Olam

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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Strategy Report

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.**

About Olam

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 Purpose

Re-imagining Global Agriculture and Food Systems

Our Vision

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

Our Governing Objective

To maximise long-term intrinsic value for our continuing shareholders

Edible Nuts and Spices
See page 59

Confectionery and Beverage Ingredients
See page 60

Food Staples and Packaged Foods
See page 61

Industrial Raw Materials, Infrastructure & Logistics
See page 62

Commodity Financial Services
See page 63

Our existing business model

Built over 30 years from 1989 – 2019

Our value chain participation

Selective upstream

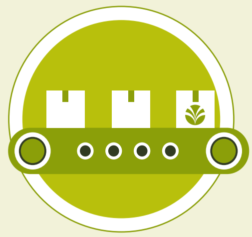
- Perennial tree crops
- Broadacre row crops
- Dairy farming
- Forest concessions*

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

Cotton
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

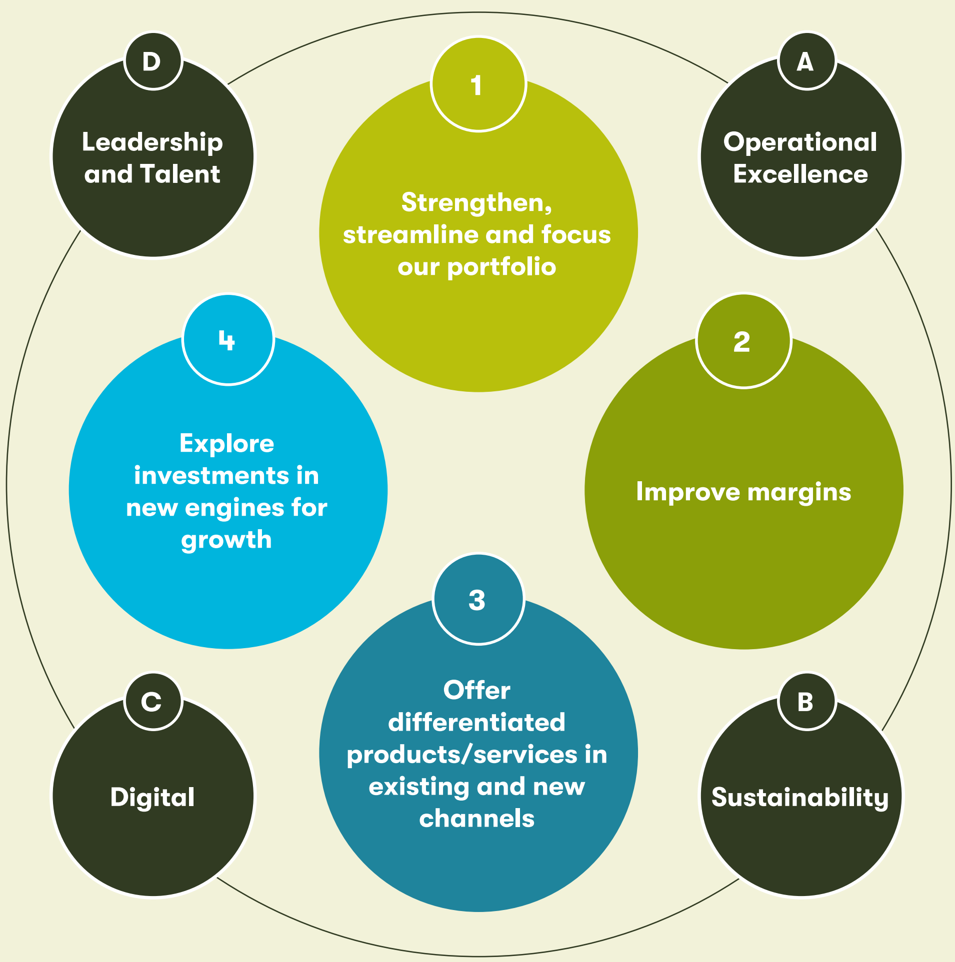
Our strategic plan responds to 4 underlying trends, with 4 key strategic pathways and 4 key enablers – **'4 x 4 x 4'**

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)



Unlocking and maximising long-term value

How we win?

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

Our Re-organisation Plan

(effective from 20 January 2020)

Reshaping our business

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

Strategic Plan
(2019-2024)

Re-Organisation Plan
(January 2020 onwards)

Olam announced its new Strategic Plan for the period 2019-2024 in January 2019.

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 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)

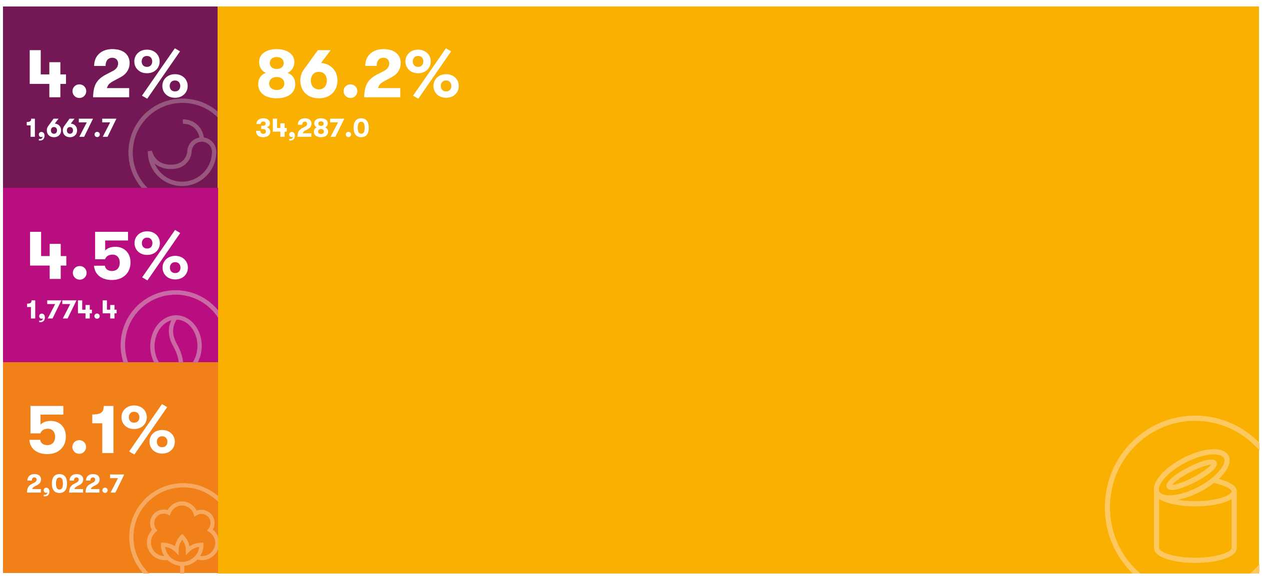
- Differentiated global agribusiness with unique focus on high-growth emerging markets
- Comprises Grains and Animal Feed & Protein, Edible Oils, Rice, Cotton and Commodity Financial Services

Our financial and performance highlights

Volume

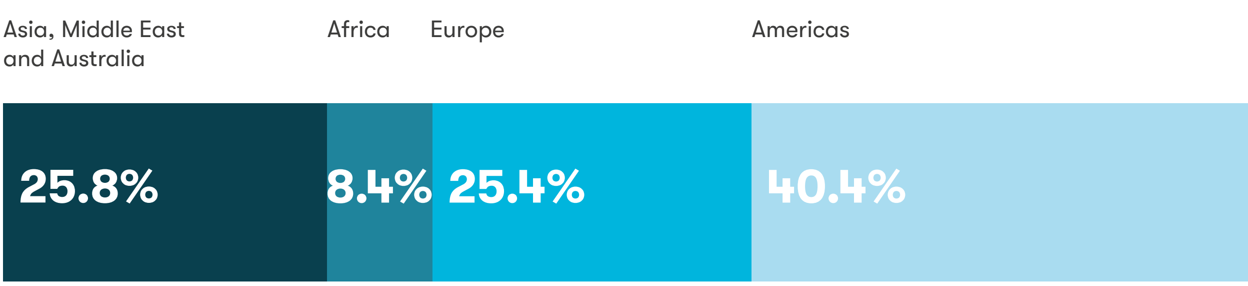
Sales volume by segment ('000 metric tonnes)

39,751.8
(2018: 32,867.6)



- Edible Nuts and Spices
- Confectionery and Beverage Ingredients
- Food Staples and Packaged Foods
- Industrial Raw Materials, Infrastructure & Logistics

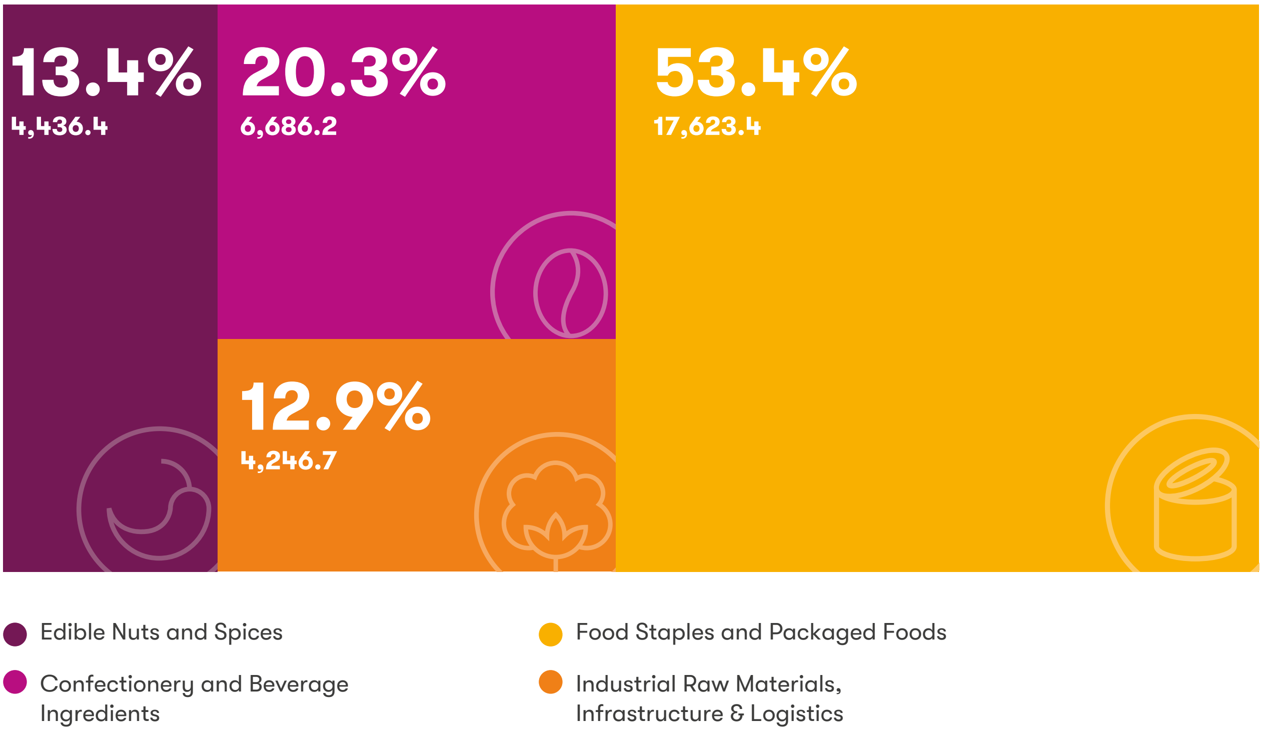
Sourcing volume by region ('000 metric tonnes)



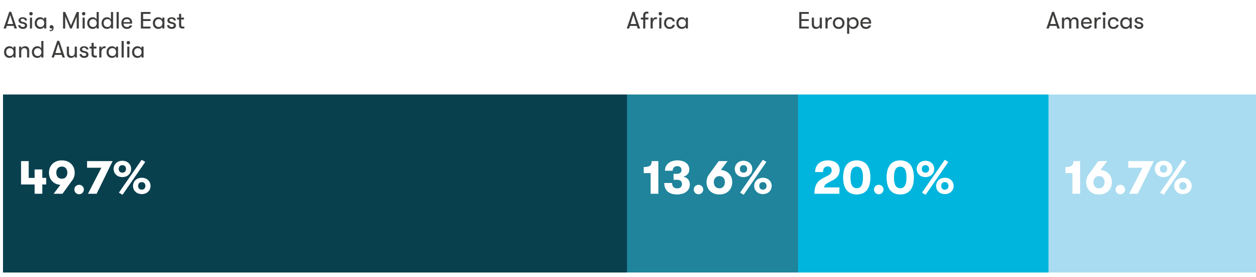
Revenue

32,992.7
(2018: 30,479.0)

Sales revenue by segment (S$ million)

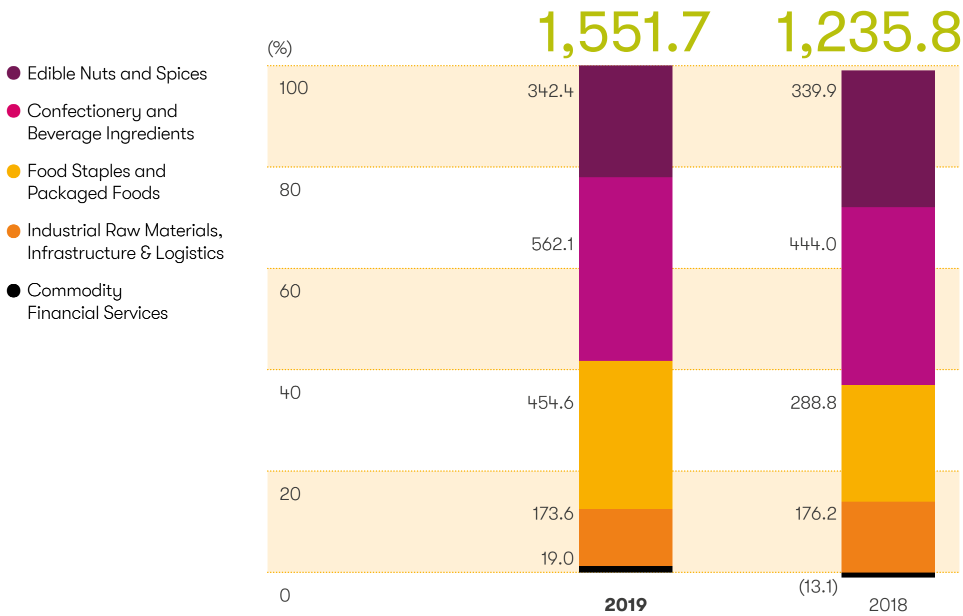


Sales revenue by region (S$ million)

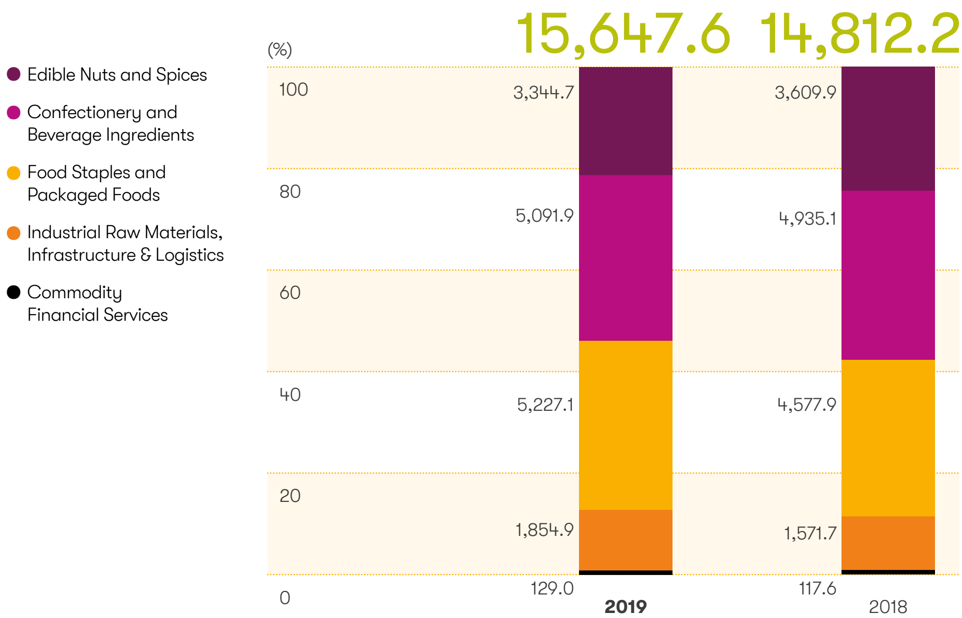


EBITDA and Invested capital

EBITDA by business segment
(S$ million)



Invested capital by business segment
(S$ million)



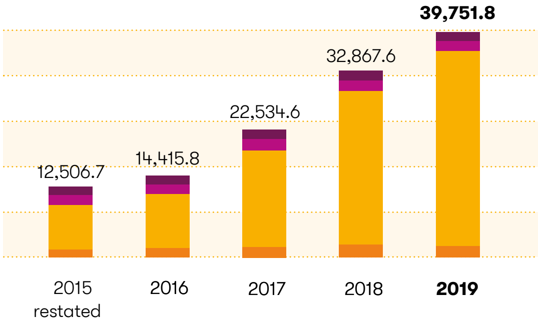
Financial highlights and five-year summary

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

	2019	2018	% Change
Profit and Loss Statement			
Sales Volume ('000 Metric Tonnes)	**39,751.8**	32,867.6	20.9
Sales Revenue	**32,992.7**	30,479.0	8.2
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)*	**1,551.7**	1,235.8	25.6
Earnings Before Interest and Tax (EBIT)*	**1,056.2**	843.0	25.3
Profit Before Tax*	**583.6**	375.4	55.5
Profit After Tax and Minority Interest	**564.1**	347.8	62.2
Operational Profit After Tax and Minority Interest*	**498.2**	346.6	43.7
Per Share			
Earnings Per Share basic (cents)	**16.0**	9.2	73.9
Operational Earnings Per Share basic (cents)*	**13.9**	9.2	52.2
Net Asset Value Per Share (cents)	**196.6**	193.4	1.7
Net Dividend Per Share (cents)^	**8.0**	7.5	6.7
Balance Sheet			
Total Assets	**25,670.4**	23,446.8	9.5
Total Invested Capital	**15,647.6**	14,812.2	5.6
Total Debt	**12,596.0**	11,268.2	11.8
Cash & Cash Equivalents	**3,179.6**	2,480.4	28.2
Shareholders' Equity	**6,432.0**	6,325.4	1.7
Cash Flow			
Operating Cash Flow Before Interest and Tax	**1,454.4**	1,154.7	26.0
Net Operating Cash Flow After Changes in Working Capital and Tax	**1,358.8**	2,085.3	(34.8)
Free Cash Flow to Firm	**689.3**	1,530.4	(55.0)
Free Cash Flow to Equity	**134.6**	1,066.3	(87.4)
Ratios			
Net Debt to Equity (times)**	**1.38**	1.32	0.06
Net Debt to Equity (times) adjusted for liquid assets**	**0.29**	0.29	–
Return on Beginning-of-period Equity (%)^^	**9.1**	5.3	3.8
Return on Average Equity (%)^^	**8.9**	5.3	3.6
Return on Invested Capital (%)	**6.9**	4.5	2.4
EBITDA on Average Invested Capital (%)	**10.2**	8.1	2.1
Interest Coverage (times)#	**2.1**	1.7	0.4

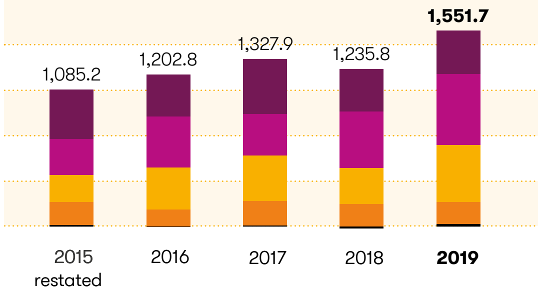
* Excludes exceptional items
^ Proposed final dividend of 4.5 cents is subject to shareholders' approval at the 25th Annual General Meeting.
** Before Fair Value Adjustment Reserves
# EBIT on total interest expense
^^ Excludes impact of capital securities distribution on net income and capital securities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

Sales Volume
('000 metric tonnes)



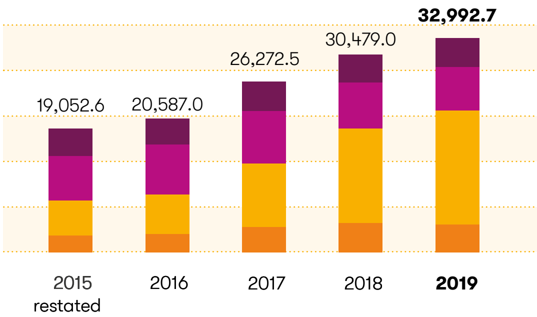
●	1,549.2	1,569.7	1,691.5	1,690.5	**1,667.7**
●	1,689.5	1,687.5	2,063.6	1,836.3	**1,774.4**
●	7,904.9	9,496.1	16,909.3	27,104.3	**34,287.0**
●	1,363.1	1,662.5	1,870.2	2,236.5	**2,022.7**

EBITDA
(S$ million)



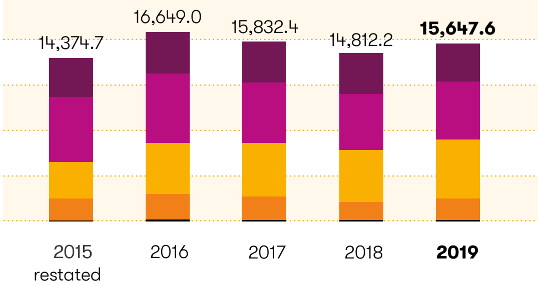
●	393.5	331.8	438.4	339.9	**342.4**
●	284.0	407.2	327.7	444.0	**562.1**
●	212.1	330.2	359.7	288.8	**454.6**
●	185.1	135.2	197.3	176.2	**173.6**
●	10.6	(1.6)	4.8	(13.1)	**19.0**

Sales Revenue
(S$ million)



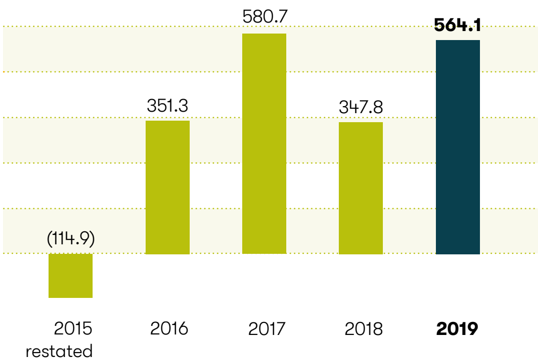
●	4,227.2	3,981.1	4,492.0	4,312.0	**4,436.4**
●	6,859.6	7,711.0	8,136.8	7,129.8	**6,686.2**
●	5,391.2	6,110.8	9,767.1	14,506.3	**17,623.4**
●	2,574.6	2,784.1	3,876.6	4,530.9	**4,246.7**

Invested Capital
(S$ million)

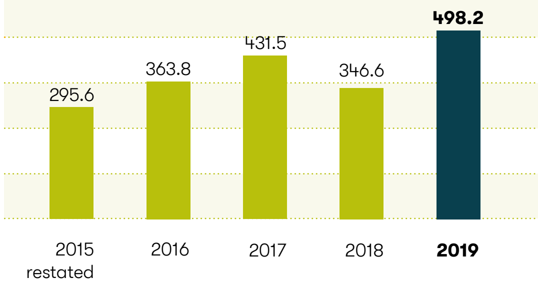


●	3,463.0	3,642.7	3,603.9	3,609.9	**3,344.7**
●	5,680.9	6,109.5	5,347.0	4,935.1	**5,091.9**
●	3,230.6	4,522.1	4,678.3	4,577.9	**5,227.1**
●	1,917.5	2,220.9	2,104.9	1,571.7	**1,854.9**
●	82.6	153.8	98.3	117.6	**129.0**

Profit After Tax and Minority Interest
(S$ million)

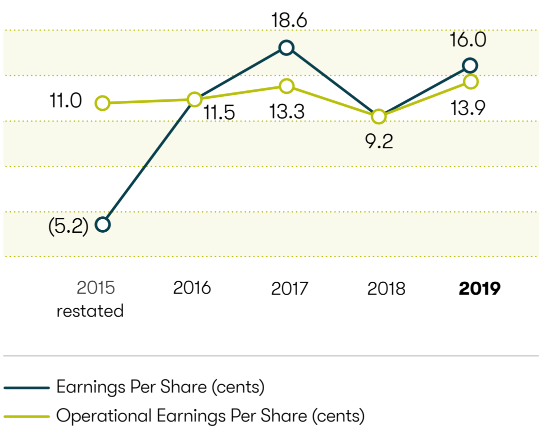


Operational Profit After Tax and Minority Interest (S$ million)

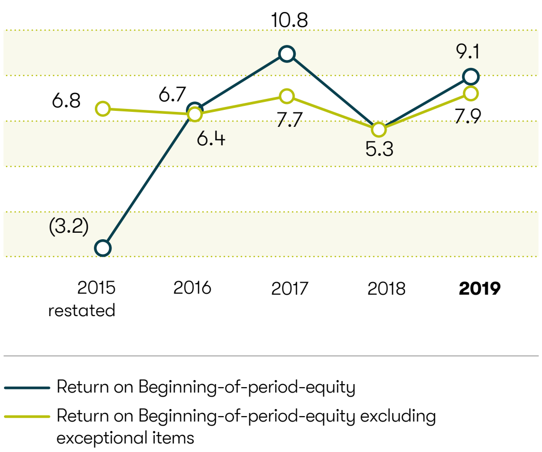


- ● Edible Nuts and Spices
- ● Confectionery and Beverage Ingredients
- ● Food Staples and Packaged Foods
- ● Industrial Raw Materials, Infrastructure & Logistics
- ● Commodity Financial Services

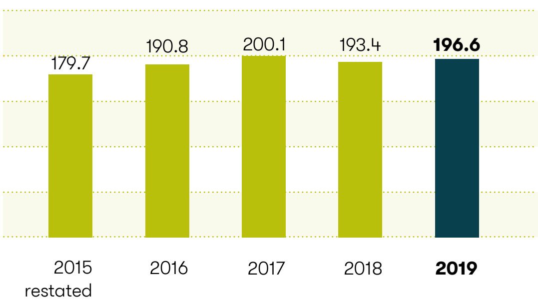
Earnings Per Share
(cents)



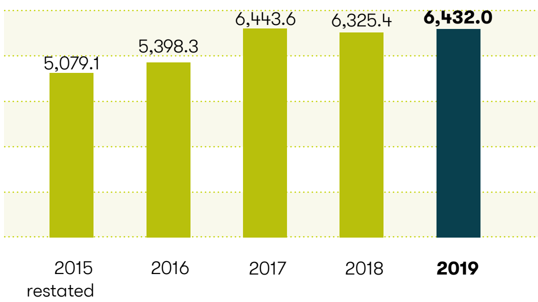
Return on Equity^
(%)



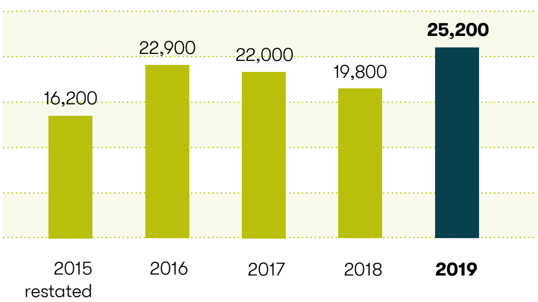
Net Asset Value Per Share
(cents)



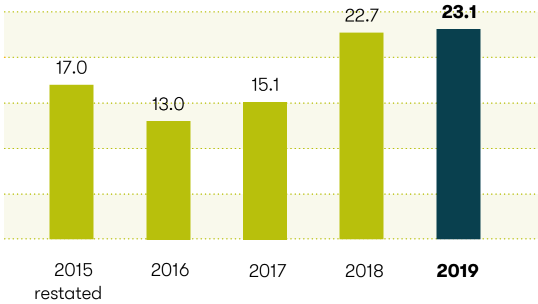
Shareholders' Equity
(S$ million)



Number of Customers



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



^ 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.

