to understand relationships between fundamental and other macro-economic factors.

CFS has three established trading programmes: the Global Macro Programme trades in financial and commodity markets – more than 90 futures and OTC products across 17 global exchanges and OTC trading venues covering equities, commodities, currencies, money market and treasuries. The Global Commodity programme is a commodity focused trading programme – more than 35 global commodity futures and OTC products covering agricultural, metal and energy markets across five global exchanges. Under the China Macro Programme, CFS trades in more than 35 futures covering agricultural, metal, industrial markets across three exchanges in China. CFS currently manages Olam’s proprietary capital and has a verifiable track record of more than five years.

Olam’s Risk Management Solutions business provides customised hedging solutions to producers and customers in the agricultural commodity sector.

Strategic Plan 2019 highlights

- Funds Management:
  - Started developing the quanta-mental based strategies in cotton, palm oil and bean oil in Chinese and global commodity markets
  - Developed new strategies/algorithms for emerging market currencies and expanded the trading universe in China from 22 to 35 products to further diversify the portfolio
  - Enhanced the trend-based strategies and introduced the flow-based strategies in the Global Commodity Portfolio
  - Closure of Fundamental Fund

- Risk Management Solutions
  - Strengthened client mix and improved balance between producer and consumer clients
  - Reopened the North American market
  - Launched new offerings in foreign exchange, including options, structures and composite products
Olam Rice – pioneering sustainable rice

Olam is a leading originator, distributor and merchant of rice globally and is amongst the top three suppliers by market share in global trade. It is also one of the leading buyers of rice from key producing countries in Asia and the Americas from where it exports and then distributes rice in Africa using its networks in sales, distributors and warehousing facilities.

It has developed several recognised brands in Ghana, Nigeria, Cameroon and Mozambique that cater to the diverse markets within Africa.

The business is in partnership with the Thai Rice Department and the German development agency GIZ to promote sustainable rice cultivation, and is working with rice farmers to implement the Sustainable Rice Platform (SRP) Standard to improve the livelihood of the farming community, as well as to reduce the greenhouse gas footprint of rice.

Strategic Plan 2019 highlights

- Streamlined indent portfolio with focus on core destinations and customers
- Revamped brand portfolio for the distribution business, including introducing brands into Hong Kong
- Deepened sourcing presence in Vietnam and Myanmar
- Put programme requirements and reporting structures in place for Thai Hommali rice to meet criteria for AtSource Plus

Enablers

**Operational Excellence:**
- Achieved BRC certification for Thai Processing Facility
- Advanced food laboratory added to operations in Thailand
- Strengthened and deepened quality control structures at all sourcing origins
- Two projects crossed Sustainable Rice Platform (SRP) 90/100 score via audit in India and Thailand

**Sustainability:**
- Five SRP projects in five countries with over 30,000 farmers trained in Good Agricultural Practices
- First and largest projects in Thailand, India, and Vietnam

**Leadership and Talent:**
- The Africa sales and distribution team were strengthened with in-house senior talent
- Invested in excellence in agronomic practices

Top 3 supplier by market share in global trade
30,000 farmers in sustainability programmes
30+ consumer brands in Africa, UAE and Hong Kong
CASE STUDY
Living our Purpose: re-imagining rice supply

Better Rice Initiative Asia (BRIA) Phase II – supporting the world’s first, large-scale, climate-smart and sustainable programme for rice.

Project context
Outside of livestock, rice is the leading agricultural emitter of greenhouse gas emissions (GHGs) from rotting vegetation in paddy fields, and the leading user of fresh water for irrigation. It is also critical to the livelihoods of 144 million smallholder families whose surplus production feeds half of the world’s population. For all of these issues, rice lacked a clear definition of sustainability until relatively recently. In 2011, Olam became a founding member of the Sustainable Rice Platform (SRP).

Project overview
By adopting SRP practices, farmers can improve incomes by 10% from using good quality seeds and more efficient inputs which can boost yield while lowering production cost; methane emissions can reduce as much as 70% by improving water and nutrient management, as well as rice straw and stubble management after harvest.

In 2015, partnering with German development agency GIZ, Olam was the first private sector company to trial the SRP indicators with farmers in Thailand. Since establishing these practices with just 71 farmers in 2016, the team scaled to over 4,200 Thai farmers.

Impact to date
Scaling up has not diminished impact:

• In 2016 the OneCert audit achieved 83.5% compliance with 71 farmers and in early 2020 had over 90% compliance with 4,291 farmers – under SRP rules, 90% compliance means ‘sustainable’
• Phosphate usage has reduced by over 60%, helping to reduce the fertiliser run-off into local fresh water bodies
• Since 2016, farmer incomes increased an average of 10%

Priorities for 2020
Seeds: In 2019 Hommali rice farmers were hit by drought and flooding in the same season. Consequently, there is a lack of good quality rice seeds for 2020. Together with the Thai Rice Department, Olam Rice will need to ensure that farmers receive sufficient good quality seeds in order to maintain the best quality and yield.

Training: Olam Rice is targeting training for 10,000 Thai farmers, reaching 15,000 farmers by 2022.

Farmer perspective
“Before I joined the programme, I made no profit from my rice plantation and could not break free from the debt trap. The quality of rice was not good. After I reduced use of seed and fertiliser as per recommendations that I learned from BRIA trainings, my cost of rice production was slashed by half. I was able to repay debt to the bank and save more money for my family.”

Boonterm Luandee, Na Yia, Ubon Ratchathani

Partner perspective
“Since 2008, GIZ has been working with Olam International in the cashew sector in Africa to achieve sustainable poverty reduction (ComCashew) and, in 2011, we teamed up to tackle sustainable production in the global rice sector through the Sustainable Rice Platform (SRP). Both initiatives were co-founded by Olam and deliver impacts at scale for over 1 million small-scale farming households and their communities. For our joint partner efforts, the OECD awarded the ComCashew team with the Development Assistance Committee (DAC) prize in 2016.

The SRP launched the world’s first sustainability standard for rice production in 2015 and one year later Olam was able to achieve the very first bag of rice to be certified as sustainably cultivated globally. Our cooperation has ever since been driven by the ambition and desire for transformational change: The SRP vision, for instance, is to “Feed the world. Sustainably” by enabling a new norm in rice, where the sector delivers healthy, high-quality, nutritious rice to consumers, helps farmers achieve better lives, and protects the environment.

Olam has become a highly regarded impact partner for GIZ and SRP alike and without Olam’s guidance on scaling and data-driven decision-making, we would not have come so far. Olam’s ability to have integrated sustainability measures into business operations is regarded as best in class and serves as a role model to be adopted by other private sector players. Having achieved all these successes, the global challenges become even more obvious and call for additional scaling partnerships. The focus for 2020 should hence be to watch out for like-minded partners and institutions who are willing and able to join our sustainability efforts to achieve more together.”

Dr. Matthias Bickel
Director Agriculture & Food Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Chairperson Sustainable Rice Platform (SRP) Board
Olam International Limited

(OIL)

CEO: Sunny Verghese

Parent company of OFI and OGA, with a key role to unlock the full value of the Olam Group by providing active stewardship to the new operating groups and accelerating growth

Under the re-organised business structure, OIL will become the holding company with two distinct roles:

- As a **steward**, it will ensure the continuity of the 'Olam Way', including its unique entrepreneurial culture; implement cross-cutting initiatives such as AtSource; and drive our four key enablers such as Sustainability and Operational Excellence. It will also focus on ensuring that shared services available from the 14 functions are drawn upon with optimal efficiency and efficacy by both OFI and OGA to optimise synergies.

- As an **accelerator**, OIL is responsible for:
  1. **Nurturing gestating businesses** to full potential, including Packaged Foods, Infrastructure & Logistics, and Olam Palm Gabon
  2. **Incubating new engines for future growth**
  3. **Managing the responsible divestment of non-core assets and deprioritised businesses identified in the Strategic Plan** and redeploying the released capital for further growth.

- OIL’s overarching mission is focused on leading our businesses on the multiple pathways towards unlocking valuable and viable opportunities in the pursuit of sustainable long-term growth.

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**Our business leaders**

<table>
<thead>
<tr>
<th>Mahadevan Ramanarayanan</th>
<th>Gagan Gupta</th>
<th>Darshan Raiyani</th>
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<tbody>
<tr>
<td>CEO, Packaged Foods</td>
<td>CEO, Infrastructure &amp; Logistics</td>
<td>CEO, Olam Palm Gabon</td>
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1. Deprioritised businesses: Fertiliser, Rubber, Sugar and Wood Products. Non-core assets include NZFSU in Uruguay, Olam Tomato Processors in the USA, Coffee plantations in Zambia, Brazil, Tanzania and Laos, and Edible Oils processing assets in Mozambique.
Packaged Foods – expand into adjacent markets

Olam’s in-depth understanding of Africa through its commodity business footprint has helped to build a strong packaged foods portfolio in Nigeria and Ghana. It participates in five categories across snacks, culinary and beverages, with nine brands in leadership positions. A robust distribution and redistribution network coupled with a deep understanding of consumers, and a strong innovation backbone, have helped to develop differentiated products, building brand awareness through insightful marketing campaigns.

Today, the Packaged Foods business is among the top two players in tomato paste, MSG seasonings, biscuits, candies and drinking yoghurt with brands such as Pure Bliss, Chic Choc, Perk, King Cracker and NutriSnax in the biscuits space, Tasty Tom and Vedan in the culinary space, OK Pop in candies and FreshYo in Beverages.

Under OIL’s 75% joint venture with Sanyo Foods, the Packaged Foods business will consolidate its footprint and achieve leadership in the culinary and snacks space in Nigeria and Ghana, and expand into adjacent markets in West Africa, playing across value spaces to ‘surprise’ and ‘delight’ consumers.

Strategic Plan 2019 highlights  
- Strengthened brand equity and expanded culinary portfolio under Tasty Tom with the introduction of Tasty Tom Jollof Mix and Tasty Tom Noodles  
- Continued to launch innovative offerings:  
  - Nigeria and Ghana: Tasty Tom Jollof Mix (Vitamin enriched)  
  - Nigeria: Tasty Tom Tomato Chicken Noodles (Vitamin enriched); Pure Bliss Strawberry Wafers and Bravita Milk & Malt (enriched) biscuits  
  - Ghana: Milky Magic Eggrich (high protein) and Perk Strawberry biscuits

Enablers

Operational Excellence:  
- Smart factories – digital solutions for line efficiency improvement piloted in the Snacks plants ahead of a roll-out across all manufacturing sites

Sustainability:  
- Provided 1.26 billion servings of enriched/fortified products  
- Promoted Nutrition and Health among workforce through ensuring access to food at work, increasing health awareness and treating diseases  
- Solar energy introduced in Ghana Snacks plant to increase renewable energy share

Digital:  
- Secondary sales streamlined through handheld devices (Sales Force Automation) and field execution monitoring systems

Leadership and Talent:  
- Integrated supply chain function created – Sales & Operations Planning process strengthened
Infrastructure & Logistics – selective expansion in Africa

Olam’s infrastructure and logistics business operates under ARISE – a pan-African infrastructure and logistics solutions company developing ecosystems designed to make Africa thrive. The ARISE group focuses on originating, building and executing large scale infrastructure and logistics assets to address the infrastructure gap in Africa. ARISE P&L manages ports and logistics infrastructure projects in West Africa, including a mineral port and a general cargo port in Gabon, a cargo port in Mauritania and a bulk port in San Pedro, Côte d’Ivoire. ARISE IIP manages the special economic zones in Nkok, Gabon, while ARISE IS comprises other infrastructure management and development projects. Each vertical is a unique joint-venture partnership, with strategic partners and host government shareholders, including Africa Finance Corporation, Meridiam, STOA, SNEDAI and CDC Gabon.

<table>
<thead>
<tr>
<th>Strategic Plan</th>
<th>2019 highlights</th>
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<tbody>
<tr>
<td></td>
<td>Re-organisation of the business into three verticals: ARISE P&amp;L, ARISE IIP and ARISE IS to extract full value from investments in infrastructure and logistics projects in Africa and allows each entity to pursue its own growth path and selectively expand into other markets in the continent</td>
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<td></td>
<td>Divested 10.0% of stake in ARISE IIP, to Africa Finance Corporation for US$59.0 million, resulting in a one-time gain of US$27.0 million for Olam</td>
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<td>Secured joint venture partners, such as AFC, for additional investment to support growth in the verticals</td>
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<td></td>
<td>Continued to expand geographically with new projects in Côte d’Ivoire, Mauritania and Benin</td>
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<tr>
<th>Enablers</th>
<th>Sustainability:</th>
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<td></td>
<td>Supported the implementation of TRACER, a chain of custody system to identify the source, legality and traceability for all timber logs coming into the Gabon Special Economic Zone (GSEZ) to ensure these come from sustainably managed forests, which supports the Government of Gabon’s requirement for all forest concessions to achieve FSC certification</td>
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<th>Leadership and Talent:</th>
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<td></td>
<td>Increasing gender diversity and developing local talent through an initiative to recruit women into non-traditional roles, such as operating specialist vehicles including fork lifts, cranes and excavators, as well as supporting the development of local talent</td>
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</table>
Olam Palm Gabon – Largest RSPO certified palm plantation in Africa

Olam Palm Gabon (OPG), a 60:40 joint venture with the Republic of Gabon, is the largest Roundtable on Sustainable Palm Oil (RSPO) certified producer in Africa.

OPG operates two palm oil mills and one kernel crushing plant to produce RSPO and ISCC certified crude palm oil and palm kernel oil. An edible oil refinery produces cooking oil and soap, sold to Gabonese consumers.

The plantations are the first to have been independently assessed as climate positive (net draw-down of atmospheric carbon), and were recognised at the 2019 RSPO Excellence Awards for OPG’s strong commitment to establishing sustainable oil palm plantations that generate net positive impacts through forest conservation.

### Strategic Plan: 2019 highlights

- Following full environmental and social impact assessments, commissioned project to irrigate ~25,000 ha through sub-surface drip irrigation with automatic control. Potential to incorporate fertigation to ensure each tree receives adequate water and the right amount of fertiliser through the same irrigation system to avoid wastage. The project is expected to significantly improve yields once completed.
- 60% reduction in post-harvest crop loss across all Olam palm plantation estates

### Enablers

**Operational Excellence:**

- With a combined primary and secondary workforce of more than 11,000 people, OPG integrated a biometric attendance system in the AgriPal app (developed by Digital Olam to monitor productivity) to improve work processes and minimise time spent by workers waiting to record attendance, as well as reduce manual data entry. System extended to full payroll processing with just a single point of data entry.

**Sustainability:**

- Mouila Lot 3 and Makouke are the 3rd and 4th estates to be RSPO certified. Mouila Lot 3 is the first oil palm plantation in Africa to be developed on 100% grassland. Based on the RSPO GHG calculator, the plantation is expected to make a net positive climate impact by fixing 236,000 MT of CO₂ over 25 years.
- 60 communities benefitting from new and renovated schools and medical clinics, freshwater wells and community support.
- Findings from co-funded archaeological cave expedition within the concessions to value and promote patrimonial heritage show skeletons and artefacts from the 14th Century – very rare in Africa.
- OPG features in BBC documentary ‘Africa with Ade Adepitan’.

**Digital:**

- Drone deployed for land cover verification; detection of vacant spots, creation of a drainage map; monitoring of plant stress; and tracking the conservation area through automated and machine analysis. Capability to cover 7,000 ha per day and provide analysis using in-house software with the capacity of 100 ha per hour.

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1. As of March 2020, includes Ndende smallholder scheme

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**1st RSPO certified new planting producer in Africa**

**112,455 ha RSPO certified**

**99,000 ha protected as High Conservation Value area**

**2 mills and 1 refinery**

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Delivering our strategy: Pathway 4 – exploring investments in new engines for growth

Pathway 4 of the 2019 – 2024 Strategic Plan is dedicated to exploring new engines for growth that capitalise on Olam’s pivotal role in supplying food, feed and fibre to the world. In particular our deep farmer connections and our ambitious Purpose to Re-imagine Global Agriculture and Food Systems. Five initiatives made headway in the year under review.

1. Purpose brands
Coupled with our extensive ingredients capability, Olam’s focus on putting sustainability at the heart of our business, and the launch of AtSource, means we could be a catalyst to making sustainable consumption behaviour the new normal – through the launch of our own Purpose brand product.

We have therefore been exploring the sweet spot of a) what consumers want b) what the planet needs and c) what Olam is good at.

The focus over 2019 was understanding consumer attitudes and actions around packaged food, the environment, and supporting local communities. Having identified potential opportunities, we are now fleshing out the proposition, and developing and testing launch products.

2. Farmer Services Platform – driving transformation across the supply chain
Olam sources directly and via intermediaries from about five million farmers, and with around 740,000 smallholders in sustainability programmes. Over the years, we have gained privileged relationships, striving for farmer loyalty through fair dealings and fast payment.

The Farmer Services Platform (FSP) initiative aims to empower small-scale farmers to maximise their income, whilst enabling ecosystem players to establish direct relationships with producers who can be hard to reach in rural and fragmented supply chains. In this way, FSP leverages Olam’s latent assets of origination capabilities and deep farmer connectivity to unlock value in the supply chain as well as open up new monetisation opportunities provided by the platform. It incorporates technologies such as proprietary AI data and personalisation assets, IoT sensors, satellite imagery, crop image analytics, and voice-based engagement tools.

- For the farmers, FSP offers a suite of services to help them manage and maintain their farm, as well as access quality inputs like fertiliser and seeds; and connect with trusted buyers.
- For the buyers and providers, FSP facilitates the sale of inputs, as well as offtake, financing and other services.

Digital Olam commenced the first FSP pilot in India in December 2018 launching a solution called AgriCentral. The app provides six free services (weather, market prices, crop plan, crop care, news and community forum) to farmers across several states and is available for download in five Indian languages. With around 1.5 million downloads, today AgriCentral is among the most widely used apps by farmers in India. We are now piloting this app in Indonesia, targeting to launch a version by end of 2020.

Our business leaders

Rahul Vergheese
Purpose Brands

Suresh Sundararajan
Farmer Services Platform

Gagan Gupta
Carbon trading and land tokenisation

Ashish Govil
Controlled Environment Agriculture
3. Environmental Footprinting and Solutions app

Individuals have a significant impact on the environment by how they live, work and consume. Providing them with the right tools to make more informed and better choices will contribute towards achieving our Purpose, make agri supply chains more sustainable and secure volumes in the future.

We are developing an intuitive mobile application to help individuals understand and manage their environmental impact, starting with their carbon footprint and later expanding the scope to include other elements such as water usage, food waste, etc.

The app is to be built on three key pillars: Measure, Act and Evangelise. Once an individual has measured her or his carbon footprint, the app would then recommend environmentally-friendly choices and act as a habit coach to promote lifestyle changes and provide credible options for people to offset their residual carbon footprint.

In 2019, we tested a limited scope prototype with the executive leadership of Olam to measure their individual carbon footprint and gained positive feedback. In 2020, we aim to build out the complete mobile application and launch to employees and residents of Singapore.

4. Carbon trading and land tokenisation

To reach the net zero world we are all trying to reach by 2050, we need to limit global warming by 1.5 ℃. Carbon offset strategies are a critical pathway to achieve this.

The carbon trading and land tokenisation platform will focus on investing in developing carbon offset assets both in terms of above and below the ground biomass and equivalent carbon that we have in our diverse landscapes across Olam’s farming, supply chain and forestry operations, and through our extended network of 5 million farmers.

There are many kinds of solutions that we can develop to generate certified carbon credits, including nature based solutions as described above, and from other related agricultural and farming processes. By using blockchain technologies we intend to develop a carbon trading and land tokenisation platform in this Engine 2 business.

5. Controlled Environment Agriculture – CEA

Olam grows crops like almonds, pistachios, coffee, black pepper, palm and broadacre row crops across the world. Given global food security issues, and the growing supply-demand fundamentals such as the rise of the middle class, selective participation in upstream offers attractive returns. But with climate change and biodiversity loss, we are looking to reduce agricultural risks, including moving some part of our investments into protected farming or controlled environment agriculture. Controlled environment farming can reduce usage of resources like land and water, losses from pest and disease, wastage in supply chain, and carbon footprint while maintaining consumer reach and smoothing cash flows. We are still investigating and exploring the possibilities for both technical and agronomical feasibility in this fast growing industry, but anticipate focusing on fresh food categories in Asia.
“Our proactive management of our capital structure continued to pay off, as we maintained a strong balance sheet and continued to deliver positive free cash flows despite investing S$1.1 billion in capital expenditure to execute our new Strategic Plan.”

N. Muthukumar, Group Chief Financial Officer
Summary of Financial and Operating Results

All-round improved financial and operating performance underscores strong Strategic Plan execution

Financial performance

<table>
<thead>
<tr>
<th>S$ million</th>
<th>2019</th>
<th>2018</th>
<th>% Change</th>
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<tbody>
<tr>
<td>Volume (’000 MT)</td>
<td>39,751.8</td>
<td>32,867.6</td>
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<tr>
<td>Revenue</td>
<td>32,992.7</td>
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<tr>
<td>Net gain in fair value of biological assets*</td>
<td>19.0</td>
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<tr>
<td>EBITDA*</td>
<td>1,551.7</td>
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<tr>
<td>Depreciation &amp; Amortisation*</td>
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<tr>
<td>Net finance costs</td>
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<td>(58.5)</td>
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<td>n.m.</td>
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<tr>
<td>Operational PATMI*</td>
<td>498.2</td>
<td>346.6</td>
<td>43.7</td>
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</tbody>
</table>

* Excludes exceptional items

In 2019, we had very strong volume growth at nearly 40 million tonnes, a 20.9% increase year-on-year. The majority of this increase in volumes came from the Food Staples and Packaged Foods segment, driven by strong Grains trading volumes.

Our Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) was up 25.6% to S$1.55 billion from S$1.24 billion in 2018. We had all-round increases in most of our segments, particularly in Confectionery and Beverage Ingredients of S$118.1 million, and Food Staples and Packaged Foods of S$165.8 million where Cocoa and Grains and Animal Feed & Protein businesses posted the strongest improvements in EBITDA. In Commodity Financial Services, there was a good turnaround post the closure of our Fundamental Fund. A review of the segmental performance is on pages 58 to 63.
As a result of this strong growth in EBITDA as well as one-off exceptional income of S$65.9 million recorded in 2019, PATMI grew 62.2% to S$564.1 million. Operational PATMI, which excludes exceptional income, was up by a strong 43.7% to S$498.2 million. Our earnings per share grew from 9.2 cents in 2018 to 16.0 cents. Operational earnings per share was also higher at 13.9 cents.

Adoption of SFRS(I) 16

On 1 January 2019, we adopted the new accounting standard SFRS(I) 16 on leases. Under this new standard, at the commencement of a lease, a “right-of-use asset” and a “lease liability” for lease payments are recognised on the balance sheet. Total borrowings or net debt will increase to the extent of the lease liability. This new standard also requires separate recognition of finance charge on the lease liability and depreciation on the right-of-use asset in the profit and loss account.

As at 1 January 2019, the adoption of SFRS(I) 16 resulted in the following key effects to the balance sheet of the Group:

<table>
<thead>
<tr>
<th></th>
<th>1 January 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(76.8)</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>706.8</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(24.2)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>605.8</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>699.9</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>(94.1)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>605.8</td>
</tr>
</tbody>
</table>

The right-of-use assets and lease liabilities that were recognised on 1 January 2019 resulted in an increase in EBITDA by S$99.3 million in 2019. This also raised depreciation and finance charges by S$95.1 million and S$30.2 million respectively in 2019. PATMI and Operational PATMI were lower by S$26.0 million during this period. The profit and loss items with and without the impact of SFRS(I) 16 are summarised in the table that follows:

<table>
<thead>
<tr>
<th>S$ million</th>
<th>2019</th>
<th>SFRS(I) 16</th>
<th>Excluding SFRS(I) 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,551.7</td>
<td>99.3</td>
<td>1,452.4</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>495.5</td>
<td>(95.1)</td>
<td>400.4</td>
</tr>
<tr>
<td>Net Finance costs</td>
<td>538.5</td>
<td>(30.2)</td>
<td>508.3</td>
</tr>
<tr>
<td>PATMI</td>
<td>564.1</td>
<td>(26.0)</td>
<td>590.1</td>
</tr>
<tr>
<td>Operational PATMI</td>
<td>498.2</td>
<td>(26.0)</td>
<td>524.2</td>
</tr>
</tbody>
</table>

Adjusting for the impact of the adoption of SFRS(I) 16, our PATMI and Operational PATMI would have been higher at S$590.1 million and S$524.2 million respectively.

Strong momentum from executing Strategic Plan

In 2019 – the first of our six-year Strategic Plan – we have delivered a strong momentum both on top line and bottom line growth in volume, EBITDA and Operational PATMI.

Our first strategic pathway to growth is to streamline, focus and strengthen our portfolio. During the year, we focused on businesses with sustainable, high-growth potential by making these strategic acquisitions:

- 85.0% equity interest in YTS Holdings, which owns 100.0% of Indonesia’s largest cocoa processor PT Bumitangerang Mesindotama (BT Cocoa), from its founding members, Piter Jasman and family, for a total cash consideration of US$90.0 million. This is part of our Strategic Plan to grow our Cocoa ingredients business by expanding our platform in Asia and enhancing our product offering in the region.

- 60.0% interest in Cotontchad SN, the state-owned company in Tchad with exclusive rights to procure, process and sell Chadian cotton and by-products, for US$16.0 million.

- Remaining minority shareholding of 6.98% in Milky Projects, which directly holds equity in Russian Dairy Company (Rusmolco), from its founding shareholder, making it our wholly-owned subsidary.
“Our first strategic pathway to growth is to streamline, focus and strengthen our portfolio. During the year, we focused on businesses with sustainable, high-growth potential by making strategic acquisitions.”

- 100.0% of Dangote Flour Mills (DFM), a leading flour and pasta manufacturer in Nigeria, for an enterprise value of NGN 120.0 billion (approximately US$331.4 million). The acquisition of DFM supports the strategy of the Grains and Animal Feed & Protein business to expand its wheat milling capacity in high-growth markets, such as Nigeria. Olam and DFM combined would provide enhanced manufacturing capacity and create synergies with the Group’s existing business.

- 100.0% interest in leading Californian almond processor and ingredient manufacturer Hughson Nut Inc (HNI) and associated real estate assets from APB Partners at a total enterprise value of US$54.0 million. The acquisition is consistent with our Strategic Plan to offer differentiated solutions, such as ingredients and product innovation, and to target new customer segments in co-manufacturing, food service and e-commerce. Given HNI’s extensive processing capabilities, Olam can now offer a fully integrated solution across the almond value chain from the USA, including processed whole nuts and value-added ingredients, complementing similar capabilities in Australia and Vietnam.

In addition to these strategic investments, I am pleased to report that we also divested de-prioritised businesses and related assets and recycled capital with S$488.1 million of cash released, almost a quarter of the US$1.6 billion target for the full six-year plan.

During the year, we closed the Sugar, Rubber and Fertiliser trading desks, the Fundamental Fund and the Wood Products business in Latin America, and completed the following divestments:

- Disposal of our remaining 51.0% shareholding in Collymongle Ginning in Australia through our indirect wholly-owned subsidiary Queensland Cotton Corporation for a total cash consideration of A$4.08 million.

- Disposal of our entire 100.0% equity interest in Argentina-incorporated Olam Alimentos whose principal activity was peanut shelling and blanching, for a cash consideration of US$10.0 million. We have redeployed this capital into other peanut operations, which have market leading positions, such as the peanut shelling, blanching and ingredients business in the USA.

- Sale of the real estate assets of our onion and garlic processing facility in Gilroy, California to Chicago-based investment management firm Mesirow Financial (Mesirow) for a total consideration of US$110.3 million. We also entered into a tiered revenue sharing arrangement with Mesirow with whom we will share a part of the annual revenue from operating the assets for a period of 25 years. The transaction resulted in a one-time post-tax capital gain of S$101.9 million.

- Sale of 89,085 megalitres of our permanent water rights in Australia through Olam Orchards Australia (OOA) to a related entity of the Public Sector Pension Investment Board (PSP Investments), one of Canada’s largest pension investment managers, for a total consideration of A$490.0 million. PSP Investments acquired approximately 12,000 hectares of almond orchards and related assets in Victoria, Australia, which were previously leased to OOA. Both the almond orchards and the associated water rights will continue to be operated by OOA. The transaction resulted in a one-time post-tax gain of S$232.0 million.
• Divestment of 10.0% of our 40.5% stake in ARISE Integrated Industrial Platforms (ARISE IIP) to Africa Finance Corporation (AFC) for a consideration of US$59.0 million as part of the re-organisation of our associated company, Gabon Special Economic Zone (GSEZ). GSEZ has re-organised its business into three separate verticals – ARISE Port & Logistics (ARISE P&L), ARISE IIP and ARISE Infrastructure Services (ARISE IS) to extract full value from its investments in infrastructure and logistics projects in Africa, allowing each entity to pursue its own growth path and selectively expand into other markets in the continent. The transaction resulted in a one-time post-tax gain of S$40.4 million.

All the above divestments have reduced invested capital by S$437.6 million and resulted in S$373.7 million in one-off post-tax gains in 2019.

Concurrently, we also reviewed the impact of restructuring and/or divestment actions for some of the other de-prioritised assets identified in the Strategic Plan, including NZFSU in Uruguay, Olam Tomato Processors in the USA, Coffee plantations in Zambia, Brazil, Tanzania and Laos, and Edible Oils processing assets in Mozambique. Following the review and as a result of the periodic assessment of the recoverable amounts of these assets, we recognised total one-off exit costs, losses on potential disposal/sale and/or impairment of these assets of S$315.8 million in 2019. The net result was a one-off exceptional gain of S$65.9 million recorded for the year.

We will continue to engage in discussions for divesting and/or restructuring other underperforming assets and businesses. In fact early this year, we already announced two transactions which further released capital:

• Reduction of Olam’s effective interest in ARISE P&L from 40.5% to 31.0% as part of GSEZ’s re-organisation with infusion of additional capital by A.P. Moller Capital and AFC. This transaction has resulted in a cash release of US$31.0 million and an estimated one-time gain of US$12.0 million for Olam.

• Sale of our remaining 50.0% equity interest in Far East Agri, which owns the sugar refining asset in Indonesia, to our joint venture partner Mitr Phol Sugar Corporation for a total consideration of US$82.5 million with additional US$2.5 million contingent on the satisfaction of conditions provided in the sale and purchase agreement within three years from completion. Olam will book a post-tax capital gain of approximately US$37.5 million for 2020.

“All the above divestments have reduced invested capital by S$437.6 million and resulted in S$373.7 million in one-off post-tax gains in 2019.”

<table>
<thead>
<tr>
<th>S$ million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of permanent water rights, Australia</td>
<td>232.0</td>
<td>–</td>
</tr>
<tr>
<td>Sale of real estate assets, USA</td>
<td>101.9</td>
<td>–</td>
</tr>
<tr>
<td>Sale of 10% stake in ARISE IIP to AFC</td>
<td>40.4</td>
<td>–</td>
</tr>
<tr>
<td>Negative goodwill arising on acquisition</td>
<td>7.9</td>
<td>–</td>
</tr>
<tr>
<td>Impairments/exit/closure costs</td>
<td>(315.8)</td>
<td>–</td>
</tr>
<tr>
<td>Sale of land, USA</td>
<td>–</td>
<td>18.6</td>
</tr>
<tr>
<td>Sale of subsidiary</td>
<td>0.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Sale of Café Enrista brand</td>
<td>–</td>
<td>2.7</td>
</tr>
<tr>
<td>Sale of JV/Associate</td>
<td>(1.1)</td>
<td>(25.9)</td>
</tr>
<tr>
<td>Exceptional Items</td>
<td>65.9</td>
<td>1.2</td>
</tr>
</tbody>
</table>
Positive free cash flow
With strategic investments and ongoing capital expenditure (Capex) commitments, our total gross Capex came to S$1.1 billion in 2019 (2018: S$852.8 million). Net Capex after disposals and divestments was slightly ahead of 2018 at S$562.7 million.

We delivered a positive Free Cash Flow to Firm (FCFF) and Free Cash Flow to Equity (FCFE). This was achieved in spite of the significant increase in working capital requirements to support volume growth and peak procurement season for several of our leading products such as Cocoa and Coffee in Q4 2019. There was a strong operating cash flow improvement of S$299.7 million year-on-year and even as interest paid grew by S$90.6 million with the increase in interest rates, we finished the year with S$134.6 million of positive FCFE.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>1,454.4</td>
<td>1,154.7</td>
<td>299.7</td>
</tr>
<tr>
<td>( before interest &amp; tax)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>(95.6)</td>
<td>930.6</td>
<td>(1,026.2)</td>
</tr>
<tr>
<td>Net Operating Cash Flow</td>
<td>1,358.8</td>
<td>2,085.3</td>
<td>(726.5)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(106.8)</td>
<td>(137.9)</td>
<td>31.1</td>
</tr>
<tr>
<td>Capex/Investments</td>
<td>(562.7)</td>
<td>(417.0)</td>
<td>(145.7)</td>
</tr>
<tr>
<td>Free Cash Flow to Firm (FCFF)</td>
<td>689.3</td>
<td>1,530.4</td>
<td>(841.1)</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(554.7)</td>
<td>(464.1)</td>
<td>(90.6)</td>
</tr>
<tr>
<td>Free Cash Flow to Equity (FCFE)</td>
<td>134.6</td>
<td>1,066.3</td>
<td>(931.7)</td>
</tr>
</tbody>
</table>

Cocoa liquor quality control is carried out at a BT Cocoa innovation centre in Indonesia. Olam acquired the country’s largest cocoa processor in 2019 to capitalise on Asia’s trajectory to become the largest global consumer of cocoa powder.
Maintained strong balance sheet

Our second strategic pathway is to extract maximum value by improving cost competitiveness and optimising capital productivity. We have focused on strengthening and maintaining a strong balance sheet.

The Group’s total assets for 2019 were S$19.1 billion, comprising S$8.6 billion of fixed capital, S$577.6 million of right-of-use assets, S$6.6 billion of working capital and S$3.2 billion of cash. The right-of-use assets were largely made up of land and building assets; plant and machinery was a small component.

The total assets were funded by S$6.8 billion of equity, S$6.7 billion of short-term debt, S$5.4 billion of long-term debt, as well as short-term and long-term lease liabilities of S$82.0 million and S$435.1 million respectively, which came along with the adoption of SFRS(I) 16.

Compared with 2018, the overall balance sheet for 2019 increased by S$1.4 billion mainly on account of the adoption of SFRS(I) 16 and the increase in cash position. Ending cash balance in 2019 was higher at S$3.2 billion compared with 2018 to manage near-term repayment obligations on borrowings.

Although working capital in 2019 grew by S$251.4 million compared with 2018, the change in product mix with the increase in bulk trading volumes as well as access to supplier credit helped reduce working capital cycle by 6 days to 70 days in 2019. We also raised cost efficiency with US$70 million of cost reduction and productivity improvement during the year.

Cash-to-cash cycle

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>76</td>
<td>70</td>
</tr>
</tbody>
</table>

Uses of capital

<table>
<thead>
<tr>
<th>Uses of capital (S$ million)</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Capital</td>
<td>8,616.0</td>
<td>8,349.3</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>577.6</td>
<td>–</td>
</tr>
<tr>
<td>Working capital</td>
<td>6,627.8</td>
<td>6,376.4</td>
</tr>
<tr>
<td>Cash</td>
<td>6,376.4</td>
<td>6,627.8</td>
</tr>
<tr>
<td>Others</td>
<td>135.1</td>
<td>526.2</td>
</tr>
</tbody>
</table>

Sources of capital

<table>
<thead>
<tr>
<th>Sources of capital (S$ million)</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity &amp; reserves</td>
<td>6,836.1</td>
<td>6,652.9</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>4,675.5</td>
<td>4,766.4</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>5,103.4</td>
<td>6,407.7</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>517.1</td>
<td>94.1</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>108.1</td>
<td>138.7</td>
</tr>
<tr>
<td>Fair value reserve</td>
<td>(404.1)</td>
<td>(327.5)</td>
</tr>
</tbody>
</table>

1. Total assets are net of trade payables and accruals, derivative financial instruments (current liabilities), provision for taxation, other current liabilities and deferred tax liabilities.
S$ million | 2019 | 2018 | Change
--- | --- | --- | ---
Gross debt | 12,596.0 | 11,268.2 | 1,327.8
Less: Cash | 3,179.6 | 2,480.4 | 699.2
Net debt | 9,416.4 | 8,787.8 | 628.6
Less: Readily marketable inventory | 5,733.1 | 4,754.1 | 979.0
Less: Secured receivables | 1,672.1 | 2,103.5 | (431.4)
Adjusted net debt | 2,011.2 | 1,930.2 | 81.0
Equity (before fair value adjustment reserves) | 6,836.1 | 6,652.9 | 183.2
Net debt /Equity (Basic) | 1.38 | 1.32 | 0.06
Net debt /Equity (without SFRS(I) 16) | 1.32 | 1.32 | –
Net debt /Equity (Adjusted) | 0.29 | 0.29 | –

Compared with 2018, net debt increased by S$628.6 million on the adoption of SFRS(I) 16 which increased liabilities by S$423.0 million. Higher fixed capital on account of increased organic and inorganic growth also contributed to a higher net debt. This resulted in a higher net gearing of 1.38 times as against 1.32 times for 2018. However, without the impact of SFRS(I) 16, our net gearing would have remained at the same level as the previous year at 1.32 times, well below our target of 2.0 times. Adjusting for readily marketable inventories and secured receivables, our net gearing would be 0.29 times, unchanged from last year.

**Improved returns**

Above all, we delivered higher returns on capital. Total invested capital grew 5.6% to S$15.6 billion mainly due to a net fixed capital increase of S$913.0 million mostly due to the adoption of the SFRS(I) 16, which had an impact of S$577.6 million. Even as invested capital increased, we improved our EBITDA on average invested capital (EBITDA/IC) to 10.2%, 210 basis points increase from 8.1% in 2018.

Our return on beginning-of-period equity also improved from 5.3% in 2018 to 9.1% or 7.9% on an ex-exceptional gains basis in 2019.

---

2. Invested Capital excludes:
(a) Gabon fertiliser Project (2019: S$240.7 million, 2018: S$245.4 million); and
(b) Long-term Investment (2019: S$71.5 million, 2018: S$135.8 million).

30,544,609 shares in PureCircle Limited, valued at its last traded price of £1.312 each as at 28 October 2019, after which shares were suspended for trading pending the release of its audited results for the full year ended 30 June 2019.

Cashews, almonds, quinoa and chia seeds are formulated for a superfood bar at the Olam Edible Nuts Innovation Centre in Bangalore, India.
## Total borrowings and available liquidity
($ million as at 31 December 2019)

<table>
<thead>
<tr>
<th></th>
<th>Cash and Short-term Fixed Deposits</th>
<th>RM*</th>
<th>Secured Receivables</th>
<th>Unutilised Bank Lines</th>
<th>Available Liquidity</th>
<th>Total Borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term</td>
<td>3,180</td>
<td>5,733</td>
<td>1,672</td>
<td>9,379</td>
<td>19,964</td>
<td>+7,368</td>
</tr>
<tr>
<td>Long-term</td>
<td>6,757</td>
<td>5,839</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*RM: Inventories that are liquid, hedged and/or sold forward.

Inside the SEDA Outspan plant in Palencia, Spain, one of the leading private label soluble coffee manufacturing plants in Europe, producing coffee in spray dried, agglomerated and freeze-dried forms.
Liquidity and financing

Our proactive management of our capital structure continued to pay off, as we maintained a strong balance sheet and continued to deliver positive free cash flows despite investing S$1.1 billion of Capex to execute our new Strategic Plan.

Net finance costs increased by 14.9% or S$69.7 million to S$538.5 million (2018: S$468.8 million) due to the impact of higher interest rates and finance charges of S$30.2 million arising from the adoption of SFRS(I) 16. The increase was partly offset by higher finance income.

We have ample liquidity to meet our repayments, working capital and Capex requirements – a headroom of some S$7.4 billion over and above our borrowings, with a total of S$20.0 billion in available liquidity as at end-2019, including unutilised bank lines of S$9.4 billion.

We also continued to diversify our funding sources in 2019 through a mix of traditional and innovative channels, including the world’s first Digital Loan and a second sustainability-linked loan. The former is a three-year US$350.0 million digital-linked revolving credit facility (RCF) of which the pricing is linked to Olam’s digital maturity score, as determined by the Boston Consulting Group using their proprietary “Digital Acceleration Index” methodology. Olam will be assessed across four digital building blocks: (1) business strategy driven by digital; (2) digitising the core; (3) new digital growth; and (4) enablers. Olam and the participating banks have agreed on annual improvement targets over the course of the RCF which, if achieved, would trigger a reduction in the interest rate.

The latter builds on our breakthrough sustainability-linked RCF which we had in 2018, the first of its kind in Asia. It consists of three tranches aggregating US$25.0 million. The interest margin of this RCF is linked to meeting sustainability Key Performance Indicators (KPIs) which are aligned with our Company’s three purpose outcomes of Prosperous Farmers and Food Systems, Thriving Communities, and Regeneration of the Living World. The KPIs will be tracked and reported by Olam’s Corporate Responsibility and Sustainability team and independently assessed by Ernst & Young based on agreed-upon procedures approved by the banks.

Our commitment to sustainable financing gives us a clear advantage, builds resilience and enables us to catalyse positive change in our sector and we aim to secure a larger share of our financing from such facilities.

Borrowing Mix¹

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Tenor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April</td>
<td>Digital RCF US$350.0 million</td>
<td>3-year due 2022</td>
</tr>
<tr>
<td>21 May</td>
<td>US$120.0 million fixed-rate notes</td>
<td>5-year due 2024</td>
</tr>
<tr>
<td>3 July</td>
<td>US$375.0 RCF</td>
<td>1-year due 2020</td>
</tr>
<tr>
<td>10 September</td>
<td>Sustainability-linked loan US$315.0 million RCF</td>
<td>1-year due 2020</td>
</tr>
<tr>
<td></td>
<td>US$105.0 million RCF</td>
<td>2-year due 2021</td>
</tr>
<tr>
<td></td>
<td>US$105.0 million RCF</td>
<td>3-year due 2022</td>
</tr>
<tr>
<td>17 October</td>
<td>US$610.0 million RCF</td>
<td>1-year due 2020</td>
</tr>
<tr>
<td></td>
<td>US$457.5 million RCF</td>
<td>2-year due 2021</td>
</tr>
<tr>
<td></td>
<td>US$457.5 million RCF</td>
<td>3-year due 2022</td>
</tr>
</tbody>
</table>

¹. Excludes capital securities
# 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</th>
<th>EBITDA/IC (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edible Nuts and Spices</td>
<td>1,667.7</td>
<td>1,690.5</td>
<td>4,436.4</td>
<td>4,312.0</td>
<td>342.4</td>
</tr>
<tr>
<td>Confectionery and Beverage</td>
<td>1,774.4</td>
<td>1,836.3</td>
<td>6,686.2</td>
<td>7,129.8</td>
<td>562.1</td>
</tr>
<tr>
<td>Food Staples and Packaged Foods</td>
<td>34,287.0</td>
<td>27,104.3</td>
<td>17,623.4</td>
<td>14,506.3</td>
<td>454.6</td>
</tr>
<tr>
<td>Food Category</td>
<td>37,729.1</td>
<td>30,631.1</td>
<td>28,746.0</td>
<td>25,948.1</td>
<td>1,359.1</td>
</tr>
<tr>
<td>Industrial Raw Materials,</td>
<td>2,022.7</td>
<td>2,236.5</td>
<td>4,246.7</td>
<td>4,530.9</td>
<td>173.6</td>
</tr>
<tr>
<td>Infrastructure and Logistics</td>
<td>N.A.</td>
<td>N.A.</td>
<td>–</td>
<td>–</td>
<td>19.0</td>
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<tr>
<td>Commodity Financial Services</td>
<td>2,022.7</td>
<td>2,236.5</td>
<td>4,246.7</td>
<td>4,530.9</td>
<td>192.6</td>
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<tr>
<td>Non-Food Category</td>
<td>39,751.8</td>
<td>32,867.6</td>
<td>32,992.7</td>
<td>30,479.0</td>
<td>1,551.7</td>
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</tbody>
</table>

**Note:**

Invested Capital excludes:

(a) Gabon Fertiliser Project (2019: S$240.7 million, 2018: S$245.4 million); and
(b) Long-term Investment (2019: S$71.5 million, 2018: S$135.8 million)

The 2019 acquisition of leading Californian almond processor and ingredient manufacturer Hughson Nut, will enable Olam to offer a fully integrated solution across the almond value chain from the US.
The Edible Nuts and Spices segment reported a marginal drop in sales of volume of 1.3% but a slight increase in revenue of 2.9% in 2019. This came as sales volumes of Spices declined with reduced tomato, onion and garlic volumes while revenues were higher due to improved sales realisation for Edible Nuts.

We had a similar delivery on EBITDA at S$342.4 million, a marginal growth of 0.7%. Edible Nuts overall did well with improved performance in cashew, while almonds, peanut shelling business in the USA and hazelnut business in Turkey performed less favourably. The peanut business had a lower contribution in 2019 due to the cessation of peanut farming and shelling operations in Argentina as well as lower shelling volumes and reduced margins amid an oversupplied market in the USA. The hazelnut business also reported lower EBITDA given the tight and adverse trading conditions in Turkey during the second half of the year, which are expected to continue into 2020.

Spices overall reported a lower EBITDA than the year before on reduced contribution from onion and garlic. The business did well for most of the year until Q4 2019 as sales of onion and garlic came down on lower contracted volumes and prices. The tomato processing operations in the USA had been facing cost pressures amid a short crop and a highly competitive marketplace in 2019. We have decided to close the industrial tomato and canning operations at the end of the crop year and steadily ramp down operations in both its Lemoore and Williams facilities as pending shipments are fully executed by mid-2020. As a result, one-off closure costs were booked in 2019. We are now reviewing various options to divest the individual assets and/or the entire business.

Invested capital in the segment eased by S$265.2 million to S$3.34 billion primarily due to reduced inventory value in tomatoes and other spices on working capital. While the adoption of SFRS(I) 16 with the addition of right-of-use assets and the acquisition of HNI increased fixed capital, this was partly offset by the sale of permanent water rights in Australia and the real estate assets of the Spices business in California. As a result, EBITDA/IC for the segment improved from 9.4% in 2018 to 9.8% in 2019.

### EBITDA (S$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 restated</td>
<td>394</td>
</tr>
<tr>
<td>2016</td>
<td>332</td>
</tr>
<tr>
<td>2017</td>
<td>438</td>
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<tr>
<td>2018</td>
<td>340</td>
</tr>
<tr>
<td>2019</td>
<td>342</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA/IC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 restated</td>
<td>11.5%</td>
</tr>
<tr>
<td>2016</td>
<td>9.3%</td>
</tr>
<tr>
<td>2017</td>
<td>12.1%</td>
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<tr>
<td>2018</td>
<td>9.4%</td>
</tr>
<tr>
<td>2019</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

### Invested capital (S$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Invested capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 restated</td>
<td>3,463</td>
</tr>
<tr>
<td>2016</td>
<td>3,643</td>
</tr>
<tr>
<td>2017</td>
<td>3,604</td>
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<tr>
<td>2018</td>
<td>3,610</td>
</tr>
<tr>
<td>2019</td>
<td>3,345</td>
</tr>
</tbody>
</table>

- **Working capital**
- **Fixed capital**
  - 2015: 2,048, 2016: 2,222, 2017: 1,996, 2018: 1,944, 2019: 2,024
Sales volume in the Confectionery and Beverage Ingredients segment declined by 3.4% on reduced Cocoa volumes, partially offset by higher Coffee volumes. Lower sales volume coupled with lower coffee prices led to a reduction in revenues by 6.2%.

Notwithstanding lower volumes and revenues, EBITDA grew by a strong 26.6% during 2019 with both Cocoa and Coffee performing well. The Cocoa business had a stellar year in 2019 all across its supply chain, trading and processing operations with improved margins. In Coffee, EBITDA improved as the green coffee supply chain did much better than the prior year and the soluble coffee business continued with its steady performance trajectory. However, the persistent low Arabica prices had hurt our Coffee plantations, which underperformed against the previous year. As a result, we took a one-off impairment charge on these plantation assets in 2019 to set this business right as we restructure it going forward.

Invested capital increased by S$156.8 million on both fixed and working capital. Fixed capital increased with the acquisition of BT Cocoa in Indonesia and the addition of right-of-use assets on the adoption of SFRS(I) 16. Working capital was also marginally higher due to higher cocoa and coffee prices as well as increased inventory in both products.

Due to the significant growth in EBITDA, EBITDA/IC for the segment increased from 8.6% in 2018 to 11.2% in 2019.
The Food Staples and Packaged Foods segment recorded a strong volume and revenue growth of 26.5% and 21.5% respectively in 2019, primarily driven by the growth in Grains trading volumes and sales from Packaged Foods.

This segment contributed the largest increase to Group EBITDA at S$454.6 million, a robust growth of 57.4% from S$288.8 million in 2018. This was driven by strong EBITDA growth in Grains and Animal Feed & Protein business, and supported by improved performance from Packaged Foods, Dairy and Edible Oil supply chain businesses.

The Rice business underperformed on lower merchandising volumes into Africa. The Sugar business closed its trading desk in early 2019, leading to a reduced contribution. While our upstream dairy farming in Russia performed well, farming operations in Uruguay continued to experience very difficult operating conditions due to the adverse weather, lower milk production and higher feed costs. We have taken decisive action in restructuring the business by focusing on the central region of Uruguay and shutting down our east and west farms. We believe that this will help us right-size this business. A one-off impairment and restructuring charge was taken on these assets in 2019.