Strong Strategic Plan progress

Capitalising on key trends driven by consumers for healthier, sustainable and natural products, as well as ever advancing technologies for production and purchasing behaviour, the refreshed 2019 to 2024 Strategic Plan announced in early 2019 got off to a strong start. Deliverables are being met or even exceeded thanks to the focus and dedication of the Olam team.

The first strategic pathway of streamlining, focusing and strengthening the portfolio saw the Company reduce S$437.6 million of invested capital. S$1.1 billion was invested in strengthening the continuing businesses against the US$3.5 billion allocated for investment over the 6-year period.

The Company's second pathway was to improve margins through capital and cost productivity. In this respect, savings of some US$70 million were achieved and gearing is well within the net debt-to-equity target of 2.0 at 1.38 times. A significant element of these successes has been the focus on leveraging key enablers of operational excellence, sustainability, digitalisation and leadership and talent. Innovative financing strategies demonstrate just one way of how Olam is embedding these enablers into the strategy with a second sustainability-linked loan and a world first digital loan.

Re-organising Olam to unlock value

As stated at the start of 2019 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 into two new operating groups: Olam Food Ingredients (OFI), Olam Global Agri (OGA) with the stewardship of Olam International (OIL). The re-organisation decision within the first year of a six-year agenda was not a change in strategy but rather a recognition of the opportunity to create further value for our shareholders through potential carve-outs and capital raising options, including IPOs for OFI and OGA.

In line with the re-organisation, a Board Steering Committee was established with a project team comprising 12 work streams to develop strategies for OFI, OGA and OIL which build on the current Strategic Plan. Executive Director A. Shekhar has been appointed as CEO of OFI while Sunny will be CEO of OGA while continuing as the Group CEO.

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 normality 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

Free Cash Flow to Equity

(+)

positive after investments from year two of the Plan

EBITDA/IC

≥13%

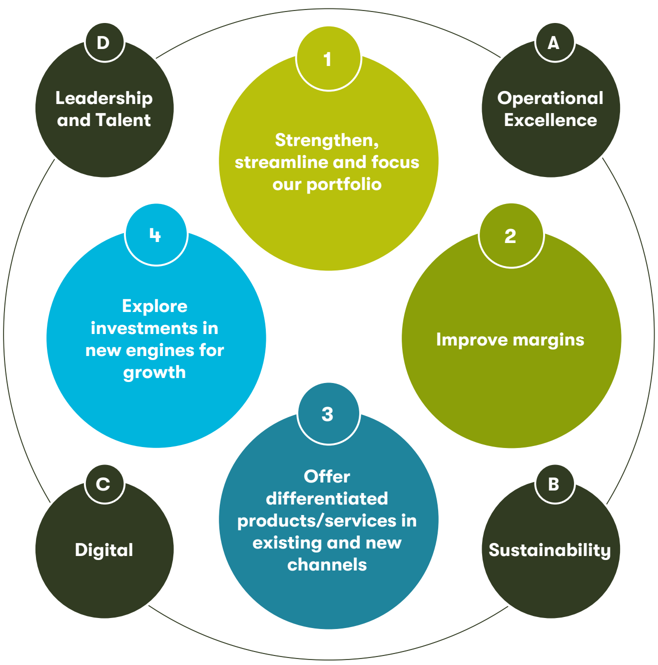
At least 13% EBITDA on Invested Capital from 2021 onwards

D/E

≤2.0

Gearing (defined as Net Debt: Equity) of less than or equal to two every year

Our strategic priorities and enablers



Purpose-led company:

Re-imagining Global Agriculture and Food Systems

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 CO_2 globally would be food waste if it were a country
World Resources Institute

Re-imagining Olam

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[1], 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
Right-for-me

- Healthy eating
- Customisation
- Premiumisation
- Authenticity
- Natural ingredients (flavour, colour)
- Cool / niche brands

1. Direct and indirect procurement

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.

> "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)."

2 Right-for-the-planet Right-for-producers

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

3 How I live and consume

- 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

Cross cutting offerings (purpose brands, etc)

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 deprioritised 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

In November, the Re-imagineers of the Top Ten ideas presented to the Executive and Operating Committee. More about the Re-imagineer blueprint can be found under Intellectual Capital.

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 Joydeep 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.

In September 2019, Mars announced its ambition to accelerate action to tackle climate change, with the launch of its new #PledgeForPlanet initiative. Mars is calling on all its suppliers to participate through programming such as setting science-based targets. Olam was the first supplier to join Mars in #PledgeforPlanet.*

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.

* Read more: https://www.mars.com/news-and-stories/press-releases/mars-accelerates-action-tackle-climate-change-new-pledgeforplanet

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

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
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Olam Food Ingredients (OFI)
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Olam Global Agri (OGA)
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Olam International (OIL)
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Shekhar has been with the Group since 1992. Before transitioning to his role as CEO for Olam Food Ingredients, as Group Chief Operating Officer he had joint oversight on all aspects of the Company's global business with the Group CEO. Prior to this, he was the Executive Director – Finance and Business Development for the Group, leading the Company's overall Strategy and Business Development activities.

Shekhar has incubated and managed various global businesses for the Group including Edible Nuts, Spices and Packaged Foods businesses. As the Global Head of these businesses, he has been directly involved in identifying and leading many of the Company's organic and inorganic growth initiatives. He has also played a variety of country management and regional oversight roles across Africa, Asia, Australia, Russia, South and North America.

Shekhar has been an Executive Director and a member of the Group Board from 1998.

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 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

- 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

- 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

1,300+
Logistics assets (warehouses)

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

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 speciality 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.

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

327,000[1]
cocoa farmers in sustainability programmes

Top 3
cocoa processor with 12 facilities

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

Enablers

Operational Excellence: See page 80
- 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: See page 115
See page 131
See weblink below[2]
- 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[3]

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
2. https://www.olamgroup.com/products/confectionery-beverage-ingredients/cocoa/sustainability-in-cocoa.html
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 See page 82
- 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 128

Enablers

Operational Excellence:
- Soluble: Improved Right First Time Quality from 95.0 to 97.2%
- Yield, a significant value driver, improved by 2.6%

Sustainability: See website[1]
- 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 page 113

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

Leadership and Talent: See page 86
- Invested in skills and excellence at all levels from origin teams to sales team

1. https://www.olamgroup.com/content/olamgroup/en/home-page/news/all-news/press-release/global-coffee-house-ceo-calls.html

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

Strategic Plan

2019 highlights

See page 82

- 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 See page 98

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 See page 112
- Hazelnuts: Olam Progida won Nestlé Sustainable Supplier of the Year See page 101

Digital:
- Cashews: first deployment of Olam Direct in Africa, Ghana
- Superfoods: 650 farmers registered on OFIS[1] 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

See page 127

Enablers

Sustainability:

See page 112

- 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.

4
major regions – Africa, Asia, Latin America and Middle East

1,000+
clients served by 15+ offices, offering products, market intelligence and risk management solutions

24,000
cows, heifers and calves in Russia

Strategic Plan

2019 highlights

See page 33

- 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

CASE STUDY

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[1]. 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[2] 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

50+
Processing assets

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

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.

Largest
wheat miller in Africa

13
wheat processing and manufacturing facilities in Cameroon, Ghana, Nigeria, Senegal

3
poultry and aquafeed facilities in Nigeria

Strategic Plan

2019 highlights

- Nigeria: acquisition of leading flour and pasta manufacturer Dangote Flour Mills Plc consolidates 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 through-put

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

See page 101
See page 123

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

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.

4
major oils in portfolio – palm, soybean, rapeseed and sunflower

5
trading & supply chain hubs Singapore, The Netherlands, South Africa, India and China

100%
traceability to mill for direct palm oil suppliers[1]

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[2] 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

1. https://www.olamgroup.com/products/food-staples/edible-oils/sustainable-palm-oil.html
2. Central African Economic and Monetary Community (CEMAC)

Olam Cotton – integrated market leading business

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.

Leading
global cotton merchant

4
major growing regions

250,000+
smallholder farmers receiving sustainability support

Largest
private ginner

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:
See page 96
- 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:
See page 80
- 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, Azeez 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.

3
established trading programmes

25
proprietary quantitative trading strategies/algorithms

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.

Top 3
supplier by market share in global trade

30,000
farmers in sustainability programmes

30+
consumer brands in Africa, UAE and Hong Kong

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 See page 41
- First and largest projects in Thailand, India, and Vietnam See page 100

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

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**[1] 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.

6
Countries

1,800+
Customers

9
Processing assets

4
Ports in 3 countries

1
Special Economic Zone

1
Innovation Centre

- **Packaged Foods**
  Achieve leadership in selected food categories (culinary, snacks and dairy beverages) in Nigeria/Ghana and expand into adjacent markets in West Africa
- **Infrastructure & Logistics**
  Extract full value from our existing Gabon operations and selectively expand into other markets in Africa
- **Olam Palm Gabon**
  Develop fully RSPO certified upstream Palm Oil business in Gabon

Our business leaders

Mahadevan Ramanarayanan
CEO, Packaged Foods

Gagan Gupta
CEO, Infrastructure & Logistics

Darshan Raiyani
CEO, Olam Palm Gabon

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.

1
Innovation Centre

9
processing assets

9
master brands in 5 categories

Strategic Plan

2019 highlights

See page 122

- 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.

4
ports in 3 countries

1
Special Economic Zone: GSEZ

Strategic Plan

2019 highlights

- Re-organisation of the business into three verticals: ARISE P&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
- 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
- Secured joint venture partners, such as AFC, for additional investment to support growth in the verticals
- Continued to expand geographically with new projects in Côte d'Ivoire, Mauritania and Benin

Enablers

Sustainability:
- 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

Leadership and Talent:
- 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

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.

1st
RSPO certified new planting producer in Africa

112,455 ha
RSPO certified[1]

99,000 ha
protected as High Conservation Value area[1]

2 mills
and 1 refinery

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 CO_2 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'

See page 116

Read more: https://www.olamgroup.com/products/food-staples/edible-oils/sustainable-palm-oil.html

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

1. As of March 2020, includes Ndende smallholder scheme

IN THE SPOTLIGHT

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.

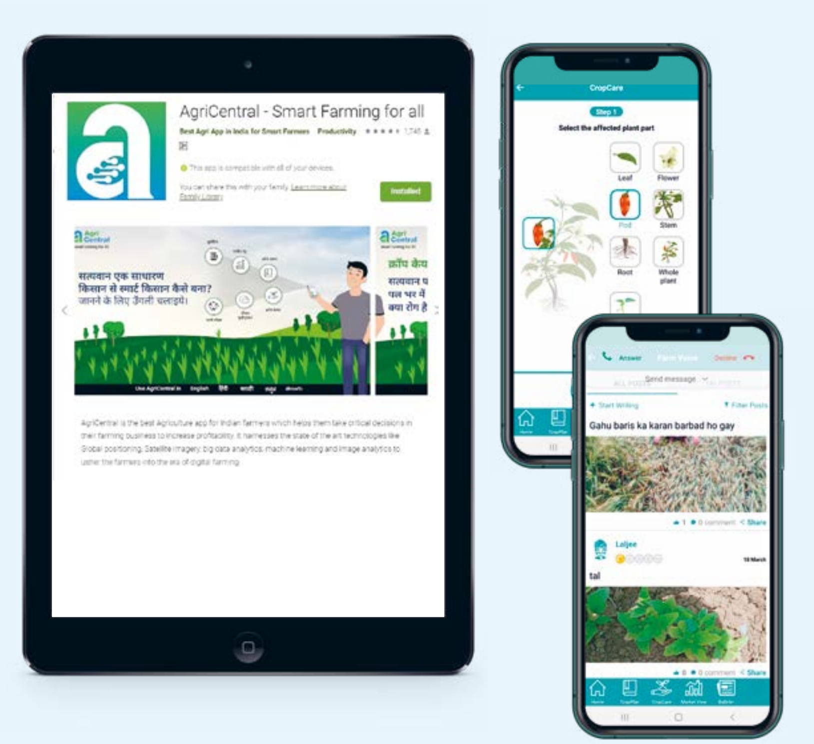
Our business leaders

Rahul Verghese
Purpose Brands

Suresh Sundararajan
Farmer Services Platform
Environmental Footprinting and Solutions app

Gagan Gupta
Carbon trading and land tokenisation

Ashish Govil
Controlled Environment Agriculture



AgriCentral provides the farmers with information and advice on agronomy, crop protection, weather forecast, market prices, government schemes and news. AgriSense, a closed-group platform within AgriCentral helps farmers to expand their businesses with input sales, output-aggregation, and equipment leasing – winning Olam the Enabler award in the Economic Times Farmer Producer Organisation Summit Awards 2019.

- Largest collection of daily market prices among Indian agricultural apps: 8,000+ price-points in 20 states
- Google Playstore rating of 4.5 out of 5
- Consistently ranked in top 50 productivity applications in India. Peers include all productivity applications e.g. Google Drive, MS Word etc

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 °C. 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 smoothening 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

S$ million	2019	2018	% Change
Volume ('000 MT)	**39,751.8**	32,867.6	20.9
Revenue	**32,992.7**	30,479.0	8.2
Net gain in fair value of biological assets*	**19.0**	61.3	(69.0)
EBITDA*	**1,551.7**	1,235.8	25.6
Depreciation & Amortisation*	**(495.5)**	(392.8)	26.1
Net finance costs	**(538.5)**	(468.8)	14.9
Taxation*	**(58.5)**	(52.3)	11.9
Exceptional items	**65.9**	1.2	n.m.
PAT	**525.1**	323.1	62.5
PATMI	**564.1**	347.8	62.2
Operational PATMI*	**498.2**	346.6	43.7

* 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.

Volume
39.8 M MT
+20.9%

EBITDA
S$1,552 M
+25.6%

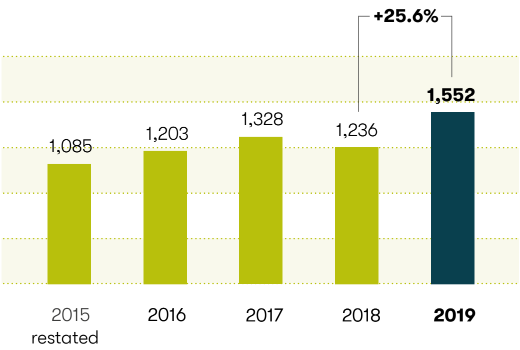
Operational PATMI
S$498 M
+43.7%

Invested Capital
S$15.6 B
+5.6%

Gearing
1.38X

Free Cash Flow to Equity
S$135 M

EBITDA



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(1) 16 resulted in the following key effects to the balance sheet of the Group:

S$ million	1 January 2019
Assets	
Property, plant and equipment	(76.8)
Right-of-use assets	706.8
Other current assets	(24.2)
Total Assets	**605.8**
Liabilities	
Lease liabilities	699.9
Finance lease liabilities	(94.1)
Total Liabilities	**605.8**

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:

S$ million	2019		
Profit & Loss Statement	Reported	SFRS(I) 16 Impact	Excluding SFRS(I) 16
EBITDA	**1,551.7**	**99.3**	**1,452.4**
Depreciation & Amortisation	(495.5)	(95.1)	**(400.4)**
Net Finance costs	(538.5)	(30.2)	**(508.3)**
PATMI	**564.1**	**(26.0)**	**590.1**
Operational PATMI	**498.2**	**(26.0)**	**524.2**

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 subsidiary.

"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.

S$ million	**2019**	2018
Sale of permanent water rights, Australia	**232.0**	–
Sale of real estate assets, USA	**101.9**	–
Sale of 10% stake in ARISE IIP to AFC	**40.4**	–
Negative goodwill arising on acquisition	**7.9**	–
Impairments/exit/closure costs	**(315.8)**	–
Sale of land, USA	**–**	18.6
Sale of subsidiary	**0.6**	5.8
Sale of Café Enrista brand	**–**	2.7
Sale of JV/Associate	**(1.1)**	(25.9)
Exceptional items	**65.9**	1.2

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."

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.

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

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.

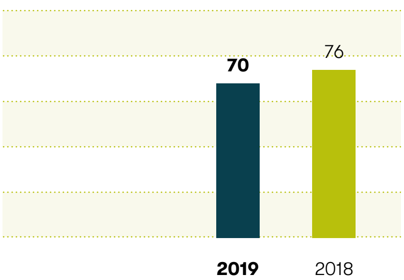
The Group's total assets[1] for 2019 were S$19.1 billion, comprising S$8.6 billion of fixed capital, S$577.6 million of right-of-use assets, S$6.6 billion of working capital and S$3.2 billion of cash. The right-of-use assets were largely made up of land and building assets; plant and machinery was a 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.

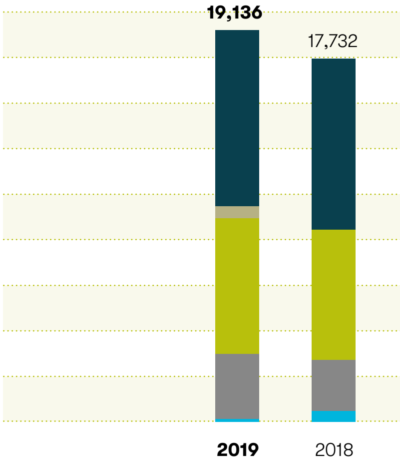
Although working capital in 2019 grew by S$251.4 million compared with 2018, the change in product mix with the increase in bulk trading volumes as well as access to supplier credit helped reduce working capital cycle by 6 days to 70 days in 2019. We also raised cost efficiency with US$70 million of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

Cash-to-cash cycle
(days)



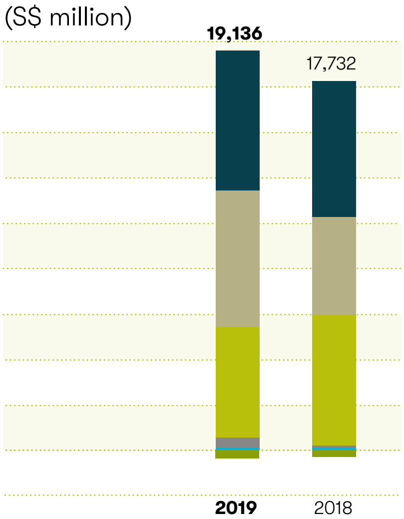
1. Total assets are net of trade payables and accruals, derivative financial instruments (current liabilities), provision for taxation, other current liabilities and deferred tax liabilities.

Uses of capital
(S$ million)



	2019	2018
Fixed Capital	**8,616.0**	8,349.3
Right-of-use assets	**577.6**	–
Working capital	**6,627.8**	6,376.4
Cash	**3,179.6**	2,480.4
Others	**135.1**	526.2

Sources of capital
(S$ million)



	2019	2018
Equity & reserves	**6,836.1**	6,652.9
Short-term debt	**6,675.5**	4,766.4
Long-term debt	**5,403.4**	6,407.7
Lease liabilities	**517.1**	94.1
Non-controlling interests	**108.1**	138.7
Fair value reserve	**(404.1)**	(327.5)

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.

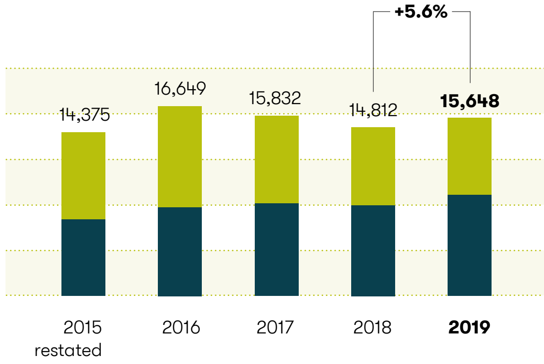
Improved returns

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). This relates to 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.

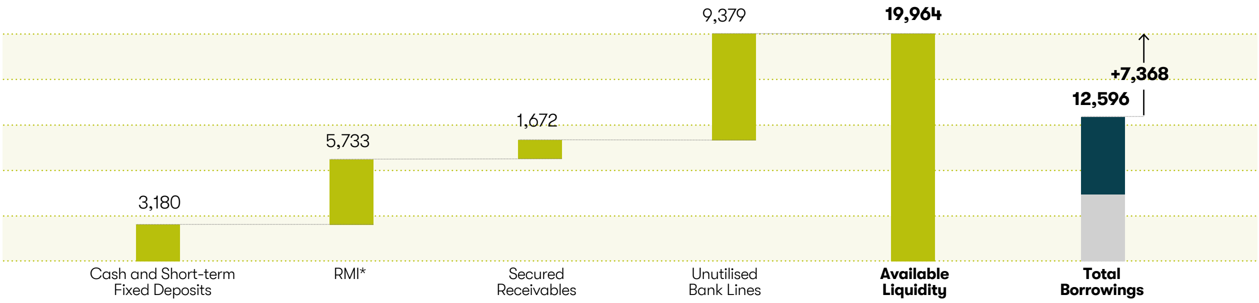
Invested capital[2]
($ million)



	2015 restated	2016	2017	2018	2019
Working capital	7,653	8,853	7,705	6,844	**6,767**
Fixed capital	6,722	7,796	8,128	7,968	**8,881**

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
(S$ million as at 31 December 2019)



- Short-term: 6,757
- Long-term: 5,839

*RMI: 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.

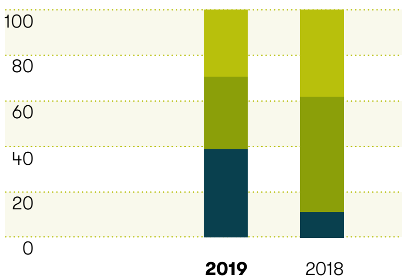
We have ample liquidity to meet our repayments, working capital and Capex requirements – a headroom of some S$7.4 billion over and above our borrowings, with a total of S$20.0 billion in available liquidity as at end-2019, including unutilised bank lines of S$9.4 billion.

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$525.0 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 Mix[3]
(%)



	2019	2018
Debt capital markets	**29.3**	38.3
Bank syndication	**32.0**	50.4
Bilateral banking lines	**38.7**	11.3

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

3. Excludes capital securities

Segmental review and analysis

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital		EBITDA/IC (%)	
S$ million	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Edible Nuts and Spices	**1,667.7**	1,690.5	**4,436.4**	4,312.0	**342.4**	339.9	**3,344.7**	3,609.9	**9.8**	9.4
Confectionery and Beverage Ingredients	**1,774.4**	1,836.3	**6,686.2**	7,129.8	**562.1**	444.0	**5,091.9**	4,935.1	**11.2**	8.6
Food Staples and Packaged Foods	**34,287.0**	27,104.3	**17,623.4**	14,506.3	**454.6**	288.8	**5,227.1**	4,577.9	**9.3**	6.2
Food Category	**37,729.1**	30,631.1	**28,746.0**	25,948.1	**1,359.1**	1,072.7	**13,663.7**	13,122.9	**10.1**	8.0
Industrial Raw Materials, Infrastructure and Logistics	**2,022.7**	2,236.5	**4,246.7**	4,530.9	**173.6**	176.2	**1,854.9**	1,571.7	**10.1**	9.6
Commodity Financial Services	**N.A.**	N.A.	**–**	–	**19.0**	(13.1)	**129.0**	117.6	**15.4**	(12.1)
Non-Food Category	**2,022.7**	2,236.5	**4,246.7**	4,530.9	**192.6**	163.1	**1,983.9**	1,689.3	**10.5**	8.4
Total	**39,751.8**	32,867.6	**32,992.7**	30,479.0	**1,551.7**	1,235.8	**15,647.6**	14,812.2	**10.2**	8.1

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.

Edible Nuts and Spices

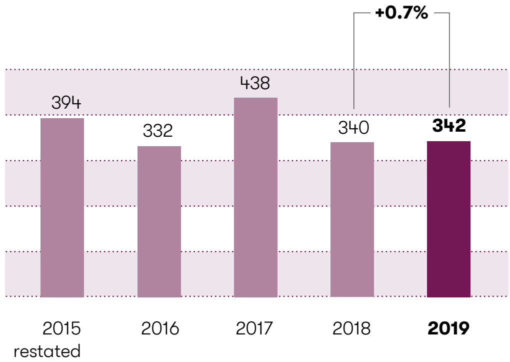
The Edible Nuts and Spices segment reported a marginal drop in sales of volume of 1.3% but a slight increase in revenue of 2.9% in 2019. This came as sales volumes of Spices declined with reduced tomato, onion and garlic volumes while revenues were higher due to improved sales realisation for Edible 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.

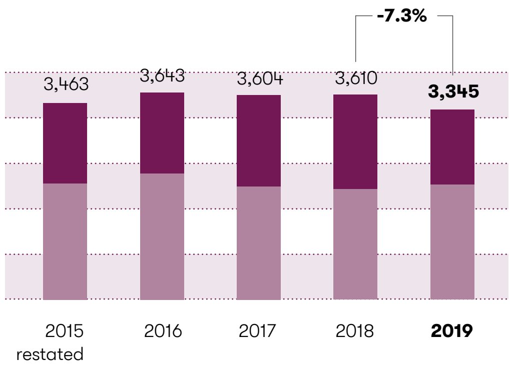
Invested capital in the segment eased by S$265.2 million to S$3.34 billion primarily due to reduced inventory value in tomatoes and other spices on working capital. While the adoption of SFRS(I) 16 with the addition of right-of-use assets and the acquisition of HNI increased fixed capital, this was partly 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)



	2015 restated	2016	2017	2018	2019
EBITDA/IC	11.5%	9.3%	12.1%	9.4%	**9.8%**

Invested capital
(S$ million)



	2015 restated	2016	2017	2018	2019
Working capital	1,415	1,421	1,608	1,666	**1,321**
Fixed capital	2,048	2,222	1,996	1,944	**2,024**

Confectionery and Beverage Ingredients

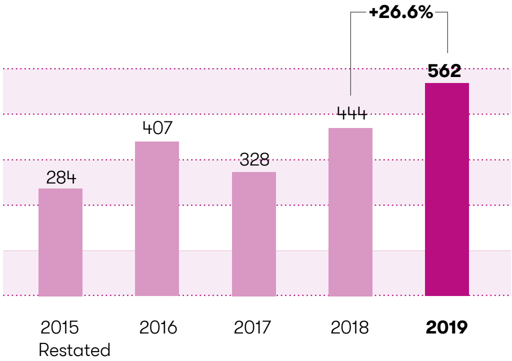
Sales volume in the Confectionery and Beverage Ingredients segment declined by 3.4% on reduced Cocoa volumes, partially offset by higher Coffee volumes. Lower sales volume coupled with lower coffee prices led to a reduction in revenues by 6.2%.

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.

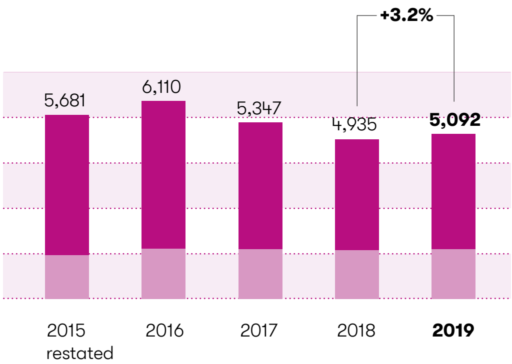
Due to the significant growth in EBITDA, EBITDA/IC for the segment increased from 8.6% in 2018 to 11.2% in 2019.

EBITDA
(S$ million)



	2015 Restated	2016	2017	2018	**2019**
EBITDA/IC	6.4%	6.9%	5.7%	8.6%	**11.2%**

Invested capital
(S$ million)



	2015 restated	2016	2017	2018	**2019**
Working capital	4,330	4,569	3,819	3,434	**3,560**
Fixed capital	1,351	1,541	1,528	1,501	**1,532**

Food Staples and Packaged Foods

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.

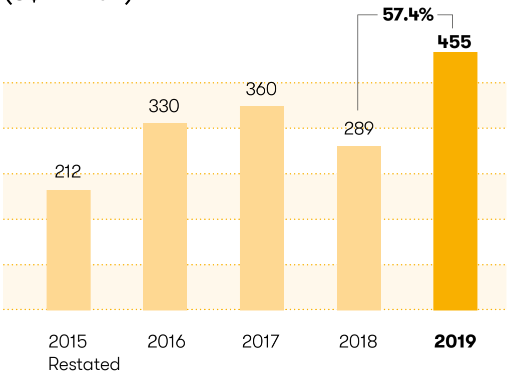
This segment contributed the largest increase to Group EBITDA at S$454.6 million, a robust growth of 57.4% from S$288.8 million in 2018. This was driven by strong EBITDA growth in Grains and Animal Feed & Protein business, and supported by improved performance from Packaged Foods, Dairy and Edible Oil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

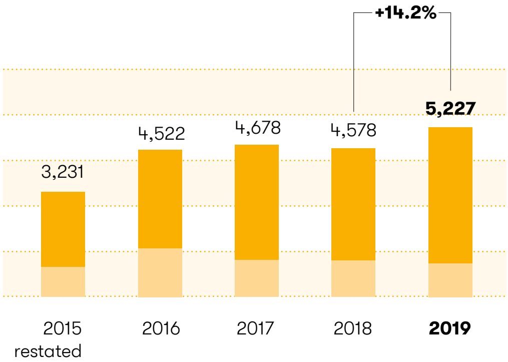
Invested capital increased by S$649.2 million compared with 2018 mainly due to higher fixed capital which increased on the acquisition of DFM in Nigeria, continued investments in OPG, addition of right-of-use assets on the adoption of SFRS(I) 16, and expansion of a third farm by Rusmolco during 2019. 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.

EBITDA
(S$ million)



	2015 Restated	2016	2017	2018	2019
EBITDA/IC	6.7%	8.5%	7.8%	6.2%	**9.3%**

Invested capital
(S$ million)



	2015 restated	2016	2017	2018	2019
Fixed capital	2,316	3,024	3,547	3,460	**4,190**
Working capital	915	1,498	1,131	1,118	**1,037**

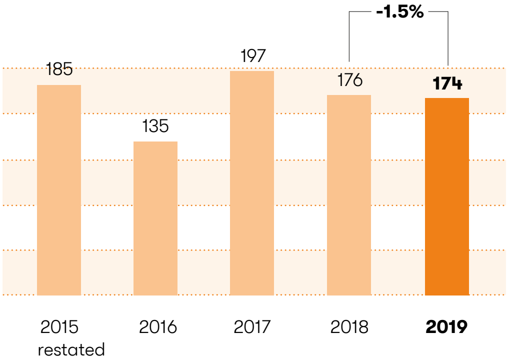
Industrial Raw Materials, Infrastructure and Logistics

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.

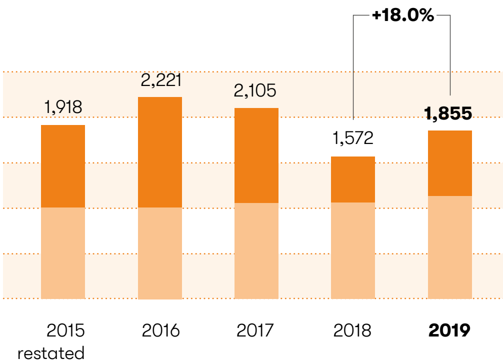
Compared with 2018, invested capital was higher by S$283.2 million on both fixed and working capital. Fixed capital increased with the investment in Cotontchad in Central Africa, continued investments in our rubber plantations in Gabon and the addition of right-of-use assets in the segment. Working capital 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
(S$ million)



	2015 restated	2016	2017	2018	2019
EBITDA/IC	9.8%	6.5%	9.1%	9.6%	**10.1%**

Invested capital
(S$ million)



	2015 restated	2016	2017	2018	2019
Working capital	912	1,213	1,050	511	**723**
Fixed capital	1,006	1,008	1,055	1,061	**1,132**

Commodity Financial Services

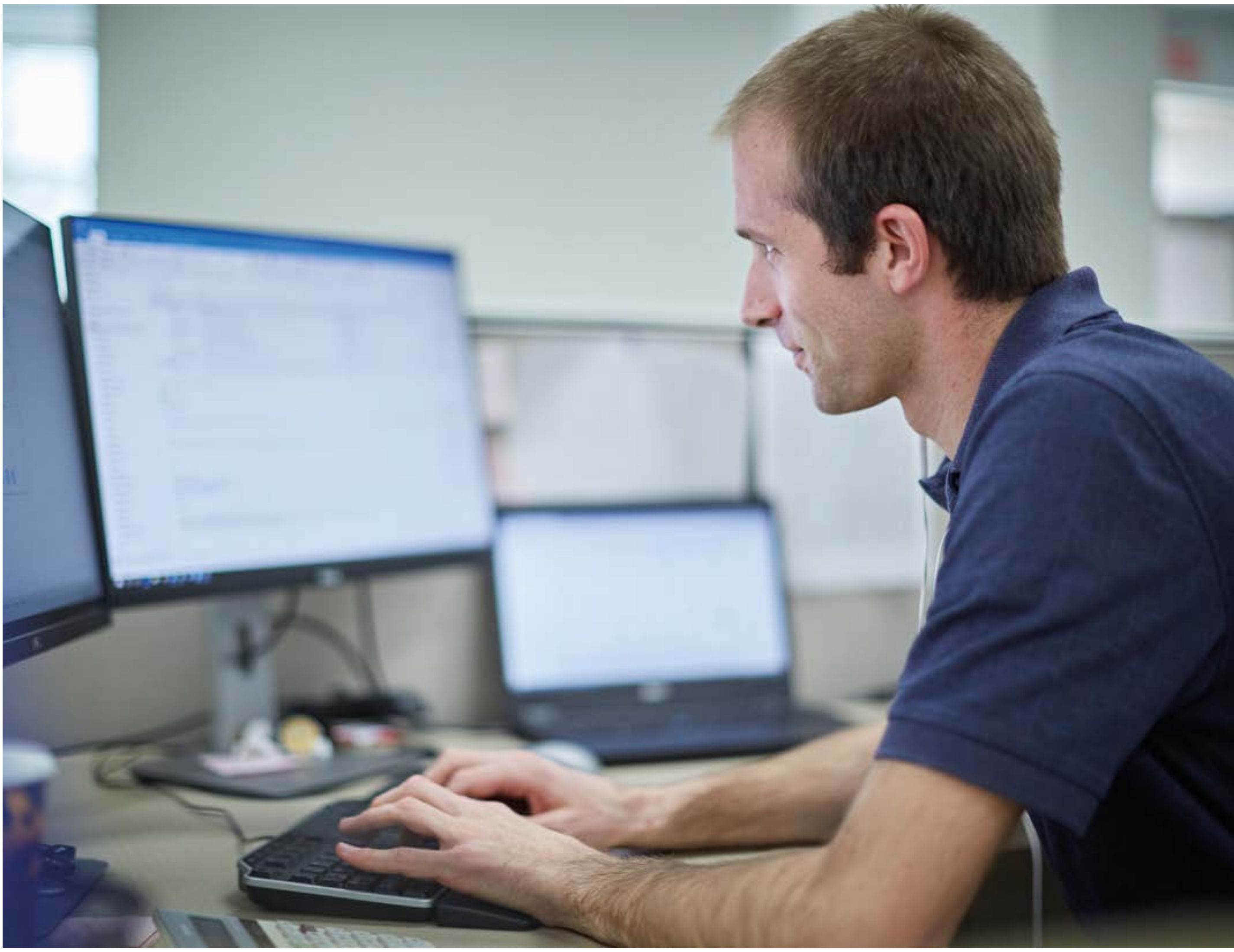
Commodity Financial Services posted an EBITDA of S$19.0 million in 2019 (2018: -S$13.1 million). This was mainly due to the better performance in the Quantitative Fund and the closure of the Fundamental Fund in early 2019.

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

EBITDA in 2019

S$19.0 M

(2018: -S$13.1 million)



Risk Management

Jagdish Parihar, Chief Risk and Compliance Officer

In the face of COVID-19 it is our deep risk management expertise across every part of our business that will help us navigate this global pandemic and set our new operating groups on a successful path to profitable growth.

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 Storo 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

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

Trading Risks	Trading risks are controlled by regular monitoring of positions using industry-standard metrics. The annual risk budgeting process defines position and risk metric limits to control exposures. The Group hedges price risk on the world's commodities exchanges, both through derivatives and tendering.
Operational Risks	Field operating control and primary sourcing infrastructure are in place in every country where the Group operates. The Group's credit/counterparty rating system defines credit limits and controls, promoting fragmentation of credit exposure on short tenors. Insurance is taken to provide inventory cover as well as credit defaults.
Currency Risks	The Group operates in many geographies and is therefore exposed to many different currencies. G7 currency hedging is performed by a centralised Treasury function and local currency limits in the origins and destinations are assigned to accommodate operational requirements.
Agricultural Risks	The Group aims for transparency with stakeholders, addressing issues as they arise but also seeking to improve wider understanding of issues in the agri-complex. The Group makes information available.
Political and Sovereign Risks	The Group has a deep-seated presence in many of the countries in which it operates, built over many years, and has consequently gained substantial knowledge of local practices. The Group maintains global political risk and terrorism risk insurance.
Reputational Risks	The Group has put in place a suite of policies, codes and standards to guide actions and behaviours. These include the Olam Code of Conduct; the Olam Crisis Escalation Procedure; the Olam Plantations, Concessions and Farms Code; the Olam Livelihood Charter; the Olam Supplier Code; the Olam Fair Employment Policy and the Olam Living Landscapes Policy.
Regulatory and Compliance Risks	The Group's Market Compliance Office is a global function whose primary role is to ensure that the Group is fully compliant with all external regulation.
Capital Structure and Financing Risks	The Group has a strong base of long-term shareholders. The Company maintains strong banking relationships providing committed banking lines, thereby assuring good liquidity.
Natural Perils	The Group maintains insurance cover against risk of natural disasters, such as flood, fire, earthquake and storms.
Other Risks	Succession plans are in place to provide a second line of leadership from within the Group's Operating Committee and Management Committee. The Group employs IT security experts, as well as having in place IT cybersecurity infrastructure.
Strategic Risks	All strategic risks are overseen by the offices of the CEO and COO, and by the Executive Committee.

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.OX 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.

Sustainability

Dr Christopher Stewart, Senior Vice President and Global Head Corporate Responsibility & Sustainability (CR&S)

As the supplier on the ground, our customers are looking to us to deliver their sustainability commitments through actions that generate real improvements.

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

Coffee farmer José Norbey Sanchez inspects his Castillo crop on his farm 'La Esperanza' in Quindío, Colombia. He is one of 5,000 Colombian coffee farmers that Olam works with directly through sustainability programmes.

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
- Global Child Forum 'The State of Children's Rights and Business 2019'– a 'leader' in the Asia Pacific Consumer Staples category
- 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."

to hire workers. Policy mechanisms also have to take into account markets – Côte d'Ivoire brought in a minimum farmer price for raw cashew nuts but it was higher than the market price. Low market prices have also hit coffee farmers. During 2019 Olam Coffee participated in the IDH Taskforce for Coffee Living Income. The report highlights the need for a wide range of stakeholder and policy intervention: "*The living income gap for most small conventional producers in Colombia (0.5 – 5 ha) who sell (conventional coffee) is too large to be solved with technical assistance and price support from buyers alone. According to available data, a small average conventional producer would need to cultivate 12.4 hectares of coffee to reach a living income.*"

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.

Digital

Suresh Sundararajan, President, Strategic Investments, Business Development & Shared Services

Digitalisation and breakthrough technologies, such as apps, big data, image based analytics, connected devices, field sensors, and Internet of Things, are re-imagining ways of working for Olam, farmers and customers.

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.

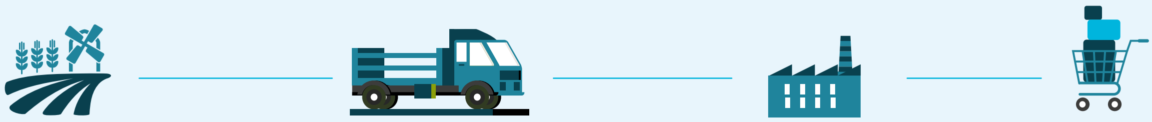
However, we know that a large part of our volumes will continue to be sourced through our traditional Local Buying Agents (LBA) buying model. In 2019, we introduced a Digital Supplier Engagement app for digitalising our engagement with LBAs. The solution includes an app for LBAs with features that help 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 locations[1]. 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.

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

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.

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

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.

Olam Learning Academy

Janaky Grant, Senior Vice President & Head of Learning and Development and Development

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, L&D 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.

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.

Production Manager Laurens Mulder checks processing machinery inside Olam Cocoa's factory in Wormer, The Netherlands.

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

Manufacturing Operations, Innovation and Procurement (Non-commodity)

- Safety, Health & Sustainability (Operations)
- Quality & Regulatory Affairs
- Engineering
- Procurement
- Innovation
- Factory Operations
- Planning & Customer Operations

IN THE SPOTLIGHT

How Manufactured Capital is reducing Natural and Social trade-offs while accelerating growth of Financial Capital

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,

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.

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.

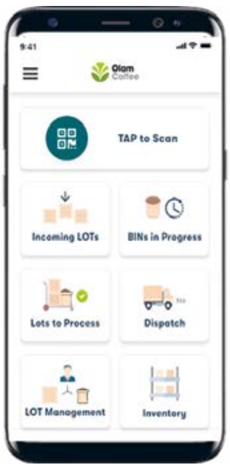
The LNG Generator not only reduces the power cost by 30% but will also eliminate the need of replacing the old generators which have been running since the mill was commissioned. It has been estimated that the LNG generator will reduce the carbon footprint by about 3,391 MT CO_2e.

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.



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.

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.

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.

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.

300 fans

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.

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 loses by up to 80% in the event of a severe frost.

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

George Joseph,
Chief Human Resources Officer, OFI

Sriram Subramanian,
Chief Human Resources Officer, OGA

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.

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

Safe and Decent Work	Nutrition and Health	Diversity and Inclusion

• Training for employees and workers on:
  • Employment laws, workplace rights and human rights
  • Health and Safety practices
  • Working conditions
• 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
• Child labour monitoring (own operations)
	• Access to sufficient safe and hygienic source for food and water during working hours
	• Specific nutrition and health needs, especially those engaged in hard physical labour or pregnant women are taken care of
	• Employees are educated on importance of hygiene
	• Employees are educated on importance of nutritious and healthy food habits
		• 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
		• Equal opportunities / inclusion to reach potential
		• Working conditions to support different life and career stages

Level of impact may vary according to supply chain.

Vikash Sinha, Vice President, Human Resources

We are committed to ensuring that all employees are treated with dignity and fairness.

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.

Read more https://www.olamgroup.com/sustainability/sustainability-framework/priority-areas/diversity-inclusion.html

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[2]. 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.

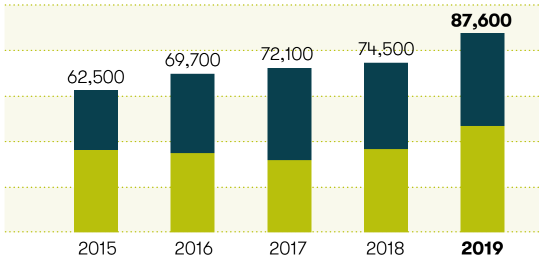
At the start of 2019, you announced that some businesses and assets are to be deprioritised. How do you approach this with employees?

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.

1. https://www.olamgroup.com/about-olam/ethics-and-compliance.html
2. See also Social Capital page 100 on Neglected Tropical Diseases

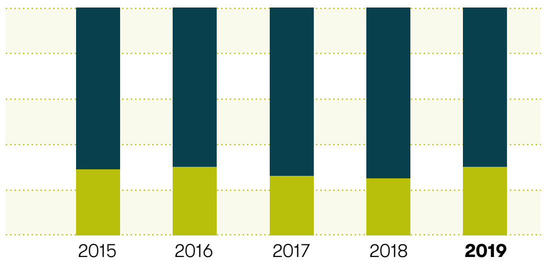
In the numbers

Our workforce
(%)



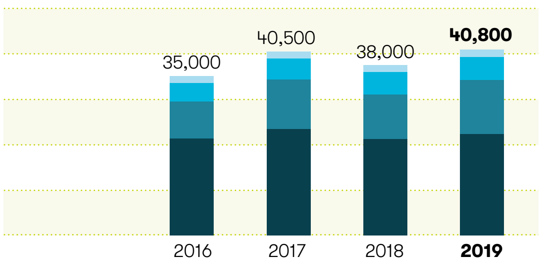
	2015	2016	2017	2018	2019
Primary	42	50	56	51	**47**
Secondary[1]	58	50	44	49	**53**

Primary workforce by gender
(%)



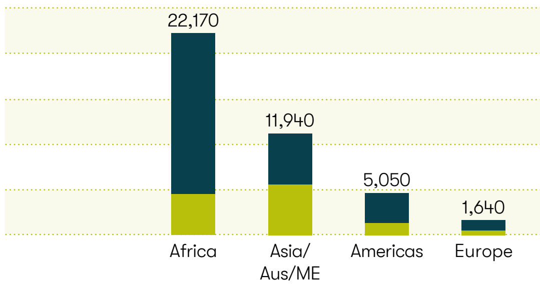
	2015	2016	2017	2018	2019
Men	70	71	70	74	**70**
Women	30	29	30	26	**30**

Primary workforce by region[2]
(%)



	2016	2017	2018	2019
Europe	4	4	4	**4**
Americas	12	11	13	**13**
Asia/Aus/ME	23	27	27	**29**
Africa	61	58	56	**54**

Primary workforce by gender and region in 2019
(%)



	Africa	Asia/Aus/ME	Americas	Europe
Men	80	52	72	**68**
Women	20	48	28	**32**

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.

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

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.

22%

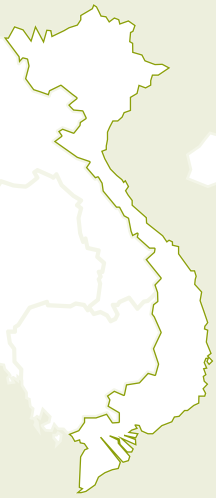
Ensuring we have the right people in the right roles

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.

2,600

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.



70%

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.

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!"

IN THE SPOTLIGHT

An Even Safer Olam by Shankar Rao Senior Vice President and Global Head of Safety & Health

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.*

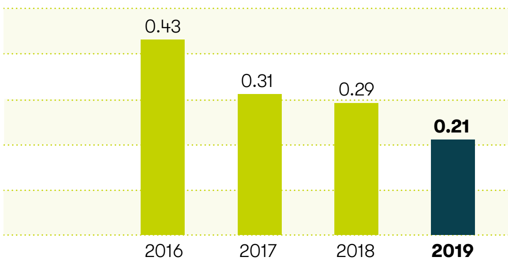
- For **Leadership and Commitment**, the support from senior management is key to achieving our safety goals. Our Group CEO reviews investigations of all serious incidents with the line management to understand the causes, implement actions to prevent recurrence and hold people accountable. Further to 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 – Tier 1 plants



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[4]

SDG 3.6, SDG 8.8

Eliminate serious incidents

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

SDG 3.3

Ensuring Olam operations meet, as a minimum the Olam Water, Sanitation and Hygiene (WASH) Standard[5]

Timeframe	Goal	Status	Read more
By end of 2020	100% of Olam's direct operations are compliant with the Olam WASH Standard	**On track**	Page 87
	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	**On track**	Page 87

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

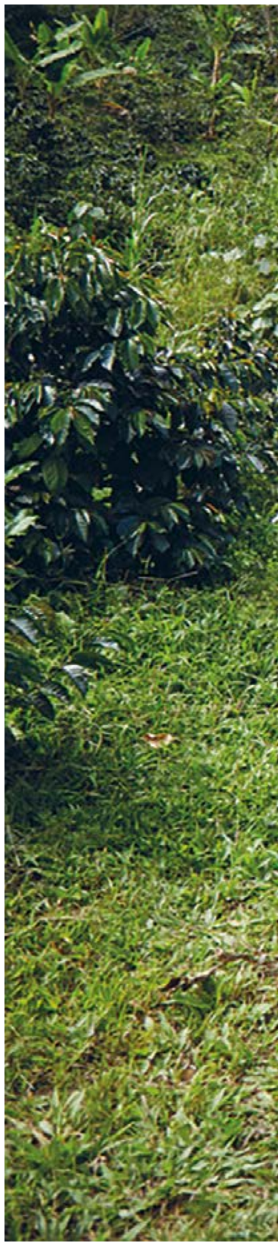
Read more: Global Reporting Initiative Report at https://www.olamgroup.com/investors/investor-library.html

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 metrics[1] 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 crop[2], 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 Agriculture[3], Sustainable Rice Platform and, in 2019, Olam Cocoa pledged support to the Just Rural Transition.

1. Core and additional
2. See Enabling our Strategy: Digital on page 74
3. As part of the WBCSD Low Carbon Technology Platform Initiative

Funded by premiums from the sale of specialty coffee, Olam's 'Fund for Bridges' project with ASOPEP in Colombia provides safe passage for 300 school children and members of the coffee growing communities in Huila and Tolima.

How we create Social Capital through addressing our Material Areas

Economic Opportunities	Safe and Decent Work	Education and Skills	Nutrition and Health	Diversity and Inclusion
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**	**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**	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**	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	**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

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[1] – 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[2] and International Labour Organization[3,4]. 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[5] 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[6] 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[7] 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[8] – 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.

> "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"

We also help women to 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.[9]
- 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.

1. E.g. Danwatch hazelnut supply chain – https://danwatch.dk/hasselnoedderne-i-din-hollybar-kan-vaere-plukket-af-boern-ned-til-7-aar/#
2. Including the Children's Rights and Business Principles: https://www.unglobalcompact.org/engage-locally/manage/engagement/childrens-rights-and-business-principles
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
5. https://www.olamgroup.com/products/confectionery-beverage-ingredients/cocoa/sustainability-in-cocoa.html
6. Page 131
7. https://www.fairlabor.org/sites/default/files/documents/reports/social_impact_assessment_final.pdf
8. https://www.unglobalcompact.org/take-action/action/womens-principles
9. https://www.olamgroup.com/content/olamgroup/en/home-page/news/all-news/news-bites/false-allegations-about-olams-palm-plantations-in-gabon.html

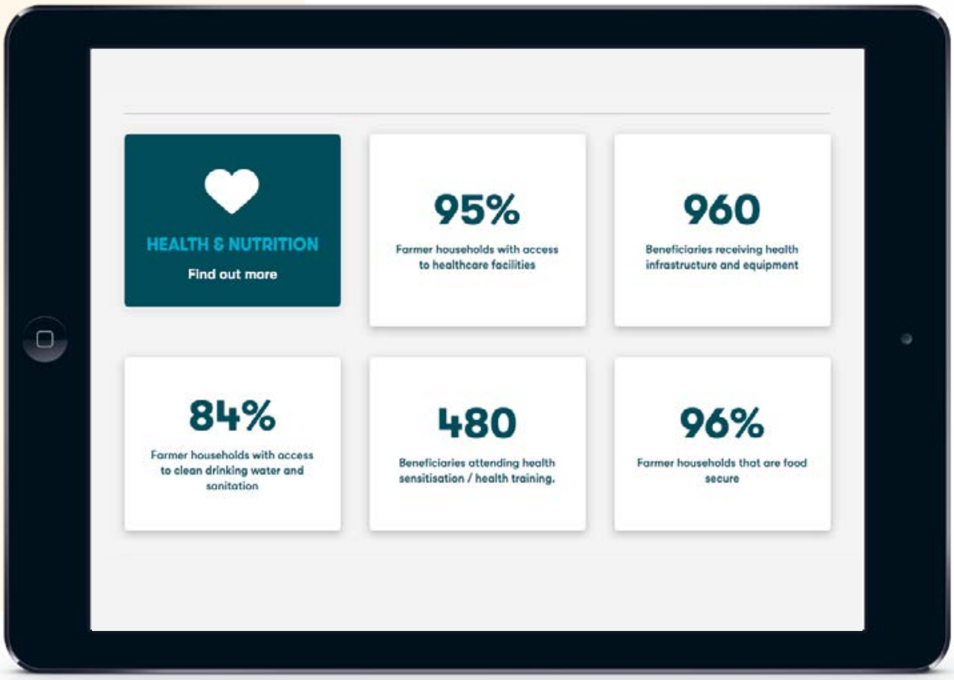
Data + Boots on the Ground = Action: Social Metrics in AtSource Plus

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.