In Edible Oils, although our supply chain trading business did well, the refining and distribution operations in Mozambique were impacted by the tropical cyclone earlier the year, with volumes and margins under pressure. We therefore recorded a one-off impairment charge on the refining assets in Mozambique. Although palm prices picked up towards the last quarter of 2019, the overall low palm oil prices and lower than anticipated yields throughout the year adversely impacted the performance in Olam Palm Gabon (OPG) for the partially yielding hectarage.

Invested capital increased by S$649.2 million compared with 2018 mainly due to higher fixed capital which increased on the acquisition of DFM in Nigeria, continued investments in OPG, addition of right-of-use assets on the adoption of SFRS(I) 16, and expansion of a third farm by Rusmolco during 2019. Working capital ended lower on the closure of the Sugar trading desk and continued availability of supplier credit for our bulk trading volumes. Due to a stronger EBITDA, EBITDA/IC improved significantly from 6.2% in 2018 to 9.3% in 2019.
Sales volumes in the Industrial Raw Materials, Infrastructure and Logistics segment declined by 9.6% due to closure of the Fertiliser desk and the Latin American Wood Products business, which was partially offset by increased Wood Products volumes in the Republic of Congo. Lower sales volume along with reduced cotton prices resulted in revenues declining by 6.3% in 2019.

The segment had a marginal decline in EBITDA of 1.5% to S$173.6 million primarily due to reduced contribution from our Cotton business as there was a sharp fall in cotton prices particularly during the second half of 2019 amid adverse trading conditions, as well as the closure of Wood Products’ Latin American operations. However, this was offset by improved performance in our Infrastructure and Logistics business as well as our Wood Products processing business in the Republic of Congo.

Compared with 2018, invested capital was higher by S$283.2 million on both fixed and working capital. Fixed capital increased with the investment in Cotontchad in Central Africa, continued investments in our rubber plantations in Gabon and the addition of right-of-use assets in the segment. Working capital increased due to higher closing inventory for Cotton. Nevertheless, EBITDA/IC was higher at 10.1% (2018: 9.6%) based on average invested capital over the one-year period.

### EBITDA

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (S$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>185</td>
</tr>
<tr>
<td>Restated</td>
<td>135</td>
</tr>
<tr>
<td>2017</td>
<td>197</td>
</tr>
<tr>
<td>2018</td>
<td>176</td>
</tr>
<tr>
<td>2019</td>
<td>174</td>
</tr>
</tbody>
</table>

-1.5%

### EBITDA/IC

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA/IC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>9.8%</td>
</tr>
<tr>
<td>Restated</td>
<td>6.5%</td>
</tr>
<tr>
<td>2017</td>
<td>9.1%</td>
</tr>
<tr>
<td>2018</td>
<td>9.6%</td>
</tr>
<tr>
<td>2019</td>
<td><strong>10.1%</strong></td>
</tr>
</tbody>
</table>

### Invested capital

<table>
<thead>
<tr>
<th>Year</th>
<th>Invested capital (S$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,918</td>
</tr>
<tr>
<td>Restated</td>
<td>2,221</td>
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<tr>
<td>2017</td>
<td>2,105</td>
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<tr>
<td>2018</td>
<td>1,572</td>
</tr>
<tr>
<td>2019</td>
<td><strong>1,855</strong></td>
</tr>
</tbody>
</table>

+18.0%

- Working capital: 912, 1,213, 1,050, 511, 723
- Fixed capital: 1,006, 1,008, 1,055, 1,061, 1,132
Commodity Financial Services posted an EBITDA of S$19.0 million in 2019 (2018: -S$13.1 million). This was mainly due to the better performance in the Quantitative Fund and the closure of the Fundamental Fund in early 2019.

Compared with 2018, invested capital increased by S$11.4 million and EBITDA/IC improved from negative 12.1% to 15.4%.
Risk Management

**How does Olam manage risk?**

Effective risk management is an integral part of Olam’s business model and a key success factor for realising our strategic objectives. Olam has implemented a rigorous risk management framework that identifies and assesses the likelihood and impact of risks, and the actions needed to mitigate the impact across the entire business. The framework defines individual risks across 11 categories.

Overall responsibility in monitoring and assessing risk lies with the independent risk function (Risk Office), and oversight of each risk is divided among the five Board Committees – Risk Committee, Audit Committee, Capital & Investment Committee, Corporate Responsibility & Sustainability Committee and Human Resources & Compensation Committee. The Group’s Chief Risk & Compliance Officer (CRCO) is also a member of the Executive Committee and reports to both the CEO and the Chair of the Risk Committee.

The Company’s Risk Appetite Framework (RAF) provides periodic updates on the magnitude of the risks being run across the businesses and regions set against Board-approved boundary conditions.

Fifty risks are evaluated and monitored, 16 on a quantitative basis (12 at the Business Unit level and four at the corporate level) and the remainder qualitatively. These 16 quantitative risks are reported in the Company’s Group Risk Dashboard (GRD). In addition, the Enterprise Risk Scorecard (ERS) assesses the likelihood of each of the risks occurring and their potential impact. In conjunction with the GRD, the ERS assists the Board with examining the effectiveness of the risk management systems and procedures and reviewing risk exposure and risk treatment plans. The RAF, GRD and ERS are updated and presented to the Board quarterly.

Olam continually upgrades its risk measurement methodology and focuses on the measurement of outright, basis, structure and arbitrage risk, currency risk, diversified value-at-risk (VaR) and stress testing to determine potential impact of adverse events on the books.

**How do you manage agricultural risks?**

Every year we assess the risks that could impact achievement of our strategic objectives at a consolidated level (top-down approach) and on a segment level (bottom-up approach). Among the key risks that escalated in 2019 – and our efforts to mitigate them – include:

**Agricultural Risk:** as climate change becomes more prominent, its impact on agriculture will increase in the future. Many of the 50 risks which are tracked concern agricultural risks e.g. yield risk, and mitigation measures are being put in place accordingly such as drip irrigation on our palm plantation in Gabon. As well as working with farmers on mitigation and adaptation measures, we are exploring other ways to measure climate risk, e.g. climate VaR.

**Hurricane/Typhoon/Storm risk:** Mozambique endured two cyclones in 2019 – Idai and Kenneth. Cyclone Idai impacted the Beira edible oils operations but the team were able to implement business continuity plans quickly and all employees were safe. Under our insurance programme there was also enough cover to ensure we were fully compensated.
As the COVID-19 situation worsens globally, what is the impact to Olam’s operations?

Given our footprint in emerging markets we have some experience of managing health epidemics and pandemics – Ebola and SARS – although not on this unprecedented scale and with such rapidly evolving circumstances. To maintain the safety of our people, assets and operations, we are in constant contact with local authorities around the world and focused extensively on the implementation of health, safety and hygiene protocols, and, of course, our business continuity plans to minimise impact. We must also prioritise the wellbeing of the farmers and communities where we operate and how we limit the spread of the virus.

As a food and ingredients business, demand so far has not been impacted as much as other sectors and, while prioritising the safety of employees, we are putting in place multiple measures to keep up sourcing, processing and shipments for customers. At the same time, however, we are having to respond to restriction of movement in many countries and reduced transportation options which may lead to delays beyond our control. Like the rest of the world, we are having to navigate the impact on financial markets. The heightened volatility in commodity prices has the potential for increased counterparty risk and disruption of the global supply chain.

Olam’s Crisis Management Team (CMT) meets frequently and comprehensive updates are sent to the Board Risk Committee on all the risks and ramifications. The CMT has conducted a global assessment of operations, assessing the risk in and the preparedness of each country and has prioritised offices and manufacturing assets for Business Continuity Plan (BCP) implementation in accordance with national and local government directives to ensure continuity of operations. We have also set out a comprehensive internal and external communications plan to facilitate engagement with Olam’s employees and customers, the supply chains and communities where we operate, government, collaborators and media. We continue to monitor developments and will take any further appropriate action to safe guard and support our employees and communities and protect public health.

Olam is a signatory to the Taskforce on Climate-related Financial Disclosure (TCFD) – what progress have you made?

There is currently no TCFD guidance for the agri-business sector. This is why we are part of the World Business Council for Sustainable Development’s food and agriculture sectoral work on TCFD. We have been working alongside companies such as Stora Enso, Nestlé, Unilever, Syngenta, Mondi and PWC on a guidance document. This is in the final round of review and is expected to be published in the coming months. Implementing TCFD would enable Olam and our stakeholders to better understand, assess and act on climate-related risks.
## Board – Strategic Risk Assessment

<table>
<thead>
<tr>
<th>Risk Committee</th>
<th>Audit Committee</th>
<th>Capital &amp; Investment Committee</th>
<th>Corporate Responsibility &amp; Sustainability Committee</th>
<th>Human Resource &amp; Compensation Committee</th>
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</thead>
<tbody>
<tr>
<td>Trading Risks:</td>
<td></td>
<td>Operational Risks:</td>
<td>Reputational Risks:</td>
<td>Other Risks:</td>
</tr>
<tr>
<td>• Price Risk</td>
<td></td>
<td>• Stock Risk</td>
<td>• Social Risk – Safe and Decent Work</td>
<td>• Key Persons Risks</td>
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<tr>
<td>• Basis Risk</td>
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<td>• Quality Risk</td>
<td>• Social Risk – Economic Opportunity</td>
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<td>• Structure Risk</td>
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<td>• Fraud Risk</td>
<td>• Social Risk – Food Safety and Product Recall Risk</td>
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<td>• Arbitrage Risk</td>
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<td>• Systems and Controls Failure Risk</td>
<td>• Environmental Risk – Healthy Ecosystems</td>
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<td>• Liquidity Risk</td>
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<td>• Environmental Risk – Water</td>
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<td>Operational Risks:</td>
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<td>Regulatory Risks:</td>
<td>• Environmental Risk – Climate Action</td>
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<td>• Credit Risk</td>
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<td>• Bribery/Corruption Risk</td>
<td>• Environmental Risk – Healthy Soils</td>
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<td>• Counterparty Risk</td>
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<td>• Other Regulatory Risk</td>
<td>• Environmental Risk – Waste</td>
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<td>• Safety and Health Risk</td>
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<td>• Taxation Risk</td>
<td>• Key Persons Risks</td>
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<td>• Duty, Tariff and Export/Import Ban</td>
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<td>• Asset Nationalisation Risk</td>
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<td>• Selective Discrimination Risk</td>
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<td>• Forced Abandonment Risk</td>
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<td>• Terrorism/ Kidnapping Risk</td>
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<td>Regulatory Risks</td>
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<td>• Market Compliance</td>
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<td>Currency Risks:</td>
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<td>Capital Structure and Financing Risks:</td>
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<tr>
<td>• Interest Rate Risk</td>
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<tr>
<td>• Funding Liquidity/ Margin Call Risk</td>
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<td>• Credit Metrics Risk</td>
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<tr>
<td>• Activist Investor Risk</td>
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<td>• Short Seller Attack Risk</td>
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<tr>
<td>Agriculture Risks:</td>
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<tr>
<td>• Weather Risk</td>
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<tr>
<td>• Pests and Diseases Risk</td>
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<tr>
<td>• Agronomy/GAP (Good Agricultural Practices) Risk</td>
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<tr>
<td><strong>Trading Risks</strong></td>
<td>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.</td>
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<tr>
<td><strong>Operational Risks</strong></td>
<td>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.</td>
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<tr>
<td><strong>Currency Risks</strong></td>
<td>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.</td>
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<tr>
<td><strong>Agricultural Risks</strong></td>
<td>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.</td>
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<tr>
<td><strong>Political and Sovereign Risks</strong></td>
<td>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.</td>
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<tr>
<td><strong>Reputational Risks</strong></td>
<td>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 Employment Policy and the Olam Living Landscapes Policy.</td>
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</tr>
<tr>
<td><strong>Regulatory and Compliance Risks</strong></td>
<td>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.</td>
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<tr>
<td><strong>Capital Structure and Financing Risks</strong></td>
<td>The Group has a strong base of long-term shareholders. The Company maintains strong banking relationships providing committed banking lines, thereby assuring good liquidity.</td>
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<tr>
<td><strong>Natural Perils</strong></td>
<td>The Group maintains insurance cover against risk of natural disasters, such as flood, fire, earthquake and storms.</td>
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<tr>
<td><strong>Other Risks</strong></td>
<td>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.</td>
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<tr>
<td><strong>Strategic Risks</strong></td>
<td>All strategic risks are overseen by the offices of the CEO and COO, and by the Executive Committee.</td>
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</tr>
</tbody>
</table>
Through Olam’s subsidiary Queensland Cotton, we have built strong relationships with growers in Australia for whom we provide marketing, ginning, classing, warehousing, logistics and seed marketing.
Enabling our strategy and connecting our capitals

Under the six-year Strategic Plan, four enablers were identified to support delivery of the four pathways. In turn, these are directly linked to our six non-financial Capitals against which we report. In this section, we provide an overview of the progress made against each Enabler, and against each Capital to show the long-term value we are creating for Olam and our stakeholders.

Our four enablers

- **Operational Excellence**
  - Page 70

- **Sustainability**
  - Page 72

- **Digital**
  - Page 74

- **Leadership and Talent**
  - Page 76

Our six non-financial Capitals

- **Manufactured**
  - Page 78
  - The equipment, tools and infrastructure to serve our customers safely, consistently and efficiently

- **Human**
  - Page 84
  - The talent, skills, dedication and inspiration of our workforce, and our responsibility to keep them safe

- **Social**
  - Page 94
  - The relationships we forge and nurture with suppliers as well as communities where we operate

- **Natural**
  - Page 106
  - The land, water, biodiversity and other ecosystem services for crops to grow

- **Intellectual**
  - Page 118
  - The knowledge and IP that we create and use to keep us ahead

- **Intangible**
  - Page 124
  - The trust in our brand and our reputation which helps establish multiple stakeholder partnerships
Building Operational Excellence

Martial Genthon, President, Manufacturing, Innovation and Procurement (Non-Commodity) Function (‘MATS’).

Operational Excellence is a key enabler to support all four strategic pathways that have been defined in the Strategic Plan to progress on the Company’s Vision “To be the most differentiated and valuable global food and agri-business by 2040”. The goal of Operational Excellence is to enable consistent breakthrough results through flawless execution of strategy.

What does Operational Excellence comprise?

Known as 2.OX, our Operational Excellence programme is a multi-year transformation journey to deliver US$200+ million value from topline growth-led and cost efficiency-led benefits.

There are three key components:
• Performance Management and Compliance: Business Value Drivers, Performance Management, Value Delivery, Compliance and Risk Management
• Culture and Organisation Behaviours: Inspirational Leadership, Founder’s Mentality
• Practices and Tools: Basic Problem Solving, Advanced Practices and Tools

They are all geared to enable our business to deliver consistent breakthrough results, as we measure success using a set of ‘metrics that matter’ and continually sharpen the tools in our box to deliver maximum results.

What is the most challenging aspect of building Operational Excellence?

The key challenge is to streamline, enable and inspire the performance and contribution of each of the 87,600 Olamites in more than 60 countries. When each of these employees is equipped with a clear understanding of the role in the Company’s vision and the toolkits to deliver, we will have a transformational impact.

Where does Olam currently stand in terms of its Operational Excellence objectives?

The first area of focus for 2.OX has been our midstream and downstream operations – in which 38% of Olam’s capital is invested. Our Strategic Plan envisages that we will further ramp up investment in this part of the value chain, particularly in value-added ingredients. Therefore, our efforts over the past couple of years have focused on manufacturing and non-commodity procurement. In 2019, we enabled US$70 million of cost efficiency in this area, this is preceded by US$67 million delivered in 2018.

In various processing facilities, we have rolled out toolkits like Value Stream Analysis to command premiums and bring down costs, while improving customer service, productivity, digital-readiness and internal capability. This success has led us to now expand and roll-out 2.OX across Olam’s entire food and agri-value chain, which means also covering upstream and the backbone operations in our sourcing countries. We have been able to embed performance management in 14 origins across six products which account for up to 60% of our origination volumes annually. We have successfully embedded a common framework and an integrated digital platform helps to monitor the performance and enable the right actions on the ground. This has led to efficiencies in 2019 and we have a robust pipeline of opportunities in 2020 and beyond. We have ambitious plans to embed 2.OX across all value chain domains.
2.0X Coverage in 2019

**Mid-stream:**
70
Manufacturing facilities across 14 products

**Up-Stream:**
14
Origins across six products

28% Reduction in Lost Time Injury Rate for Tier-1 facilities

US$70m Enabled as cost efficiencies

Operational Excellence streamlining at Olam Cocoa’s processing factory in Ilhéus, Brazil.
How is sustainability enabling delivery of the Olam strategy?

The global food system has been good at solving the one big problem for which markets have shaped it: putting abundant cheap food on the tables of wealthier nations. But we are all faced with the many challenges that it has not been set up to solve: providing all farmers globally with a decent living; promoting healthy and balanced diets to prevent both malnutrition and obesity; and safeguarding the natural world by operating within the planetary boundaries. Olam has long seen sustainability as critical. But we have to go further, and that’s why our corporate Purpose focuses on a whole sale Re-imagining of Global Agriculture and Food Systems. This puts us in a strong position to help customers meet demands from increasingly ‘conscious consumers’. AtSource crystalises our experience in managing social and environmental challenges, giving us a common language to engage customers and catalyse change together.

How do you embed CR&S in Olam?

With oversight from the CR&S Board Committee, the CR&S Function provides strategic direction; setting the global policy framework and systems; providing the expertise to help the businesses address the issues specific to their supply chains; building supportive partnerships internally and externally with stakeholders to maximise the positive impacts; sharing innovation, skills and good practice; and measuring progress. Knowing we needed to embed more deeply the 10 Material Areas of our Sustainability Framework, in 2019 we created an internal expertise network led by Material Area Champions, 10 passionate thematic leaders drawn from across Olam working to maximise learning and skills transfer. Other functions play a critical role e.g. HR and Internal Audit on Human Rights; Finance is embedding the Integrated Impact Statement; Treasury secures sustainable finance. Sustainability is a shared responsibility. But the greatest potential happens when the businesses solve a problem. The Olam Farmer Information System, initiated in 2014 by Olam Cocoa and now implemented Olam-wide, is a great example. The development of AtSource was jointly Function and Business Unit led.

Olam seeks ‘net positive’ landscapes but how are you measuring impact?

In the Social, Natural and Human Capital sections of this report we demonstrate good progress against our Material Area targets of Economic Opportunity, Climate Change and Nutrition and Health in particular. But much of the reporting is still out-put rather than impact-driven. Launched in 2019, Cocoa Compass, Olam Cocoa’s sustainability ambition with its focus on living income and natural capital reduction by 2030 is a huge step forward for focusing on impact. In other cases, we need to understand what it is we need to measure. Achieving net positive on all metrics at farm scale is tough, so we are seeking ways to couple investments on farms with environmental restoration in the same landscape.

Which issues have stakeholders been most concerned about in 2019?

As highlighted by Oxfam in this report pages 104 to 105, we’ve seen heightened concerns about farmer poverty, child labour, and rural flight in developing countries. 2019 saw the governments of Côte d’Ivoire and Ghana bring in the living income differential supplement of US$400 per tonne on top of the market price. But poverty still runs deep bringing associated risks like child labour as farmers can’t afford...
Third-party assessments

We know there is far more to be done but we are motivated by the following independent scorecards in 2019:

- Ceres ‘Feeding Ourselves Thirsty’ report – best performing agri-business
- Oxfam ‘Companies spoke. Did their suppliers listen’ – best performing agri-business in 4 out of 5 categories. Read Oxfam’s Perspective pages 104 to 105
- SPOTT Sustainable Palm Oil scorecard – 9th of 99 companies
- SPOTT Timber Pulp and Paper – 3rd of 97 companies
- Forest Heroes/Green Cats – 4th of 24 companies

“The greatest contributions to sustainability happen because the businesses themselves have identified a problem or opportunity and set about solving it in a way that benefits everyone.”

We have also seen a big emphasis on transparency and traceability. It’s a tricky balance for Olam to strike – transparency can build trust and collaboration, but also create commercial risks. We are working through this with the businesses. Sector reporting through a widely recognised body can help e.g. GFWPro for palm oil, and the Cocoa & Forests Initiative.

A final challenge is how to influence our indirect supply chain. Through the Olam Supplier Code our buyers must engage with their direct suppliers, ensuring they take responsibility for managing upstream risks. If Unacceptable Practices are identified (see our Living Landscapes Policy), we may terminate our relationship. But exiting high-risk supply chains rarely solves the underlying problem; in some cases, it will make it worse. In the long-run, we believe you have to be in the supply chain to change it for the better.
Which are the biggest pain points to address in agriculture through digital innovation?

The food and agricultural sector is ripe for disruption. According to AgFunder, globally, there are more than 10,000 start-ups in this space and investment into agri food tech has grown by 250% over the past five years to about US$20 billion.

The pain points – and therefore opportunities – mainly lie in the first and the last mile of the supply chain, particularly for crops coming from emerging markets produced by smallholder farmers. In the first mile, the farmer base is highly fragmented, farmers have low literacy rates, no or little access to technology, poor infrastructure and limited financing facilities. The supply chain is complex with multiple intermediaries in play. In the last mile, customers are increasingly seeking traceable and sustainable products.

Our proximity to smallholder farmers provides a unique opportunity to reach farmers directly disintermediating the middlemen, which would be an impossible task without digital platforms. Through our pilot in Indonesia a few years back, we understood that although services like information on farm inputs or weather were relevant, farmers’ greatest needs were price and off-take: “How can we get better prices for our crop? And who can collect it and pay me on time?” We first validated the business model through a physical trial and received a tremendous response. The farmers who were selling to agents were now able to access one of the largest exporters in the world. And they could see their price realisations were better, retaining more value. The model was digitalised through the apps of the Olam Direct platform.

By the end of 2019, this solution was live in 11 countries. Further, we are employing rural entrepreneurs for first mile logistics. We are using digital technologies to assess product quality, achieve complete traceability and enable smart logistics. Many underestimate how challenging it can be to establish direct buying relationships with farmers in very rural areas. The advance of technology, our understanding of the context, our proximity to farmers and our focus on re-imagining the supply chain quo is beginning to transform in a way that unlocks value for multiple stakeholders.

However, we know that a large part of our volumes will continue to be sourced through our traditional Local Buying Agents (LBA) buying model. In 2019, we introduced a Digital Supplier Engagement app for digitalising our engagement with LBAs. The solution includes an app for LBAs with features that help them make their operations, both buying from farmers and selling to Olam, more efficient and, hence, we see good traction.

We have chosen primarily to focus on building in-house capabilities because for the tech to work, you have to understand the underlying issues to know the problem you are actually trying to solve. You can only do this if you have teams on the ground.

Where else have you made progress?

Our digital initiatives supporting the mid-stream functions are progressing well and, in 2019, achieved significant cost savings. One example is Vega – a mobile-based digital warehouse solution that transforms tracking and decision-making by allowing real-time visibility of operations and goods in remote locations1. Additionally, almost all African factories now have smart motor sensors that automate maintenance monitoring. Looking forward, we aim to deploy more digital tools across our warehouse and scale-up efforts to boost smart factories for the future.
Farmers

First mile

AtSource

Last mile

Customer

Digital Olam – providing solutions and building multi-stakeholder relationships across the Food and Agri chain...

Farming

• Drone image analytics
• Agripal (for enhancing farm worker productivity)
• Smart farms (using sensors & analytics to improve resource efficiency & boost yields)

Origination & Supply Chain

• Olam Farmer Information System (for Sustainability programmes & AtSource)
• Digital Supplier Engagement (for Traceability & Supplier engagement)
• Digital Warehouse (Vega) (improving efficiency of warehouse operations)
• Olam Direct (disruptive direct-from-farmer buying model)
• Farmer Service Platform (FSP) (connecting farmers & service providers)
• Smart Trade (making trade transactions more efficient)

Manufacturing & Innovation

• Smart Factory (use of sensors and analytics to enable Lean factories and increase asset productivity)

Customers

• SMB e-commerce (reaching new customers & reducing cost-to-serve)
• AtSource (B2B industry leading sustainable sourcing platform).

Olam Markets: harnessing digital know-how to improve sales in Africa

Olam Markets was launched in Ghana in June 2019 with two simple goals: 1) establish a channel to empower distributor customers in emerging markets and 2) create competitive differentiation. The unique app enabled order management, paperless account management and efficient access to our product range.

Outreach was highly personalised with a sales team member assigned to provide information and support. The response was enthusiastic, captured by the comment of one grains distributor who described it as “A better way of placing orders. The app provides details on credit limit, accounts and, most importantly, it helps us to review all information about the product before placing the order.”

Within six months, 30% of gross revenues for Packaged Foods, Rice and Grains came through the Olam Markets app.

• High customer engagement: on an average, customers order three times a month via the app (trend data buying habits improves service)
• 964 orders 114 million GHS (~US$20 million) worth of transactions
• Average transaction value: 118,000 GHC (~US$20,660) Olam Markets will expand to Nigeria and other West African countries in 2020.

“We believe that companies that undertake a digital transformation will be the winners in their sector in the long term. Digitisation translates into greater competitiveness and profitability, which will allow these companies to stay ahead of the competition.”

Ricardo Laiseca, BBVA’s Head of Global Finance commenting as one of the banks appointed to the world’s first digital backed loan – where the pricing of the facility is linked to Olam’s digital maturity score, thereby supporting Olam in its ongoing efforts towards digital transformation.

1. Also see page 80
Leadership and Talent

What are the main areas of focus that will help Olam to deliver its strategy?
Our aim is to build an inspired and motivated workforce. As we move forward into the re-organisation of Olam into the OFI and OGA operating groups, with OIL as steward, this will become ever more important.

We were therefore delighted to see our engagement scores showing a significant increase of 5% points in just 12 months. We had worked diligently on the feedback received in our last survey. We have seen a similar increase in our Inspiration Index, plus an increase in favourability scores on all engagement drivers. Our strong focus on Leadership and Talent Management throughout 2019 is certainly one reason for this improvement.

Of course, Leadership and Talent Management is critical for maximising effectiveness towards achieving our strategic goals. From an employee proposition perspective, it is important because it creates confidence with respect to talent attraction, development and succession-planning, propelling a sustainable learning organisation. During 2019, Leadership Development was conceptualised and implemented in the following areas of impact:

- **Succession Leadership** – Building inspirational qualities in senior leaders responsible for driving business vision
- **Performance Leadership** – Empowering critical role holders to outperform
- **First-time Leaders** – Equipping junior leaders to overcome transitional challenges and excel in their first leadership endeavours
- **Future Leaders** – Instilling high potentials with Olam DNA and managing careers
- **Frontline Leaders** – acknowledging and strengthening talent in critical operational roles.

Through the various programmes, we are enabling managers and leaders to inspire their teams towards common organisational goals; equipping them to coach and propel individuals and teams towards stretch achievements and, finally, partnering them to instil a culture of trust and respect for effective teamwork.

Do you think it’s true that companies can only attract talent now if they are Purpose-driven?
Olam’s Purpose – to Re-imagine Global Agriculture and Food Systems – is essential to the future of our sector and therefore to the future sustainability of our business. Employees believe in it. They feel excited, proud and empowered to work for a company that makes a positive difference to farmers, communities and landscapes. Purpose indeed helps us attract first-time candidates, but it’s the overall cultural framework that people need to buy into. Our values also play a big role in attracting the different personalities and skills we need for a profitable business, e.g. we prize Entrepreneurialism and Ownership to Deliver as very distinct Olam values. Our engagement survey showed that while there has been a significant increase in how inspired people feel while working with Olam, the perception on how we live and demonstrate our values has also increased overall. The positive outcome of our actions helped us to achieve Best Employer and Best Places to Work recognitions in Brazil, China, Indonesia, Vietnam and others.

Read more: Human Capital, page 84

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

Our people are Olam’s true competitive advantage. They are the architects of our future, transforming our culture into a unifying force for our global businesses.
The Olam Learning Academy (OLA) strengthens our Human Capital through inspiring a learning culture for growth. The development of Leadership and Talent was a key focus in 2019 with structured programmes.

- **Unlocking Inspirational Leadership**
  - Introduces senior leaders to 32 spiky and unique qualities to strengthen ability to inspire others. Through identifying their individual rockpile of three to four distinguishing strengths, leaders work on developing their personalised leadership brand which allows them to better influence Olamites in times of change.

- **Leading Engaged Teams**
  - Equips Olam managers with awareness of challenges and trade-offs a typical manager encounters in leading teams, and helps them to build habits that will strengthen team engagement.

- **Launch into Leadership**
  - Curated for first-time managers, to boost endeavours in adopting a leader’s mindset, building their management toolkits and developing agility in execution.

- **Incoming talent: Future Leaders Programme**
  - Provides a year-long deep dive into Olam’s value chain through field rotations from upstream farming to downstream consumer packaged foods. The immersive programme also provides a first-hand experience of the matrix structure, as part of Olam’s work culture.

- **Raising Leaders Programme**
  - Nurtures frontline candidates in critical roles, through peer-learning and establishing an invaluable resource network. Preps them for their first managerial role. Covers self leadership, team membership and role delivery.

- **Nurturing Frontline Capability – Graduate Trainee Programme**
  - This immersive programme is three to six months long and involves intensive partnership between HR, LSD and the respective Business Units. The programme facilitates the new entrant’s adaptation into Olam.

- **Empowering Ability to Learn – iQuest**
  - iQUEST is a self-paced, interactive digital learning platform that empowers Olamites to take ownership of personal and team development. On-demand learning materials from across the web provide users with unlimited developmental opportunities. A micro-learning series in the Digital, Operational Excellence, Finance, Leadership and Sustainability (etc.) domains, are conducted across key geographies to propel group learning.

- **Our Values**
  - At the heart of our drive for success, our values are the tangible expression of our corporate culture and the foundation of our shared philosophy.
    - **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 founders of the business.
Manufactured Capital

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

Q&A with Kamesh Ellajosyula, Global Head of Innovation, Quality & Food Safety

Olam has instituted procedures to ensure product safety from origination, manufacturing and production through to warehouses and distribution to customers and consumers.

How does Olam ensure food safety?

We work cooperatively with our suppliers and customers to ensure quality standards are maintained across the supply chain. We work with farmers to reduce residues and other issues that can arise. In our operations, we have implemented quality and food safety systems which include GMP and HACCP with detailed quality control testing requirements covering microbiological, physical and chemical parameters, and where appropriate, a product positive release programme. The majority of our manufacturing facilities have achieved food safety certification under GFSI scheme – GFSI-BRC (AA or A) or FSSC 22000. And we are continuing to get the remaining certified.

Did you undertake any new initiatives in 2019 to improve food safety?

We have continued to implement and invest in enhanced food safety measures across our respective product and manufacturing operations. During 2019, this included performing ‘process validation for microbial pathogen reduction’ in our US onion and capsicum processing plants and implementing revised pathogen environmental monitoring. Additionally, we have invested in technology and upgrades to improve food safety and remove foreign matter IR dryers, for example X-ray and laser sorting in our cashew and hazelnuts facilities.

How does the transportation of crops and commodities impact food safety?

Transportation, storage and distribution are integral to our commitment to the highest standards of food safety and quality across all our operations. Working closely with our supply chain partners, each year we successfully originate, transport and distribute safe, high quality and regulatory compliant products around the world. We have set up a transportation service level agreement with transport companies, which address the risks and quality and food safety clauses in line with BRC requirements. For example, in one of our Business Units we have an established Transportation Vendor Agreement covering all aspects of the sanitary food transportation requirements. During 2019 unique circumstances resulted in a cargo of rice being rejected in Côte d’Ivoire. Food safety is our absolute priority and we continually seek to ensure procedures are as strong as possible.

The start of 2020 saw the outbreak of COVID-19 – has it affected operations?

We are closely monitoring the situation regarding COVID-19 (novel coronavirus), following the guidance provided by the World Health Organization and national authorities. The safety of our employees, customers and consumers is of paramount importance to us. We deferred all travel and introduced strict quarantine rules for employees post travel to high-risk areas. In addition to our standard food safety management practices, as the situation evolves we continue to implement protocols to mitigate any risk to our processing facilities. With our global expertise and multi-origin supply chain capabilities, we are working with customers on contingency plans in order to service their requirements and seek to minimise potential disruptions to their supply.
The Manufacturing Operations, Innovation and Procurement (non-commodity) Function (known as MATS) is committed to playing the most critical role in achieving Olam’s vision of being the most valuable and differentiated food and agri-business by 2040:

a) Achieving industry leading standards in safety, health, sustainability, quality and food safety

b) Enabling Business Unit growth by developing organisational capability in innovation, customer service, planning, and mergers and acquisition

c) Driving capital productivity by increased asset utilisation, superior project management, efficient post-merger integration and working capital management, and

d) Improving cost efficiency by increasing procurement efficiency, optimising manufacturing conversion cost and supply network strategy.

MATS Functional Oversight
In 2019, Olam Cocoa invested in a 30,000m$^3$ quayside terminal within Amsterdam Port Area for bulk cocoa bean storage, using technology for increased efficiency, full traceability and reduced logistics costs. It is powered by solar energy, with the product moved using solar power conveyors instead of diesel trucks, reducing carbon dioxide emissions by 80% and power costs by 30%. It has 6 electric vehicle charge points, LED lighting, and hot water powered by an electric heat pump.

Olam’s aim in reporting against financial and non-financial Capital is to help both ourselves and our stakeholders to better understand how we are creating, protecting and maximising value under each Capital. By viewing them in an integrated fashion, we can also take into account the impact of our operations to avoid ‘trade-offs’. When it comes to Manufactured Capital, not-for-profit organisation Forum for the Future and Keele University uses the following definition: “All infrastructure, technologies and processes make minimum use of natural resources (Natural Capital) and maximum use of human innovation and skills” (Human Capital). In 2019 Olam achieved this by:

**Company-wide commitment to delivering Operational Excellence**

A Strategic Plan enabler, the Operational Excellence programme is a multi-year transformation journey to deliver value from top line growth-led and cost efficiency-led benefits. Martial Genthon, President, Manufacturing, Innovation and Procurement (Non-Commodity) explains more on page 70, Enabling our Strategy, Operational Excellence.

**Investment in digital and technology to turn assets into smart assets**

Businesses, Country teams and Functions such as Olam Digital and Manufacturing Operations, Innovation and Procurement (non-commodity) are working hard to digitally upgrade warehouses, factories and other facilities to improve food safety and quality, speed of delivery, cost efficiencies and overall operational excellence.

One example is Vega – a bespoke mobile based warehousing solution, which enables real-time visibility of operations and the goods in Olam’s custody. The solution automates,
simplifies and monitors movement as well as processing, providing real time tracking of this part of the supply chain. Launched in January 2019 in the Côte d’Ivoire cotton gins, it expanded to the port operations, as well as to Côte d’Ivoire cashew operations, helping to drive procurement across multiple locations and warehouses. Vega is also being piloted by the Indonesia Coffee team.

**Investment in renewables to power operations**

New assets such as the Olam Cocoa terminal and warehouse in Amsterdam include renewable energy where feasible.

In the USA, Olam Spices’ onion plant in Fernley, Nevada is the world’s only onion drying facility utilising direct geothermal power. Naturally occurring superheated steam is drawn up from tube wells and used to dry the onions, reducing natural gas usage significantly. After drying the water is poured back into the ground, thereby ensuring no depletion of the water table and maintaining the natural balance of the local ecosystem.

In large-scale farming operations, power is also required such as for irrigation pumps – the California Edible Nuts team is considering financial models and strategic solar partners to install a photovoltaic system.

Other options are to use waste by-products such as cocoa husks to power boilers. By the end of 2019, 19% of our power was generated by renewables or biomass.

Sometimes, however we also need to look at other options. For example, at the integrated Rice farm and mill in Nigeria, the operations have been relying on diesel generators as there are no power lines for approximately 50 kms on either side of the mill. In 2019, the team commissioned a Liquid Natural Gas (LNG) Generator for meeting the requirement of approximately 1.5 MW for running the mill and site power – the first of its kind in Nigeria.

The LNG Generator not only reduces the power cost by 30% but will also eliminate the need of replacing the old generators which have been running since the mill was commissioned. It has been estimated that the LNG generator will reduce the carbon footprint by about 3,391 MT CO$_2$e.

**Ensuring all assets meet or exceed environmental regulations**

It goes without saying that our licence to operate is based on meeting environmental regulations. This includes emissions, waste water and other matters.

**Investment in skills to handle and protect machinery**

Given the extensive investment in equipment, we must ensure that teams have the required skills to operate and prolong the life span of the machines, and more importantly to ensure that human life is protected. See the Human Capital section on page 90 for examples in skills.

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**Vega – real-time visibility of warehousing**

**Control & Risk Management** – Real-time visibility of inventory and exposure for accurate hedging of risk. Leads to improved margin realisation and reduces value depreciation from ageing stock

**Traceability** – Robust tracking of inventory through various stages of warehouse operations

**Efficiency & Scalability** – Digitisation reduces reliance on key personnel and manual processes in stocktaking, inventory, reconciliation, audits, and sales/export documentation

**Paperless Operations** – Simplified recording and monitoring of operations through handheld devices and reduction of working capital, improving inventory days

**Automated SAP entry** – Real-time and automated SAP data entry for transactions completed through Vega
CASE STUDY

Investing in Manufactured Capital to create and protect Financial, Social and Natural Capital

From tractors to ships, irrigation pipes to grinding machines, we rely heavily on our Manufactured Capital. Here we contrast 2019 investments from Olam Coffee in both South America and Africa for its small-scale farmer origination programmes against Olam Edible Nut’s large-scale almond orchard operations in Australia and California.

Guatemala:

With a major customer significantly increasing volume for the 19/20 season, Olam Coffee added state-of-the-art ovens and eight new dryers to the existing eight dryers in its Guatemala dry mill, doubling capacity. They also introduced differentiated specialty processes – Naturals, Honeys and Washed – marketed as Blue Ayarza.

Brazil:

Each year, around 6,400 farmers in the Chapada Diamantina region of Brazil produce approx. 450,000 bags of coffee. And this is just one sourcing region for the Olam team who are based at buying units around the country. The Olam Coffee Truck Lab is driving deeper connections with farmers. It is equipped with quality testing facilities enabling farmers to negotiate directly with Olam. In 2019, the truck toured 23,000 km and analysed 70,000 samples.

California:

In October 2019, Olam acquired leading Californian almond processor and ingredient manufacturer Hughson Nut Inc. HNI ranks among the top five almond processors in California.

Besides its two primary processing facilities, HNI also manufactures almond ingredients, such as sliced and diced almonds and almond flour in its newly commissioned ingredients processing plant, which also houses steam sterilisation and pasteurisation facilities.

Olam’s Managing Director and CEO of Edible Nuts, Ashok Krishen explained: “Our ambition is to grow Olam’s almond business into a vertically integrated player with a strong upstream presence in Australia and the USA and direct participation in the primary and ingredient processing space that can add value to our customers. We see growing demand from consumers for healthy snacks and healthy plant protein – this is driving growth in new product applications and therefore the demand for almond ingredients, particularly in the USA. Combining HNI’s processing capabilities with Olam’s global network and Edible Nuts expertise will enhance our offering to customers and enable us to meet growing demand.”

Brazil:

Each year, around 6,400 farmers in the Chapada Diamantina region of Brazil produce approx. 450,000 bags of coffee. And this is just one sourcing region for the Olam team who are based at buying units around the country. The Olam Coffee Truck Lab is driving deeper connections with farmers. It is equipped with quality testing facilities enabling farmers to negotiate directly with Olam. In 2019, the truck toured 23,000 km and analysed 70,000 samples.
**Australia:**
Frost is a common phenomenon for almond orchards during winter and early spring which can be a major risk to production. In 2017, the team began experimenting with fans placed 10m high to pull down warm air to mix with the cold air and counteract the frost impact. After a successful trial in 2017, over 300 fans were installed in 2018 and 2019 helping to reduce yield losses by up to 80% in the event of a severe frost.

**Australia:**
The Almond orchards in Victoria and New South Wales cover almost 80 km as the crow flies and data connectivity can be challenging. During 2019, the team began a trial with the installation of a communications mast in one of the orchards. Following successful implementation, more towers will be installed in 2020 under the Smart Orchard Project. This will facilitate current and emerging technologies, as well as a high-speed inter-orchard backhaul network. The masts will enable driverless vehicle technology, remote sensors, and most importantly, improved safety for team members working remotely.

In 2020, the team is also piloting autonomous sprayers which use a combination of GPS, LiDAR, sensors and other attributes, and can distinguish between crop and weeds.

**Uganda:**
Sitting at 1,250 metres above sea level, the new coffee washing station in Uganda serves 840 farmers spread across the higher slopes of Mt Elgon. They bring their selectively hand-picked cherries to the station where they are washed and then mechanically dried. Waste-water is carefully treated on site and applied to plantain crops and demonstration farms in the local area.

**Colombia:**
The Antioquia region produces 14% of Colombia’s coffee and is the second highest producer in the country with around 2.4 m bags. Inaugurated in 2019, Olam Coffee’s new mill is strategically located, providing easy access to the Southwest zone of Antioquia where 65% of the total coffee of Antioquia is grown, giving ~80,000 farmers in the region access to an international exporter and connecting customers to quality coffee.
Human Capital

The talent, skills and inspiration of our workforce, and our responsibility to provide them with a safe and healthy workplace where rights are respected.

How will the HR function evolve under the re-organisation?

To date, this re-organisation is our strongest show of intent to re-imagine Olam and unlock more value for our next phase of growth. A simple analogy is to think of OIL as the ‘parent’ and OFI and OGA as the ‘next-generation’. While sharing the same culture and values, each ‘child’ will be empowered to find its own voice and chart its own future, while ensuring the ‘family unit’ continues to progress together.

Our job as HR is to help shape the ideal operating and organisational mindset, process and structure. In this case, we are moving from a focus on extracting the best within each Business Unit separately, to one that enables Business Units to coalesce around the strategic priorities of OFI and OGA. What doesn’t change is our focus on ensuring we have the right people in the right positions with the right resources to push on in this new and exciting era for Olam.

What are your priorities for this year?

Overall, the next six to nine months will see significant efforts to empower OFI and OGA to re-organise along their strategic priorities. This means working with our business leaders to further define the leadership structure, optimise manpower and resource allocation, developing an operating model that not only improves existing systems and processes but does so in a way that is best suited for each entity.

In the case of OFI, one overarching priority is to realign to better deliver customer-centric solutions and foster a strong collaborative culture so employees can thrive while focusing on safety and innovation. For OGA, we will further sharpen our forward strategy and operating model to maximise our business outcomes while continuing to emphasise engagement with our employees.

How will you maintain Olam’s culture?

The Olam Way is fundamental to our success. Whether OFI, OGA or OIL, the way we move forward together towards our vision is through a strong unifying culture. These comprise firstly, being entrepreneurial; secondly, demonstrating a high level of stretch and ambition; and thirdly, taking ownership of our work.

Even as we undergo this re-organisation, we have a strong core of leaders who have grown with Olam, identify with our shared culture, have a clear idea of what Olam wants to be and how we will get there. This is how we will become the most differentiated and valuable global food and agri-business by 2040.

George Joseph,
Chief Human Resources Officer, OFI

Sriram Subramanian,
Chief Human Resources Officer, OGA
At the start of 2019 we set about re-imagining recognition and creating a culture of appreciation in Olam, which culminated in WOW being launch in June. WOW stands for ‘Winning the Olam Way’ – an important initiative directly born from our previous engagement survey at the end of 2018. We realised there is a clear imperative for everyone at Olam to show more appreciation to each other, to value the contribution of team members beyond pay and benefits, and reinforce our shared values and behaviours aligned to delivery of the Strategic Plan.

WOW aims to make recognition more frequent, inclusive, timely and, most importantly, more visible. More than 20 countries began programmes in 2019.

How we create Human Capital by addressing our Sustainability Framework Material Areas

<table>
<thead>
<tr>
<th>Safe and Decent Work</th>
<th>Nutrition and Health</th>
<th>Diversity and Inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Training for employees and workers on:</td>
<td>• Access to sufficient safe and hygienic source for food and water during working hours</td>
<td>• Diversity including, but not limited to race, ethnicity, country of origin, gender, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs, or other ideologies on gender, age, ethnicity and other ideologies</td>
</tr>
<tr>
<td>• Employment laws, workplace rights and human rights</td>
<td>• Specific nutrition and health needs, especially those engaged in hard physical labour or pregnant women are taken care of</td>
<td>• Equal opportunities / inclusion to reach potential</td>
</tr>
<tr>
<td>• Health and Safety practices</td>
<td>• Employees are educated on importance of hygiene</td>
<td>• Working conditions to support different life and career stages</td>
</tr>
<tr>
<td>• Working conditions</td>
<td>• Employees are educated on importance of nutritious and healthy food habits</td>
<td></td>
</tr>
<tr>
<td>• Awareness sessions for top management in major countries on Olam’s commitment to Fair Employment Practices; concepts relating to Human Rights and Workplace rights; and monitoring and recordkeeping methodology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Child labour monitoring (own operations)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Level of impact may vary according to supply chain.
In 2018, you launched a Global Fair Employment Policy with a road map – what progress have you made?

The Global Fair Employment Policy was adopted in 2018. At the broadest level, the policy reaffirms Olam’s commitment to adhering to national laws and interventions related to protecting employee rights and providing a welcoming workplace that values diversity. 87,600 people globally deliver our products and services and it is our duty to provide Safe & Decent Work – one of the 10 Material Areas in the Sustainability Framework.

The policy is aligned to our ethos of growing responsibly and is in full compliance with the conventions of the International Labor Organization (ILO) and United Nations Global Compact’s (UNGC) guiding principles on human rights and labour. It focuses on six key areas: the prohibition of child and forced labour; workplace conditions; wages and benefits; diversity and inclusion; workplace health and nutrition; freedom of association and right to collective bargaining.

In the first half of 2019, we audited our significant work locations on adherence to the provisions of the policy. A comprehensive checklist covering 72 line items across the six defined standards was used to self-audit over 100 locations employing more than 100 people. The audit findings were shared with senior management and the Board.

All operational units comply with Level One of the compliance standard across the six areas. While no critical non-compliance issues were observed overall, gaps identified in terms of monitoring and control aspects are being addressed by country management. Over the course of the year we also investigated and addressed some reports related to non-compliance investigated. Going forward, we aim to audit all such locations under a two-year rolling cycle, and critical provisions of the policy have also been included in Olam’s Integrated Assurance Framework to ensure they remain organisational priorities. During the year, over 1,600 employees were trained on human rights principles.

Empowering women through vehicle training

Traditionally, strict gender roles in rural areas have inhibited economic female potential; at the NCCL coffee estates in Zambia, Olam has been challenging stereotypes. Since 2016, over 80 women have been trained in tractor and commercial vehicle operations – with the result that tractors and farm equipment operated by women have lower repair and maintenance costs.

An independent social anthropologist studied this initiative and concluded that “Women tractor drivers are the most advanced group when it comes to household budgeting and boosting village savings schemes. They are the ones re-investing the most back into their own communities... this initiative has created pressure on traditional leadership to accept better gender representation in community leadership”.

Meanwhile, Gabon Special Economic Zone (GSEZ) is running an extensive project to recruit women to be crane, dumper truck, excavator and other vehicle operatives. Backed with a major communication campaign and funding from CDC Plus, the project aims to create a critical mass of female drivers (50+) that would encourage other women to consider driving as a profession and invest in getting a driving licence and apply for driving jobs.

What progress have you made on the implementation of your diversity strategies?

In the past 12 months we have made headway on two key areas: the replacement of expat managers with national talent, and gender diverse policies.

Traditionally, as Olam has expanded into Africa and Asia, we had recruitment challenges for managerial roles, given that agri operating locations are usually rural areas with very limited infrastructural facilities. Emerging market locations being particularly challenging.

So, the roles were often filled by expats with the right experience. A few years ago, we only had around 10% of nationals in managerial roles but now we have reached about 40% in large operating countries like Nigeria and Côte d’Ivoire. Three of our managing directors in the region are African nationals. We have achieved this by ramping up recruitment drives; working with teams to identify and overcome unrecognised biases; and identifying talent sources (for example by mapping other organisations). All major countries now also run graduate trainee programmes so that we attract talent, retain talent and advance talent in every country.

In terms of gender diversity, there is a shortage of women at the top. Like other companies in the agriculture and trading sector, there are historical biases for male dominated roles. Couple this with strong retention rates and the Business Unit leadership opportunities for women have been light. We are now taking steps to address this:

- Leadership mentoring for high potential female managers
- Ensuring recruiters put forward at least 30% of female candidates
- Training for recruiters on unconscious bias
- Establishing more family friendly workplaces – changes in maternity policies were made in UK and Australia, with USA in 2020. We are also looking at paternity leave
- Establishing a diversity governance committee.

Aside from gender diversity policies we know we also need to address disability inclusion. We will begin with urban locations and ensure that offices are accessible. We will then look at how we can make more rural locations attractive to potential candidates.

“In 2020, we will continue nutritional reviews of workplace meals in countries that face a high burden of malnutrition.”

What efforts do you make around good Nutrition and Health for staff?

At Olam, our employee base varies significantly in terms of local context. For example, we have operations in the heart of California food production, which has running water, sanitation and access to a wide range of food stuffs. Compare this with villages where many of our workers live near our coffee estates in Tanzania and Zambia, and palm in Gabon. They have very limited connection to public services. So, we have invested in clinics, hospitals, water pumps and a Healthy Living Campaign which reached 215,650 people either working for Olam or living in the communities where we operate. This included sensitisation, testing and treatment for Neglected Tropical Diseases and HIV.