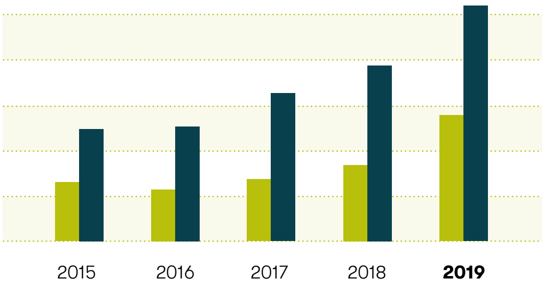
A key aim for the team is that farmers have access to knowledge, whether about production or accessing the best price. At a dedicated Olam training centre in Puno, Olam agronomists and technicians train farmers on sowing, as well as organic crop maintenance and harvesting. Several tripartite agreements 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



	2015	2016	2017	2018	2019
Total farmers	344,500	302,550	363,000	445,900	**741,000**
Total hectares	657,500	671,800	867,000	1,030,000	**1,380,000**

Diversity and Inclusion
Women economically empowered within our supply chain

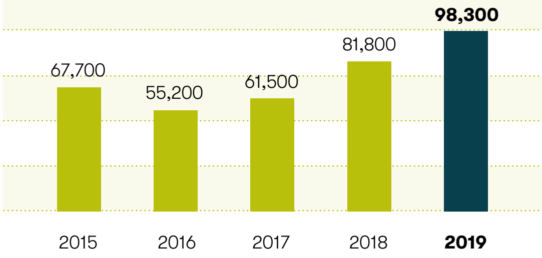
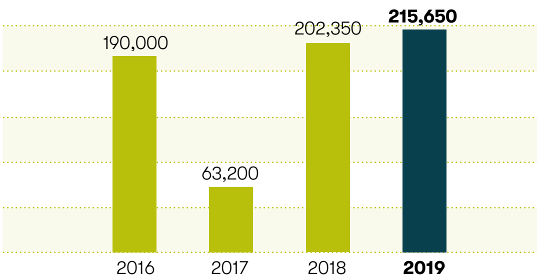


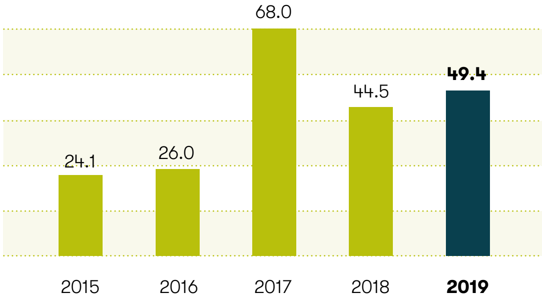
Chart refers to the number of female farmers in sustainability programmes. We can also include women in our primary and secondary workforce.

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



* 2015: goal set

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



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

125%

Increase in rice yields through partnership

5,000

Women reported improved quality in their diets

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

2,500

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

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

Timeframe	Goal	Status	Read more
By end of 2020	Bring 1 million ha under Olam sustainability programmes with an estimated 0.5 million smallholders	**Ahead of target**	Page 94 Page 99
	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	**On track**	Page 94 Page 99
	Child labour: No breaches in compliance reported or observed in audits for either Olam or third party supply chains	**Behind target**	Page 96 Page 101
	100% of priority product volumes covered by the Supplier Code: cashew, cocoa, coffee, cotton, hazelnut, palm and rubber	**On track**	Page 108

Diversity and Inclusion

SDG 5.A

Timeframe	Goal	Status	Read more
By end of 2020	Support 100,000 women to access economic opportunities, including female farmers, processors, distributors, and workers supported or employed by Olam	**On target**	Page 96 Page 99

Nutrition and Health

SDG 3.3

Timeframe	Goal	Status	Read more
By end of 2020	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	**On track**	Page 97 Page 99 Page 100
	Produce 40 billion servings of micronutrient fortified foods	**Ahead of target**	Page 99 Page 123

Read more: Global Reporting Initiative Report at https://www.olamgroup.com/investors/investor-library.html


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

Chris Brown, Vice President and Global Head of Environment

Our Financial Capital is fundamentally dependent on the world's natural resources and our climate.

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?[1]

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.

How we create Natural Capital through addressing our Material Areas

Climate Action	Healthy Ecosystems	Healthy Soils	Water	Reduced waste
Meeting Science Based Targets through • Energy efficient operations • **Utilising renewable energy** • Reducing chemical fertiliser use • **Increasing farmer resilience through Climate-Smart Agriculture training** • TCFD[1]	Ecosystems are regenerated through • **Elimination of unacceptable practices as per the LLP e.g. deforestation of High Conservation Value (HCV) and High Carbon Stock (HCS) forests** • **Planting shade trees and agro-forestry** • **Protection of HCVs and set aside areas** • Training on Integrated Pest Management, pesticides usage and biodiversity protection	Degraded land is restored through • Application of regenerative soil management practices • Compost training and by-product use	Water is preserved for equitable use through • Increased efficiency in direct and indirect supply chains • **Water stewardship** • Protection of water bodies and courses • Improved management of effluent and waste water	Agri-waste is minimised, and by-products valorised through • Post-harvest crop loss reduction • Utilising by-products • Reviewing product packaging • Avoiding landfill

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.

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.

179,500

farmers trained on conservation (forest, land and biodiversity)

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 palm[1] and cocoa[2]. 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:

> "AtSource Infinity represents our highest ambition for system transformation at a landscape or jurisdictional scale."

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.

1. https://www.olamgroup.com/products/food-staples/edible-oils/sustainable-palm-oil.html
2. https://www.olamgroup.com/products/confectionery-beverage-ingredients/cocoa/sustainability-in-cocoa.html
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.

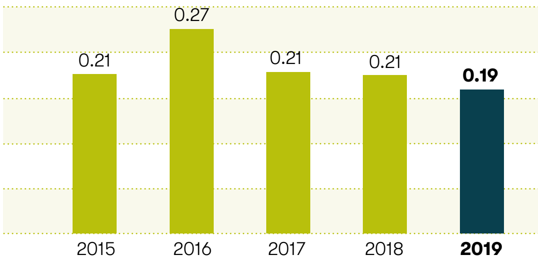
As part of Olam's broader post-harvest loss agenda we have committed to a 50% reduction in our own farms and plantations and across our smallholder supply chain programmes.

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.

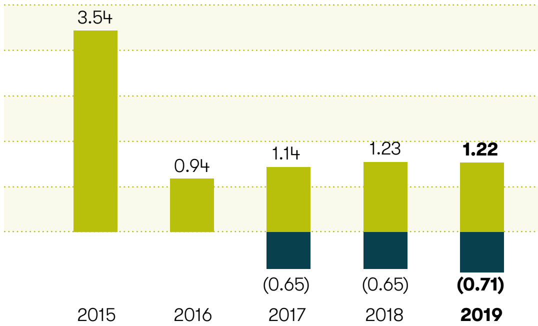
In the numbers

Olam processing and manufacturing – greenhouse gas emissions
(tonnes CO_2e/tonne production)



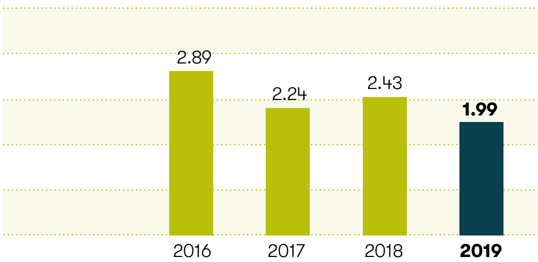
2020 GHG Intensity improvement target achieved. Continuing with science based target plan to decouple GHG emissions from productivity

Olam farms and estates - greenhouse gas emissions
(tonnes CO_2e/tonne production)

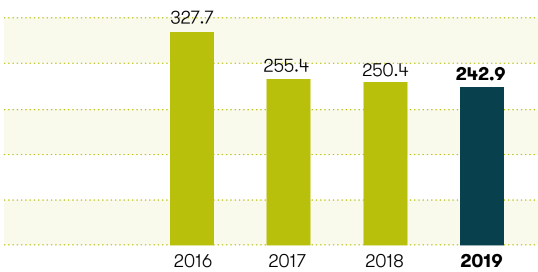


- For every tonne of product, this many tonnes of CO_2e were generated
- For every tonne of product, this many tonnes of CO_2e were sequestered

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

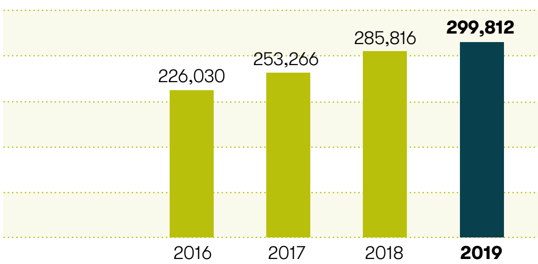


Olam farms and estates – surface and ground water use
(m^3/tonne production)



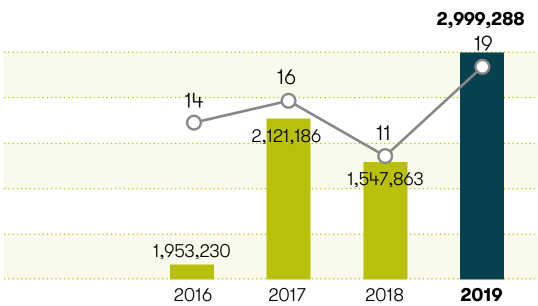
2020 Water Intensity improvement target achieved

Number of farmers trained on Good Agricultural Practices (GAP)



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

Energy from renewable and biomass sources



- 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 organisations[1] 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.

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 m^3 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 CO_2 and almost 27 million m^3 of water.

Material Area: Water

316 million gallons

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

1. Including but not limited to: World Wildlife Fund (WWF), Xerces, Audubon Society, US Fish & Wildlife Service, The Nature Conservancy (TNC) and the Environmental Defense Fund (EDF).

17,400
honey bee colonies

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

4,000
ha

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 eco-systems 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

IN THE SPOTLIGHT

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 KEKAL[1] 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

Total land area under Olam management:

~3m ha[1]

of which 0.63m is protected (~20%)

Estimated land area under farmers in sustainability programmes:

~1.38m ha

includes 0.4m ha under AtSource Plus programmes

Estimated total land area under other third party suppliers

~11.8m ha

Estimated land contributing to Olam volumes in 2019

~16.2m ha

1. Includes over 2 million ha of forestry concessions in Republic of Congo. Read more about certification and sustainable forestry: https://www.olamgroup.com/products/industrial-raw-materials/wood-products/forest-concessions.html

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.

Data + Boots on Ground = Action: Protecting Natural Capital with AtSource

AtSource Entry provides a country-level climate, water and land use footprint calculator based on data from third party organisations for common countries of production and consumption. AtSource Plus and Infinity offer sophisticated environmental footprinting which highlights the key impact indicators in customer supply chains for climate emissions, water and land use. A suite of granular environmental metrics, plus independent verification, enable Olam teams on the ground to work with customers to re-imagine supply chains.

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[1.]

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

Description	2019	Cumulative since 2014
Total farmers registered (active)	**227,500**	431,000
Total farms mapped (GPS)	**200,450**	277,900
Total schools mapped	**850**	4,000

Read more: https://www.olamgroup.com/content/olamgroup/en/home-page/news/all-news/news-bites/cocoa-and-rainforest-alliance-educate-school-children.html?refer=https://www.olamgroup.com/news/all-news.html?source=allnews

1. Bukit Barisan Selatan Sustainable Commodities Partnership (BBS KEKAL) Read more: https://www.olamgroup.com/content/olamgroup/en/home-page/news/all-news/press-release/olam-shares-tech-with-wildlife-conservation.html

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 humanpoaching activity. Conservation efforts can then be adapted and deployed as necessary

Read more: https://www.olamgroup.com/products/food-staples/edible-oils/sustainable-palm-oil.html

Read more: https://www.olamgroup.com/products/industrial-rawmaterials/wood-products/sustainable-and-responsibleforestry.html

Goals dashboard

Climate Action

SDGs 2.4; 13.a; 13.1

Timeframe	Goal	Status	Read more
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

Timeframe	Goal	Status	Read more
By end of 2020	100% of Olam-managed plantations, concessions and farms to have implemented their Land Management Plan	**On track**	Page 108
	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	**On track**	Page 108
	Implement the relevant Living Landscapes Policy commitments	**On track**	Page 108

Healthy Soils

SDGs 2.4; 13.1; 15.3

Timeframe	Goal	Status	Read more
	Target still in development. To be finalised in 2020	**–**	Page 109

Water

SDGs 6.1; 6.2; 6.4

Timeframe	Goal	Status	Read more
	Increased water use efficiency in Olam's direct operations	**On track**	Page 111
By end of 2020	100% of priority supply chains to have Water Resource management plans	**Behind target**	Page 110

Reduced Waste

SDGs 12.2; 12.3

Timeframe	Goal	Status	Read more
By end of 2024	100% utilisation of by-products in own operations	**Baselining in 2020**	
By end of 2024	Zero waste to landfill in own operations	**Baselining in 2020**	
By 2030	Reduce post harvest loss by 50% in own operations and Olam-managed farmer programmes	**Baselining in 2020**	Page 110

Read more: Global Reporting Initiative Report at https://www.olamgroup.com/investors/investor-library.html

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 fulfil 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.

The Art of Ingredients

Demonstrating our ingredients and private label capabilities to customers across the world at trade shows including Food Ingredients Asia, Food Ingredients Europe, and the Private Label Manufacturing Association shows in Amsterdam and China.

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.

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

Taking leadership positions in our sector[1]

- Almond Board of Australia – Director
- Almond Board of California – Chair Technical and Regulatory Affairs Committee
- American Spice Trade Association – Director
- Better Cotton Initiative – Board member
- CocoaAction – Founding member
- Cocoa & Forests Initiative – Founding member
- Champions 12.3 – CEO Champion
- Food & Land Use Coalition – CEO Ambassador
- Green Coffee Association – Board director
- Global Coffee Platform – Vice chair
- HCV Resource Network – Steering committee member
- IUCN Species Survival Commission – Oil Palm Taskforce
- Capitals Coalition – Steering Committee
- Sustainable Nut Initiative – Board member
- Sustainable Rice Platform – Board member
- Sustainable Spices Initiative – Vice chair
- The Forest Dialogue – Steering committee member
- World Business Council for Sustainable Development – Chair and OpCo member
- Global Agri-business Alliance – Founding member
- Low Carbon Technology Platform initiative – Co-chair
- World Cocoa Foundation – Board member

1. For a full list of memberships and partnerships go to www.olamgroup.com

Human Resources awards

- Aon Best Employer for Olam Vietnam
- Certified Great Place to Work (3rd consecutive year) and Top 150 all industries – Olam Brazil
- Cameroon Corporate Awards – Employer of Choice
- HR Asia Best Companies to work for in China 2019
- HR Asia Best Companies to work for in Indonesia 2019 (2nd consecutive year)
- HR Asia Best Companies to work for in Vietnam 2019 (2nd consecutive year)
- Jobberman 100 Best Companies to work for in Nigeria
- WBCSD Next Gen Women's Leaders – Narawadee Modenuch, Research and Sustainability Analyst, Olam Thailand

Finance awards

- ADB-DutchCham Winsemius Awards – Sustainability-linked loan with ING
- Trade Finance Awards – Sustainability-linked loan

Corporate governance and sustainability awards

- Adam Smith Awards Asia 2019 – Best Working Capital Management Solution
- IR Society South East Asia – Award for Best Midcap Annual Report; nominated for best ESG materiality reporting
- Singapore Corporate Awards, Silver for Best Annual Report
- Ghana Revenue Authority Best Customs Taxpayer 2018, Gold Category – Olam Ghana
- European Bank for Reconstruction and Development – Silver for Environmental & Social Best Practice – Olam Progida Hazelnuts
- Concordia P3 Impact Award Top 3 finalist – Olam Rice Nigeria
- Nestlé Most Sustainable Supplier of the Year Award – Olam Progida Hazelnuts
- Out-standing Agri-business Sustainability Company, Ghana Agribusiness and Leadership Awards – Olam Ghana Cashew
- RHT RJ Menon Foundation Awards x 2
- RSPO Excellence Award – Conservation Leadership
- Sustainable Business Awards Singapore x 4

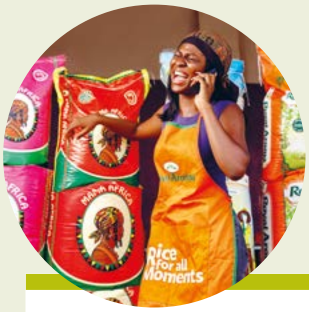
CASE STUDY

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.

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.



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.

Packaged Foods Business takes bigger bite of biscuit market

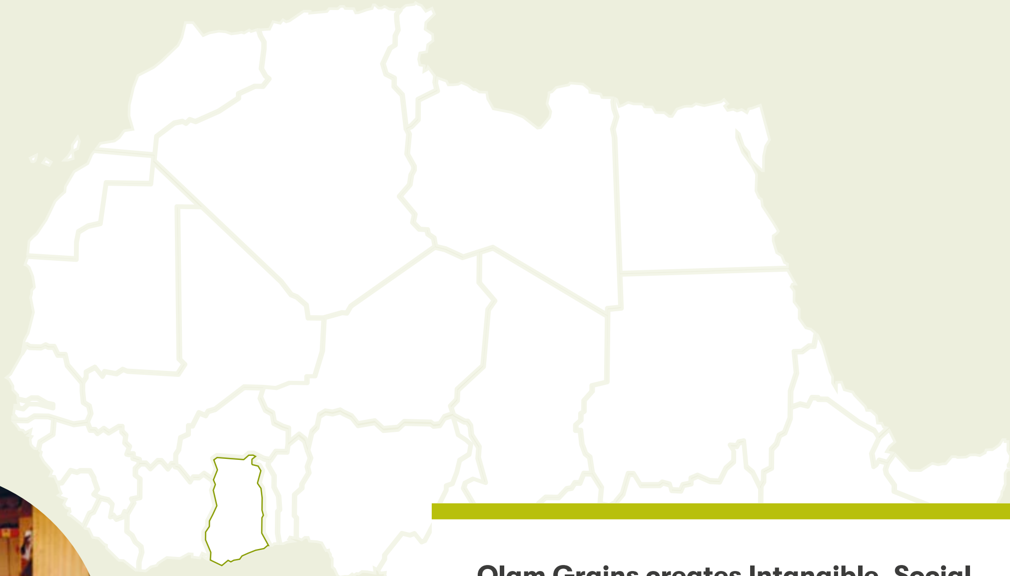
Nutrifoods Ghana has a 42% share of the Ghanaian biscuit market with:

- 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 CO_2 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.

How is AtSource different to competitor products developed for traceability?

AtSource is far more than a traceability mapping and connectivity tool, of which there are several on the market. It is unique in being able to offer highly granular data across multiple metrics, sourced by over 3,500 enumerators and sustainability experts on the ground. We can then act on that data to help our customers meet their sustainability commitments and improve their supply chain's social and environmental footprint. Further we can provide customers with the specific narratives to help consumers understand what is being achieved. AtSource really can help Re-imagine Global Agriculture and Food Systems.

What challenges have you faced?

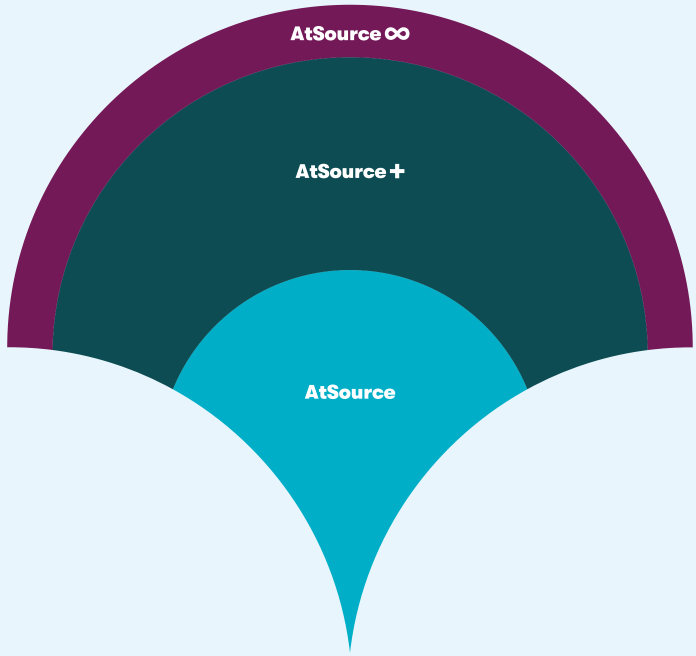
How to customise our offering to suit multiple supply chains, products and customers without losing the over-arching framework and consistency. It has been very challenging to align the different requirements of different origins within the same product, as well as between products or smallholder versus 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.

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 Tomaso Ceccarelli and Dr Eyasu Elias Fantahun
https://www.olamgroup.com/news/all-news/blog/The-team-re-imagining-food-security-in-Ethiopia.html

IN THE SPOTLIGHT

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 anti-oxidants. 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

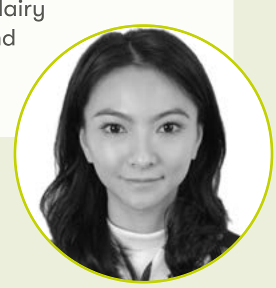
Nitrogen fixing and non-GMO, peanuts are considered a sustainable agricultural crop and for consumers, they're a popular source of nutrition. Olam's processing plant in Edenton is a strategic supplier of bulk peanut ingredients for major USA Food manufacturers.

- 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.

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.



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.

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	**Financial Capital** **Manufactured Capital, Intellectual Capital and Intangible Capital** **Human Capital and Social Capital** / **Natural Capital**

Purpose Outcomes	**Prosperous Farmers and Food Systems**		**Thriving Communities**			**Re-generation of the Living World**				
Material Areas	Economic Opportunity	Safe and Decent Work	Education and Skills	Nutrition and Health	Diversity and Inclusion	Climate Action	Healthy Eco-systems	Healthy Soils	Water	Reduced Waste
Impact on UN SDGs	1 NO POVERTY	8 DECENT WORK AND ECONOMIC GROWTH	4 QUALITY EDUCATION	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	13 CLIMATE ACTION	15 LIFE ON LAND	15 LIFE ON LAND	6 CLEAN WATER AND SANITATION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	2 ZERO HUNGER	5 GENDER EQUALITY		2 ZERO HUNGER	10 REDUCED INEQUALITIES	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	2 ZERO HUNGER		6 CLEAN WATER AND SANITATION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

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.

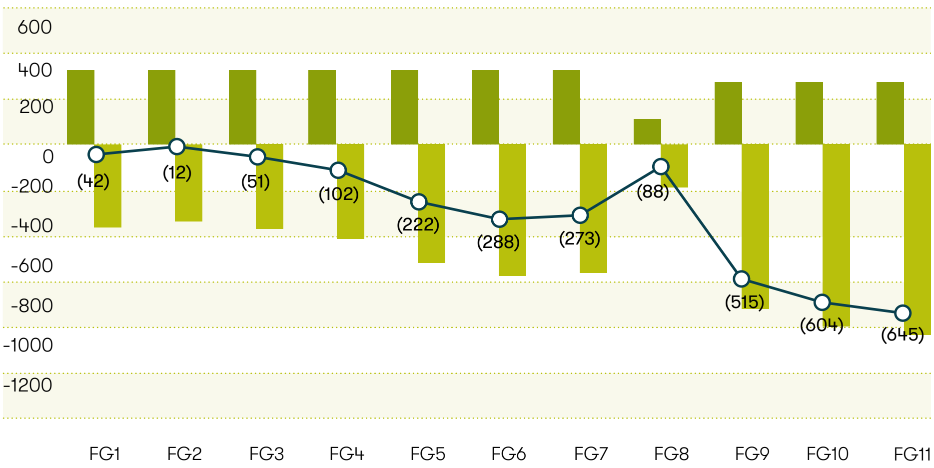
Based on GPS mapping using the Olam Farmer Information System and our analysis, we evaluated the GHG impact per tonne of cocoa bean purchased for selected Farmer Groups (FG). The chart below compares the annual hidden negative economic impact of GHG emissions from the agricultural operations (historical 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$90/t$CO_2$e 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.

Annual GHG cost and benefit (US$/tonne of cocoa bean purchased) across selected sample Farmer Groups



	FG1	FG2	FG3	FG4	FG5	FG6	FG7	FG8	FG9	FG10	FG11
GHG sequestered benefit	374	374	374	374	374	374	374	128	313	313	313
GHG emissions cost	(416)	(386)	(425)	(476)	(596)	(662)	(647)	(216)	(828)	(917)	(958)
Net GHG result	(42)	(12)	(51)	(102)	(222)	(288)	(273)	(88)	(515)	(604)	(645)

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

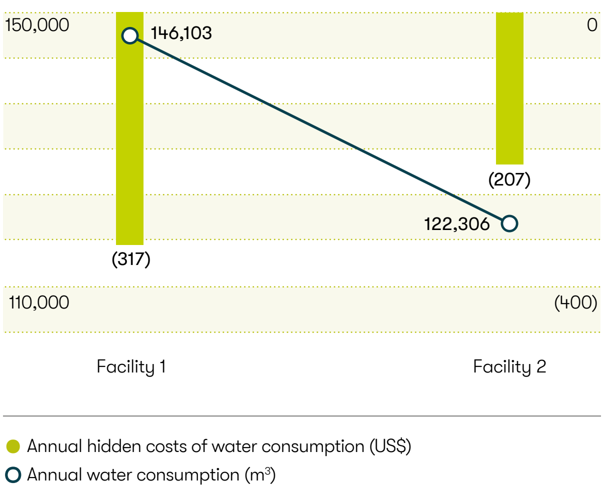
We studied the total economic value of water consumption across all Cocoa processing facilities located in eight countries. We found the processing facilities have different economic impacts based on the watershed they are operating within. We mapped the Cocoa processing facilities within the respective 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[3] 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$)



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[4] 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.