Across our plantation estates, which are huge in scale and very rural without municipal sewerage infrastructure, we have invested in sanitation facilities in accordance with the UN WASH standard. Our Aviv coffee estates in Tanzania identified this led to an increase in worker efficiency from the ripple effect of healthier and happier employees.
Within offices and processing facilities, country teams run specific initiatives. Ghana had a successful ‘30 Days of Wellness’ campaign where employees were encouraged to take part in thematic well-being days like ‘Veggie Tuesdays’. The campaign culminated in a health education and sports day. Impressively, 70% of the colleagues who challenged themselves to reduce their BMI successfully did so. In Australia, skin cancer awareness kits have just been issued to employees while in the UK an Employee Assistance Programme offers support including mental health.

**What else can be done to help support employees on minimum or basic wages, particularly in emerging markets?**

In numerous countries we have operations in very rural areas where many people have never had jobs before. We complement the basic wage in many other ways: investment in villages is one way we can improve workers’ lives over the long-term, such as schools and infrastructure. Equally, one of the largest expenses rural families face is that of food. For example, in our study completed for the Aviv coffee estates in Tanzania, we found that the cost of nutritious food accounts for 63% of household monthly expenditure.

In 2019, we analysed the nutritional quality of the midday meal provided to all workers at the estates. For some, this may be their main meal of the day, so ensuring it is balanced and good quality is crucial to their health, well-being and their productivity. While providing important calories, it was lacking in some crucial micronutrients needed for good health. Based on this analysis, Olam is rolling out new menus that improve the contribution this meal makes to an overall healthy diet. It should translate into reduced out-of-pocket costs for a nutritious diet by up to 28%.

In 2020, we will continue nutritional reviews of workplace meals in countries that face a high burden of malnutrition; similar projects are already underway in our cashew business in Côte d’Ivoire. The aim is to quantify our contribution and improve the nutrition and well-being of our workforce overall.

**At the start of 2019, you announced that some businesses and assets are to be deprioritised. How do you approach this with employees?**

It’s obviously difficult for any employee to find themselves in this situation. Our endeavour has been to work closely with employees and team management, being clear and transparent in our communication. We continue to support the businesses to make any transition as smooth as possible. Our first priority was to find internal opportunities for those affected. We have been able to redeploy a good number of people from the Fundamental Fund and Sugar Trading Desk, thus limiting redundancies as far as possible. For those we were unable to offer another role, we provided support counselling and career guidance as part of a fair severance package. The Business Unit heads of the remaining businesses recognise the importance of maintaining staff morale. This year CIB, our Wood Products business in the remote forests of the Republic of Congo, celebrated its 50th anniversary and they continued to invest in the development of national talent, particularly in technical capability. External experts trained maintenance employees in hydraulic engineering, as well as the Finance team in improved budget control, new finance law, tax controls and foreign exchange controls.

2. See also Social Capital page 100 on Neglected Tropical Diseases
In the numbers

Our workforce (%)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>62,500</td>
<td>69,700</td>
<td>72,100</td>
<td>74,500</td>
<td>87,600</td>
</tr>
<tr>
<td>Women</td>
<td>35,000</td>
<td>40,500</td>
<td>38,000</td>
<td>40,800</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Women</td>
<td>30</td>
<td>29</td>
<td>29</td>
<td>29</td>
</tr>
</tbody>
</table>

Primary workforce by gender (%)

Primary workforce by region (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Americas</td>
<td>12</td>
<td>11</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Asia/Aus/ME</td>
<td>23</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Africa</td>
<td>61</td>
<td>58</td>
<td>56</td>
<td>54</td>
</tr>
</tbody>
</table>

Primary workforce by gender and region in 2019 (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>Asia/Aus/ME</td>
<td>52</td>
<td>48</td>
</tr>
<tr>
<td>Americas</td>
<td>72</td>
<td>28</td>
</tr>
<tr>
<td>Europe</td>
<td>68</td>
<td>32</td>
</tr>
</tbody>
</table>

1. Secondary includes seasonal, contract and temporary workers
2. Data not collected by region in 2015
CASE STUDY

Investing in Human Capital in Vietnam for a motivated and skilled workforce

Over 20 years we have grown exponentially in Vietnam. With high agricultural productivity, the country is a critical origin for Robusta coffee, cashews, black pepper and rice. Thanks to a business-friendly regulatory environment, and low energy and labour costs, it is also cost-competitive for the production of value-added ingredients.

Today Olam Vietnam Ltd employs over 4,000 people in our primary workforce and over 2,500 people in our secondary and, in 2019, was named one of Vietnam’s best employers as part of the Aon Best Employers global certification.

Ensuring we have the right people in the right roles

Maintaining high standards of product quality depends on combination of equipment and the naked eye – literally picking out coffee beans and cashew nuts from the conveyor. In 2019, the team introduced the ‘Bead Segregation’ test when recruiting and to retest current employees for their sorting efficiency. Following implementation of the eyesight, hand-eyes coordination & concentration test, productivity has gone up by 22% in the handpicking sections.

Spicing up skills with ‘Plant Doctor’ training

In June 2019, an international NGO, CABI, partnered with the black pepper estates team to upskill local field staff to become ‘pepper plant doctors.’ Training includes identifying nutritional disorder symptoms and suitable control measures for pests and diseases. The plant doctors will then guide teams on the estates, and the knowledge will also be shared with the smallholder farmers in the Olam Spices’ Clean Pepper programme.

Re-imagineers generate both ideas and connections in Vietnam

“In 2019, more than 20 Re-imagineers from Finance, Agronomy, Procurement, Manufacturing, Quality Control, and Engineering led brainstorms with 1,400 employees, many of whom have a family link to agriculture. Two of the ideas submitted made the Top 25 selected by the Advisory Committee, with ‘Olam Town’ getting backing by an OpCo sponsor! The experience created an environment of openness and belonging, especially for employees who rarely interact with senior colleagues. We also received ideas related to business improvement, which we have implemented. We’ll definitely be continuing to re-imagine together.”

Mukesh Kumar, Spices Processing Facility Manager, Vietnam

90 Olam International Limited Annual Report 2019
Nurturing our female workforce pre and post pregnancy

We employ 2,600 women in our primary workforce and also in our secondary teams, particularly in cashew processing roles. In 2019, new policies were introduced to accommodate better childcare responsibilities. About 95% of the female employees who took maternity leave returned to work post the leave period, compared to 87% the previous year.

Flexibility in decision-making resonates on Future Leaders Programme

Hi Phuong Tran had a busy first 6 months when she joined the Olam Future Leaders Programme in July 2019. Four rotational positions saw her working in coffee origination in Uganda; biscuit manufacturing and distribution in Ghana; grains trading in Singapore and, in Vietnam, she has been based at the black pepper estates and is now in the Mekong Delta on a 3-month project to assess the rice value chain.

“I didn’t know about Olam until a head hunter started discussing the Future Leadership programme. The more I researched, the more I felt Olam is a company that I really want to work for. My biggest learning is how to be flexible and have an open mind. By this I mean being receptive to new ideas, new perspectives of how we look at things to arrive at better business solutions. As we have broad coverage in terms of agricultural products and geographies, this offers synergies and learnings across Business Units. For example, there are practices used in coffee that can also be used for pepper and vice versa. I didn’t realise how much it takes to get products like coffee and spices from the farm to our dinner table every day!”

Gender mix to support sustainable growth

In Vietnam, we employ more than 2,500 permanent employees in our cashew business. 70% of the total employees are female and lead our operations in various capacities. We believe that this gender diversity mix along with strong talent pipeline has been the key to our sustainable growth.
Safety and Health are fundamental to life and hence it is of paramount importance to keep our people safe and healthy at work and is non-negotiable at Olam. Considering the nature and scale of Olam’s operations, ensuring safety of our people becomes even more crucial. We have facilities comprising plants, plantations, warehouses and offices which are spread across more than 60 countries, employing 87,600 permanent, seasonal and contract employees.

Our efforts in the past were largely focused on our midstream facilities i.e. large manufacturing plants resulting in a steady improvement in performance. We are now casting our net wider to our upstream and supply chain (primary processing and warehousing) parts of our business. In 2019, we launched “An Even Safer Olam” safety campaign to embed a “Zero Harm Culture” across the company, with a primary aim to protect our people through Leadership & Commitment, Structure and Process & Actions.

- For Leadership and Commitment, the support from senior management is key to achieving our safety goals. Our Group CEO reviews investigations of all serious incidents with the line management to understand the causes, implement actions to prevent recurrence and hold people accountable. Further to reinforce the importance of safety, every month, one of our senior leaders provides a leadership message on safety which is communicated widely across the organisation.

- For Structure, we have a safety organisation in place at global, regional and local levels to advance a “Zero Harm Culture”. This team of specialists provide the requisite expert advice to the line management.

- For Process and Actions, we conduct monthly reviews and publish safety performance across business units and countries to improve transparency. Further, we regularly conduct safety training programmes to address high risks and hot spots that emerge. In this regard, we have conducted 13 workshops where 300+ colleagues participated.

In 2019, Lost Time Injury Frequency Rate (LTIFR) at Tier-1 facilities i.e. large manufacturing plants improved by 28% from the year prior which exceeded our set target. We have several plants with zero lost time injuries for over one-year and our Tomato Paste plant in Ghana, has reached a straight eight-years of zero lost time injury record. During the year, safety reporting from Tier-2, 3 and 4 facilities comprising upstream operations, primary processing plants, warehouses and offices have been strengthened and we now have a baseline to track progress going forward.

Despite our very best efforts, we could not prevent four fatalities in 2019. While this is a sharp drop of 60% from the previous year, we will only be content with zero fatalities.

Addressing safety, like any cultural change, takes time but it must be a continuing and relentless pursuit. Changing attitudes and perspectives on safety is imperative – much of our value is driven by human capital and keeping our people safe is non-negotiable. “Zero harm” will be the only acceptable objective in our safety efforts and we will be doing everything we can to achieve this.

**Lost Time Injury Frequency Rate**

```
<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.43</td>
<td>0.31</td>
</tr>
<tr>
<td>2017</td>
<td>0.31</td>
<td>0.29</td>
</tr>
<tr>
<td>2018</td>
<td>0.29</td>
<td>0.21</td>
</tr>
<tr>
<td>2019</td>
<td>0.21</td>
<td>0.21</td>
</tr>
</tbody>
</table>
```

Target 2019: 0.23, a 25% reduction over 2018; Actual 2019: 0.21, a 28% reduction over 2018
## Goals dashboard

**Sustainability Framework Material Area – Safe and Decent Work**
SDG 3.6, SDG 8.8

### Eliminate serious incidents

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>By end of 2020</td>
<td>Reduce Lost Time Injury Frequency Rate (LTIFR) to 0.3 in Tier 1 processing facilities</td>
<td>Ahead of target</td>
<td>Page 92</td>
</tr>
<tr>
<td>Ongoing</td>
<td>Reduce LTIFR for Tier 2 operations (plantations, forest concessions, farms; processing; cotton gins and sawmills; infrastructure business and R&amp;D centres)</td>
<td>On track</td>
<td>Page 92</td>
</tr>
<tr>
<td>Ongoing</td>
<td>All locations routinely report unsafe acts and unsafe conditions, and near misses</td>
<td>On track</td>
<td>Page 92</td>
</tr>
</tbody>
</table>

**Olam complies with International Labour Organisation (ILO) Principles**

| Ongoing         | No moderate or severe breaches of compliance reported or observed in audits | On track         | Page 86  |

**Diversity strategies are implemented**

| Ongoing         | Replace expat managers with national talent and improve gender diversity | Ongoing          | Page 87  |

### Sustainability Framework Material Area – Nutrition and Health
SDG 3.3

**Ensuring Olam operations meet, as a minimum the Olam Water, Sanitation and Hygiene (WASH) Standard**

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>By end of 2020</td>
<td>100% of Olam’s direct operations are compliant with the Olam WASH Standard</td>
<td>On track</td>
<td>Page 87</td>
</tr>
<tr>
<td></td>
<td>Olam Healthy Living Campaign reaches 250,000 people, including worker and community beneficiaries of health, water and sanitation infrastructure, health education campaigns, HIV testing, health check-ups, access to insurance initiatives, and similar services</td>
<td>On track</td>
<td>Page 87</td>
</tr>
</tbody>
</table>

1. See page 130 for the Olam Sustainability Framework with the 10 Material Areas.

Social Capital

The relationships we forge and nurture for long-term commercial success

Q&A with Julie Greene, Vice President, Corporate Responsibility and Sustainability

Olam primarily views Social Capital in terms of the communities where we operate and particularly our farmer suppliers – commercially critical relationships for volumes.

How would you define Social Capital and why is it important to Olam’s strategy?

Social Capital represents the range of abilities, means and relationships that enable people to improve their livelihoods and wellbeing. However, poverty and infrastructure challenges in emerging markets mean that we need to redesign farming and food value chains so that all players profit fairly from their work. We also need to re-vitalise rural communities so that the people who produce food, feed and fibre can live well. These are the first two outcomes of our Purpose to Re-imagine Global Agriculture and Food Systems. In Africa, this also extends to consumers buying our packaged food products – how we are contributing to the country’s health and wellbeing. Our goals and targets for five Material Areas provide our over-arching framework (see table opposite). Around 100 Social metrics1 are incorporated into AtSource Plus and Infinity improvement programmes.

Our partnerships and collaborations with customers, development finance institutions, NGOs, governments, scientific foundations, foundations and others are essential in helping us to deliver impact against all of our Material Areas and metrics. In our farmer sustainability programmes alone, we have over 50 partnerships.

Where have you seen significant advances under Economic Opportunity?

2019 saw one of the biggest increases we have recorded in smallholders joining sustainability programmes – an uplift of 66% to reach a total of more than 741,000 farmers, with farms covering 1.38 million hectares. We focus on helping them to get more crop from the same land, at a better quality and therefore better income.

Through Olam Direct, we have also been able to disrupt the supply chain and help farmers retain more value of their crop2, as well as catalyse wider community employment opportunity. One of the big debates is how to ensure a living income for farmers, especially when prices are low. Olam Cocoa has committed to a living income target, while Olam Coffee has advocated for a Price Stabilisation Fund. More widely, we are supporting crop diversification and savings initiatives. At an industry level, we continue to participate in multi-stakeholder platforms such as Climate-Smart Agriculture3, Sustainable Rice Platform and, in 2019, Olam Cocoa pledged support to the Just Rural Transition.

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1. Core and additional 
2. See Enabling our Strategy: Digital on page 74 
3. As part of the WBCSD Low Carbon Technology Platform Initiative
How we create Social Capital through addressing our Material Areas

<table>
<thead>
<tr>
<th>Economic Opportunities</th>
<th>Safe and Decent Work</th>
<th>Education and Skills</th>
<th>Nutrition and Health</th>
<th>Diversity and Inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved income through • Training and extension services for crop, fish and poultry farmers • Access to finance, agri-inputs, climate-resilient seeds, and labour-saving tools and equipment • Business management training • Market information systems • Support to farmer collectives • Living income gap analysis and improved value distribution back to farmers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving working conditions and rights in supply chains through • Training on safe farming practices • Information to farmers and workers on labour rights • Child labour monitoring and remediation • Promotion of formalised labour contracts in supply chains • Olam Supplier Code • Grievance mechanism</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasing access to channels to improve knowledge and skills through • Rural service centres and extension staff networks where farmers can seek advice • Digital channels for agronomic guidance • Vocational traineeships • Peer education • School materials, equipment and infrastructure • Scholarships • Supporting rural farmers’ children to obtain birth certificates to facilitate access to school</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving people’s health and well-being through • Fortification of consumer food products • Support for food crop and vegetable production • Information campaigns in farming communities and factories on health, hygiene and nutrition • Mobile medical screenings in rural areas • Water and health infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving women’s representation and empowerment through • Specific support to women to improve resilience e.g. gender specific training • Savings and loans groups and income generating activities for empowerment • Gender-sensitivity workshops in communities • Boosting women’s representation and leadership in cooperatives • Promotion of wage equality in supply chains • Advancing access to land for women and youth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Level of issue may vary according to supply chain. Those highlighted in bold were also particularly important in 2019 to our stakeholder ecosystem such as NGOs, customers etc.
Several sector reports on child labour were published in 2019 – how is Olam tackling this ongoing problem?

We have very clear policies on all human rights and labour issues in line with the UN Global Compact and International Labour Organization. But these issues are typically bound up in challenges of poverty among our third party farmer suppliers and, in the case of child labour, lack of school infrastructure, teachers and transport. There’s also a difference in children undertaking light work to support their family after school, and labour which deprives children of good health, development and education. Olam’s Cocoa Compass explains these differences well in its ambition to eradicate child labour from its supply chains. We’re also looking more closely at types of intervention and impact – the Olam Integrated Impact Statement will help with this.

Our partners also bring expertise. For example, we have reported for several years on the challenges in hazelnut harvest in Turkey due to farmers employing a large migrant workforce travelling with their children, and the joint efforts undertaken with a major customer, peer and the Fair Labor Association (FLA) to drive better working conditions. The FLA has published Independent External Monitoring reports regularly since 2013. Last year, they decided to go beyond traditional social compliance audits, and conducted a Social Impact Assessment study to identify “the interventions and strategies that are effective at upholding fair labour standards and improving living conditions”. They found that summer schools had the most impact in reducing child labour: “The assessment recorded a five-year low of 6% of children working in the hazelnut gardens, in comparison to 22% in a control group.”

However, the report found that “labour issues covered during training, such as wages, working hours, and employment contracts have not yet achieved their desired result, in part, because they are not under the control of a single actor... Government interventions alongside business practices is critical to address chronic issues including wages, working hours and employment contracts”.

In hazelnuts and other high-risk products we will continue to implement mitigation measures, monitor and assess impact, as well as engage with stakeholders to address issues beyond our direct control.

In 2019, Olam signed up to the UN Global Compact’s Women’s Empowerment Principles – how are you supporting women?

Whilst we act on the Principles in both our own and third party operations, let’s take Principle five as a case in point: “Implement enterprise development, supply chain and marketing practices that empower women”.

We recognise women often face greater challenges accessing training, finance and land, and struggle to have an equal voice in decision-making for their household farms or in producer cooperatives. Since 2012, we have seen a consistent uplift in the number of female farmers in our sustainability programmes, boosted by our efforts to encourage women farmers’ registration in cooperatives and representation in leadership positions. We strive for women to have equitable access to trainings, taking into account, for example, timing constraints due to their other activities.

We conduct gender-sensitivity workshops in communities to help shift perceptions of men and women and their rights, reaching 153,000 people in 2019. In Ghana cocoa, we prompted men to participate more in household chores through awareness-raising of women’s disproportionate burden of household activities.

We help women to be financially empowered through access to banks, savings and loans facilities, and land. In Côte d’Ivoire cotton, we help groups of women form Village Savings and Loans Associations (VSLAs) enabling 939 women to save over US$22,500 in 2019, which they invested to create 104 income generation activities and reinforce 129 previously created. Through outreach to community leaders, 224 women were able to access land and farm cotton under their own names – a significant step in a region where traditionally only men may manage cotton farms. In 2019, the UK’s Daily Telegraph published an article on sustainable cotton following a visit with the Olam team to the Women’s Farming Association of Tchewelevogo. They are producing cotton to Better Cotton Initiative and Cotton Made in Africa standards.
We also help women access markets, such as through the development of Café Delas, a specialty coffee in Brazil produced solely by women. From sales of this specially-branded coffee, Olam invests back in initiatives that promote gender equality and empower women in the field.

Read more: https://www.olamgroup.com/products/confectionery-beverage-ingredients/coffee.html

Are you seeing enough progress in terms of farmers being food and nutrition secure?

No. And this is why we introduced Nutrition and Health as a Material Area in 2019:

• **For farmers/farmer groups** – covers nutrition training; provision of food crop seeds; building of water wells; equipping rural health clinics; running rural nutrition and health campaigns.

• **For our workforce** – improving the nutrition of workplace meals (to improve productivity and workforce engagement but also to make a bigger contribution to their overall diet); healthy eating awareness; vaccination and health campaigns – see also the Human Capital section.

• **Within our products** – continuously improving the nutritional quality of the end products we are putting into the food system. For launch in 2020, we have also drafted a Responsible Marketing Policy which has opened dialogue around how we can use our marketing communications to increase consumer demand for healthier, more sustainable diets.

At an industry level, we participated in a number of initiatives including being a co-author to the WBCSD’s Food Reform for Health and Sustainability (FReSH) White Paper. We’re now working on a defined Nutrition and Health strategy for 2020 with additional specific goals. It will leverage more data insights and analyses, at a larger scale. Much of 2019 was about laying the groundwork for the big shifts ahead.

How do you manage relationships with communities around your operations?

In many of our locations, especially plantations in rural communities, Olam has dedicated community engagement personnel. They follow protocols in the Living Landscapes Policy, particularly with regard to Free, Prior and Informed Consent. As part of our social licence to operate, we invest significantly in infrastructure for emerging markets like street lighting, clinics, wells and schools. When Cyclone Idai struck Mozambique we donated US$250,000 to the relief effort around the Edible Oils factory, as well as continuing to support the Indonesian community of Palu following the 2018 Tsunami. Sometimes, however, there can be communication challenges which we do our best to resolve. In 2019, these included:

• Reports in the Nigerian media that farmers were protesting about Olam importing maize for animal feed instead of procuring locally. The Animal Feed & Protein business has consistently prioritised buying maize (corn) and soybeans from Nigerian farmers

• A petition alleging land grabbing and a failure to fulfil promises to support local villages against Olam’s Palm operations in Gabon. We published a full response refuting the false allegations alongside photographs and maps.

• Allegations of encroachment from villagers near the Sumber Manis Sugar factory development, Indonesia. The team liaised with the community, showing the GPS mapping and boundaries confirmed by local authorities.


3. See Olam Supplier Code, Olam Living Landscapes Policy, Olam Code of Conduct

4. See also UK Slavery and Human Trafficking Statement: https://www.olamgroup.com/locations/europe/united-kingdom.html


6. Page 131


Data + Boots on the Ground = Action:
Social Metrics in AtSource Plus

Quinoa is a highly nutritious food, with a good source of proteins, unsaturated fatty acids and minerals. It is primarily grown in the Andean mountains of Peru and Bolivia. We source white, red and black varieties from small-scale farmers. Each has a particular flavour and aroma.

In 2018, we acquired Inversiones Andinas J&V S.A.C for origination, processing, packaging and marketing of quinoa and chia, adding new adjacent products to our Edible Nuts portfolio. As quinoa is grown by farmers with limited income, there is a need for support. In 2019, the Peru team completed the AtSource Plus baseline data for five farmer groups, each with around 200 small-scale farmers.

A key aim for the team is that farmers have access to knowledge, whether about production or accessing the best price. At a dedicated Olam training centre in Puno, Olam agronomists and technicians train farmers on sowing, as well as organic crop maintenance and harvesting. Several tripartite agreements in North Peru with the local authority, municipality and farmer groups are helping farmers to access government grants to invest in organic quinoa production. Other initiatives include provision of dental awareness and frequent check-ups for the farmers’ children, as well as nutritionists educating farming communities about the health benefits of quinoa and chia.

In the graphic below are a selection of AtSource Plus ‘metrics that matter’ to ensure these communities can thrive. In the coming years, customers accessing the data will be able to see trend impact data, in line with Continuous Improvement Plans.
In the numbers

**Economic Opportunity**
Smallholders in sustainability programmes

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers</td>
<td>34,500</td>
<td>302,550</td>
<td>363,000</td>
<td>445,900</td>
<td>741,000</td>
</tr>
<tr>
<td>Hectares</td>
<td>657,500</td>
<td>671,800</td>
<td>867,000</td>
<td>1,030,000</td>
<td>1,380,000</td>
</tr>
</tbody>
</table>

**Diversity and Inclusion**
Women economically empowered within our supply chain

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>67,700</td>
<td>55,200</td>
<td>61,500</td>
<td>81,800</td>
<td>98,300</td>
<td></td>
</tr>
</tbody>
</table>

Chart refers to the number of female farmers in sustainability programmes. We can also include women in our primary and secondary workforce.

**Nutrition and Health**
Employees and communities reached under the Olam Healthy Living Campaign*

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>190,000</td>
<td>63,200</td>
<td>202,350</td>
<td>216,650</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* 2015: goal set

**Nutrition and Health**
Increasing availability of micro-nutrient fortified foods (servings in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.1</td>
<td>26.0</td>
<td>68.0</td>
<td>44.5</td>
<td>49.4</td>
<td></td>
</tr>
</tbody>
</table>

olamgroup.com
CASE STUDY
Creating Social Capital Value in Nigeria

30 years ago Olam CEO Sunny Verghese began to export cashew from Nigeria – our very first operation. In the country today, we have a team of more than 10,700 people, engaged in sourcing, processing, marketing and distribution. Export products include cashew, cocoa and sesame. We are supporting more than 55,000 farmers in sustainability programmes.

We import wheat for processing into flour, pasta and noodles. Also for the domestic market, we have an integrated rice farm and mill; a wide portfolio of packaged foods for consumers; and a poultry and aquafeed business.

125% increase in rice yields through partnership
In the 2019 Concordia P3 Impact Award entry for the Commodity Alliance Forum which supports rice smallholders (finalist), the UN International Fund for Agricultural Development (IFAD) stated that the farmers indicated a preference for Olam as off-taker: "In addition to Olam’s perceived trustworthiness, the farmers were drawn to Olam’s terms of engagement consisting of cashless credit, co-financing for extension services, provision of proximate collection/aggregation centres 15km radius to production clusters. Olam’s willingness to systematically engage with small-scale farmers and the flexible pricing mechanism that guarantees a fair minimum price are also very attractive elements of the deal to them."

Results: in three years, rice yields increased by 125% and thanks to improved storage facilities, post-harvest losses reduced by 70% and tripled farmers’ income. Further, 5,000 women reported improved quality of their diets, eating three meals per day against a baseline of two meals per day.

Material Area: Economic Opportunity

Olam Animal Feeds & Protein (AFP) and Olam Cashew join forces to sponsor elephantiasis surgery
Lymphatic Filariasis (LF) is a Neglected Tropical Disease (NTD) spread by mosquitoes. In advanced stages, it can result in extensive swelling (elephantiasis). Besides the pain, people can suffer social stigma, and are often unable to work.

At the Ilorin fish feed manufacturing facility, Olam nurses were trained by a team from Kwara State Ministry of Health in NTDs. By the end of December more than 200 workers, had been treated for river blindness and LF. Sixteen AFP employees were also trained as volunteer Community Direct Distributors to assist in the administration of treatment in the surrounding communities as part of the Ministry’s volunteer force. Knowing the importance of clean water to overall health and to the control of NTDs, in June AFP also installed a mechanised borehole for the community. The AFP and Cashew business joined forces to sponsor life-changing surgery for five elephantiasis sufferers. This work was facilitated by Olam’s global partnership with the END Fund, a private philanthropic initiative that aims to control and eliminate NTDs that affect over 1.7 billion of the world’s poorest people.

Material Area: Nutrition and Health
Training farmers to understand what constitutes child labour

Due to poverty or labour shortages, child labour can be a risk. In 2019, the Cashew team trained 2,500 people to raise awareness of child labour. The preliminary results indicate an increase in children attending school and the community is better informed on child labour concerns. Farmer groups must sign the Olam Supplier Code and understand its clauses concerning labour rights and working conditions. To reduce the labour burden and improve farming conditions, Olam Cashew also distributed 600 farm tools to farmers.

Material Area: Safe and Decent Work

Skills-building to improve livelihoods in fish and poultry value chains

Olam’s Animal Feed and Protein (AFP) business supplies quality feed, and day-old chicks to support local production of fish and poultry. A network of technical experts across 35 states deliver on-farm technical advisory and training services to over 5,000 fish farmers. AFP also provides Veterinary Traineeships, through which 50 university graduates received on-the-job training from senior farm supervisors to learn best-in-class poultry farming practices on topics such as biosecurity controls and vaccination methods.

Material Area: Education and Skills

Bringing health services to rural communities

Nigeria has the highest global burden for malaria and accounts for 9% of HIV cases. When disease afflicts farmers, productivity is reduced and they are likely to cope in ways that keep them in poverty (i.e. spending savings, removing children from school, reducing food). In December, Olam Cocoa organised a state-wide Healthy Living Fair, bringing otherwise inaccessible health services and a variety of related activities (e.g. cooking demonstrations, adult literacy) to 77 communities. Nearly 500 farmers were tested, and treated, for malaria, Hep B, HIV, diabetes, obesity; all received nutrition education. 320 women received breast cancer-screening.

Material Area: Health & Nutrition
## Goals dashboard

**Economic Opportunity; Skills and Education; Safe and Decent Work**  
SDGs: 1.2; 1.5; 2.3; 2.4; 4.4; 8.7; 8.8

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>By end of 2020</td>
<td>Bring 1 million ha under Olam sustainability programmes with an estimated 0.5 million smallholders</td>
<td>Ahead of target</td>
<td>Page 94</td>
</tr>
<tr>
<td></td>
<td>Improved livelihood potential: 0.75 million beneficiaries, including an estimated 0.5 million smallholders, plus other beneficiaries of capacity building, cooperative support, school support, access to finance, producer goods, and economic infrastructure initiatives</td>
<td>On track</td>
<td>Page 94</td>
</tr>
<tr>
<td></td>
<td>Child labour: No breaches in compliance reported or observed in audits for either Olam or third party supply chains</td>
<td>Behind target</td>
<td>Page 96</td>
</tr>
<tr>
<td></td>
<td>100% of priority product volumes covered by the Supplier Code: cashew, cocoa, coffee, cotton, hazelnut, palm and rubber</td>
<td>On track</td>
<td>Page 108</td>
</tr>
</tbody>
</table>

**Diversity and Inclusion**  
SDG 5.A

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>By end of 2020</td>
<td>Support 100,000 women to access economic opportunities, including female farmers, processors, distributors, and workers supported or employed by Olam</td>
<td>On target</td>
<td>Page 96</td>
</tr>
</tbody>
</table>

**Nutrition and Health**  
SDG 3.3

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>By end of 2020</td>
<td>Olam Healthy Living Campaign reaches 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</td>
<td>On track</td>
<td>Page 97</td>
</tr>
<tr>
<td></td>
<td>Produce 40 billion servings of micronutrient fortified foods</td>
<td>Ahead of target</td>
<td>Page 99</td>
</tr>
</tbody>
</table>

Olam’s active engagement throughout the entire garlic supply chain in California, including seed breeding, planting, harvesting and processing, provides our customers with unparalleled traceability.
External Perspectives

The way we manage Human, Social and Natural Capital in the food and agri sector interests many organisations. In 2019, with the support of Forum for the Future, we convened the Olam multi-stakeholder Living Landscapes Forum (LLF). Its objectives are to:

- Provide an ongoing, structured and constructive forum for engagement and feedback with stakeholders in sustainable landscape management, regenerative agriculture and inclusive development, so a wide range of voices can be heard.
- Enable participants to learn more about Olam’s supply chains, sustainability activities and challenges on the ground, and to contribute and share their constructive criticism, suggestions and expertise.
- Catalyse activities supporting Living Landscapes in the places Olam works; co-operate to amplify positive outcomes; share the learning from implementation; and engage with other industry/NGO peers to progress the Living Landscapes impacts within the same landscapes and/or landscape-based approaches in general.

During the first October meeting, Olam presented three landscape case studies:

- Addressing water stewardship in California
- Cocoa & Forest Initiative Action Plans for Côte d’Ivoire and Ghana
- Impact of Olam’s palm estates in Gabon.

Participants fed back on a number of points including:

- The need for constituted focus on socio-economic as well as environmental issues; equally how to put people at the heart of environmental progress
- What more can be done by stakeholders to avoid duplicating efforts (e.g. on data collection)
- How to catalyse stronger collective action through existing platforms
- To consider the diversity of the Forum as it is currently very European.

The second meeting will take place in Spring 2020.

Living Landscapes Forum Participants

- CDC Group
- Conservation International
- UK Department for International Development
- EcoAgriculture Partners
- Global Agri-business Alliance / WBCSD
- IDH
- Oxfam
- Solidaridad
- Tropical Forest Alliance 2020
- Wildlife Conservation Society
- World Resources Institute
- WWF

Stakeholder perspective: Oxfam

Caroline Ashley, Strategic Lead, Economic Justice, International Programmes, Oxfam GB and Matt Hamilton, Senior Advisor Private Sector, Oxfam America

What role do you feel Olam can play in contributing to the UN Sustainable Development Goals?

Agri-businesses, such as Olam, are powerful actors within the global food system. Their market position and concentration gives them significant power over how commodities are bought and produced, and thus enormous influence over the lives of millions of small-scale food producers. Olam influences around 5 million farmers through its direct and indirect supply chain and indirectly influences the wider sector. How companies like Olam conduct business can determine whether food is produced in a way that empowers women and small-scale food producers, or whether it relies on exploitative labour, land grabs or deforestation – and therefore whether we achieve the UN Sustainable Development Goals by 2030.

How do you view engagement with Olam?

We have been encouraged by the willingness of Olam to engage with stakeholders on these important issues, both directly with Oxfam and through stakeholder groups, such as Olam’s Living Landscapes Forum.
Where do you feel Olam is making progress?
In 2019, Oxfam conducted an assessment of 7 global agri-businesses, including Olam, to assess policy commitments and implementation plans across 5 themes fundamental to a more sustainable food system: women, land, climate, small-scale producers and transparency and accountability.

Olam outperformed peers on climate, scoring highest in this category, at 78.9%. Compared to other agri-businesses, Olam demonstrates good practices by reporting and disclosing Scope 3 emissions. Olam also appears to be ahead of peers in terms of its strategy to assess climate risks and how it plans to address them.

Olam also outperformed peers on women, scoring 51.7%. They were the only agri-business with publicly available information regarding their system in place to systematically track the gender profile of its supply chain and were one of 3 agri-businesses implementing supply chain-wide initiatives to provide gender-sensitive assistance and training to women smallholders. To date, they are the only agri-business to sign on to the UN Women’s Empowerment Principles (WEP). They are also the only agri-business to include a time-bound, multi-year plan for how to implement and report on key elements of commitments to women in supply chains.

Olam was one of the few agri-businesses to disclose the total number of small-scale producers in its supply chain. It has taken positive steps to produce at least one human rights impact assessment, which assesses the impact of its agricultural supply chain activities on small-scale food producers, and the company has published an action plan for addressing the root causes of negative impacts in the impact assessment.

Where should Olam focus in 2020 and beyond?
Although Olam was the ‘top’ performer on Oxfam’s assessment of 7 global agri-businesses, it still has an average score below 50% across the 5 themes with room to improve. In 2020, we encourage Olam to take these next steps:

Put women’s economic empowerment at the heart of business operations
- Do more to recognise and address the unique and disproportionate challenges women face as a result of climate change. This should include supply chain wide initiatives that provide specific support to women farmers facing external shocks (e.g. extreme weather events, reduced water availability, soil degradation, and food price volatility). Examples could include training and support on climate change adaptation, improved access to irrigation and water conservation measures, provided in ways that ensure women can access and benefit.
- Become an advocate for the UN WEP within the agri-business sector, demonstrating leadership and encouraging peers to sign on.

Support small-scale producers throughout the supply chain to earn a living income
To make explicit commitments for smallholders to earn a living income, we recommend that Olam:
- Adopt policies and procedures that provide for fair and transparent contracting for small-scale farmers
- Disclose the value share going to small-scale producers for at least 3 commodities
- Adopt explicit targets and action plans to help small-scale producers reach a living income in at least 3 commodities
- Advocate publicly for small-scale producers to achieve a living income and receive a fair share of the value accumulated in the food supply chain.

Improve transparency of, and comprehensively understand and act upon, human rights risks
- Identify and disclose salient human rights risks across its supply chains, regularly reporting trends over time
- Publish at least 3 relevant human rights impact assessments (looking at issues including land, climate, and/or gender) and associated action plans it has started implementing
- Create a grievance mechanism that complies with the UN Guiding Principles on Business and Human Rights and provide access to it for farmers, workers, and affected communities in their supply chains.

Overall, we urge Olam to bring the same focus, professionalism, evidence and urgency to addressing social sustainability as it appears to be deploying to address environmental sustainability.

Response from Dr Christopher Stewart, Global Head of Corporate Responsibility & Sustainability
We appreciate many of these points and will be exploring them further as part of our Living Landscapes Forum and review of our Material Area 2020 – 2030 goals and targets. Since the Agri-business Scorecard launch, Olam Cocoa has published its sustainability ambition with living income target and Olam Coffee has worked on living income benchmarks in several origins.

More widely, we are beginning to look at total household income – we need to benchmark what decent/living income actually means in the respective supply chain. The CR&S Function is working with other businesses on their specific journeys – AtSource being a major catalyst, particularly in terms of data collection. We will look at the feasibility of going deeper on gender-based data for example. A grievance mechanism for all parties has been available since 2018 on www.olamgroup.com and we are looking at how to make it more accessible.

Read more: Enabling our Strategy, Sustainability, page 72
Read more: Social Capital, page 94
Read more: Natural Capital, page 106
Natural Capital

The land, water, biodiversity and other ecosystem services required for food, feed and fibre production

Olam’s Purpose seeks to achieve Regeneration of the Living World. How will you achieve this?

Restoring the balance between agriculture and ecosystems in living landscapes is a bold ambition which requires partnerships and shared responsibility. But we have strong structures in place to get us there:

- Policies such as the Olam Living Landscapes Policy (LLP), Olam Supplier Code (OSC), and Plantations, Concessions and Farms Code (PCF)
- Five Natural Capital Material Areas, aligned to the UN Sustainable Development Goals, with targets to ensure we address key issues – Climate Action, Healthy Ecosystems, Healthy Soils, Water and Reduced Waste
- New Integrated Impact Statement (page 131) which helps colleagues see the value of ecosystem services in terms of stocks, flows and trade-offs, and therefore what negative impacts might look like in financial terms – e.g. carbon tax or increased water rates
- Involvement and leadership in industry platforms (e.g. World Business Council for Sustainable Development) and sector initiatives (e.g. Cocoa & Forests Initiative, Sustainable Rice Platform) to drive scale through sharing best practices
- Finally, the power of AtSource, particularly the granular data from the environmental calculator and the collaborative approach we can take with our customers and rural communities to regenerate landscapes. More than 35 environmental metrics are incorporated into AtSource Plus and Infinity improvement programmes.

Agriculture is both a victim and cause of climate change. How is Olam reducing vulnerability to risks for both farmers and its own operations?

Our climate strategy is based on four pillars:

**Mitigate**: Drive towards being a carbon positive business based on science based targets set in line with a 1.5°C pathway

**Adapt**: Integrate climate-related risks and opportunities into all Olam business and investment decisions

**Advocate**: Use our leadership to advocate locally, nationally and globally through multi-stakeholder processes and industry platforms

**Regenerate**: Re-imagine global agriculture through the Living Landscapes approach

In 2018, our Science Based Target submission was approved for our entire value chain (direct and indirect operations) based on a less than 2°C scenario. Following the 2019 IPCC Special Report on the impacts of 1.5°C of global warming, we understand that further strengthening our response could deliver significant benefits for our business and our smallholder suppliers, who are especially exposed. We are now recalibrating our target in line with a 1.5°C scenario for resubmission.

Chris Brown, Vice President and Global Head of Environment

Our Financial Capital is fundamentally dependent on the world’s natural resources and our climate.
### How we create Natural Capital through addressing our Material Areas

<table>
<thead>
<tr>
<th>Climate Action</th>
<th>Healthy Ecosystems</th>
<th>Healthy Soils</th>
<th>Water</th>
<th>Reduced waste</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Meeting Science Based Targets through</strong></td>
<td><strong>Ecosystems are regenerated through</strong></td>
<td><strong>Degraded land is restored through</strong></td>
<td><strong>Water is preserved for equitable use through</strong></td>
<td><strong>Agri-waste is minimised, and by-products valorised through</strong></td>
</tr>
<tr>
<td>- Energy efficient operations</td>
<td>- Elimination of unacceptable practices as per the LLP e.g. deforestation of High Conservation Value (HCV) and High Carbon Stock (HCS) forests</td>
<td>- Application of regenerative soil management practices</td>
<td>- Increased efficiency in direct and indirect supply chains</td>
<td>- Post-harvest crop loss reduction</td>
</tr>
<tr>
<td>- Utilising renewable energy</td>
<td>- Planting shade trees and agro-forestry</td>
<td>- Compost training and by-product use</td>
<td>- Water stewardship</td>
<td>- Utilising by-products</td>
</tr>
<tr>
<td>- Reducing chemical fertiliser use</td>
<td>- Protection of HCVs and set aside areas</td>
<td>- Improved management of effluent and waste water</td>
<td>- Protection of water bodies and courses</td>
<td>- Reviewing product packaging</td>
</tr>
<tr>
<td>- Increasing farmer resilience through Climate-Smart Agriculture training</td>
<td>- Training on Integrated Pest Management, pesticides usage and biodiversity protection</td>
<td>- Improved management of effluent and waste water</td>
<td></td>
<td>- Avoiding landfill</td>
</tr>
</tbody>
</table>

Our full Sustainability Framework is on page 130. This table highlights the main impacts under the five Material Areas relating to Natural Capital. The level of impact may vary by supply chain. Those highlighted in **bold** were particularly important in 2019 to our stakeholder ecosystem such as NGOs, customers etc.

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1. Taskforce for Climate-related Financial Disclosure

As part of an afforestation project on Olam Spices’ black pepper estate in Vietnam, 200 hectares of Acacia trees have been planted to improve carbon sequestration, water quality and biodiversity.
Achieving the target is now the challenge. The easier part is reducing impact from Olam-owned operations but even this requires us to re-imagine how we work. Just increasing fuel and energy efficiency will not be enough to deliver the necessary GHG reductions. This is why we have adopted an extensive climate change programme, which includes:

- Switching from diesel oil to liquefied natural gas (LNG) at our Nigerian rice mill
- Installing boilers fuelled by cocoa shells
- Reducing fertiliser emissions through precision agriculture at our estates through the Plantations, Concessions and Farms Code
- Sequestering carbon by planting 400 hectares of trees around our black pepper estates in Vietnam and protecting HCV forest and savannah in Gabon
- Using renewable electricity in our almond orchards in Australia.

Our third-party supply chains are much trickier – we use the advantage of our first mile presence to implement extensive programmes which just last year trained almost 300,000 smallholders on Good Agricultural Practices (GAP). We also trained farmers on natural composting and efficient fertiliser use and, along with cocoa farmers in our Côte d’Ivoire supply chains, we planted 0.75 million forest/fruit trees.

Through AtSource we can also scale efforts to engage customers on how they can support by giving them transparent access to their carbon footprint – AtSource Plus provides the carbon, land and water footprints specific to a farmer group supply chain.

Unfortunately, we are not seeing the rest of the world pivot to the 1.5°C or even 2°C scenario. It is therefore imperative and responsible that we also plan for a 3°C or even 4°C future. We have therefore commenced our work to implement the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD). This will allow us to assess likely future impacts on our business and develop the appropriate governance, strategy, risk management and metrics and targets.

In the Living Landscapes policy you state a number of commitments. What progress are you making to support Healthy Ecosystems?

We adopt a tiered approach to better farming systems.

At the base we have ‘responsible sourcing’, as defined in the Olam Supplier Code (OSC) where we choose who we do business with, and eliminate unacceptable practices in our supply chain, but have limited leverage to effect positive impacts upstream.

The middle tier is traditionally called ‘sustainable production’ – a wide-ranging set of good economic, environmental and social practices, developed through engagement with multiple certification and voluntary schemes focused on farms and supply chains.

The highest and most ambitious tier is the Living Landscape approach, which embeds all of the above into broader principles of integrated land management, including ecosystem conservation, regenerative farming practices, social justice and system resilience.

We have built AtSource to reflect these tiers, with AtSource Infinity representing our highest ambition for positive system transformation at a landscape or jurisdictional scale.

Our progress to date:

After updating the OSC (in 2018) with new elements of the LLP, in 2019 we designed and rolled out mandatory training on the OSC to our procurement staff in 40 countries, with 74% completing training to date. Within our priority products (cocoa, coffee, hazelnut, palm, rubber, cotton and cashew) 79% of volumes are covered under the Olam Supplier Code. This is slightly lower than in 2018 (82%) due to significantly increased cotton volumes following the start of operations in Tchad.

Most priority products have attained > 90% OSC coverage.

We have made good progress in assessing deforestation risk and other unacceptable practices – we assembled a comprehensive set of environmental and social risk indicators for our supply chains, including well-established third party indicators and tools we built ourselves like the Forest Loss Risk Index (page 114). These risk assessments were completed for over 400 country and product combinations and are a prerequisite for AtSource, reviewed at least annually.
We established a full set of principles, indicators and key metrics for sustainable sourcing as part of AtSource Plus and defined the qualifying criteria for AtSource Infinity. We are now working with independent experts to benchmark AtSource against other well-known sustainability schemes.

In addition, we have established methods and data sources for robust assessment of Natural and Social Capital value, which will enable us to demonstrate where we are achieving net positive impacts (see the Integrated Impact Statement on page 131).

AtSource Infinity is defined essentially by scale (including farms, communities, natural ecosystems and the wider landscape); by shared responsibility (our partners must have a significant long-term vested interest, supported by farmers and communities), and system transformation (positive impact in all three target areas – livelihoods, communities and the living world). This is a high bar but we want our Infinity programmes to inspire our customers and stretch both our own teams and our partners to deliver extraordinary results. In 2019, we identified six Infinity projects of which two are now being launched on the platform after approval by the AtSource Governance Group.

Further, we worked through 2019 to update our PCF Code, and turn it into a practical toolkit for improving performance in our own farms and estates. We also rolled out a global grievance policy.

We have published sustainability strategies and targets for key products, including palm1 and cocoa2. In 2019, we also established a consultative multi-stakeholder group to help us further develop the net positive impact framework for agriculture and take our Living Landscape approach to scale (page 104).

Healthy Soils was identified as a new Material Area in 2018/19. What steps have you taken?

A finite resource, healthy soils are effectively the foundation of our business and that of our farmer suppliers. FAO explains that “soils are among the planet’s largest reservoirs of carbon and hold potential for expanded carbon sequestration”. But globally soils are facing depletion through erosion and being damaged through intensive use of synthetic pesticides and fertilisers. This could adversely impact our business, farmers’ livelihoods, water resources and biodiversity. Here are just three of our real world examples to show how we are encouraging investment into the management and regeneration of the biological, chemical and physical properties of soils:

1. **By-product conversion for compost** – e.g. coffee husks at the Brazil estates go for chicken bedding and the farmer sells back to Olam with nutrient-rich manure, replacing tonnes of chemical fertiliser over the past year and significantly increasing organic matter in the soil. Read more https://www.atsource.io/impact/the-common-ground-between-coffee-and-chickens.html

2. **Addressing poorly managed nutrient application in smallholder supply chains** – arguably the biggest challenge, overuse of chemical fertiliser decreases profitability and increases nutrient losses, potentially degrading water and air, and gives rise to significant yet avoidable GHG emissions. Working in collaboration with technical partners and utilising our digital capabilities is proving to be an efficient way to deliver change at scale.

3. **CocoaSoils**3 is a public-private consortium promoting Integrated Soil Fertility Management (ISFM) to rehabilitate cocoa plantations for better productivity. Bringing farmers and technical experts together, it focuses on combining improved planting materials, canopy cover management and pest/disease control with targeted fertiliser application to enhance sustainability and avoid deforestation. Olam Cocoa is a Satellite Trial adopter with farming communities in Cameroon, Ghana, Côte d’Ivoire and Nigeria.

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3. https://cocoasoils.org
It is estimated that globally agriculture accounts for over 70% of fresh water use. Given climate change are you seeing water becoming a greater challenge for your operations?

Our water future is intrinsically linked with our changing climate but we are also being impacted because globally water is not being managed effectively as a shared resource. Although Olam continues to drive actions to deliver a ‘more crop per drop’ strategy, it is about adopting ways of working together with other stakeholders so that everyone uses that shared resource responsibly.

In 2019, we updated our bi-yearly water risk assessments using the newly revised World Resources Institute Aqueduct Tool and we then incorporated a further site-specific assessment based on key elements of the Alliance for Water Stewardship (AWS) standard to help us maintain and increase our focus where it will be needed the most.

The risk assessments have allowed us to prioritise enhanced support required by 14 of our processing operations. What is striking for me is that we are not faced with a single high priority risk (quality, quantity, regulation, reputation and readiness), or a single high priority product or a single high priority geography. Those 14 operations span different risks, products and geographies in Brazil, Côte d’Ivoire, Egypt, India, Indonesia, Mozambique, Spain, USA and Vietnam. We have begun the process of revising our action plans and we will be working to align our approaches with the AWS standard to address our shared resource challenges.

One of the issues is understanding the true cost of water – it is under-valued by many nations. Regulation of water basins through permanent entitlements and temporary allocations can help to encourage efficient water consumption with the ability of holders to trade part of an allocation if not required. This trading therefore helps to give scarce water a proper value through real price discovery and provide liquidity. At the end of 2019, we announced an agreement to sell 89,085 megalitres of our permanent water rights in Australia to a pension investment manager in return for the right to use the water on almond orchards for the next 25 to 50 years. There is some public debate about trading water but such regulation will help ensure that no drop is wasted and instead be put towards the highest-value use in areas of scarcity.

The Sustainable Rice Platform (SRP) called for the sector to commit to halving post-harvest rice loss and waste by 2030. Has Olam made that commitment and can it be applied to other commodity supply chains?

On behalf of SRP, we were delighted to announce this landmark commitment at the Champions 12.3 event in September 2019 at UNGA. A taskforce led by Olam and Mars has since been set up to develop the sector roadmap to deliver on the SRP commitment. At the same time, we will continue to drive our own improvement activities in our key rice origins; Thailand, Vietnam, India and Nigeria.