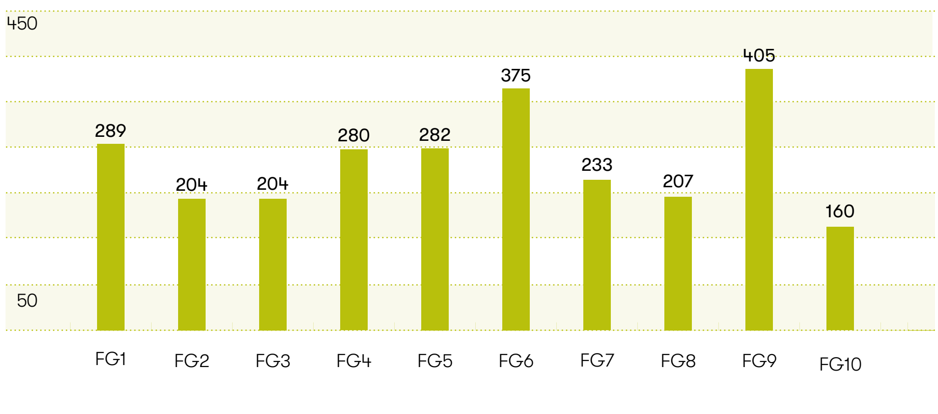
Findings:

- 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.



Annual tonnes of cocoa purchased per mn US$ ESS

4. 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:

5 Business segments	16 Businesses
Edible Nuts and Spices	1. Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts, sesame, pulses and beans) 2. Spices (pepper, onion, garlic, capsicums, tomato and chillies)
Confectionery and Beverage Ingredients	3. Cocoa 4. Coffee
Food Staples and Packaged Foods	5. Rice 6. Sugar and Sweeteners 7. Grains and Animal Feed & Protein 8. Edible Oils 9. Dairy 10. Packaged Foods
Industrial Raw Materials, Infrastructure and Logistics	11. Cotton 12. Wood Products 13. Rubber 14. Fertiliser 15. Infrastructure and Logistics
Commodity Financial Services (CFS)	16. Funds Management

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: PATMI excluding Exceptional Items

Total Assets: Except in Financial and Performance Highlights where total assets comprise non-current assets and current assets in the balance sheet, total assets are defined as net of trade payables and accruals, derivative financial instruments (current liabilities), provision for taxation, other current liabilities and deferred tax liabilities.

Invested Capital (IC): Excludes cash and bank balances, deferred tax assets, fixed deposits, other current/non-current assets (other than option premiums payable/ receivable) and fair value of derivative assets on bonds

EBITDA/IC: EBITDA on average invested capital based on beginning and end-of-period invested capital

Return on Equity: Excludes impact of capital securities distribution on net income and capital securities on equity

Net Gearing: Ratio of Net Debt (gross debt less cash) to Equity (before fair value adjustment reserves)

Net Gearing (adjusted): Net gearing adjusted for readily marketable inventories that are liquid, hedged and/or sold forward, operating as near-cash assets on the balance sheet, and secured receivables are supported by letters of credit or documents through banks

Free Cash Flow to Firm (FCFF): Operating cash flow less changes in working capital, cash taxes, capital expenditures and investments

Free Cash Flow to Equity (FCFE): FCFF less net interest paid

Disclaimer

Certain sections of our Annual Report 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.

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Sharpening focus,

accelerating sustainable growth

Governance Report

Olam International Limited
Annual Report 2019

About this 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.

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.

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.

Contents

Governance Report

Front cover image:

In 2019 Olam acquired Nigeria's leading flour and pasta manufacturer Dangote Flour Mills, to support the strategy of the Grain and Animal Feed & Protein business to expand our wheat milling capacity in high-growth markets.

Our Purpose

Re-imagining
Global Agriculture
and Food Systems

Our Vision

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

Our Governing Objective

To maximise long-term
intrinsic value for our
continuing shareholders

"The Board and Board Committees will therefore continue to retain our focus on the performance of those businesses, and oversight of them from a corporate governance perspective."

Sanjiv Misra, Chairman, Capital and Investment Committee

Sharpening focus, strengthening governance

The Capital & Investment Committee (CIC) upholds the Company's commitment to sustainable value creation, growth and performance. The CIC fulfils four primary roles that form the backbone of the Group's capital structure, capital allocation and investment strategies and performance measurement processes.

Our first role is the governance of the capital structure of Olam. We maintain oversight of the level of leverage and the components of that leverage on an ongoing basis. Issuance of equity or equity-related capital must be approved by the CIC and the Board.

Secondly, we review and monitor the Group's capital deployment in accordance with the Board-approved Strategic Plan, capital expenditure and operating expenditure budget and agreed financial goals.

The Company's investment and acquisition activities constitute the third area of focus for the CIC. We are responsible for reviewing and approving investments for organic growth, as well as acquisitions, and ensuring that these investments are congruent with the strategic and financial priorities of the Company. The performance of these investments and acquisitions is reviewed and monitored by the CIC on a regular basis. These reviews assess the degree to which the investments are tracking the underlying investment theses. Where there is underperformance of these investments, the CIC engages with management in formulating remedial strategies, where necessary and appropriate.

Our fourth, and equally important, role since the implementation of our six-year Strategic Plan, is to govern the divestment activities of the Company. We robustly monitor and evaluate the strategies, timelines and execution plans formulated by management to exit or monetise assets and businesses as agreed under the Strategic Plan.

The Company had in January 2020 announced the re-organisation plan that involved the setting up of two operating groups, which is transformational for the next level of the growth of the Group. The focus and priorities of the CIC and the Board remained fundamentally unchanged relative to the re-organisation. We recognise that we still retain a broad set of businesses that, notwithstanding the reorganisation, will continue to be in need of oversight. The Board and Board Committees will therefore continue to retain our focus on the performance of those businesses, and oversight of them from a corporate governance perspective.

So finally, how then does the CIC, being one of the seven Board Committees, work together with the other Board Committees to ensure the overall governance of the Company is in place and functioning well?

The CIC works very closely with each of the Audit (AC), Board Risk (BRC) and the Corporate Responsibility and Sustainability (CRSC) Committees. The AC is an important sounding board on matters relating to challenged assets and businesses and discussions on potential impairment. The AC takes inputs from the CIC on the performance of such assets and businesses, and makes a final determination on the impairment of such assets, where appropriate. The RC sets parameters for the Company's appetite for risks, identification of risks, and how that risk appetite and risk exposure translates into investments that the Company choose to make. Finally, the CRSC examines issues relating to sustainability and the environment. Very importantly, the CRSC oversees our commitment to compliance with all applicable laws and policies, in relation to both completed and contemplated investments.

From left to right

Ajai Puri (Dr.)
Independent
Non-Executive Director

Nihal Vijaya Devadas Kaviratne CBE
Independent
Non-Executive Director

Kazuo Ito
Non-Executive Director

Jean-Paul Pinard
Independent
Non-Executive Director

Lim Ah Doo
Chairman, Non-Executive and Independent Director

Sanjiv Misra
Independent
Non-Executive Director

Shekhar Anantharaman
Executive Director and
CEO, Olam Food Ingredients

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

Marie Elaine Teo
Independent
Non-Executive Director

Nagi Hamiyeh
Non-Executive Director

Joerg Wolle (Dr.)
Independent
Non-Executive Director

Yutaka Kyoya
Non-Executive Director

Yap Chee Keong
Independent
Non-Executive Director

Key Board Features

Independence

- Independent Directors 62%
- Non-Independent Directors 38%

Non-Executive Tenure

- 0–3 years 46%
- 3–6 years 36%
- 6–9 years 18%

Sector Experience

- Food
- Agriculture
- Investment
- Finance
- Consumer Innovation

International Experience

- Asia
- Africa
- Europe
- Americas

Lim Ah Doo, 70

Chairman, Non-Executive and Independent Director

Date of Appointment as Chairman:
1 January 2017

Date of First Appointment as Director and Chairman-designate:
1 November 2016

Date of Last Re-election:
24 April 2019

Length of Service as a Director (as at 31 December 2019):
3 years 2 months

Academic and Professional Qualification:
- Degree (Honours) in Engineering, Queen Mary College, University of London, UK
- Master in Business Administration, Cranfield School of Management, UK

Present Directorship (Listed Company):
- GDS Holdings Ltd (Director)
- GP Industries Ltd (Director)
- Singapore Technologies Engineering Ltd (Director)

Principal Commitments:
- STT GDC Pte. Ltd. (Director)
- STT Global Data Centres India Private Limited (Director)
- U Mobile Sdn Bhd (Director)
- Virtus HoldCo Limited (Director)

Experience and Exposure:
Mr. Lim Ah Doo brought with him over 40 years of broad and in-depth experience of the banking and commerce world. He was a senior banker with a distinguished career who led several landmark transactions during his banking days, top executive of a large major global leading resource-based group, and a director of several large-sized listed and private companies in and outside of Singapore. Mr. Lim Ah Doo was formerly the President and subsequently the non-executive Vice Chairman of RGE Pte Ltd (formerly known as RGM International Pte Ltd). His past working experience includes an 18-year banking career in Morgan Grenfell from 1977 to 1995, during which he held several key positions including that of Chairman of Morgan Grenfell (Asia) Limited.

Sunny George Verghese, 60

Executive Director, Co-Founder and Group CEO

Date of Appointment as Director:
11 July 1996

Date of Last Re-election:
25 April 2017

Length of Service as a Director (as at 31 December 2019):
23 years 5 months

Academic and Professional Qualification:
- Postgraduate Degree in Business Management, Indian Institute of Management, Ahmedabad, India
- Advanced Management Program, Harvard Business School, USA

Present Directorship (Listed Company):
- Nil

Principal Commitments:
- Caraway Pte. Ltd. (Director)
- Human Capital Leadership Institute Pte Ltd (Chairman)
- WBCSD (World Business Council for Sustainable Development) (Chairman)
- JOil (S) Pte Ltd (Chairman)
- Singapore Management University Board of Trustee (Member)

Experience and Exposure:
Mr. Sunny Verghese was with the Kewalram Chanrai Group (KC Group) for over two decades and in 1989 was mandated to start the Company with a view to building an agricultural products business for the KC Group. Before joining the KC Group, he worked for Unilever in India. Mr. Verghese previously chaired CitySpring Infrastructure Management Pte Ltd, a listed Business Trust in Singapore and was also a Commissioner of the Business & Sustainable Development Commission (BSDC). Mr. Verghese has won several awards including 'Outstanding Chief Executive' at the Singapore Business Awards in 2007, 'Ernst & Young Entrepreneur of the Year' for Singapore in 2008 and 'Best CEO of the Year 2011' at the Singapore Corporate Awards. He was also awarded the Public Service Medal by the Government of the Republic of Singapore in 2010.

Jean-Paul Pinard, 69
Independent Non-Executive Director

Date of Appointment as Director:
29 October 2008

Date of Last Re-election:
25 April 2017

Length of Service as a Director (as at 31 December 2019):
11 years 2 months

Academic and Professional Qualification:
- PhD in Economics, University of California, USA
- Diplôme d'Ingénieur, École Polytechnique, Paris, France

Present Directorship (Listed Company):
- Nil

Principal Commitments:
- Hero Future Energies Global Limited (UK) (Director)
- Gia Lai Electricity Joint Stock Company (Vietnam) (Director)

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

Sanjiv Misra, 59
Independent Non-Executive Director

Date of Appointment as Director:
1 November 2013

Date of Last Re-election:
24 April 2019

Length of Service as a Director (as at 31 December 2019):
6 years 2 months

Academic and Professional Qualification:
- Master in Management, JL Kellogg Graduate School of Management, Northwestern University, Chicago, IL, USA
- Postgraduate Degree in Management, University of Delhi, Indian Institute of Management, Ahmedabad, India
- Bachelor's Degree (Honours) in Economics, St Stephen's College, University of Delhi, India

Present Directorship (Listed Company):
- Nil

Principal Commitments:
- Apollo Global Management (Chairman of the Asia Pacific Advisory Board)
- Clifford Capital Pte. Ltd. (Deputy Chairman of the Board)
- Bayfront Infrastructure Management Pte. Ltd. (Chairman of the Board)
- EDBI Pte Ltd (Director and Chairman, Audit Committee)
- Singapore Symphony Group (Director)
- Phoenix Advisers Pte. Ltd. (President and Director)

Experience and Exposure:
Mr. Sanjiv Misra's career in investment banking spanned mergers and acquisitions advisory, capital markets and restructuring in the US and Asia Pacific. Over this period, he held several senior roles at Goldman Sachs, Salomon Brothers/Salomon Smith Barney and Citigroup in New York, Hong Kong and Singapore. These roles included Head of Asia Pacific Corporate and Investment Banking at Citigroup and CEO of Citi's institutional business based in Singapore. He has subsequently been deeply engaged in investing in private markets; board and corporate governance roles at corporates, and at national educational institutions and healthcare institutions in Singapore. These board roles include Singapore Management University, National University Healthcare System, Edelweiss Financial Services Ltd and OUE Hospitality Trust. Mr. Misra is also an active investor in early stage growth companies globally.

Nihal Vijaya Devadas Kaviratne CBE, 76
Independent Non-Executive Director

Date of Appointment as Director:
1 October 2014

Date of Last Re-election:
25 April 2018

Length of Service as a Director (as at 31 December 2019):
5 years 3 months

Academic and Professional Qualification:
- Bachelor of Arts, Economics (Honours), Bombay University, India

Present Directorship (Listed Company):
- GlaxoSmithKline Pharmaceuticals Ltd (Director)
- StarHub Ltd (Director)

Principal Commitments:
- Caraway Pte. Ltd. (Chairman)
- Advisory Board for South East Asia/Indonesia, Bain & Company SE Asia, Inc. (Member)
- Private Sector Portfolio Advisory Committee in India of the UK Government's Department for International Development (Member)
- Corporate Resilience Advisory Council, McKinsey & Company, Inc. (Member)

Experience and Exposure:
Mr. Nihal Kaviratne CBE's career with the Unilever Group spanned 40 years during which he held various senior level management positions in sales, marketing, brand and strategic planning and development, and as Chairman/CEO across Asia, Europe and Latin America. He retired from Unilever in 2005. Mr. Kaviratne was cited in HM Queen Elizabeth II's 2004 New Year Honours List in the UK and has been made the Commander of the Order of the British Empire (CBE) for services to UK business interests and to sustainable development in Indonesia. He was one of "25 leaders at the forefront of change" chosen by Business Week in 2002 for the Stars of Asia Award. In its year end 2010 issue, Forbes India listed him as one of the "5 top names to have on your Board". He was awarded for driving "Business Excellence" at the World Business Conclave 2016 in Hong Kong. Mr. Kaviratne brings with him extensive organisational, business, management, strategic planning and customer-based experience and knowledge.

Key
- Audit Committee
- Board Risk Committee
- Board Steering Committee
- Capital and Investment Committee
- Corporate Responsibility and Sustainability Committee
- Governance and Nomination Committee
- Human Resource and Compensation Committee
- Denotes Committee Chairman

Yap Chee Keong, 59
Independent Non-Executive Director

Date of Appointment as Director:
1 December 2015

Date of Last Re-election:
25 April 2018

Length of Service as a Director (as at 31 December 2019):
4 years 1 month

Academic and Professional Qualification:
- Bachelor of Accountancy, National University of Singapore
- Fellow, Institute of Singapore Chartered Accountants and Certified Public Accounts, Australia

Present Directorship (Listed Company):
- Sembcorp Industries Ltd (Director)
- Shangri-La Asia Limited (Director)

Principal Commitments:
- Ensign Infosecurity Pte Ltd (Director)
- Certis CISCO Security Pte Ltd (Director)
- Citibank Singapore Limited (Director)
- MediaCorp Pte Ltd (Director)

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

Marie Elaine Teo, 53
Independent Non-Executive Director

Date of Appointment as Director:
1 December 2015

Date of Last Re-election:
25 April 2018

Length of Service as a Director (as at 31 December 2019):
4 years 1 month

Academic and Professional Qualification:
- Bachelor of Arts (Honours) in Experimental Psychology, Oxford University, UK
- MBA, INSEAD

Present Directorship (Listed Company):
- G. K. Goh Holdings Limited (Director)

Principal Commitments:
- Mapletree Investments Pte Ltd (Director)
- Mapletree Oakwood Holdings Pte Ltd (Director)
- The Teng Ensemble Ltd (Chairman)

Experience and Exposure:
Ms. Marie Elaine Teo brings investment experience across a broad range of industries and markets to bear in assessing opportunities and challenges in the future. She has over 20 years of investment experience, primarily with the Capital Group companies where she focused on Asian banks and global emerging markets, both as an analyst and an investment manager. Ms. Teo was formerly the Chairman of Capital International Research, Inc. and Managing Director of Capital International Inc., Asia.

Yutaka Kyoya, 58
Non-Executive Director

Date of Appointment as Director:
1 November 2015

Date of Last Re-election:
25 April 2018

Length of Service as a Director (as at 31 December 2019):
4 years 2 months

Academic and Professional Qualification:
- Degree in Commerce, Waseda University, Tokyo, Japan
- Advanced Management Program, Harvard Business School, USA

Present Directorship (Listed Company):
- Lawson, Inc. (Director)

Principal Commitments:
- Mitsubishi Corporation (Executive Vice President and Group CEO, Consumer Industry Group)

Experience and Exposure:
Mr. Yutaka Kyoya's strong business background and broad knowledge of the food & consumer industries were gained from his 35 years' experience and various positions held in Mitsubishi Corporation. He is currently the Executive Vice President and Group CEO of Consumer Industry Group of Mitsubishi Corporation. He joined Mitsubishi Corporation in 1984 and has since been engaged in the food and consumer related businesses. Mr. Kyoya has held various roles in Mitsubishi Corporation in Tokyo as well as in its overseas offices and subsidiaries, including the USA, Malaysia and Singapore. Prior to his current position, he was the Senior Vice President of Mitsubishi Corporation and Chief Operating Officer of its Living Essential Resources Division in 2014 before being promoted to Executive Vice President and Group CEO of Living Essentials Group in 2016.

Shekhar Anantharaman, 56
Executive Director and CEO,
Olam Food Ingredients (OFI)

Date of Appointment as Director:
1 April 1998

Date of Last Re-election:
24 April 2019

Length of Service as a Director (as at 31 December 2019):
21 years 9 months

Academic and Professional Qualification:
- Bachelor's Degree in Aeronautical Engineering, Panjab University, India
- Postgraduate Degree in Business Management, Panjab University, India
- Advanced Management Program, Harvard Business School, USA

Present Directorship (Listed Company):
- Nil

Principal Commitments:
- Nil

Experience and Exposure:
Mr. Shekhar Anantharaman has been with the Group since 1992. In January 2020, Mr. Anantharaman was appointed as the CEO of OFI and relinquished his role as the Group Chief Operating Officer (GCOO) of Olam. Prior to his role as GCOO, he was the Executive Director – Finance and Business Development for the Group leading the Company's overall Strategy and Business Development activities along with responsibility for various functions including the Group's Finance and Accounts, Treasury and IR, IT and Shared Services, Legal and Corporate Secretarial and Manufacturing and Technical Services. He has incubated and managed various global businesses for the Group including its Edible Nuts, Spices and Vegetable Ingredients and Packaged Foods businesses. As the Global Head of these businesses, Mr. Anantharaman has been directly involved in identifying and leading many of the Company's organic and inorganic growth initiatives. He has also played a variety of country management and regional oversight roles across Africa, Asia, Russia, South and North America.

Kazuo Ito, 51
Non-Executive Director

Date of Appointment as Director:
1 December 2018

Date of Last Re-election:
24 April 2019

Length of Service as a Director (as at 31 December 2019):
1 year 1 month

Academic and Professional Qualification:
- BA Economics, Keio University, Japan
- BPSE, IMD Business School

Present Directorship (Listed Company):
- Nil

Principal Commitments:
- Mitsubishi Corporation (Division Chief Operating Officer, Food Resources Division, Food Industry Group)
- MC Agri Alliance Limited (Director)
- Nosan Corporation (Director)

Experience and Exposure:
Mr. Kazuo Ito is currently the Division Chief Operating Officer, Food Resources Division, Food Industry Group of Mitsubishi Corporation. He has been with Mitsubishi Corporation since 1991 and has held various managerial roles including secondment to Princes Limited, a global food and drink group involved in the manufacture, import and distribution of branded products, having been its Chairman between 2007 to March 2018 and its Director since 2001 till January 2019. With over 20 years of experience in the global food and beverage industry, in his current role as Division COO, Kazuo oversees Mitsubishi Corporation's food supply chain from agri-products procurement, trading, to processing.

Joerg Wolle (Dr.), 62
Independent Non-Executive Director

Date of Appointment as Director:
1 September 2019

Date of Last Re-election:
N.A.

Length of Service as a Director (as at 31 December 2019):
4 months

Academic and Professional Qualification:
- PhD in Engineering "summa cum laude", Technical University Chemnitz, Germany
- Executive Development Program, IMD Lausanne, Switzerland
- Stanford Executive Program, GSB Stanford University, Palo Alto, CA, USA

Present Directorship (Listed Company):
- Kuehne + Nagel International Ltd. (Chairman)
- Klingelnberg AG (Chairman)

Principal Commitments:
- Kuehne Holding Ltd. (Director)
- Kuehne Foundation (Member, Board of Trustees)

Experience and Exposure:
Having been appointed CEO of Siber Hegner Ltd in 2000, Dr. Joerg Wolle was instrumental in a quick turnaround of the 130 year old Asia trading company which had fallen on hard times. Following this, he merged the company with two other Swiss-based Asia-focused distribution companies and created the leading business services and distribution group in the ASEAN region with more than 33,000 specialised staff. He grew sales three- and profits six-fold during his tenure as CEO and took the company public on the Zurich Stock Exchange. Dr. Joerg Wolle is presently Chairman of Kuehne + Nagel International Ltd and Klingelnberg AG. He was President and CEO of DKSH Holding Ltd from 2002 to 2017 and became its Chairman from 2017 to 2019. Dr. Wolle was a member of the Supervisory Board of Louis Dreyfus Company B.V. (2014 to 2018) and a member of the Board of Directors of UBS Ltd (2006 to 2009) and Diethelm Keller Holding Ltd. (2004 to 2019).

Ajai Puri (Dr.), 66
Independent Non-Executive Director

Date of Appointment as Director:
1 September 2019

Date of Last Re-election:
N.A.

Length of Service as a Director (as at 31 December 2019):
4 months

Academic and Professional Qualification:
- MBA in Marketing, Crummer Business School, Rollins College, USA
- PhD in Food Science, University of Maryland, USA

Present Directorship (Listed Company):
- Britannia Industries Ltd (Director)
- Tate and Lyle PLC (Director)

Principal Commitments:
- Firmenich S.A. (Director)
- Global Alliance for Improved Nutrition (G.A.I.N.) (Director)

Experience and Exposure:
Dr. Ajai Puri brings more than three decades of global experience in various food and agri industries. His expertise spans several domains – innovation, science and technology, food safety, consumer, customer, channel insights and marketing. Dr. Puri, from 1981 to 2003, was with The Coca-Cola Company where he held a variety of roles in Research and Development, Innovation, Consumer Marketing and General Management. When he left Coca-Cola in 2003, he was Senior Vice President – Science and Technology for Coca-Cola's non-carbonated juice business in North America. From 2003 to 2007, Dr. Ajai Puri was Executive Board Member and President – Research, Development and Product Integrity at Amsterdam-based Royal Numico N.V. Dr. Ajai Puri served as an Adviser to Mead Johnson Nutrition (2008-2010) and DSM N.V. (2008-2011). He was also a Non-Executive Director with Nutreco N.V. (2009-2015) and Barry Callebaut AG (2011-2014). Dr. Puri is presently a Non-Executive Director with Firmenich S.A., Tate and Lyle PLC, Britannia Industries Ltd and the Global Alliance for Improved Nutrition (G.A.I.N.).

Nagi Adel Hamiyeh, 51
Non-Executive Director

Date of Appointment as Director:
1 September 2019

Date of Last Re-election:
N.A.

Length of Service as a Director (as at 31 December 2019):
4 months

Academic and Professional Qualification:
- Master of Science degree in Civil and Environmental Engineering, Massachusetts Institute of Technology, USA
- Bachelor of Science degree in Civil Engineering, University of Texas, USA

Present Directorship (Listed Company):
- Sembcorp Industries Ltd (Director)

Principal Commitments:
- Temasek International (Joint Head of Investment Group and Head, Consumer)
- Sheares Healthcare Group Pte. Ltd. (Director)
- Lebanese International Finance Executives (Director)
- Dream International BV (Director)

Experience and Exposure:
Mr. Nagi Hamiyeh brings 24 years of experience in strategy, corporate finance, mergers and acquisitions (M&A), growth equity, private equity and public investing in multiple industries across the globe. Furthermore, he was intimately involved in companies' consolidation and restructuring, as well as working closely with portfolio companies on value uplift opportunities. Lastly, he led the development of the various greenfield platforms by way of M&A and organic growth. Mr. Hamiyeh is the Joint Head of Temasek's Investment Group, and is concurrently the Head of Portfolio Development. Mr. Hamiyeh joined Temasek in 2005. Over the course of his career with Temasek, he had led the firm's Natural Resources, Industrials, Consumer and Real Estate Investment teams and was Joint Head of Enterprise Development Group and Head of Africa and Middle East, Australia and New Zealand. Prior to Temasek, Mr. Hamiyeh was a banker with Credit Suisse First Boston's Energy Group. He began his career at Bain & Company.

Your Board's Year in Review

The Board's focus this year was to build on the Strategic Plan 2019–2024 announced in January 2019, to explore options to unlock and maximise the Company's long-term value, and at the same time, ensure the Company's execution of its Strategic Plan.

We have successfully implemented our Strategic Plan 2019–2024 and have met the key strategic deliverables of the first year. 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.

Board's Key Focus for the year

2019 was a busy year for the Board where it discussed, debated and made decisions on breadth of matters. We have highlighted some of them below for you to have a sneak peek of the Board Agenda in the year in review.

Strategic Plan	Re-organisation Plan	Work of the Board Committees
The Company announced its new six-year strategy in January 2019 that capitalises on key trends shaping the sector, which includes increasing demand for healthier foods, traceable and sustainable sourcing, e-commerce and the rise of "purpose" brands. The Board and the Board Committees closely monitored the progress of the execution of the Strategic Plan, the agreed upon budget and the performance of the Company. They reviewed the investments made and the divestment plans of certain businesses and assets lying outside the strategic priorities over the course of the plan.	Building on the Strategic Plan, the Board embarked on a 12-month quest to explore options that would further unlock value, achieve long-term profitable growth and better risk-adjusted returns. A Board Working Group (BWG) was formed to oversee the exercise. Two financial advisors (FAs) were appointed to jointly advise the BWG on options to better achieve long term sustainable growth and enhance shareholder value. The BWG held 32 discussion sessions to review the options provided by the FAs. Updates and reports were submitted to the Board for discussions. The FAs and the BWG completed their work in December and made their recommendation to the Board in January 2020.	The Board Committees each put in place their priorities for 2019. Some of the key matters discussed included: • Ethics Programme • Cyber-IT Security • Impairment of assets and businesses • Residual risk exposures and insurance • Controls and systems in place on rogue trading prevention • Improving framework of reporting to the Board • Identified investments • Progress on divestments • Safety and health • Issues on deforestation, climate change and water risk You may read more of the roles of each Board Committee in the pages to follow.