As part of Olam’s broader post-harvest loss agenda we have committed to a 50% reduction in our own farms and plantations and across our smallholder supply chain programmes.

One of the key learnings from the pilot conducted in our Nigeria rice programme in 2018 was that taking direct field measurements to quantify post-harvest loss on smallholder farms is incredibly time-consuming, costly to implement and not practical at scale in one product, let alone across products. This required us to re-think our approach to address our network of smallholder farmers. In 2020, we will be modelling and testing a practice-based approach designed to help us understand the loss reduction potential of specific technologies and interventions. Knowing how much is being lost is insightful, yet knowing which practices have the highest reduction potential is more useful as it can lead to quicker gains through practice change and targeted investments, and can be more easily adapted across other products.

To deliver these practice-based approaches we will continue to engage with subject leaders such as the WBCSD, where we are also a co-chair of their Food Loss and Waste workstream, the World Resources Institute, Wageningen University, Cool Farm Alliance and, of course, the SRP.
In the numbers

**Olam processing and manufacturing – greenhouse gas emissions**
(tonnes CO$_2$e/tonne production)

- 2015: 0.27
- 2016: 0.21
- 2017: 0.21
- 2018: 0.19
- 2019: 0.19

2020 GHG Intensity improvement target achieved.
Continuing with science based target plan to decouple GHG emissions from productivity.

**Olam farms and estates – greenhouse gas emissions**
(tonnes CO$_2$e/tonne production)

- 2015: 3.5
- 2016: 0.94
- 2017: 1.14
- 2018: 1.23
- 2019: 1.22
(0.71)

For every tonne of product, this many tonnes of CO$_2$e were generated.
For every tonne of product, this many tonnes of CO$_2$e were sequestered.

**Olam processing and manufacturing – surface and ground water use**
(m$^3$/tonne production)

- 2016: 2.89
- 2017: 2.24
- 2018: 2.43
- 2019: 1.99

**Olam farms and estates – surface and ground water use**
(m$^3$/tonne production)

- 2016: 327.7
- 2017: 255.4
- 2018: 250.4
- 2019: 242.9

2020 Water Intensity improvement target achieved.

**Number of farmers trained on Good Agricultural Practices (GAP)**

- 2016: 226,030
- 2017: 253,266
- 2018: 285,816
- 2019: 299,812

**Energy from renewable and biomass sources**

- 2016: 1.953,230
- 2017: 2,121,186
- 2018: 2,999,288
- 2019: 3,547,863

- Number of farmers trained on Good Agricultural Practices (GAP)
- GJ consumed
- % of overall energy
- On plan to achieve 25% target by 2020.
CASE STUDY

Protecting Natural Capital in California and Mexico

Olam’s California farming is world-class. In addition to our own almond, walnut and pistachio ranches, we have long-standing relationships with farms that have invested heavily in ag-tech and new technologies to shape the future of the industry. The team also partners with leading environmental organisations1 to incorporate regenerative practices on farm.

Over the past five years, Olam has contributed to the development of the California Water Action Collaborative (CWAC), supporting collective action projects such as the Corporate Water Stewardship and California Water Action Plan. In Mexico, Olam Coffee works with smallholder farmers and partners.

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Pioneering whole orchard recycling

When redeveloping ageing orchards, the Edible Nuts team grind and chip the whole tree at the end of its productive life and re-incorporate it into the soil. This method increases soil carbon, improves its water holding capacity and reduces air pollution, which may otherwise have occurred due to burning of old trees.

Material Area: Healthy Soils

Onions save 27 million m³ water in 10 years

Olam Spices’ dried onion team has developed seed to produce onions with more dry matter to boost yield and reduce land, water, fertiliser and pesticides use. Custom-made planting and harvesting equipment has significantly reduced the carbon footprint. Over the past 10 years, they have seen a reduction of 3,124 ha of land for production, 54,847 tonnes CO₂ and almost 27 million m³ of water.

Material Area: Water

Recharging water basins

After decades of deep groundwater pumping and overdraft by the agri sector and others, coupled with drought, the State of California is enacting the Sustainable Groundwater Management Act (SGMA). The Edible Nuts team is partnering with Water Districts and, in 2019, recharged 316 million gallons of groundwater across three projects. In 2020, the team will aim to increase the rate of water infiltration to maximise recharge during the snow melt. They will also partner with Groundwater Sustainability Agencies (GSAs) to create innovative ways to push water back into the sub-basins.

Material Area: Water

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Bee-friendly almonds

At our almond orchards in California we rent ~17,400 honey bee colonies costing ~US$3.5 million. However, globally, bees are declining due to parasites, pesticides and lack of varied diet. With guidance from the Better Bee Society and Xerces Society, we plant native flowers and ground cover like clover. At the Nevada ranch 5% of the area is dedicated to pollinator habitat and we also plant crop cover between rows. All insecticides are avoided during pollination with fungicides only applied at night. No neonicotinoids or silicone-based adjuvants are used. These efforts are helping to reduce bee mortality.

Material Area: Healthy Ecosystems

AtSource Plus: Blending coffee with agroforestry for living landscapes

Olam and coffee farmers in partnership with Rainforest Alliance and with the financial support of USAID Mexico are replacing old planting stock while reforesting 4,000 ha by 2023, contributing to Mexico’s goal of zero deforestation by 2030.

“Working with Olam as a partner in The Alliance for Sustainable Landscapes and Markets is a great asset in accomplishing the main goals of the initiative. As one of the most important actors in sustainable sourcing around the world, Olam shares the same vision of implementing Climate Smart Agriculture in the amazing coffee landscapes of the state of Chiapas. We aim to help producers mitigate climate change, support the long-term health of the ecosystem services provided by the forest, and access a responsible market that impacts directly on the wellbeing of their families and communities.”

Edgar Gonzalez, Director of Rainforest Alliance, Mexico

Material Area: Healthy Ecosystems
Tackling deforestation in smallholder supply chains

Moray McLeish, Vice President, Corporate Responsibility and Sustainability, Asia

Agriculture is one of the largest drivers of global deforestation. But it can also be an agent of positive change. In our own farms and plantations we have direct oversight and control, but understanding deforestation close to, or linked to smallholder suppliers, is a huge task – we know the Olam Supplier Code isn’t enough to mitigate risk completely. So, we have developed the Forest Loss Risk Index (FLRI), a tool to understand recent trends in tree cover loss, and identify the riskiest areas on which to focus our attention. Through GPS mapping and informed by historic deforestation rates, existing forest cover and national park boundaries, we are able to identify deforestation ‘hotspots’ for investigation and action.

A key response tool is the Olam Farmer Information System (OFIS) platform, which allows us to map exactly where our suppliers are operating relative to the deforestation, put monitoring systems in place, design and deliver training, and tailor sustainable farm management plans to help farmers improve productivity without expanding land area.

FLRI was applied to two supply chains over 2019:

Cocoa
- 12,760 cocoa agents analysed, across eight countries
- 29% determined as high risk

Coffee
- 152 buying stations assessed, across 20 countries
- 19% determined as high risk

“Halting the loss of the world’s forests is increasingly urgent. BBS KEKAL¹ demonstrates how companies must work together and in collaboration with government and NGOs to find new solutions to address deforestation. Only with collective action and by supporting farmers in vulnerable areas can we secure the future of this vital landscape. Olam’s involvement in this partnership is catalytic in moving from commitments to action”.

President and CEO, Wildlife Conservation Society, Cristián Samper

<table>
<thead>
<tr>
<th>Total land area under Olam management:</th>
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<tbody>
<tr>
<td>~3m ha¹ of which 0.63m is protected (~20%)</td>
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<table>
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<tr>
<th>Estimated land area under farmers in sustainability programmes:</th>
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<tbody>
<tr>
<td>~1.38m ha includes 0.4m ha under AtSource Plus programmes</td>
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</table>

<table>
<thead>
<tr>
<th>Estimated total land area under other third party suppliers</th>
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</thead>
<tbody>
<tr>
<td>~11.8m ha</td>
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</table>

<table>
<thead>
<tr>
<th>Estimated land contributing to Olam volumes in 2019</th>
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</thead>
<tbody>
<tr>
<td>~16.2m ha</td>
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</table>

The next stage is to ascertain the ground truth and, if necessary, put action plans in place. If we find farmers producing cocoa in illegal zones (e.g. forêt classée in Côte d’Ivoire), we have to exclude those farmers from our supply chains. In other places where we see high deforestation, such as in Robusta coffee growing areas in Latin America, it seems to be driven largely by other activities such as cattle ranching.

Most cases lie somewhere between these extremes and our scope for action as a single cocoa/coffee company is limited. Real impact requires a multi-stakeholder approach. This is why, in 2019, we shared our OFIS technology with the Wildlife Conservation Society, to help improve coffee farmer livelihoods and support the national park authority to reduce deforestation in the Bukit Barisan Selatan National Park (BBNSP) in Sumatra, Indonesia.

This is our first time sharing the proprietary OFIS tool with a non-customer. We did this because the landscape partnership facilitated by WCS (BBS KEKAL) offers the opportunity to reduce deforestation and improve the livelihoods of some 20,000 smallholder coffee farmers at scale across the landscape in southern Sumatra. We could not achieve this alone.

Meanwhile Olam Cocoa is also focusing on educating the next generation in sustainable, Climate-Smart Agri practices. In partnership with Rainforest Alliance and the Côte d’Ivoire government, five schools with around 1,000 children took part in an education and conservation programme in 2019, encouraged to share that knowledge with their families, and contribute to efforts to eradicate deforestation. Another three schools will join in 2020.

Another of our partners, the Tropical Forest Alliance, has called for the new decade to be one of collective action and responsibility so that ‘Forest Positive’ becomes the new norm. These are just a few examples of how we are putting our LLP into action, by re-imagining what collaboration means.

In numbers: OFIS

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>Cumulative since 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total farmers registered (active)</td>
<td>227,500</td>
<td>431,000</td>
</tr>
<tr>
<td>Total farms mapped (GPS)</td>
<td>200,450</td>
<td>277,900</td>
</tr>
<tr>
<td>Total schools mapped</td>
<td>850</td>
<td>4,000</td>
</tr>
</tbody>
</table>


**CASE STUDY**

**Protecting biodiversity within Healthy Ecosystems**

Plants, birds, insects and mammals all help to create the ecosystems upon which we depend, so protecting biodiversity by minimising our impact and safeguarding areas of habitat is vital. All new developments are subject to independent Environmental and Social Impact Assessments, and we are committed to managing our farms and plantations according to best practice. Our approach to land development is encapsulated in the Living Landscapes Policy and Olam Plantations, Concessions and Farms Code.

As part of an extensive biodiversity plan to protect fauna and flora species, Olam Palm Gabon (OPG) has partnered with WWF Gabon to roll out SMART (Spatial Monitoring and Reporting Tool) software to monitor the protected areas within the palm plantations. The GPS-enabled tool allows the team to record wildlife observations within the 72,000 ha of High Conservation Value (HCV) areas that make up 50% of the OPG concessions. Among the direct sightings recorded are endangered species including chimpanzees, gorillas, long-snouted crocodiles, and most recently, the Red-Capped Mangabey, which have been spotted using the biological corridors and feeding on the oil palms.

The data captured in the forest is collated and geo-referenced in auto-generated reports that provide a complete picture of wildlife populations, their movements and signs of human poaching activity. Conservation efforts can then be adapted and deployed as necessary.

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**Goals dashboard**

**Climate Action**  
SDGs 2.4; 13.a; 13.1

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
</tr>
</thead>
</table>
| By end of 2020    | All Olam farms, plantations and Tier 1 facilities to have implemented their 2020 **GHG Reduction Plans**  
1. Operational efficiency  
2. Avoid High Carbon Stocks for land development  
3. Climate-Smart Agricultural practices | On track | Page 106  
Page 108 |
|                   | 25% of energy derived from **renewable and biomass** sources at Olam’s Tier 1 facilities (from 2015 baseline – 15%). | On track | Page 111 |
|                   | Implement the Olam 2020 Climate-Smart Agriculture (CSA) Programme. | On track | Page 108  
Page 111 |
| By 2030           | Reduce GHG emissions by 50% both in own operations and Olam managed farmer programmes | On track | Page 111 |
### Healthy Ecosystems
SDGs 15.2; 15.3; 15.5

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>By end of 2020</td>
<td>100% of Olam–managed plantations, concessions and farms to have implemented their Land Management Plan</td>
<td>On track</td>
<td>Page 108</td>
</tr>
<tr>
<td></td>
<td>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</td>
<td>On track</td>
<td>Page 108</td>
</tr>
<tr>
<td></td>
<td>Implement the relevant Living Landscapes Policy commitments</td>
<td>On track</td>
<td>Page 108</td>
</tr>
</tbody>
</table>

### Healthy Soils
SDGs 2.4; 13.1; 15.3

<table>
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<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
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<tbody>
<tr>
<td></td>
<td>Target still in development. To be finalised in 2020</td>
<td>-</td>
<td>Page 109</td>
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### Water
SDGs 6.1; 6.2; 6.4

<table>
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<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
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<tbody>
<tr>
<td></td>
<td>Increased water use efficiency in Olam’s direct operations</td>
<td>On track</td>
<td>Page 111</td>
</tr>
<tr>
<td>By end of 2020</td>
<td>100% of priority supply chains to have Water Resource management plans</td>
<td>Behind target</td>
<td>Page 110</td>
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</tbody>
</table>

### Reduced Waste
SDGs 12.2; 12.3

<table>
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<tr>
<th>Timeframe</th>
<th>Goal</th>
<th>Status</th>
<th>Read more</th>
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</thead>
<tbody>
<tr>
<td>By end of 2024</td>
<td>100% utilisation of by-products in own operations</td>
<td>Baselining in 2020</td>
<td></td>
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<tr>
<td>By end of 2024</td>
<td>Zero waste to landfill in own operations</td>
<td>Baselining in 2020</td>
<td></td>
</tr>
<tr>
<td>By 2030</td>
<td>Reduce post harvest loss by 50% in own operations and Olam–managed farmer programmes</td>
<td>Baselining in 2020</td>
<td>Page 110</td>
</tr>
</tbody>
</table>

Intangible Capital

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

Q&A with Briony Mathieson, Chief Marketing Officer, OFI

While we can curate what we would like Olam to be known for, our reputation is the sum total of all the places where our multiple stakeholders encounter our products, people, activities and promotion.

How does Olam distinguish brand from reputation?

A brand is built from within the company, based on a differentiating value proposition and consists of a core promise, wrapped into a distinct look and feel and promoted through various channels. We believe the Olam brand is uniquely positioned to offer our customers tomorrow’s products and services, based on our purpose of Re-imagining Global Agriculture and Food Systems which runs throughout all our brand building activities.

These include our Packaged Foods, Rice and Grains consumer brands in Africa; multiple B2B brands, like deZaan a premium cocoa brand with a heritage of more than 100 years; as well as AtSource.

Reputation, on the other hand, is how our audience experience the totality of our brand(s). So, in a sense, we can curate what we would like Olam to be known for, but our reputation is the sum total of all the places where our multiple stakeholders encounter our products, people, activities and promotion. They will form their perception from this and it is key that we check in regularly to make sure that how we talk about ourselves is how our stakeholders experience and talk about us!

With our customers we really want to be trusted as the brand behind their brands.

For 2020, we have engaged a third-party to survey specific stakeholder groups across multiple countries to aid our understanding.

How are brand and reputation inter-dependent?

It is essential that the brand promise is credible and enacted by everyone in Olam to avoid a delta between how we talk about ourselves and how our stakeholders find us. A mismatch between the two creates reputational risk and we may lose stakeholder trust. As long as our partners believe we are authentic and realistic in our effort to offer these services and re-imagine the system for the better, then we hope they will give us the benefit of the doubt if we make a mistake. Proactively owning up to that mistake is also a key part of managing reputation. The Risk, Internal Audit, Finance, HR, IT, CR&S, and Legal Functions, along with Corporate Communications, all play critical roles in supporting the businesses and countries. Between 2018 and end of 2019, the Ethics & Compliance team alone has trained and tested almost 8,500 employees to ensure they understand the Anti-Bribery and Corruption Policy.

Which initiatives and actions contributed to Olam accreting reputational capital in 2019?

Reputational capital does not exist in a vacuum, it is the combination of all other capitals. This report evidences these activities from the last year. Culture is also critical. For 30 years Olam has nurtured a pioneering spirit, always aiming to disrupt the status quo and carve out an identity and customer offer that differentiates us from our peers.
AtSource made a major contribution in 2019 – many customers sourcing ingredients like cashew or onions have simply never had access to this kind of data or impact potential before. We are transparently opening up our supply chains – showing the good but also where improvements are required. This helps to build trust. The scale of ambition – taking AtSource across our supply chains – is further contributing to our reputation for sustainability leadership, exemplified by the World Business Council for Sustainable Development asking Sunny to serve another two years as Chair. Indeed, across Olam colleagues fulfill numerous leadership roles on industry platforms and sector initiatives. All of this contributes to the multiple customer, NGO and DFI partnerships we have forged.

Finally, we should not forget how essential it is to build reputation and trust with suppliers, most crucially farmers. Without them we cannot supply our customers.

The Olam procurement and sustainability teams are on the ground with communities in some very challenging locations – the case studies in the Social Capital section of this report are just a fraction of the efforts undertaken. In 2019, the Corporate Communications team worked with origin teams to create a Celebrate Farmers initiative for National Farmers Days across Indonesia, Ghana, Uganda, Zambia and more. This led to some fantastic events and new engagement opportunities.

**What are your priorities for 2020?**

As part of the re-organisation of Olam, we will be creating two new brands – Olam Food Ingredients (OFI) and Olam Global Agri (OGA). They each bear the parent company name, but will need a differentiated positioning from each other for investors and from competition for the marketplace. As a MarComms team this is an exciting project, we have the opportunity to build two brands capitalising on the future trends we have identified that will also benefit from the stewardship of the 30 year old parent company.
Building Intangible Capital – some 2019 highlights

Business excellence awards
- Asia Pacific Enterprise Awards Alumni Outstanding Category Agriculture – Amit Verma, Country Head Vietnam and Papua New Guinea
- Best Exporter of Traditional Agriculture Commodities – Olam Mozambique
- Ghana CEO Summit CEO of the Year – Amit Agrawal, Country Head Ghana
- Gold Coast Excellence in Food Manufacturing award – Olam Ghana
- SSON Impact Award, Asia Chapter – Olam Global Business Services (OGBS)
- Presidential Exporters Awards Agribusiness Traditional Exports – Olam Uganda

Innovation awards
- Enterprise Asia International Innovation Award – Olam Direct

Brand awards
- Best Rice Brand in Cameroon, by Cameroon Association of Communications Professionals – Riz Mémé Cassé
- Chartered Institute of Marketing Ghana Awards Emerging Brand of the Year – Nutrisnax
- Chartered Institute of Marketing Ghana TV Advert of the Year – Tasty Tom

The first Olam National Farmers Day celebration in Uganda took place in the Arabica coffee growing region of Mt Elgon in August.

More than 300 coffee farmers took part in the day’s activities which taught them new skills to raise coffee quality.
<table>
<thead>
<tr>
<th>Taking leadership positions in our sector¹</th>
<th>Corporate governance and sustainability awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Almond Board of Australia – Director</td>
<td>• Adam Smith Awards Asia 2019 – Best Working Capital Management Solution</td>
</tr>
<tr>
<td>• Almond Board of California – Chair</td>
<td>• IR Society South East Asia – Award for Best Midcap Annual Report; nominated for best ESG materiality reporting</td>
</tr>
<tr>
<td>Technical and Regulatory Affairs Committee</td>
<td>• Singapore Corporate Awards, Silver for Best Annual Report</td>
</tr>
<tr>
<td>• American Spice Trade Association –</td>
<td>• Ghana Revenue Authority Best Customs Taxpayer 2018, Gold Category – Olam Ghana</td>
</tr>
<tr>
<td>Director</td>
<td>• European Bank for Reconstruction and Development – Silver for Environmental &amp; Social Best Practice – Olam Progida Hazelnuts</td>
</tr>
<tr>
<td>• Better Cotton Initiative – Board member</td>
<td>• Concordia P3 Impact Award Top 3 finalist – Olam Rice Nigeria</td>
</tr>
<tr>
<td>• CocoaAction – Founding member</td>
<td>• Nestlé Most Sustainable Supplier of the Year Award – Olam Progida Hazelnuts</td>
</tr>
<tr>
<td>• Cocoa &amp; Forests Initiative – Founding member</td>
<td>• RHT RJ Menon Foundation Awards x 2</td>
</tr>
<tr>
<td>• Champions 12.3 – CEO Champion</td>
<td>• RSPO Excellence Award – Conservation Leadership</td>
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<tr>
<td>• Food &amp; Land Use Coalition – CEO</td>
<td>• Sustainable Business Awards Singapore x 4</td>
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<tr>
<td>Ambassador</td>
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<tr>
<td>• Green Coffee Association – Board director</td>
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<td>• Global Coffee Platform – Vice chair</td>
<td></td>
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<tr>
<td>• HCV Resource Network – Steering committee member</td>
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</tbody>
</table>

1. For a full list of memberships and partnerships go to www.olamgroup.com
CASE STUDY
Creating brand value in Ghana

Celebrating its 25th anniversary in 2019 with a visit from the Olam Board, Olam Ghana is a microcosm of Olam’s global operations with supply chain, midstream and downstream operations.

From procuring cashew in 1994 from just 16 Licensed Buying Agents – today the network extends to buying directly from cocoa and cashew farmers, supporting 64,000 in sustainability programmes.

Olam Rice Consumer Brands
Rice is central to Ghanaian meals, with its delicate perfume prized in recipes. Olam imports rice from Asia.

Royal Aroma: “Rice for all Moments”
Launched in 2009, Royal Aroma is known for its long grain and mild perfume, and holds more than 20% of the mass premium price band.

Royal Feast: “Taste of Togetherness”
A household name, Royal Feast is a high quality premium rice with a sweet, pleasant taste, long grains and attractive packaging.

Mama Africa: “Eat better…”
Launched in 2009, Mama Africa holds more than 25% market share in its category, owing to its sweet taste, soft texture and affordable price. It is a leading foodservice brand, catering to eateries and schools. It is also increasingly consumed by upcountry Ghanaians shifting from heavy local staples to rice. For the budget conscious, it is a good substitute to the more expensive perfume rice owing to its pleasant aroma. A full marketing campaign, periodic consumer research and consistent quality help give Mama Africa the edge over competition.

This brand success is due to consumer insights, market knowledge and ability to cater to the exacting standards of varied consumer groups.

On the manufacturing side, Olam operates four facilities, has doubled wheat milling capacity and launched many market leading consumer brands. A stable and predictable policy framework has supported investments, which have grown in excess of US$350 million.

Packaged Foods Business takes bigger bite of biscuit market
Nutrifoods Ghana has a 42% share of the Ghanaian biscuit market with:
- Royal King Cracker
- Perk
- Nutrisnax
plus 3 other local popular brands.

Nutrisnax wins “Emerging Brand of the Year” Award
Launched in 2018, and certified by Ghana’s Food and Drug Authority, the premium Nutrisnax Oats Digestive biscuit is made from oats and whole wheat. Nutrisnax is high in fibre and devoid of trans-fat. In just a year after launch, Nutrisnax has scaled up to become 12% of the Nutrifoods portfolio with a 60% share in the Adult Health segment with 3 million packs sold every month. In October 2019, it was awarded “Emerging Brand of the Year” at the Chartered Institute of Marketing Ghana Awards.
Tasty Tom – the right mix for success

Tomato is central to the diet of most households in West Africa. It is used by homemakers to cook jollof rice, stews, soups and much more. Tasty Tom Tomato Mix was launched in Ghana in 2015. In order to build differentiation and support Olam’s Nutrition and Health goals, the product was enriched with Vitamins A, D, E & K and fibre. Today, Tasty Tom is rated as the foremost Power-Premium brand in the Tomato Mix space by Kantar Millward Brown. Much of this success is due to differentiation built versus legacy brands through enrichment, as well as ensuring that the consumer prefers our brand on the key attributes of colour and thickness.

Based on consumer insights, our new 360° marketing campaign positions Tasty Tom as the brand that gives women ‘the inner strength to cope with the challenges of day to day life’ through enrichment/fortification and convenience. In 2019, Tasty Tom expanded into the broader culinary space with the launch of Tasty Tom Jollof Mix. With all the ingredients needed to make Jollof Rice, except rice and oil, it helps the consumer prepare authentic jollof rice, while saving time and effort. The Tasty Tom ‘More Jollof’ advertisement won the Chartered Institute of Marketing Ghana Advert of the Year award. The right mix, supported by the right marketing campaign and distribution helped the Tasty Tom brand portfolio gain market share from 15% in 2015 to 37% in 2019.