Sharpening focus through intentional governance

The 2018 Code of Corporate Governance (the Code) is applicable to the Company for its 2019 Annual Report. Olam complies with the principles of the Code and describes the practices and processes observed that meets with the provision, or any variation thereof, under the Code. Today, the Board comprises more than 50% independent directors with the Board Chair being independent since 2015. With the optimal mix of expertise and experience, the Board is equipped to effectively lead and direct the Company's business and strategy, ensuring the long-term success of the Company.

This Corporate Governance report cross-references other reports and statements made in certain sections of the 2019 Annual Report such as the detailed profile of the Board that may be found in the section on Board of Directors, details on the Company's risk management and the corporate responsibility and sustainability activities as well as highlights that may be found in the Strategy Report. For completeness, this Corporate Governance report should be read in conjunction with the other sections of the 2019 Annual Report.

Olam recognises that a well-governed company involves putting in place good corporate governance practices that will ensure the Company's long-term success. Hence, corporate governance will be a continual work in progress so as to uphold the substance and spirit of corporate governance. The Company focuses on governing purposefully, keeping in mind the Code while continuing to deliver on the Company's vision and objectives. In keeping with this objective, actions taken by the Company to address differences between the Code and the Company's practices have been explained in this report.

Principle 1:

The Board's conduct of affairs

Board matters

Olam is led by an experienced Board with representatives from varied nationalities and diverse international business backgrounds. The Board oversees the affairs of the Company and provides leadership and guidance to the Senior Management Team.

Board Independence in 2019

>60%

(Independent Directors)

Collectively, the Board and the Senior Management Team ensure the long-term success of the Company and discharge their statutory and fiduciary responsibilities, both individually and collectively. The key functions of the Board are:

- To provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives, as well as to regularly review the execution and the implementation of the Strategic Plan and the Re-organisation Plan;
- To oversee the process and framework for evaluating the adequacy of internal controls, which included financial, operational, compliance and information technology controls, and risk management systems and satisfy itself as to the adequacy and effectiveness of such processes and framework;
- To ensure the Company's compliance with such laws and regulations as may be relevant to the business;
- To assume responsibility for corporate governance;
- To set the Company's values and standards, and ensure that obligations to shareholders and others are understood and met at all times;
- To review the performance of the Senior Management and the compensation framework for the Board, Executive Directors and Senior Management;
- To oversee the succession plans for the Board, Group CEO and Senior Management;
- To oversee and consider corporate responsibility and sustainability issues, policies, standards and strategy in the

context of the Company's activities which may have an impact on environmental and social issues; and
- To identify key stakeholder groups and consider their perceptions.

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

- Re-organisation of the Company into two operating groups – OFI and OGA with OIL as the holding company, changes to the Re-organisation Plan and defined stages, phases and checkpoints with the stage-gated and de-risked execution pathway;
- Acquisitions, divestments and capital expenditure exceeding the authority limits established under an internal policy adopted by the Board, while delegating authority for transactions below those limits to Board Committees, the Executive Committee and Senior Management;
- Capital planning and raising, annual budgets and updates to the Strategic Plan;
- Key policy decision-making process and control;
- Changes to capital, dividend distribution, issuance and buy-back and changes to shares and other securities;
- Matters considered not in the ordinary course of business of the Group; and
- Any matter which the Board considers significant enough to require the Board's direct attention or would be critical to the proper functioning of the Company or its business.

The Board is assisted by various Board Committees for the effective discharge of its responsibilities. These include the Audit Committee (AC), Board Risk Committee (BRC), Capital and Investment Committee (CIC), Corporate Responsibility and Sustainability Committee (CRSC), Council of Chairs (COC), Governance and Nomination Committee (GNC), and the Human Resource and Compensation Committee (HRCC). Along with the implementation of the Re-organisation Plan announced in January 2020, the Board reviewed and rationalised the existing Board Committees and its composition. A Board Steering Committee was established to oversee the implementation of the Re-organisation Plan in January 2020. Following the recommendation of the Governance and Nomination Committee (GNC), the Board disbanded the Council of Chairs, approved the merger of the GNC and the HRCC into a single committee known as the Nomination and Remuneration Committee (NRC) and also updated the composition of the Board Committees. These changes would be effective after the conclusion of the 25th Annual General Meeting of the Company (25th AGM). You may refer to page 48 of this report for a summary of the updated Board Committees membership effective after the conclusion of the 25th AGM, subject to the approval of the shareholders for the election and re-election of directors.

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

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

Ad hoc committees of the Board may also be formed from time to time as part of the Board's commitment to engage and provide leadership to management in the business and operations of the Company. These ad hoc committees add to the effectiveness and strength of the Company's governance practices as well as reflecting the interests and perspectives of the various stakeholders of the Company. Two such ad hoc committees of the Board, namely the Council of Chairs (COC) and the Board Working Group (BWG), were formed in 2017 and 2018, respectively.

The key role of the COC was to coordinate the proposals, initiatives, issues and matters relating to the Company's strategy, business, management and operation, including those considered at meetings of the Board Committees, and provides interface and feedback to the Board, Board Committees(s) and Management. During the year in review, the COC met twice to discuss business and climate risks of concern across the Board Committees as well as to align the priorities of the Board Committees for 2019 to ensure a comprehensive and coordinated review and monitoring of the execution of the Strategic Plan 2019 – 2024. The COC was disbanded with effect from 31 October 2019.

The BWG, as an ad hoc Board committee, was established in December 2018 to provide oversight of the work carried out by the independent financial advisers to explore options to unlock and maximise the Company's long-term value. The exercise was completed in January 2020 where the Company announced on 20 January 2020 that Olam will re-organise its diverse business portfolio to create two new coherent operating groups that are well-positioned for further growth in line with key consumer trends and market opportunities. The Company had also announced that as the re-organisation progresses, the Company will provide periodic updates to stakeholders on the process and related developments, including changes in operational and financial reporting in line with the new structure. The BWG completed its work and was disbanded in December 2019. Along with the aforementioned announcement on the re-organisation, the Board Steering Committee was established to oversee the implementation of the re-organisation.

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

Where the material matters require the approval of shareholders, the Board may if required under the Companies Act (Chapter 50) and/or the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) appoint an independent valuer or independent financial adviser to evaluate the fairness of the transaction price and offer.

Board and Board Committee meetings

Meetings of the Board and Board Committees are scheduled one year in advance. Besides the regular agenda, the Board receives briefings and updates from the key executives and Senior Management on developments and issues concerning the Group's business or which have an impact on the business of the Group. Regular presentations and updates by business units and functions are also provided to the Board. This allows the Board to develop a good understanding of the Group's businesses, and ensures collaboration and engagement between the Board and the Company's key executives and management. The Board sets aside time during the year in review to meet without the presence of Executive Directors or Management.

In addition to the five scheduled meetings each year, the Board meets as and when warranted by particular circumstances as well as engaging in informal discussions. During the year under review, 7 Board and 58 Board Committee meetings were held, with certain Directors attending via telephone or video conference, as permitted by the Company's Constitution.

In line with the Group's commitment to business sustainability, conservation of the environment and technological advancement, Directors are provided with access to the Board and Board Committee papers through electronic devices to enable them to read and provide their comments.

2019 was another busy year for the Board as they reviewed with Management the execution of the Strategic Plan 2019 – 2024 and the divestments of non-core de-prioritised assets and businesses identified in the Strategic Plan. At the quarterly meeting and outside of the formal meetings, the Board discussed and reviewed the details of, proposals from the independent financial advisors and consider the recommendations of the BWG on the proposed re-organisation of the Company. The various Board Committees continue to report to the Board on their oversight of the Company's treasury related matters, reporting framework on new investments, ongoing investments and divestments, various policies being put in place such as the Olam Living Landscape Policy, Animal Welfare Policy and the Fair Employment Policy, etc., ethics programme addressing risks of bribery and corruption, budgeting exercise, risk governance framework (comprising enterprise risk report, dashboard and scorecard), integrated assurance framework which includes the Risk Dashboard and the work done by internal audit (IA), risk appetite and tolerance, and the internal control systems. Board Committees' oversight on specific risks areas was also determined under the revised risk governance framework and the integrated assurance framework.

To ensure that the Board has an in-depth understanding of the Group's business and activities, one or more Board offsite visits is organised in countries where the Company operates. Besides the visits to facilities, the Board meets with the local management team as well as in-country key stakeholders. Ad hoc visits by the Board Committees or individual Director are organised wherever required to better facilitate the review of issues delegated by the Board. These offsite visits often allow the Board and the individual Directors to engage with the Company's management, and provide them with greater insight on how to manage and guide Management to achieve greater long-term success for the Company.

Yearly, the Board is invited to participate in the Annual ManComm Meet attended by a significant number of key executives and Senior Management of the Company. At the Annual Meet, the Board, Senior Management and key executives of the Company interact with experts in areas such as economics, policies, social, strategy, environment etc., and receive valuable updates on global issues. This exposure equips the Board with a breadth of knowledge and allows them to strengthen their leadership. The Annual Meet provides the Board with opportunities to deepen their interactions with the leadership team of the Company, to meet with the Senior Management team supporting the current leadership team, and to gain insights into issues and developments that are important for the long-term success of the business.

During the year in review, the Board and individual Directors participated in the following offsite visits:

- The Board attended the Annual ManComm Meet held in Singapore;
- Newly appointed Directors visited the Group's operations in Australia and Vietnam and met with the Country Management team;
- The Board Chair attended the Global Finance Meet held in South Africa;
- The AC Chair met with the global Internal Audit Team in Dubai and held a joint visit to the Group's Cocoa operations in Indonesia;
- The Board held its annual visit and meeting in Ghana and met with the Country leadership team, families and employees as well the key stakeholders. The Chairman and GCEO also met with the President of Ghana.

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

A table showing the memberships of the Directors and number of Board, Board Committee, Non-Executive Directors' and shareholders' meetings held during the year under review along with the attendance of Directors are provided on page 16 of this report. Throughout the year, Directors individually and collectively actively engage with other members of the Board, the Group CEO, Group COO, Group CFO and Senior Management Team and external consultants to review the business, to discuss global and industry trends and to gain deeper insights into the industry and the business of the Company. The level of engagement and involvement of Directors in Board affairs and in governing the Company cannot be quantified simply by their attendance. Their commitment and the amount of time sowed into the affairs of the Company far outweigh their attendance at these meetings.

Induction and orientation of Directors

The Board of Directors provide the leadership for the rest of the organisation and for corporate governance. Hence, onboarding of newly appointed Director is a critical enabler for the director to embark on and accelerate his/her participation in Board affairs effectively.

Newly appointed Directors undergo a comprehensive and tailored induction programme, facilitated by the Group Corporate Secretarial Office. The induction programme for newly appointed Director comprises an initial engagement session with the Director, customisation of the programme based on the Director's profile, scheduling briefings by various key trainers on matters of board responsibilities, governance, fiduciary duties, risk management, safety and health, sustainability, financial reporting and the businesses of the Company, meeting with Business Heads, briefings by the Board Chairman and Chairs of Board Committees, an overview of the business, industry, trends and operations with the Group CEO and Group COO as well as visits to the Group's key operations. Newly appointed Director is also issued with an appointment letter and an appointment pack which outlines their Board and Board Committee membership details and term of office, fees payable, fiduciary duty and legal obligations of a director, other vital information regarding their appointment and on the Company. All newly appointed Directors are further assisted by the Group Corporate Secretarial office to enable them to appropriately discharge their statutory and fiduciary duties.

Information on Board and Board Committee Membership and Attendance at Board, Board Committees and Shareholders' Meetings for the year ended 31 December 2019

Directors	Membership	Board	NED	COC	AC	BRC	CIC	Joint BRC-CIC	CRSC	GNC	HRCC	BWG[1]	AGM
	No. of Meetings Held	**7**	**2**	**2**	**5**	**4**	**6**	**1**	**4**	**3**	**1**	**32**	**1**
Lim Ah Doo	Chairman Independent Non-Executive	C 7/7	C 2/2	C 2/2	–	–	M 6/6	O 1/1	–	C 3/3	C 1/1	C 32/32	C 1/1
Jean-Paul Pinard[2]	Independent Non-Executive	M 7/7	M 2/2	M 2/2	–	–	M 2/2	M 1/1	C 4/4	–	M 1/1	–	M 1/1
Sanjiv Misra	Independent Non-Executive	M 7/7	M 2/2	M 2/2	–	M 4/4	C 6/6	CIC C 1/1	–	–	M 1/1	–	M 1/1
Nihal Vijaya Devadas Kaviratne CBE	Independent Non-Executive	M 7/7	M 2/2	–	M 5/5	–	–	–	M 4/4	–	–	–	M 1/1
Yutaka Kyoya	Non-Executive	M 6/7	M 2/2	–	M 5/5	–	–	–	M 4/4	M 3/3	–	M 3/3	M 1/1
Marie Elaine Teo	Independent Non-Executive	M 7/7	M 2/2	M 2/2	M 5/5	C 4/4	M 5/6	BRC C 1/1	–	–	–	–	M 1/1
Yap Chee Keong	Independent Non-Executive	M 7/7	M 2/2	M 2/2	C 5/5	M 4/4	M 6/6	M 1/1	–	M 3/3	–	M 32/32	M 1/1
Kazuo Ito	Non-Executive	M 7/7	M 2/2	–	–	M 4/4	M 6/6	M 1/1	–	–	M 1/1	–	M 1/1
Sunny George Verghese	Executive	M 7/7	–	–	–	–	M 6/6	M 1/1	M 4/4	–	–	M 32/32	M 1/1
Shekhar Anantharaman[2]	Executive	M 6/7	–	–	–	M 4/4	M 1/2	M 1/1	–	–	–	–	M 1/1
Nagi Adel Hamiyeh[3]	Non-Executive	M 2/3	–	–	–	–	–	–	–	–	–	–	–
Ajai Puri (Dr.)[4]	Independent Non-Executive	M 2/3	–	–	–	–	–	–	–	–	–	–	–
Joerg Wolle (Dr.)[4]	Independent Non-Executive	M 2/3	–	–	–	–	–	–	–	–	–	–	–
Chan Wai Ching[5]	Co-opted Member	–	–	–	–	–	–	–	–	–	M 1/1	–	–

"M" Member
"C" Chairman
"O" Observer
"NED" Non-Executive Director
"COC" Council of Chairs
"AC" Audit Committee
"BRC" Board Risk Committee
"CIC" Capital and Investment Committee
"CRSC" Corporate Responsibility and Sustainability Committee
"GNC" Governance and Nomination Committee
"HRCC" Human Resource and Compensation Committee
"BWG" Board Working Group
"AGM" Annual General Meeting

1. The BWG was an ad-hoc Board Committee established on 20 December 2018 to explore various options to maximise value for shareholders.
2. Mr. Jean-Paul Pinard and Mr. Shekhar Anantharaman stepped down as a member of the CIC on 28 February 2019.
3. Mr. Nagi Hamiyeh was appointed as Non-Executive Director on 1 September 2019 and did not hold any Board Committee membership.
4. Dr. Ajai Puri and Dr. Joerg Wolle were appointed as Independent Non-Executive Director on 1 September 2019 and did not hold any Board Committee membership.
5. Ms. Chan Wai Ching is a co-opted member of the HRCC. Ms. Chan is not a Director of the Company.

Directors' training and development

The Board recognises the importance of ongoing training for Directors so as to enable them to serve effectively and contribute to the Board.

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

A Board Offsite was held in Ghana, which housed our business activities in Cocoa farming and processing, Packaged Foods, Wheat Milling, Rice, etc. Directors interacted with the local employees, customers, community and suppliers, and gained greater insight into the operations in Ghana, the geo-political condition and key economic trends of the country impacting the business of the Company. Meeting with the stakeholders helped to deepen relationship and to fortify the Company's commitment to the business in the country. At the same time, the Board also developed a good understanding of the Company's business to enable it to make informed decisions.

During the term of their appointment, Directors are encouraged to undergo continual professional development. The Company allocates a budget each year for Directors' training and professional development, which may relate to a particular subject area or developments in Company's market or operations etc. The Group Corporate Secretarial Office provide assistance to the Directors for their ongoing development needs.

Principle 2:

Board composition and guidance

To align with the extensive geographical spread and depth of the business, the existing Board comprises Directors with diverse skills and expertise in food and agri-business, consumer, innovation, corporate finance, M&A, companies consolidation and restructuring, resource-based industry, supply chain, finance and accounting, banking, investment, strategic planning, retail, infrastructure, environment and sustainability issues. The size, composition and blend of experience of the Board allows discussions on matters of policy, strategy and performance to be informed, critical and constructive. The profile and key information of each Director is provided in the Board of Directors section of the 2019 Annual Report.

Board size

On 1 September 2019, the Company appointed Mr. Nagi Adel Hamiyeh, Dr. Ajai Puri and Dr. Joerg Wolle to the Board as Non-Executive Directors, with Dr. Ajai Puri and Dr. Joerg Wolle, being considered independent. The Board was of the view that these newly appointed Directors bring with them substantive food ingredients, agri-business, consumer, logistics, commercial and Africa experience, which would add value to the Company in its next stage of growth.

Our Board currently consists of 13 members, 8 of whom are Independent Non-Executive Directors, 3 of whom are Non-Independent Non-Executive Directors and the remaining 2 being Executive Directors. More than 60% of the Board is comprised of Independent Non-Executive Directors. The 2 Non-Independent Non-Executive Directors are appointed by Mitsubishi Corporation (MC). The GNC reviews the board composition, dynamics and culture that enable the Board to be effective and high-performing.

The size and composition of the Board are reviewed from time to time by the GNC to ensure that it is appropriate and conducive for effective discussion and decision-making. The review takes into consideration the variety, magnitude, nature and depth of the Group's business and operations. Based on the factors considered and the composition of the existing Board who collectively possess sufficient depth and breadth to discharge duties and responsibilities effectively as well as to make objective decisions, the GNC believes that the current Board size of 12 to 13 members is appropriate and optimal.

Board diversity

The composition of the Board today is a testimony to what it believes is important: diversity for an optimal mix of expertise and experience. The importance of diversity stretches across skills, industry experience, geographic exposure, training, race, ethnicity, gender and nationality. The key to an effective and high-performing Board is the collective intelligence of a diverse composition to drive it forward. It is crucial to have a Board that understands the overall strategy of the Company. An effective Board is about who and why is he/she on the Board, how Directors interact with each other as well as with Management, what it spends its time on – priorities and agenda and how it reviews its' own performance from time to time. It is about governing with purpose. A Board Diversity Policy (Policy) was adopted by the Board as they recognised the importance and value of diverse perspectives not just in the boardroom but also at the senior leadership level. A well-rounded and well-appointed Board for the foreseeable future and in supporting the attainment of the Company's strategic objectives will remain a priority for Board succession planning.

The Policy

The Policy sets out the approach to diversity for the Board and the senior leadership team of the Company. The Board will pro-actively identify key gaps in our diversity representation (eg. gender diversity), and commit to developing a bench of individuals, who are suitable and qualified, for future succession. There will be no discrimination of candidate(s) for Board membership on grounds of gender, race, ethnicity and nationality. The Board has delegated to the Nomination & Remuneration Committee the role of overseeing the implementation of the Policy, and the monitoring of the progress.

Independence

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

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

Having carried out its review for the year under review and taking into account the views of the GNC, the Board has determined that, with the exception of the 3 Non-Executive Directors and 2 Executive Directors, the remaining 8 Directors are to be considered as independent.

In its review, the GNC has considered the independence of Mr. Jean-Paul Pinard who has served on the Board for more than 9 years. Mr. Pinard will retire as Director at the 25th AGM. Notwithstanding his impending retirement, Mr. Pinard, who was appointed to the Board since 2008 and has since chaired the CRSC, has consistently exercised independent judgement and evidently expressed his views objectively and is able to exercise strong independent business judgement with a view to acting in the best interests of our Company, thereby demonstrating an independence of mind. Through his chairmanship and guidance, the Company's CR&S function as well as the MATS, Safety and Health function continues to mature in strength and expertise, with several key CR&S policies and related policies developed and implemented and key stakeholders' relationships built to further the Company's CR&S commitment and endeavours. The Board concurred with the recommendation of the GNC that Mr. Pinard is to be considered as independent.

Under the Company's Code of Conduct (CoC) which all employees including Directors should adhere to, Directors should advise the Board of any personal interests that could inappropriately influence his or her judgment when acting for the Company. The details of the potential conflicts of interest should be disclosed to the Board at the earliest possible opportunity. Where relevant, the CoC stipulates that an explicit written approval may be required should the Director wish to engage or continue with such activity.

Ongoing renewal of the Board

The ongoing renewal of the Board is in line with the Board's policy on tenure of directorships. Since 2013, long-serving Independent Directors were retired gradually at each AGM with new Independent Directors who possess the required skills and capabilities appointed to fill these vacancies. All newly appointed Independent Directors will be subject to a term of office comprising two terms of 3 years each, with an additional term of 3 years at the sole discretion of the Board. All Directors whether Executive, Non-Executive or Independent remain subject to an annual evaluation notwithstanding the term of office.

Independent Directors may be retired prior to completion of the term of office if so determined by the Board, taking into consideration the recommendation of the GNC.

Non-Executive Independent Directors

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

Principle 3:

Chairman and Group Chief Executive Officer

The Chairman and Group CEO are separate persons. Mr. Lim Ah Doo is Chairman and Independent Non-Executive Director of the Company. Mr. Lim Ah Doo is not related to the Group CEO, Mr. Sunny George Verghese, or other members of the Senior Management Team. There is a clear division of responsibility between the Chairman and Group CEO to ensure a balance of power and authority.

The Chairman is responsible for ensuring the effectiveness of the Board and Board Committees as well as the governance process. The Group CEO is at the helm of the Management Team and has overall responsibility for the Company's operations and organisational effectiveness.

The Group CEO remains accountable to the Board for the decisions and actions taken, as well as for the performance of the Group. The Chairman works closely with the Group CEO on matters to be tabled at meetings and matters arising from the meetings as well as in ensuring that Board members receive accurate, timely and clear information. The Chairman and Group CEO held frequent discussions to discuss and review the strategic plan, developments within the Group, business performance, governance process and Management compensation and succession plan.

Under the leadership of the Chairman, the Board holds robust, open and constructive discussions at its meetings with adequate time allocated to sufficiently review the issues tabled. The Chairman chairs the Non-Executive Directors' discussions, which maybe held quarterly after each Board meeting or as and when required, and may organise offsite meetings of the Non-Executive Directors.

Along with the Group CEO and the Company Secretary, the Chairman monitors the translation of the Board's decisions, requests and recommendations into executive action. As part of the Chairman's oversight, he ensures that constructive communication and engagement with shareholders take place at every General Meeting. The Chairman may direct members of the Board to participate in briefings and meetings with other stakeholders to explain publicly available material information.

Governance and Nomination Committee (GNC)

Lim Ah Doo
Chairman

Yap Chee Keong
Yutaka Kyoya

Please refer to page 48 on changes to the GNC with effect from the conclusion of the 25th AGM.

Principle 4:
Board membership

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

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

Succession planning

The review of Board succession plans, including the role of Chairman, is the primary responsibility of the GNC; while review of the succession plans for key positions in the Group, including the Group CEO and Senior Management, is within the purview of the Human Resource and Compensation Committee (HRCC). The GNC actively reviews the Board and Board Committees' composition and the necessity of refreshing the Board.

The GNC is of the view that any renewal and refreshing of the Board must be carried out progressively and in an orderly manner to ensure continuity. A formal plan for the renewal of the Board and the process for selection of new Directors was put in place in 2012 and executed since 2013. It included the retiring of longest-serving Independent Director, appointment of new independent directors who possess the required skills and capabilities in place of the outgoing independent directors, introduction of a term of office for all newly appointed

Independent Directors comprising 2 terms of 3 years each, with an additional term of 3 years at the sole discretion of the Board, and all Directors, whether Executive, Non-Executive or Independent, remain subject to an annual performance evaluation notwithstanding the term of office. Independent Directors may be retired prior to completion of the term of office if so determined by the Board, taking into consideration the recommendation of the GNC.

Apart from the consideration of the 9-year tenure prescribed by the Principle of the Code for Independent Director when reviewing Board succession plan, the GNC have regard to the strategic plan of the Company, the changing landscape of the business and ongoing challenges and issues faced when addressing the composition of the Board.

Retirement and re-election

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

At the 2019 AGM, Mr. Nagi Hamiyeh, Dr. Ajai Puri and Dr. Joerg Wolle who were appointed as Non-Executive Director on 1 September 2019 will submit themselves for re-election in accordance with Regulation 113 of the Company's Constitution.

Mr. Nihal Vijaya Devadas Kaviratne CBE and Mr. Sunny George Verghese will retire pursuant to Regulation 107 of the Company's Constitution and will be eligible for re-election by the shareholders at the 25th AGM.

Mr. Jean-Paul Pinard, having served on the board for more than 11 years, will retire at the close of the 25th AGM. Mr. Yutaka Kyoya who was subject to retirement by rotation pursuant to Regulation 107 of the Company's Constitution will not be seeking re-election and will retire at the close of the 25th AGM.

New appointments, selection and re-nomination of Directors

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

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

- The candidate should possess knowledge and experience in areas of value to the Group, including but not limited to accounting or finance, business or management, industry knowledge, strategic planning, customer-based experience or knowledge, environment and sustainability, legal or digital and geographical exposure;
- The candidate should have the aptitude or experience to understand fully the fiduciary duties of a Director and the governance processes of a publicly listed company;
- Independence of mind;
- Capability and how he/she could meet the needs of the Company and simultaneously complement the skillset of other Board members;
- Experience and track record in multinational companies;
- Ability to commit time and effort to discharging his/her responsibilities as a Director; and
- Reputation and integrity.

The GNC also have regard to the importance of diversity when considering the richness of the Board as a whole.

Membership of other boards

The GNC, in assessing the performance of the individual Director, considers whether sufficient time and attention has been given by the Director to the affairs of the Company. It has regard to the Director's other board memberships and commitments. No limit on the number of board representations which a Director may hold has been imposed by the

GNC as Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest caused by serving on other boards.

Key information regarding Directors

Key information regarding Directors, such as academic and professional qualifications, Board Committees served on (as a member or Chairman), date of first appointment as a Director, date of last re-election as a Director, present directorships in other listed companies, principal commitments and experience and exposure, is disclosed in the section on Board of Directors of the 2019 Annual Report. Information relating to Directors' shareholding and interests in the Group is disclosed in the Financial Report.

Principle 5:

Board performance

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

During the year, the GNC carried out a rigorous review of the effectiveness of the Board, the individual Board members and the Chairman of the Board. The results of the evaluations contained a host of detailed information that facilitated the discussion and review of the Board, namely, (i) areas of confidence, concern and caution, (ii) highlighted alignment of perception of the Board's performance, (iii) list of questions that received the highest and lowest average ratings and provided insight into areas where performance was strong or room for improvement exists, (iv) a diagram of the strengths, weakness, opportunities and threats (SWOT) so that the Board and Management could further promote an effective agenda, and (v) provided the highlights from responses received from Board members and the action points for consideration. The GNC and the Board had collectively reviewed the results of the evaluation and also agreed on a set of follow-up actions led by the GNC Chair.

Meetings between the individual Director and the GNC Chair/Board Chair, may be set up to share feedback and comments received and to work out action plans to address specific issues raised.

Board Performance

Access to information and Accountability

To enable the Directors to fulfil their responsibilities, pre-meeting discussions are held between the Chairman of the Board and/or Committees with Senior Management for the construction of the agenda and the preparation of Board materials.

The agenda for each Board and Board Committee meeting along with all Board papers, related materials and background materials are provided to the Directors to enable the Directors to obtain further details and explanations where necessary. The Board is briefed and updated on the execution of the Company's Strategic Plan, performance of its investments, financing plan, variance in budgets, etc. Members of the Management Team are invited to be present at Board and Board Committee meetings to provide additional insight into the matters tabled for deliberation. Global heads of Business Units (BU) are scheduled wherever required to update the Board on platform-wise performance and plans.

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

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

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

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

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

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

Role of the Company Secretary

Directors have separate and independent access to the Company Secretary. The Company Secretary advises the Board through the Board Chair on governance matters and facilitates the effective functioning of the Board and Board Committees in accordance with their terms of reference including any best practices. Meetings of the Board and Board Committees are scheduled at least a year in advance.

Beyond scheduling meetings, the Company Secretary works closely with the Board Chair and Chairman of the Board Committees and key executives of the Company to proactively manage the agenda and the materials provided in advance of and at meetings. The Company Secretary pursues and manages follow-up actions and reports on matters arising from the meetings. The Company Secretary assists the Board Chair with Board development and Board processes including Board evaluation, induction and training. The office takes the lead in organising the appointment letter and information pack and in developing tailored induction plans for new Directors, working with the Board Chair and new Directors.

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

Human Resource and Compensation Committee (HRCC)

Lim Ah Doo
Chairman

Jean-Paul Pinard
Sanjiv Misra
Kazuo Ito
Chan Wai Ching (co-opted member)

Please refer to page 48 on changes to the HRCC with effect from the conclusion of the 25th AGM.

Principle 6:
Procedures for developing remuneration policies

Principle 7:
Level and mix of remuneration

Principle 8:
Disclosure on remuneration

The existing members of the HRCC, including the HRCC Chairman, are Independent and Non-Executive Directors, except for Mr. Kazuo Ito, who is Non-Executive and Ms. Chan Wai Ching, a Non-Director and Co-opted Member. The HRCC is established by the Board with the following principal functions:

- To review the executive leadership development process and programme;
- To review and recommend executives' compensation framework and equity-based plans;
- To review succession plans for key executives, including the Group CEO;
- To establish and oversee the process for evaluating the performance of the Group CEO, CEO (OFI) and other key executives in the fulfilment of their responsibilities, and the meeting of objectives and performance targets;
- To review the framework of remuneration for the Board and key management personnel;
- To review the specific remuneration packages for each director and key management personnel;
- To review the remuneration framework and the adequacy of the fees paid to Non-Executive Directors; and
- To review all aspects of remuneration, including termination, to ensure they are fair.

The HRCC Chair carries out regular discussions with the Group CEO on succession planning at the Senior Management level including that of the Group CEO. The HRCC also engages external consultants to advise on its remuneration policy and to restructure the remuneration policy where necessary.

During the year, the HRCC reviewed the compensation framework and the deliverables of the Group CEO and Group COO. The HRCC also reviewed and approved the recommendation for the issuance and allocation of new share grants under the Olam Share Grant Plan.

At the start of the year, the Board embarked on an exercise to explore options that would further unlock value. Review of the senior leadership structure in light of the reorganisation plan was carried out by the HRCC Chair and the GCEO with recommendations made to the Board.

Remuneration policy for Non-Executive Directors

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

The framework and details of the fees paid to the Non-Executive Directors approved at the previous AGM of the Company in April 2019 are provided in the paragraphs below.

The remuneration for Non-Executive Directors is benchmarked against peer companies. The fees framework for Non-Executive Directors seeks to provide an equitable and adequate remuneration on account of the responsibilities and average amount of time spent by a Director at Board and Board Committee meetings, as well as their discussions beyond formal meetings and separate discussions with management in the discharge of their responsibilities.

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

Fees for Non-Executive Directors

At the April 2019 AGM, shareholders approved the payment of Directors' fees of up to S$2,600,000 under the revised fees framework for Non-Executive Directors set out in page 26 of this report. The aggregate fees paid quarterly in arrears to the Non-Executive Directors for the financial year ended 31 December 2019 amounted to S$2,278,769 (excluding fees paid to a Director for his directorship with the subsidiary of the Company). Details of the compensation of directors for FY 2019 and 2018 are also provided in Note 33 of the Financial Report.

To align the interests of Directors with shareholders' interests, the total remuneration payable to Non-Executive Directors (excluding certain Non-Executive Directors who, under their separate arrangements with their employers, do not retain their Directors' fees), starting from the financial year ended 31 December 2019, would include an equity component of approximately 30%. The Company will arrange for each such Non-Executive Director to receive approximately 70% of his/her total Directors' fees in cash and the balance approximately 30% in the form of Olam shares. For the financial year ended 31 December 2019, the Company had purchased Olam shares from the market, subsequent to the issuance of the Company's unaudited full year financial statements announcement, on behalf of the Non-Executive Directors entitled to receive the approximately 30% of Directors' fees in the form of Olam shares.

Each such Non-Executive Director is committed to holding, during his or her Board tenure, Olam shares of a value pegged to approximately his or her annual Directors' fees.

To facilitate the payout of the equity component from the total fees payable to Non-Executive Directors entitled to receive the 30% Directors' fees in the form of Olam shares, the Company will be seeking the approval of shareholders at the 25th AGM for the amendment of the Olam Share Grant Plan (OSGP) in the form of restricted shares under the OSGP, which will be awarded as fully paid shares with no performance conditions and no vesting periods.

Review of Fees for Non-Executive Directors

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

The HRCC undertook a comprehensive review of the fees framework of the Non-Executive Directors in light of the changes to the Board composition and the Board Committees so as to better meet the evolving issues and challenges of the industry and business, and the need to recruit and retain directors best suited for the Company. Consequent to the review and recommendation of the HRCC, which was concurred by the Board, changes were made to the fees framework which would be applicable from financial year ending 31 December 2020.

Details of the updated fees framework for Non-Executive Directors, which included the proposed increase to the aggregate Directors' fees payable and applicable from financial year ending 31 December 2020, are provided on the following page.

Updated Non-Executive Directors' Fees Framework from financial year ending 31 December 2020

Nature of appointment	S$
Board of Directors	
Chairman (Fixed fee)[1]	600,000
Base fee (Deputy Chairman)	130,000
Base fee (Member)	70,000
Lead Independent Director	25,000
Audit Committee	
Board Steering Committee[2]	
Board Risk Committee	
Capital and Investment Committee	
Corporate Responsibility and Sustainability Committee[3]	
Nomination and Remuneration Committee[4]	
Chairman's fee	50,000
Member's fee	25,000

Attendance fee	Board	Committee
Home city meeting[5]	3,000	1,500
In-region meeting[5]	5,000	2,500
Out-region meeting[5]	10,000	5,000
Conference call	600	400
Odd hours	1,200	750
Attendance fee – Board Offsite[5]		
Home city meeting[5]		6,000
In-region meeting[5]		10,000
Out-region meeting[5]		20,000

1. No separate retainer fees, committee fees or attendance fees would be paid to the Chairman
2. Board Steering Committee is a newly formed Board Committee
3. Fees increased for Chairman and member of the Corporate Responsibility and Sustainability Committee
4. Nomination and Remuneration Committee is merged from the previous GNC and HRCC
5. Revised definition for "Home city meeting" and "Out-region meeting" and the introduction of "In-region meeting". Please refer to definitions as follows:
   a. Home City: < 4 hours to and fro travel time from Director's place of residence to location of meeting
   b. In-region: 4-15 hours to and fro travel time
   c. Out-region: > 15 hours to and fro travel time

The base fees of the Non-Executive Directors have remained unchanged in the last five years.

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

Fees paid to the Non-Executive Directors for the financial year ended 31 December 2019

The breakdown of the fees paid to the Non-Executive Directors for the financial year ended 31 December 2019 is set out in the table below.

Name	FY 2019 S$
Current Directors	
Lim Ah Doo[1]	738,452
Jean-Paul Pinard	184,467
Sanjiv Misra	228,500
Nihal Vijaya Devadas Kaviratne CBE	152,500
Yutaka Kyoya	163,800
Yap Chee Keong	326,800
Marie Elaine Teo	236,900
Kazuo Ito	178,300
Nagi Hamiyeh[2]	35,334
Ajai Puri (Dr)[2]	26,334
Joerg Wolle (Dr)[2]	29,334
Chan Wai Ching[3]	21,500
Directorship on Subsidiary	
Nihal Vijaya Devadas Kaviratne CBE[4]	75,000

The aforementioned fees paid out quarterly in arrears were based on the fees' framework set out in page 24 of the Governance Report of the 2018 Annual Report. Details of the compensation of directors and key management personnel for FY 2019 and 2018 may be referred to in Note 33 of the Financial Report.

1. The fees paid included fixed fee as Chairman (S$600,000), additional fees for work done for the Re-organisation Plan and as member of the ad-hoc Board Working Group (S$95,000) and car-related benefits (S$43,452).
2. Appointed on 1 September 2019 with no Board Committees membership.
3. Co-opted member on the HRCC.
4. Fees paid as Independent and Non-Executive Chairman of Caraway Pte. Ltd., a 75:25 joint venture subsidiary of the Company.

Remuneration policy for Executive Directors and other key executives

The Company's remuneration philosophy is aimed at attracting, retaining and motivating Executive Directors and key executives through a framework which rewards performance and achievement of the Company's strategic objectives.

The HRCC recognises that the Company operates in a multinational environment and reviews remuneration through a process that considers the Group's businesses and individual performance, as well as relevant comparative remuneration in the market. In considering comparative remuneration in the market, the HRCC seeks to maintain an awareness of the level of pay and practices by peer companies so as to keep pay market competitive while mitigating increase of pay that is disconnected from actual performance. The performance evaluation for Executive Directors and key executives have been conducted with the considerations as indicated in the table below.

Aligned with interests of shareholders and other stakeholders

- Align interests between management and shareholders.
- Select appropriate performance metrics for annual and long-term incentive plans to support business strategies and ongoing enhancement of shareholder value
- Allow for performance-related clawback if long-term sustained performance targets are not met

Remuneration is linked to performance

- Measure performance based on a holistic balanced scorecard approach, comprising both financial and non-financial metrics
- Ensure targets are appropriately set for threshold, target, stretch and exceptional performance levels performance, qualification and experience.

Remuneration is appropriate and proportionate to sustained performance and value creation

- Ensure that the link between performance and remuneration is clear

Remuneration structure

The remuneration structure is designed such that the percentage of the performance-related components of the Executive Directors and key executives remuneration increases as they move up the organisation. To remain competitive, the Company aim to benchmark executives' compensation with that of similar performing companies and remain in the top 25 percentile, taking into consideration the individual performance, qualification and experience.

The Company advocates a performance-based remuneration system that is flexible and responsive to the market. The total remuneration comprises 3 components: an annual fixed cash component, an annual performance incentive and a long-term incentive. Executive Directors are not entitled to either base fees or fees for membership on Board Committees. Remuneration for Executive Directors currently comprises a base salary, a performance bonus tied to the Company's and the individual's performance, and participation in the OSGP.

Base salary	**Base salary** • The annual fixed component consists of the annual basic salary and other fixed allowances. • The base salary reflects the market worth of the job but may vary with responsibilities, qualifications and the experience that the individual brings to the role.
Performance incentive	**Performance incentive** • The annual performance incentive is tied to the Company's and individual executive's performance. • The annual performance incentive is designed to support the Group's business strategy and the ongoing enhancement of shareholder value.
Long-term incentive	**Long-term incentive** • The long-term incentive is granted based on the individual's performance and contribution made. • Long-term incentives reinforce the delivery of long-term growth and shareholder value to drive an ownership culture and retain key talent.
Policy	**Policy** • The Company contributes towards the Singapore Central Provident Fund where applicable to the individual.
Employee Share Grant Plan	**Employee Share Grant Plan** • The Company had adopted the new Olam Share Grant Plan (OSGP) at the 2014 AGM. The OSGP involves the award of fully-paid shares, when and after pre-determined performance or service conditions are accomplished. • Any performance targets set under the OSGP are intended to be based on longer-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. • Details of the OSGP including its objectives, key terms, potential size of grants, methodology of valuation, market price of shares that were granted as well as outstanding, and the vesting schedule may be read as part of the Financial Report.

The Company currently has 10 top key executives who are not Directors. Information on the compensation paid to all Directors (including Executive Directors) and key executives is summarily provided in Note 33 to the Financial Statements of the Financial Report.

In considering the disclosure of remuneration of the Executive Directors and top 10 key executives, the HRCC opined that the information provided on the framework, system and component of the remuneration of Executive Directors and the key executives would better provide shareholders with an understanding of the role played by the HRCC in ensuring that the remuneration paid is appropriate and proportionate to the sustained performance and value creation of the Company including taking into account the strategic objectives of the Company. The HRCC also considered the industry conditions in which the Group operates, the impact of the disclosure of specific compensation and the confidential nature of the Executive Directors' and key executives' remuneration.

Level and mix of remuneration of Executive Directors for the year ended 31 December 2019

Remuneration band	Base/ fixed salary	Variable or performance related income/ bonuses	Benefits in kind	Total	Options	Share Grant
S$2,000,000 and above						
Sunny George Verghese	22%	73%	5%	100%	15,000,000[1]	2,119,734[3]
Shekhar Anantharaman	32%	68%	–	100%	3,250,000[2]	1,465,163[4]

1. The subscription/exercise price of S$2.35 per share for 15,000,000 share options is the price equal to the average of the last dealt prices for a share for the 5 consecutive market days preceding the date of grant.
2. The subscription/exercise price of S$1.76 per share for 3,250,000 share options is the price equal to the average of the last dealt prices for a share for the 5 consecutive market days preceding the date of grant.
3. Share grant of 2,119,734 comprised of 1,238,384 Performance Share Awards and 881,350 Restricted Share Awards granted pursuant to the Olam Share Grant Plant. The actual number of shares to be delivered pursuant to the 410,000 Performance Share Awards granted will range from 0% to 192.5% of the base award and 828,384 Performance Share Awards granted will range from 0% to 200.0%, both of which are contingent on the achievement of pre-determined targets set out in the 3-year performance period and other terms and conditions being met.
4. Share grant of 1,465,163 comprised of 915,326 Performance Share Awards and 549,837 Restricted Share Awards granted pursuant to the Olam Share Grant Plan. The actual number of shares to be delivered pursuant to the 350,000 Performance Share Awards granted will range from 0% to 192.5% of the base award and 624,826 Performance Share Awards granted will range from 0% to 200.0%, both of which are contingent on the achievement of pre-determined targets set out in the 3 year performance period and other terms and conditions being met.

Remuneration band of the top key executives for the year ended 31 December 2019

Remuneration band	No. of executives
S$1,500,000 and above	1
S$1,000,000 and above	6
Below S$1,000,000	3

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

No employee of the Company and its subsidiaries whose remuneration exceeded S$100,000 during the year under review was an immediate family member of a Director or the Group CEO. Immediate family member is defined as a spouse, child, adopted child, step-child, brother, sister or parent.

Board Risk Committee (BRC)

Marie Elaine Teo
Chair

Sanjiv Misra
Yap Chee Keong
Shekhar Anantharaman
Kazuo Ito

Please refer to page 48 on changes to the BRC with effect from the conclusion of the 25th AGM.

Principle 9:
Risk Management and Internal Controls

Accountability and audit

The Board is responsible for the governance of risk and along with 5 Board Committees, namely, the Audit Committee, Board Risk Committee, Capital & Investment Committee, Corporate Responsibility & Sustainability Committee and Human Resources & Compensation Committee, which are supported by various functions, ensures that Management maintains a sound system of risk management and internal controls and instills the appropriate culture throughout the Company, for effective risk governance to safeguard the interests of the Company and its shareholders.

To assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies, the BRC Committee was established in 2005. The BRC met 4 times during the year and held a joint meeting with the CIC.

The BRC has oversight of the following matters:

- To review with Management the Group's framework, guidelines, policies and systems to govern the process for assessing and managing risks;
- To review and recommend annual risk limits and trading risk budgets;
- To review benchmarks for, and major risk exposures from, such risks;
- To request, receive and review reports from management on risk exposures;
- To identify and evaluate new risks at an enterprise level and to table a report to the Board;
- To review the Group Risk Dashboard, the Enterprise Risk Scorecard and the Risk Appetite Framework and to escalate to the Board as appropriate;
- To review market compliance updates and issues reported; and
- To review annually the Insurance Strategy and Plan.

The Company complies with the recommendations contained in the Code and the Risk Governance Guidelines issued by the Corporate Governance Council in the approach to risk governance for the Group. The Company has robust mechanisms and systems to identify risks inherent in the Group's business model and strategy, risks from external factors and other exposures, and to monitor the Company's exposure to key risks that could impact the business sustainability, strategy, reputation and long-term viability of the Group. The Board along with the BRC supported by the Chief Risk and Compliance Officer ("CRCO"), the Risk Office and the Market Compliance Office instils the right culture throughout the Company for effective risk governance.

The BRC Chair actively engages with the Risk Office on various risk matters as well as the matters to be discussed at each BRC meeting. The BRC periodically reviews its terms of reference taking into consideration the Risk Governance Guidelines and the Code as well as the changing needs of the organisation.

Risk Governance Structure

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

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

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

Enterprise Risk Management

The Company continually upgrades its risk management methodology to keep in line with industry best practices. The Company has a risk management framework designed to rigorously identify and assess the likelihood and impact of risks, and to manage the actions necessary to mitigate impact. The process identifies risk from a top-down strategic perspective and a bottom-up business perspective. The Company takes a holistic approach to enterprise-wide risk, monitoring across each value-chain step and a wide range of both quantifiable and non-quantifiable risks.

In 2017, the Company's Enterprise Risk Management framework defined 53 individual risks across 14 categories. The oversight of each of the 53 risks is divided among the 5 Board Committees, namely, the BRC, AC, CIC, CRSC and HRCC. Of these risks, 16 are evaluated on a quantitative basis and represented in the company's Group Risk Dashboard ("GRD"), the output of which is presented to the BRC quarterly. The Enterprise Risk Scorecard ("ERS") is the result of an assessment of each of the 53 risks for likelihood of occurrence and impact. Each risk is evaluated for each business unit using a traffic-light system of red-amber-green. The ERS is also presented to the BRC on a quarterly basis which, in conjunction with the GRD assists the Board with (i) examining the effectiveness of the Company's risk management plans, systems, processes and procedures and (ii) reviewing Company-wide risk policies, guidelines and limits, as well as risk exposure and risk treatment plans. The Company's Enterprise Risk Management framework was further strengthened during FY18 through the introduction of the Risk Appetite Framework. The approach for Risk Appetite was developed taking into various factors including trading and operational risk, capital and liquidity risk, regulatory compliance risk, internal compliance risk and concentration risk. The Risk Office ensured finalisation of the boundary conditions with the respective functional leads and Board Committee Chairs.

Risk Appetite Framework

In 2018, the BRC undertook a lengthy study with the aim to design a Risk Appetite Framework to define the levels of tolerance for the main risks assumed by the company. The approach for Risk Appetite has been developed taking into account the following factors:

- Trading & Operational risk – Breaches & Impact
- Capital and Liquidity buffer – imperatives for balance sheet
- Regulatory compliance (external) – impact on reputation
- Internal compliance – controls on ESG & other related risks
- Concentration risks – Geographic concentration

The Risk Office coordinates with Function Heads to finalise the boundary conditions and threshold. Risk categories are classified on a 5-point risk scale from 1 (lowest) to 5 (highest) with defined measures, possible impacts and escalation protocols.

The boundary conditions under the Risk Appetite Framework are reported to and reviewed by the BRC, AC, CIC and CRSC in respect of its areas of oversight.

Risk Measurement, Market Compliance Controls, Risk Training and Communication

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

One of the Company's key priorities is to comply with the highest standards of business conduct. The Market Compliance Office (MCO) is responsible for ensuring regulatory compliance for the Company's derivative trading units globally. The MCO maintains and enforces a comprehensive derivative trading compliance programme which includes formal onboarding to ensure that new hires are fully aware of the Company's trading compliance manual.

Regular training sessions are conducted on an ongoing basis to ensure that the traders' knowledge and awareness of exchange rules is kept current.

MCO monitors Company exposures against exchange limits on a daily basis and oversees a trade surveillance programme. The BRC receives a quarterly update on the status of trading compliance, initiatives and changes in global regulatory laws and regulations impacting the Company's business and participation on exchanges. From time to time, the Company's MCO publishes compliance advisories on pertinent trading matters to raise awareness and to promote industry best practice.

This section should be read in conjunction with the section on Risk Management in the Strategy Report of the 2019 Annual Report and the section on internal control in this report.

Audit Committee (AC)

Yap Chee Keong
Chairman

Nihal Vijaya Devadas Kaviratne CBE
Yutaka Kyoya
Marie Elaine Teo

Please refer to page 48 on changes to the AC with effect from the conclusion of the 25th AGM.

Principle 10:
Audit Committee

All the members of the Audit Committee (AC) are Non-Executive Directors with a majority of members including the AC Chair being independent.

Members of the AC have significant and varied experience and backgrounds in accounting, financial management-related and investments.

The AC met 5 times during the year under review. The AC Chair also meets with the Group Chief Operating Officer (GCOO), the Group Chief Financial Officer (GCFO), Internal and External Auditors, Chief Information Security Officer (CISO), Group Legal Counsel, Head of Compliance, Global Head for Tax, etc. as maybe required prior to each AC meeting to discuss and review matters to ensure the AC is provided with comprehensive information or additional assurance that maybe required.

The AC has established terms of reference approved by the Board and has explicit authority to investigate any matter within its terms of reference. The key functions of the AC are to:

- Assist the Board in discharging its statutory and other responsibilities on internal controls, financial and accounting matters, operational, compliance and information technology controls, and business and financial risk management policies and systems; and to ensure that a review of the effectiveness of the same (which may be carried out by the external or internal auditors) is conducted at least annually;
- Review with the external auditors their audit plan, their evaluation of the system of internal controls, their report and management letter to the AC, Management responses, and the allocation of audit resources according to the key business and financial risk areas as well as the optimum coverage and efforts between the external and internal auditors;
- Review the quarterly and annual financial statements before submission to the Board of Directors for approval, focusing in particular on changes in accounting policies and practices, major operating risk areas, the overview of all Group risk on an integrated basis, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards, and compliance with any SGX and statutory/regulatory requirements;
- Review the proposed scope of the Internal Audit function, the performance of the Internal Audit function, Internal Audit findings and to approve the Annual Internal Audit Plan and as and when there are changes to the plan;
- Review the internal controls and procedures and ensure coordination between the external auditors, the internal auditors and Management, reviewing the assistance given by Management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);

- Review and discuss with the internal auditors, external auditors and Management any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has, or is likely to have, a material impact on the Group's operating results or financial position, and Management responses to the same;
- Consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- Review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors, annually;
- Review interested person transactions falling within the scope of Chapter 9 of the Singapore Exchange Listing Rules;
- Undertake such other reviews and projects as may be requested by the Board of Directors and report to the Board of Directors its findings from time to time on matters arising and requiring the attention of the AC; and
- Undertake such other functions and duties as may be prescribed by statute and the Listing Rules or recommended by the Code and by such amendments made thereto from time to time.

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

The AC has clear authority to investigate any matter within its terms of reference, full access to and cooperation of the Management and full discretion to invite any Director, key executive or officers of the Company to attend its meetings. The CEO for the new operating groups, GCFO, internal and external Auditors, CISO, Group Legal Counsel, Head of Compliance, Global Head for Tax, etc. are invited to attend these meetings.

Annually, the AC meets with the President and Group Head for Strategic Investments and Shared Services along with the Global Head for Tax to review the group tax structure management, compliance and reporting, transfer pricing, etc. The CISO, the Group General Counsel and the Head of Compliance also met with the AC on matters relating to information security, global regulations impacting the group and the key legal policies such as the Code of Conduct and the Ethics Programme, etc., as well as, the operationalisation of the policies.

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

Quarterly Reporting

The AC along with the Board reviewed the way forward for the Company, following the amendments to the Singapore Exchange Securities Trading Limited Listing Rules (Mainboard) which were effective from 7 February 2020, whereby Olam will no longer be required to release its financial statements on a quarterly basis. The Company will provide relevant disclosures of its strategy, operating and financial conditions as appropriate. The AC will continue to conduct quarterly review of the Company's performance as well as review with Management other areas of importance to the overall operations.

Financial Reporting and Key Audit Matters

The external auditors and Management interact and held frequent discussions with the AC Chair and/or the AC throughout the year on the key areas of focus for audit, identifying early the Key Audit Matters, which enable better oversight of the business and entities. For the year under review, the AC discussed with Management and the external auditors salient accounting issues with an impact on the financials of the Company, changes in accounting policies and practices, major operating risk areas, the overview of all Group risk on an integrated basis, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards, compliance with any SGX and statutory/regulatory requirements, and reviewed with Management and the external auditors the matters of significance in the audit of the financial statements. The AC concurs with the basis and assessment of the Key Audit Matters disclosed in the Independent Auditors' Report of the Financial Report section of the 2019 Annual Report.