Olam Grains creates Intangible, Social and Natural Capital with bakers

Since inaugurating a state-of-the-art wheat mill in Tema in 2012 and capacity expansion in 2017, Olam Grains now has the highest installed capacity amongst millers in Ghana, catering to bread, baguette, pastry and biscuit flour. Olam Grains is on track to be market leader in the second half of this year. It is also the only miller to have sizeable exports business, catering to neighbouring countries like Burkina, Niger, Togo and Benin. Its B2B brands First Choice and Royal Gold have leadership positions in Northern Ghana and strong presence in other regions. A Technical Sales Force team demonstrates flour performance, which helps to gain bakers’ trust. Olam Grains regularly conducts engagement programmes with bakers and also sustainability drives including health screening of bakery staff, training of bakers on IT and finance, scholarships to bakers’ children and more. In June the Sales team partnered with the Environmental Protection Agency (EPA) of Ghana for a tree planting exercise in the Northern Region. The vision is to take Northern Ghana baking carbon neutral. The bakery community (mainly women) uses traditional clay ovens fueled with wood and the women feel strongly about destroying trees in this semi-arid landscape but cannot afford to change to gas ovens. Olam Grains engaged the community, encouraging them to be caretakers for the trees planted, significantly increasing survival rates.

In the first phase, 11,000 trees were planted with CO₂ sequestration estimated to be 0.5Mn Kg/ year by 2023 at a 50% survival rate. By creating Social and Natural Capital, Olam Grains aims to go beyond transactional aspects like pricing in a category which is more akin to commodity. Communication on-pack is attracting interest from other bakers.
Intellectual Capital

The knowledge and IP we create to keep us ahead

Q&A with Roel van Poppel, CEO, AtSource

Our customer proposition and competitive edge absolutely depend on our management of Intellectual Capital, which in turn depends on the management of other capitals such as Human and Manufactured.

How does Olam create and manage Intellectual Capital?

Over the past 30 years our Intellectual Capital has expanded through:

- The talent, skills and expertise of our people
- Cross business and functional taskforces and communities of practice
- Investment in innovation centres with state-of-the-art equipment
- Systems and controls, including quality, regulatory and compliance
- Harnessing digital and big data analytics for innovation and speed of implementation
- Partnerships with technical, scientific, academic and other expert bodies
- Participation in industry and sector initiatives
- Increasing understanding and insights into end consumer needs
- Intellectual property, such as patents and trademarks

AtSource is a significant example of how we are commercialising our Intellectual Capital. We have transformed AtSource from a Minimum Viable Product at the 2018 launch, into a complete and comprehensive system, with even more robust coverage of rules, policies and metrics.

What challenges have you faced?

How to customise our offering to suit multiple supply chains, products and customers without losing the over-arching framework and consistency. It has been very challenging to align the different requirements of different origins within the same product, as well as between products or smallholder versus large-scale plantations, coupled with the varying demands from customers.

What three things has Olam learned or gained in Intellectual Capital since launch?

- How to effectively measure progress over our outcome areas – farmers, communities and the environment
- How to be granular in environmental footprint calculations
- And, finally, the sustainability understanding gained across the entire business as sales teams and traders need to be able to explain AtSource to their customers. This is not about the AtSource team or the CR&S Function being present in each meeting – the Business Units themselves have to understand and this means that we are transferring Intellectual Capital across the business to support Human Capital.

Read more about AtSource in Social and Natural Capital.
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 three tiers for AtSource with increasing level of granularity and opportunity for the customer.

**AtSource**
Information and reassurance
Reassurance that suppliers are engaged on responsible sourcing principles and practices under the Olam Supplier Code, with country-level footprinting and risk profiles.

**AtSource +**
Measurable impact
Over 150 customisable metrics with farmer group level and Olam estate data to inform, monitor and drive economic, social and environmental interventions.

**AtSource ∞**
Transformational change
Bespoke, co-created programmes designed to deliver transformational ‘net positive’ impact at scale.

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**Advancing third-party Intellectual Capital to achieve our Purpose**

A unique mapping approach that will give smallholder farmers a ‘best fit’ for what to grow, where and how, was awarded the 2019 Olam Prize for Innovation in Food Security thanks to its potential to improve productivity in food insecure areas and countries. The approach, called **Innovation Mapping for Food Security (IM4FS)**, is being developed by a team at Wageningen Environmental Research, The Netherlands, and Addis Ababa University, Ethiopia.

“As a global food and agri-business, investing in farmers and our own plantations across the world, we are constantly monitoring and assessing the best areas for crops to grow. But with the rate of weather changes and stark warnings on biodiversity loss, air pollution and soil degradation, there is increasing risk that what is planted today might not be suitable for those fields in the future. IM4FS will help inform about this risk with a better understanding of the interactions between land resources, demography, climate change and farming technology and defining the optimal conditions to boost food production. It will equip farmers, as well as local and regional stakeholders with the information they need to solve food security.”

Sunny Verghese on awarding the US$75,000 prize in June 2019

The Olam Prize for Innovation in Food Security was launched in 2014 in partnership with Agropolis Fondation. The winner receives an unrestricted US$75,000 grant for the scaling up of proven research.

Read more: interview with Dr Tomas Ceccarelli and Dr Eyasu Elias Fantahun
Facilitating and protecting Intellectual Capital growth

By Ipsita Aggarwal, Group General Counsel

The global Legal Function’s contributions to Intellectual Capital are characterised by a business-centric approach to implementing operational measures to facilitate business enablement and improvement consistent with the Strategic Plan. It achieves this through using new technologies, or establishing and embedding adaptive and appropriate processes designed to free up the businesses to focus on what they do best. As a truly global function with line-of-sight across geographies and businesses, it has taken a holistic approach to understanding stakeholder needs in the way it provides legal services.

With lawyers in Africa, Asia, Europe, and the Americas, the function creates and implements Intellectual Capital by structuring its team around the key businesses providing deep knowledge and familiarity with and across business lines and regions, bringing about agility in adapting to changing business needs and areas of focus.

2019 saw the continuation and execution of a number of initiatives designed to further empower the business including:

i) Surveying the businesses to develop customisable standardised contract templates at Olam Group level of the type most commonly used throughout the businesses

ii) Re-launching the internal Legal intranet site providing quick access to tools, resources and points of reference for the businesses

iii) Increasing knowledge and awareness of key governance and compliance policies and protocols, including data protection, and our Ethical Business Programme through ongoing guidance, training and policy roll-outs

iv) Introducing technological infrastructure to enhance existing third party screening controls, and

v) Putting in place targeted and innovative legal technology designed to further operationalise the Legal Function and create efficiencies including through implementation of AI technology to manage external legal spend and tracking legal activities.

Many of these ongoing initiatives have then fed into the design of a Legal Management Information System which, once tested and implemented, will result in better metrics and management of information in a move towards being more data-driven to assist business decision making.

A blueprint for Re-imagineering our food and fibre future

Throughout 2019, our Re-imagineering movement captured the expertise and imagination of employees across the business – from sustainability, to trading, accounting and other roles – generating new ideas to tackle the systemic challenges facing our sector and bring our Purpose to life.

The process inspired an array of innovative ideas that have the potential to Re-imagine Global Agriculture and Food Systems through practical ways to help farmers prosper, communities to thrive and regenerate the living world. From nearly 1,200 ideas, 10 have been shortlisted for further development, while others, such as recycling initiatives, were designated for immediate implementation. This signature process for creating a Re-imagineering movement is our Blueprint and we invite our partners, customers and collaborators to use it within their organisations and start re-imagining our sector today.

Download: https://www.olamgroup.com/sustainability/reimagine.html
IN THE SPOTLIGHT

Putting customers at the heart of our thinking

By Jill Russell, Vice President of Business Development, Olam Spices, OFI

Of course, customers have always been one of our most critical stakeholders at Olam, but now especially with the re-organisation into Olam Food Ingredients (OFI), Olam Global Agri (OGA) and Olam International (OIL) (announced in 2020), our approach to customers must become ever more nuanced. This is particularly important as we service greater numbers of small and medium sized customers via e-commerce and advance our ingredients and innovation portfolio.

The Customer Engagement Community of Practice focuses on customers across multiple Business Units and aims to gain greater understanding of their needs and address critical actions we can undertake to increase efficiencies in the buying process, provide value-add services and work collaboratively to innovate against consumer trends. We want to unleash the power of One Olam to make it easier for customers to work across our businesses and maximise winning practices.

A major area of Intellectual Capital creation is through product innovation – this might be in partnership with the customer, working on, say, a particular challenge for a new product; or where we take innovations to them. In Spices last year, for example, we developed new capsicum-based blends to satisfy an edgier consumer palate which is driving interest in turmeric, cinnamon and specialty peppers used in many global cuisines.

Now that we are coming together with Cocoa, Coffee, Edible Nuts and Dairy to form OFI we will be better able to maximise synergies and harness collective brainpower. Pooled knowledge means we can bring additional value to customers.

Other ways in which we grow our Intellectual Capital to service our customers include utilising AtSource to help customers create and convey meaningful messages to their consumers. We are also differentiating in supply chains, like black pepper, to provide unparalleled transparency and expanding organic offerings to meet the needs of growing demand. Market newsletters share our knowledge and educate our customers, while social media channels provide an easy way to stay connected.

As we go forward, product development and innovation has become ever more important. Protein will still rule, but the types of protein sources are definitely expanding to include more plant based options. Olam is ideally aligned to capitalise through our entire nut portfolio and spices which add flavour to all different types of proteins. Then, combine worldly challenges like climate change, food security, and supply chain transparency with evolving global cuisine preferences, generational buying power and demand for ultra-convenience, and it is the curious and focused companies that will rise to deliver the world innovations that are still natural, healthy and sustainable.

In our Innovation and Quality Centre in Fresno, California, Senior IQ Process Engineer, Neil Muller, is using Olam’s dried onion and garlic to formulate a new reduced sodium sauce, in line with current market trends.
CASE STUDY

Creating value for customers through innovation

Our Intellectual Capital is created across the business, with innovation in food products and ingredients being a major focus of it. In product development laboratories, food and beverage technologists and scientists develop concepts, test ingredients, and evaluate flavour, aroma, texture and appearance. This is also where the teams work with customers to collaborate on application development, food microbiology, analytical chemistry, quality assurance, technical documentation, and regulatory compliance. In total, Olam has 14 Innovation Centres across the world.

Q&A with Siva Subramanian, Vice President, Innovation, Olam Coffee

In 2019, Olam Coffee opened an Innovation Centre; what are you focusing on?

- Improving our understanding of post-harvest processing methods in coffee and its relationship to coffee aroma and flavour
- Developing coffee cherry fruit cascara as a novel beverage ingredient, which is being sampled with customers.

How does cascara meet the trends of right-for-me, right-for-the-planet, right-for-producers etc?

Coffee cherry cascara is trending as a superfruit as it is packed with antioxidants. During processing, the fruit is discarded and, unless composted, disposal leads to some environmental burden. Upcycling coffee fruit to cascara can bring farmers and Olam additional revenue and makes it better for the planet. Beverages and nutritional bars made with coffee fruit cascara are becoming popular across the world.

A recipe for innovation with peanut butter

Nitrogen fixing and non-GMO, peanuts are considered a sustainable agricultural crop and for consumers, they’re a popular source of nutrition. Olam’s processing plant in Edenton is a strategic supplier of bulk peanut ingredients for major USA Food manufacturers.

- A dedicated innovation team at the facility develops custom peanut ingredients, from splits and granules, to butters to pastes, with colours and particle sizes to cater for all application possibilities.
- In 2019, the team collaborated with a leading food manufacturer to create a peanut butter with the right consistency and oil content to make it a suitable filling for a new range of baked goods.

Spices, Green Coffee
USA – Fresno

Cocoa
Brazil – Ilhéus

Edible Nuts
USA – Edenton

Cocoa
USA – Chicago

Intellectual Capital continued
India – an innovation hub

As well as being a leading origin for multiple products including coffee, spices and rice, India is a hub of innovation for Olam:

• A dedicated centre for Packaged Foods focuses on West African Consumer products. The 25-strong technical team helped it launch 10 products in 2019, including premium and nutritional biscuits and Jollof mix.
• A 6-strong team started in 2019 working on NPD and ingredients application for Edible Nuts, Purpose Brands, as well as Food Service, Private Label customer requirements.

Q&A with Charlene Zhu, Head of Ingredient Development and Innovation for Asia Pacific, Olam Cocoa Singapore

Which trends are you working on?

Although cocoa is associated with indulgence and taste, Health & Wellness is high on the customer agenda. We are tasked with how to apply it to chocolate confectionery, bakery goods, beverages and frozen desserts, and how we support claims for reduced sugar or sugar free, reduced fat, gluten free, vegan etc. TrueDark, from our premium brand deZaan, helps meet clean labelling requirements in being the first natural, dark cocoa powder developed with proprietary processing technology that replaces standard alkalised cocoa powders. Meanwhile, the North American team developed solutions in 2019 for cocoa powders in dairy alternatives like nut and oat milks.
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 seven 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.

Purpose
Re-imagining Global Agriculture and Food Systems

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

<table>
<thead>
<tr>
<th>Financial Capital</th>
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<tr>
<td>Manufactured Capital, Intellectual Capital and Intangible Capital</td>
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<td>Human Capital and Social Capital</td>
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<td>Natural Capital</td>
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<tr>
<th>Purpose Outcomes</th>
<th>Prosperous Farmers and Food Systems</th>
<th>Thriving Communities</th>
<th>Re-generation of the Living World</th>
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<tr>
<td>Material Areas</td>
<td>Economic Opportunity</td>
<td>Safe and Decent Work</td>
<td>Education and Skills</td>
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Impact on UN SDGs

Enablers
The Olam Integrated Impact Statement – a first case study

“As we start 2020, understanding your relationship with nature and people is now a prerequisite for business. Olam was one of the first companies to recognise this and has been a leader in this space for several years. Linking sustainability and finance, Olam has led the way towards an integrated approach to risk and opportunity and has innovated to operationalise their strategy of ensuring Natural, Social and Human Capital contribute to more informed decision making in their business. By stepping forward this year to partner with other leaders through the Capitals Coalition, Olam will lead the change in the way that all companies make decisions in the future.”

Mark Gough, CEO, Capitals Coalition

In 2017, in our first Integrated Annual Report, we began reporting against the six non-financial Capitals to help demonstrate how they contribute to the creation of long-term value for Olam as well as create value for our stakeholders. During 2018, the Integrated Reporting <IR> Task Force (a cross functional team) was formed to evaluate our approach to multi capital accounting. With the aim to establish a numerical link to sustainability using multi capital accounting methodologies, the <IR> Task Force, developed the Integrated Impact Statement (IIS). The IIS would help our businesses to manage a broader set of drivers beyond Financial Capital and drive positive impacts in our operations.

In 2018, we piloted the initial IIS tool for three of our Business Units – Dairy (Russia), Cocoa (Côte d’Ivoire) and Palm (Gabon), covering Natural, Social and Human Capital. We also had the IIS tool and approach independently validated and shared with subject matter experts, for inputs and further refinement.

In 2019, Olam created a dedicated ‘Finance for Sustainability’ (F4S) department to further develop the multi capital accounting methodologies, act as a centre of excellence, and help embed capitals accounting within the organisation. F4S in 2019 developed the Integrated Impact Statement for the Cocoa business.

A summary of some insights from Cocoa’s IIS on key aspects of Natural Capital (NC) is presented opposite.
1. The hidden cost to Society of Greenhouse Gas (GHG) emissions from cocoa production

Cocoa is a tropical crop grown by millions of smallholders in a narrow band around the equator. This is also the same region where much of the world’s tropical forests are found. Deforestation has been a major historical issue as farmers encroach forests to grow more crops, most usually driven by poverty. Not only does this impact biodiversity but it contributes to climate change, which in turn impacts cocoa and other crop production.

Based on GPS mapping using the Olam Farmer Information System and our analysis, we evaluated the GHG impact per tonne of cocoa bean purchased for selected Farmer Groups (FG). The chart below compares the annual hidden negative economic impact of GHG emissions from the agricultural operations (historical annualised land use change over the previous 20-years\(^1\), fertiliser use, etc.) against the positive economic impact of GHG sequestered through actions such as agroforestry, tree planting. The Land Use change is equally apportioned over a 20-year period – a standard parameter and accepted simplification in GHG reporting and followed through into the NC accounting approach.

We have applied a Societal Cost of Carbon (SCC)\(^2\) of US$90/tCO\(_2\) to incorporate the full global hidden costs to society of climate change impacts such as drought, rising sea levels, climate migration, etc.

Findings:
- The analysis provides Olam Cocoa business with a 2018/19 baseline, from which it can measure GHG reduction progress against its goal to reduce natural capital costs.
- In the chart below, the highest annual Net GHG cost (US$ 645/tonne of cocoa bean purchased) is from the 11th FG, primarily due to the 62% emissions arising from annualised historical Land Use Change, apportioned equally over the 20 years.
- On a positive side, all FGs sequester carbon – both above and below ground, through the planting of trees, for example.
- The comparison between FGs allows the Cocoa business to prioritise where additional investments are required to reduce the impact on NC. One way of doing this could be increasing the planned level of agro-forestry for certain FGs, such as over 773,000 forest and fruit trees were planted in 2019 in our managed program supplier network of over 185 farmer cooperatives to restore lost vegetation in Côte d’Ivoire. This has a positive societal impact resulting in improved soil health, enabling biodiversity and pollinators to flourish and additional income earned by the farmers from non-cocoa trees.

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1. Historical land use change is based on Global Forest Watch (GFW), which analyses Land Use Change (LUC). Olam is a member of the GHG Protocol Land Sector Technical Working Group. Best practice currently is to account for historical land use change over a 20-year period (equal allocation).
2. Mid-point result from Massachusetts Institute of Technology (Pindyck, R S. 2019, The social cost of carbon revisited).
2. The hidden cost of water consumption in Cocoa processing

The World Economic Forum’s Global Risk Report 2020 identified water crises as one of the Top Five global risks by impact. Cocoa is typically a rain-fed crop but climate change could lead to variations in rainfall patterns impacting our smallholder suppliers. Our 12 Cocoa processing facilities rely on water availability for their operations.

Two broad impact areas are considered to arrive at the total economic value of water consumption:

• Negative ecosystem impact such as biodiversity loss
• Negative human health impact from reduced water availability

We studied the total economic value of water consumption across all Cocoa processing facilities located in eight countries. We found the processing facilities have different economic impacts based on the watershed they are operating within. We mapped the Cocoa processing facilities within the respective different watersheds to arrive at context specific water ecosystem values. We applied a global value to GHG emissions because of its global nature, but for water we need to apply context-specific values because each watershed is different.

In the chart below, we examined our two cocoa processing facilities in Côte d’Ivoire. In one of our facilities 591m$^3$ of water consumption leads to US$1 hidden water cost, however in the other facility 461m$^3$ of water consumption leads to US$1 hidden water cost.

Findings:

• A regionalised assessment shows that the wider ecosystem and human health impacts of water consumption vary greatly as a function of location.
• By utilising watershed specific data we can understand the economic cost of water consumed based on water-related ecosystem impact in surrounding areas. The findings allow the Cocoa business to deliver most effective solutions using local watershed knowledge in order to reduce their water-related NC impacts.
• The analysis shows the importance of considering and maintaining the wider ecosystem from which water is drawn and supports the delivery of Olam’s purpose outcome of regenerating the living world and net-positive living landscape approach.

Annual hidden cost of water consumption in two Olam cocoa processing facilities in Côte d’Ivoire (US$)

<table>
<thead>
<tr>
<th>Facility 1</th>
<th>Facility 2</th>
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<tr>
<td>Annual water consumption (m$^3$)</td>
<td>150,000</td>
</tr>
<tr>
<td>Annual hidden costs of water consumption (US$)</td>
<td>(317)</td>
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<tr>
<td>(400)</td>
<td>122,306</td>
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</table>

3. Processing facilities were matched to watersheds using GIS and a watershed index available in Pfister (2011). LC-Impact Version 0.5 was referred for watershed specific DALYs.
3. The hidden benefit of Ecosystem Services (ESS) in Cocoa agricultural production

Ecosystem Services are the hidden services provided to our supply chain partners by the natural environment and healthy ecosystems. Such ecosystems include cropland, forests, grasslands, aquatic ecosystem, etc. There are four major categories of ESS – provisioning, regulating, cultural and supporting services. These ESS allow Olam’s supply chain farmers to sustain their operations, for example pollination, decomposition, water purification, erosion and flood control are part of regulating services.

The below chart shows the annual cocoa volumes purchased from selected FGs per US$1 million of ESS.

**Findings:**

- The chart shows the 9th FG is the most productive per US$1 million of cropland ESS and there was a 153% difference in the use of cropland ESS between the above selected sample FGs. We can determine the impact of FG specific management practices and agroforestry systems on productivity and cropland ESS.
- From this we find that the learnings on the impacts of specific good agricultural practice interventions, such as improved soil practices, can be transferred across FGs to efficiently and sustainably increase the productivity per US$1 million of cropland ESS.

**Next steps**

For Olam to create value over the long-term and bring light to the invisible capitals, we need to continuously manage a broad set of drivers beyond Financial Capital. F4S will continue to refine the IIS tool, underlying methodologies and work with the business teams to incorporate multi capital accounting in our business decision making processes.

We are also looking at improving our data sources such mapping of actual farmer supplier boundaries using polygons, which will enable us to conduct more accurate assessments for land type categorisation, water-related ESS impact and land use change. We are also exploring satellite data and on farm monitoring of different tree types in the supply chain landscapes, to improve quantification of GHG sequestration and ESS impacts.

<table>
<thead>
<tr>
<th>FG1</th>
<th>FG2</th>
<th>FG3</th>
<th>FG4</th>
<th>FG5</th>
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<td>375</td>
<td>233</td>
<td>207</td>
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* Annual tonnes of cocoa purchased per mn US$ ESS

As per Millennium Ecosystem Assessment
Summary
The IIS takes a systems approach that captures the complexity and reality of today’s diverse and intertwined ‘eco-agrifood’ systems, providing a holistic picture to business decision-making, avoiding the risks and limitations inherent in simplistic metrics such as ‘productivity per hectare’ which ignores NC stocks, flows, outcomes and impacts. The IIS approach will also increase business resilience, allowing Olam to make changes on the ground, to mitigate the risks associated with carbon taxes, biodiversity loss or procurement concerns. Uncovering these risks and opportunities, will enable us to better prepare and respond to the challenges of tomorrow.

With the above insights, we believe the IIS can positively change and differentiate the way we operate and with whom we operate. We are now better informed about our Natural Capital impact on the ground and can provide actionable management information to enable our Business Units to better understand their key impact areas (by FG level, by country, by commodity), and devise more appropriate plans for impact reduction or offsetting strategies. This way Olam endeavours to become a resilient and more reliant partner for all our stakeholders by ensuring Long-Term Value creation.

The Olam Integrated Impact Statement is not related to financial results or financial reporting. The above analysis and insights are specific to the selected farmer groups and processing units. The results are for internal purposes only. All underlying methodologies are based on well-established databases and frameworks but as they depend on formula and third party expert studies they can only ever be an approximation. In the coming years, results from this IIS case study could be readjusted according to further methodological refinements. Taken together, however, the IIS is a valuable sustainability tool that can help uncover issues and provoke questions necessary to Re-imagine Global Agriculture and Food Systems.
This General Information is intended to help readers understand the bases of our financial reporting and analysis contained in this Annual Report 2019.

**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 CFO’s review on pages 48 to 63 for the years between 2015 (restated) and 2019, 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 31 December 2015 as well as the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the 12 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 FRS 109 Financial Instruments.

**Adoption of SFRS(I) 16**

SFRS(I) 16 is effective from 1 January 2019, and the Group has adopted modified retrospective approach which does not require any restatement of prior period financial statements.

Adoption of this new standard has resulted in most leases being recognised on balance sheet, with exemption of short-term and low value assets’ leases. Under this new standard, at the commencement of a lease, a “right-of-use asset” and a “lease liability” for lease payments are recognised on the balance sheet. Total borrowings or net debt will increase to the extent of the lease liability. This new standard also requires separate recognition of finance charge on the lease liability and depreciation on the right-of-use asset in the profit and loss account.

**Business segmentation and reporting**

Olam’s operations have been organised into five business segments for reporting purposes. The distribution of the 16 businesses across the business segments is given below:

<table>
<thead>
<tr>
<th>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, pulses and beans) 2. Spices (pepper, onion, garlic, capiscums, tomato and chillies)</td>
</tr>
<tr>
<td>Confectionery and Beverage Ingredients</td>
<td>3. Cocoa 4. Coffee</td>
</tr>
<tr>
<td>Commodity Financial Services (CFS)</td>
<td>16. Funds Management</td>
</tr>
</tbody>
</table>
With the re-organisation of the Group business from January 2020, there will be changes in operational and financial reporting in line with the new structure. Details of the new reporting format will be given along with the results for the six months ending 30 June 2020 in August 2020.

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

Selling, General & Administrative 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: PATM 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 2019 have been audited. The sections that have been audited are set out on pages 9 to 92 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.