External auditors

Throughout the year in review, the AC reviewed with Management and the external auditors, the review and work done by the external auditors, the engagement with the external auditors and the objectivity and independence of the external auditors. The AC placed emphasis on the performance and quality of the audit and the independence of the external auditors. As the Group has a wide geographical spread of businesses, it was important to the Company that its selected auditing firm appreciated and understood how its businesses in those geographical areas would operate, the level of engagement required as well as the resources allocated to the external audit of the Company. Pursuant to the requirements of SGX, an audit partner may only be in charge of 5 consecutive annual audits. Mr. Christopher Wong was designated as the audit partner from Ernst & Young starting from the financial year ended 31 December 2019. Ernst & Young had met this requirement and the Company had complied with the requirements on Rules 712, 713 and 715 of the Listing Manual issued by SGX in relation to the appointment of auditors.

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

The Committee met with the external auditors during the year under review, without the presence of the Management Team, to discuss with them any issues of concern. The AC reviewed the nature and extent of all non-audit services performed by the external auditors, against an established boundary condition, to ascertain their independence and objectivity.

From the review, the AC has confirmed that the non-audit services performed by the external auditors would not affect their independence. The amount of fees paid to the external auditors for audit and non-audit services for FY 2019 are set out below and in Note 7 of the financial statements of the Financial Report. The Company has complied with Rule 712, and Rule 715 read with Rule 716 of the Listing Manual of the SGX-ST in relation to its auditing firms.

Remuneration band	**2019 S$'000**	2018 S$'000
Auditor's remuneration:		
• Ernst & Young LLP, Singapore	2,174	1,772
• Other member firms of Ernst & Young Global	6,560	5,858
Non-audit fees:		
• Ernst & Young LLP, Singapore	956	1,901
• Other member firms of Ernst & Young Global	649	781

Taking all relevant factors into consideration, the Committee made its recommendation to the Board to re-appoint the current auditors, which was endorsed by the Board.

Internal audit

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

The AC annually assesses the composition and the make-up of the IA team. Regular review of the IA team in terms of its size and adequacy of skills and resources, is conducted in order to keep up with the ever-changing needs of the Group's businesses and to ensure that internal audits are performed effectively.

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

The AC regularly reviews the scope of the internal audit carried out by the IA team to ensure that it is comprehensive and includes all key operational, financial and related activities. The internal audit coverage extends to all areas of the Company and its controlled entities and includes financial, accounting, administrative, computing and other operational activities. The IA also works closely with management to promote effective risk management and robust risk internal control.

The AC reviews the proposed scope and performance of the IA function, internal audit findings (including fraud reporting and complaints received from the whistleblowing channel) and management responses, and the Annual Internal Audit Plan. It ensures that no limitation on audit has been imposed.

During the year in review, the AC and IA collectively assess and agree on the scope and frequency with which each entity/operation is to be audited. This enables them to manage their resources in the most efficient manner. Following on from the IA's findings, the AC will assess actions taken to address the issues and to mitigate the risks as well as the improvements undertaken. Where no or minimal action has been taken to minimise the risk, the AC and Board will seek a response from the specific Group business unit concerned. This system empowers the IA and ensures that the source of any risk is addressed promptly. The Human Resource would take into consideration the internal audit findings/ratings in the performance evaluation of managers.

For FY 2019, there were a series of initiatives carried out by the IA Function to further strengthen the Function. Subject matter expert auditors such as Specialist IT Auditor and Derivative/Treasury Auditor were added to the IA team. Quarterly IA Report Cards were fine-tuned further to highlight the key audit findings, fraud events, whistle-blowing complaints. The IA Function also did a joint review with the AC Chair in Dubai as well as a field visit to the Company's Indonesia BT Cocoa/Bandung Coffee facility.

During the year under review, the AC carried out a detailed review of the role, adequacy and effectiveness of the IA, the work done under the Internal Audit Plan, the adequacy of the reports tabled by the IA, the independence of the Function and its standing. The AC also met with IA, without the presence of Management, to discuss any issues of concern.

The IA Function at the recommendation of the AC also embarked on an Independent Quality Assurance Review of the IA Function. KPMG was commissioned to conduct the independent review. The objective of the exercise was to review the IA function's overall effectiveness, including quality of work and compliance with internal and external IIA standards. Based on the review of all 11 areas, KPMG was of the opinion that the IA Function generally conforms with the Internal Audit Charter, Audit Committee Terms of Reference and the International Standards for the Professional Practice of Internal Auditing.

The AC is satisfied that the IA team is effective, independent and has appropriate standing within the Company. With the evolving nature of concerns and issues, the IA continues to resource itself with specialist auditors as well as employ the use of technological tools to provide assurance on the effectiveness of the internal processes and risk management.

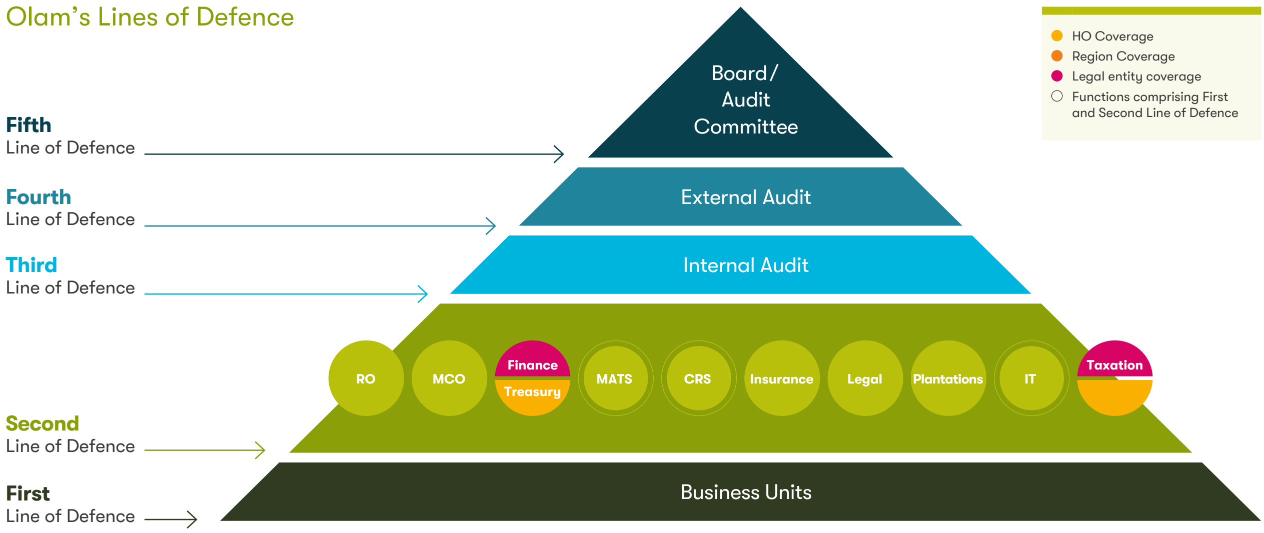
Whistleblowing

The Company is committed to a high standard of ethical conducts and adopts a zero tolerance approach to fraud and corruption. The Company has put in place an Ethics Programme which comprises the Code of Conduct (CoC) and the Anti-Bribery and Corruption Policy (ABC Policy). As the Company continues to look towards the future of the Group's business and navigate an ever more challenging world, the elements of the CoC and ABC Policy continues to take on increasing significance. The CoC provides one of the guiding frameworks to help the Company achieve its core purpose of "Growing Responsibly". The CoC provides the key standards and policies that everyone working in and for the Company, including Directors, should adhere to. The CoC also encourages and provides a channel for employees to report possible improprieties, unethical practices, etc. in good faith and confidence, without fear of reprisals or concerns. All information and reports are received confidentially to protect the identity and the interest of all whistleblowers.
To ensure that all incidents that are reported are adequately brought to the notice of the stakeholders concerned as well as to initiate corrective action, a reporting structure is provided in detail in the CoC.

A simple communication channel to allow anonymous reporting of any fraud, misappropriation, improprieties or unethical practices is set out in the CoC. A completely anonymous online report may be made using a reporting link http://www.jotform.me/iaolamint/FraudInformationChannel. Any report so made reaches the Internal Audit department immediately. An alternative to the above for reporting a fraud can be by email sent directly to the Internal Audit department at ia@olamnet.com.

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

Olam's Lines of Defence



The implementation of the CoC and ABC Policy has been communicated to the employees of the Company and is posted on the Company's intranet. The CoC is also available on the Company's website at olamgroup.com. Globally, employees must undergo online training to familiarise with the ABC Policy. The rate of completion of the training is tracked and monitored by the Head of Compliance and reported to the IA and the AC under the Integrated Assurance Framework. Periodic reminders and updates on the CoC and ABC Policy are communicated to all staff as part of the Company's efforts to promote strong ethical values.

Internal controls

The Company's internal controls processes are regularly strengthened to take into account the changing needs of the Group's businesses. The Company's internal controls structure consists of the policies and procedures established to provide reasonable assurance that the organisation's related objectives will be achieved, the enterprise risk management framework to examine the effectiveness of the Company's risk management plans, systems, processes and procedures, the In-Business Control framework implemented across the geography and entities where the Company operates, the Integrated Assurance Framework implemented across all Functions, the Information Security controls framework and monitoring by the CISO, the audit by internal auditors including any specialised audit commissioned and the work done by external auditors.

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

Integrated assurance

The Company has in place an Integrated Assurance Framework (IAF) to ensure the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

The IAF has its beginning with the initial implementation of the In-Business Control (IBC) framework since 2016 to capture the inherent level of risk, its impact, the monitoring frequency and the risk owners. The IBC Framework was expanded into and forms part of the integrated assurance framework, which includes the Risk Dashboard and the work done by IA.

There are four lines of defense under the IAF, namely, the Business Units, the Functions, the Internal Audit Function and the external auditors. The IAF was established to provide a single view of assurance across a spectrum of risks, reduced duplication and bridged the gaps across Functions, ensure accountability across all lines of defense and to also act as a mechanism to assist the Board and Board Committees in their review of risks and controls, and to form an opinion on the adequacy and effectiveness of the risk and internal controls framework.

IAF Validation Process

The chart on the right summarises various steps involved in getting Validation on Control performance, its Effectiveness and subsequent review of the same by IA based on discussions with the BU and Functional Heads.

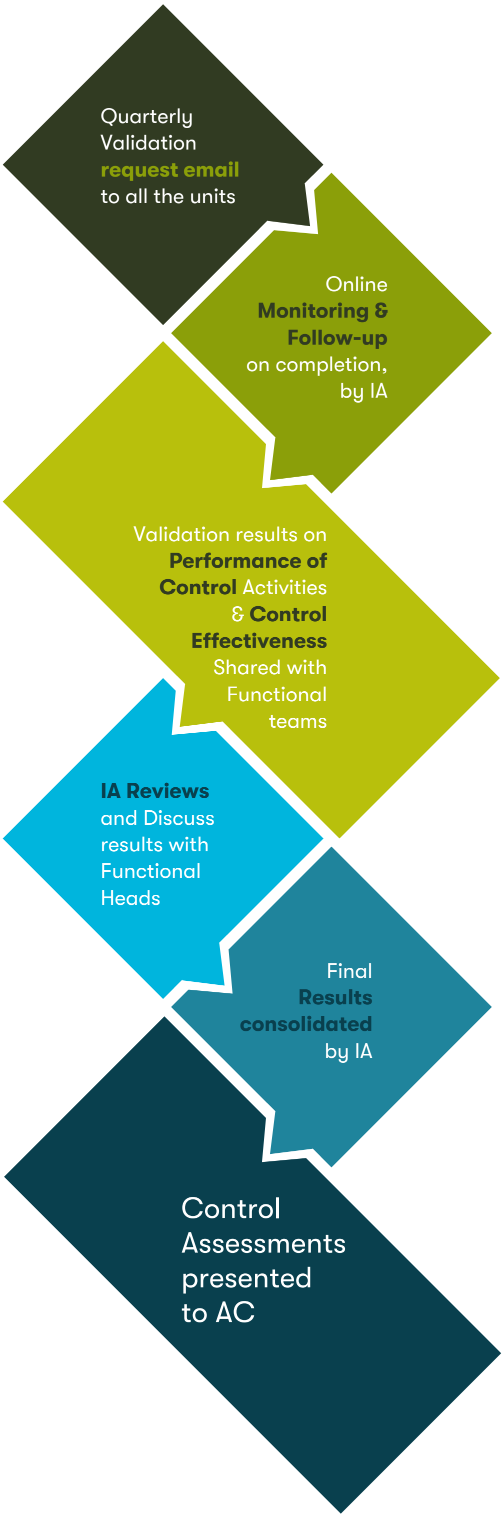
The Board has received assurance from the Group CEO, the Group COO and the Group CFO that:

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

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

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

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



Capital and Investment Committee (CIC)

Sanjiv Misra
Chairman

Lim Ah Doo
Sunny George Verghese
Marie Elaine Teo
Yap Chee Keong
Kazuo Ito

Please refer to page 48 on changes to the CIC with effect from the conclusion of the 25th AGM.

The CIC meets every quarter, and more often if required, either by way of physical meetings or via telephone conference.

The role of the CIC has evolved since it was first started with the changes to the landscape, strategic goals and priorities, issues and challenges. From the Company having embarked on a very active phase of acquisitions and investments to the Strategic Plan 2019–2024 announced in January 2019 followed by the re-organisation of the business portfolio to create two new operating groups announced in January 2020, the focus of the CIC has evolved in conjunction with the Board approved strategy of the Company.

The CIC is governed by established terms of reference and has oversight of the following matters:

- Review and recommend for approval of the Board, the overall capital structure, gearing and net debt norms for the Company.
- Establish a policy on approval limit for capital expenditure and acquisitions.
- Review and approve (or recommend to the Board for approval) the Company's operating and capital expenditure budgets annually, and review performance against these budgets on a periodic basis.
- Review periodically the performance of investments and acquisitions made by the Company, its subsidiaries or associates against the investment thesis.
- Review and recommend for approval of the Board, any new equity capital raising or issuance of any equity linked instruments, including convertible bonds and perpetual securities.
- Review and approve the Annual Financing Plans (debt raising or refinancing).
- Review investment policy guidelines and capital expenditure plans against the same.
- Consider and approve all capital expenditure, acquisition and/or divestment proposals pursuant to the policy on approval limit for capital expenditure and acquisitions.
- Monitor interest rate trends and implications.
- Review and assess the adequacy of foreign currency management.

In 2019, the CIC met 6 times. The CIC reviewed the model and contents of a typical robust investment proposal, its terms of reference, the policy governing the authority limits of Management, the CIC and the Board in respect of capital expenditure and divestments, the Treasury update and financing plans of the Company, the investments and divestments approved in the quarter, potential acquisitions/investments, progress of the divestments under the Strategic Plan, and the findings reported under the Integrated Assurance Framework where CIC has oversight and the Risk Appetite Framework.

A semi-annual review of the progress of all investments made to date was also carried out by the CIC. Under the revised Enterprise

Risk Management framework, the CIC also provides oversight on certain risk category and risk events.

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

The CIC worked closely with Board Committees such as the AC, BRC and CRSC to ensure that overall governance of the Company is in place and functioning well. The AC is an important sounding board on matters relating to challenged assets and businesses, and discussions on potential impairment. The AC takes the lead on the performance discussions of such assets and businesses where there may be an impact on balance sheet. The RC sets parameters for the Company's appetite for risks, identification of risks, and how that risk appetite and risk exposure translates into investments that the Company choose to make. Finally, the CRSC examines issues relating to sustainability, the environment, our ongoing focus on prioritisation of and compliance with all appropriate laws and policies, in relation to investments, including both those that have been completed and others that are being considered.

Corporate Responsibility and Sustainability Committee (CRSC)

Jean-Paul Pinard
Chairman

Nihal Vijaya Devadas Kaviratne CBE
Yutaka Kyoya
Sunny George Verghese

Please refer to page 48 on changes to the CRSC with effect from the conclusion of the 25th AGM.

At Olam, we believe that profitable growth, as a way of doing business, needs to reflect a creation of value that is ethical, socially responsible and environmentally sustainable. We have called this 'Growing Responsibly'.

As a food and agri-business company, how we manage social and environmental issues are common questions from across a broad spectrum of stakeholders. To help achieve this overall objective of Growing Responsibly and respond to stakeholders' concerns, we have established a dedicated Corporate Responsibility and Sustainability (CR&S) Function, and embedded sustainability experts in businesses across the world.

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

- To review and recommend to the Board the CR&S vision and strategy for the Group;
- To oversee the integration of CR&S perspectives into the Company's strategy and businesses;
- To review global CR&S issues and trends and assess their potential impact on the Group;
- To review the state of the Group's health and safety measures and status;
- To monitor implementation, through the CR&S function, strategy as well as policies and investments in the CR&S area;
- To review the progress made on various initiatives;
- To support Management's response to crisis, where required;
- To review the Company's report and statement on sustainability activities, commitment and involvement and its sustainable sourcing platform AtSource; and
- To review the adequacy of the CR&S function.

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

The CRSC also plays a pivotal role in monitoring the state of health and safety of our employees, ensuring a culture of zero tolerance to fatality. As such, it reviews the health and safety report from MATS on a quarterly basis.

During the year in review, the CRSC had its focus on the following matters:

- Held discussions with the Global Head of MATS and Head of Safety on the quarterly Safety and health report which encompass a report on fatality, monitoring LTIFR, safety organisation and programme;

- Reviewed various policies such as the Fair Employment Policy, the Olam Living Landscapes Policy (including the establishment of a multi-stakeholder Living Landscapes Forum) and Olam Animal Welfare Policy;
- Discussed the framework of other sustainability-related policies and commitment such as the Olam Sustainable Soy Commitment;
- Water as a material area of concern, the various risks and stress which the material area has on the Company's business and operations and the Company's commitment to deliver water stewardship;
- Climate change as a material area of concern, the progress made in terms of the action taken by the Company to address the challenges and progress from the strategic goals established;
- Review of the project charter for the material area champions;
- Deforestation Risk Assessment;
- Mitigation of CRS;
- Environmental impact forecasting; and
- Sustainability Strategy by Product such as Cocoa on the key problems it seeks to address in the Cocoa supply chain.

The CRSC is kept informed of the Company's discussions with interested Non-Governmental Organisations. The Company informs stakeholders of the practices it has developed to reflect its philosophy of conducting business in an ethical, socially responsible and environmentally sustainable manner. The Committee actively monitors how corporate responsibility and sustainability issues, and the reporting by Management on such issues, are incorporated in the Company's pursuit of various investments. As part of the CRSC's engagement on corporate responsibility and sustainability matters concerning the Group's business and operations, the Chairman and members of the CRSC may, collectively or individually, visit some of the Company's global operations, along with members of the Management Team, to gain deeper insights into the CR&S activities on the ground.

Principle 11:
Shareholders' rights

Principle 12:
Engagement with shareholders

Principle 13:
Managing stakeholders relationships

Stakeholders

Given the extent of our business – sourcing, trading, growing, processing and distributing crops and industrial raw materials, many considered to be 'high-risk' sustainability-wise, and many in emerging markets, Olam has a wide and diverse stakeholder base. Engagement therefore happens at every level of the business, across products, geographies and functions. Our stakeholders include:

- Employees and contract workers;
- Investors;
- Large and small-scale farmer suppliers;
- Communities;
- Customers from multi-national brands and retailers to SMEs;
- Campaigning NGOs;
- Technical NGOs who are partners in many cases;
- Financiers, including Development Finance Institutions;
- Governments;
- Regulatory bodies such as the commodity exchanges;
- Industry standard bodies;
- Trade associations;
- Certification partners;
- Foundations; and
- Research Institutions.

We have provided examples in the Strategy Chapter of this Annual Report of the type of partnerships we undertake, as well as key issue areas with stakeholders. See in particular the External Perspectives section from international NGO Oxfam.

Enhancing investor communication

At Olam, our strategic priority is to promote a better understanding of Olam's business by enhancing investor communication. We are committed to provide shareholders, investors, analysts (collectively referred to as the investing community) and key intermediaries (including financial media, brokers and independent research organisations) with corporate strategy, financial, environmental, social and governance and other non-financial information which they need to make informed judgements on the Company. We also seek to understand their perspectives and requirements for decision-making and facilitate to improve two-way communication.

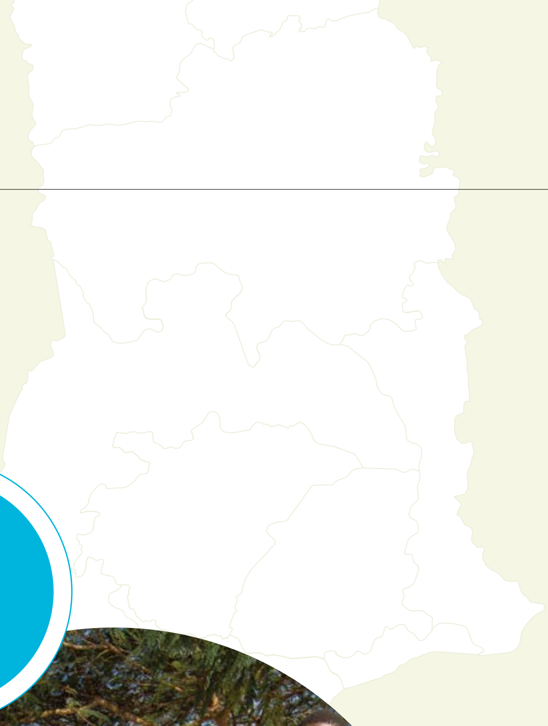
The Group Investor Relations team has lead responsibility for enhancing communication with the investing community, with the active involvement of the Group CEO, Group CFO and the senior management team, and in consultation with the Board and the Global Corporate Responsibility and Sustainability team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

Salient and timely disclosure

We are committed to the practice of fair, transparent and timely disclosure and aim to deliver salient information to the investing community in this manner. All price-sensitive

CASE STUDY

Stakeholders Engagement in Ghana



The Annual Board Offsite in 2019 was held in Ghana, West Africa. The visiting directors were Mr. Lim Ah Doo, Board Chairman, Mr. Sunny Verghese, GCEO and Co-Founder, Mr. Jean-Paul Pinard, Mr. Sanjiv Misra, Mr. Nihal Kaviratne CBE, Mr. Yap Chee Keong, Ms. Marie Elaine Teo, Mr. Kazuo Ito, Mr. Nagi Hamiyeh and Mr. A. Shekhar.

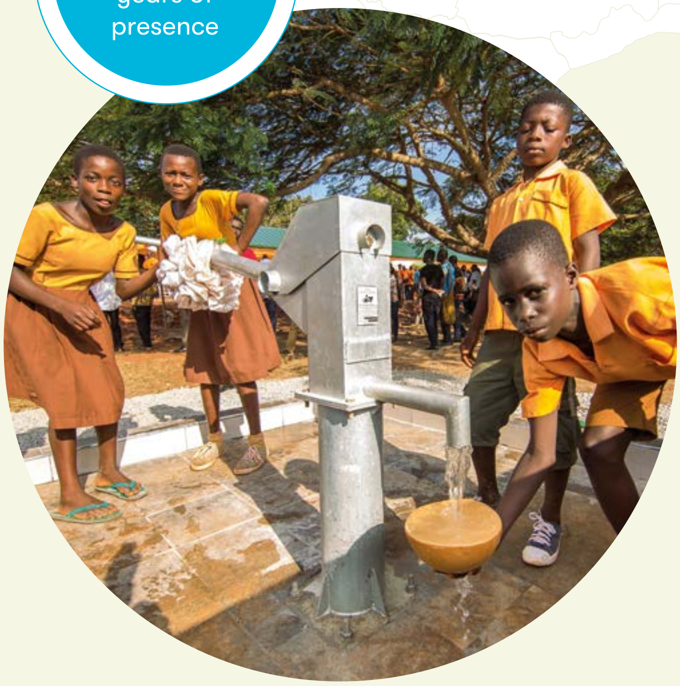
There were many opportunities to engage with different groups of stakeholders, ranging from the Country Leadership Team and family, local employees, local community (including farmers and their family, chiefs of the village, teachers and students in local schools), key customers, suppliers, bankers and NGOs.

Chairman, Mr. Lim Ah Doo and GCEO and Co-Founder, Mr. Sunny Verghese called on His Excellency Nana Addo Dankwa Akufo-Addo, President of the Republic of Ghana. The visit formed part of Olam Ghana's 25th anniversary engagement activities. Over the course of the last 25 years, Olam Ghana has built a reputation of being one of the leading food and agri-business companies in the country.

The Board met with the managers and employees of Olam Ghana during the business and functions presentations and visit to the various plants, namely, Grains Facility, Biscuits Factory and Tomato Paste Factory in Accra and the Cocoa Processing Facility in Kumasi. The Chairman and certain members of the Board, along with the key members of the country management team also met with Mr. Ken Ofori – Atta, Finance Minister, the Republic of Ghana, during the visit.

A new public-school block and mechanised water project in the cocoa producing region of Ashanti were inaugurated by the Board represented by Mr. Lim Ah Doo. This forms part of the latest investments and ongoing sustainability commitments from Olam Cocoa in partnership with Mondelez in Ghana. The refurbished classrooms provide a new education facility for junior high school students, while under the water project, mechanised boreholes will be constructed in 20 villages in the region to supply safe drinking water, adding to the existing 25 previously commissioned.

25 years of presence



10 Members of the Board who attended

45 Villages with safe drinking water supply

information, including material corporate developments, is publicly released via the SGXNET prior to any sessions with individual investors or analysts.

Up until the announcement of results for financial year 2019, we have held media and analysts' conferences quarterly to announce our financial and operating results. These quarterly results briefings were webcast live to cater to global audiences. The full financial statements, press release, MD&A and presentation materials provided at the conferences were disseminated through the SGXNET outside trading hours, uploaded onto the Company's website and distributed by email to subscribers to our news alerts and investor relations mailing list.

Following the amendments to the Singapore Exchange Securities Trading Limited Listing Rules (Mainboard) which are effective from 7 February 2020, Olam will no longer be required to release its financial statements on a quarterly basis. The Company will now report its financial results half-yearly and continue to webcast results briefings. The Company will also continue to provide relevant disclosures of its strategy, operating and financial conditions as appropriate.

In addition to the results briefings, we hold media and analysts' conferences and teleconference calls to communicate material corporate developments. Such media and analyst conferences are also webcast live.

Our Investor Relations website (olamgroup.com/investors.html) is the go-to resource for the investing community for salient and timely information. Besides announcements, it contains Company news, investor presentations, earnings webcasts, transcripts of earnings conference calls, historical financial information on spreadsheets, annual reports, upcoming events, shareholding structure and dividend information. The website provides contact details for investors to submit their feedback and email questions to the Group Investor Relations team. In 2019, we enhanced our online financials dashboard, an interactive financial analysis tool that provides a comprehensive overview of our Company's financial performance and allows investors to search, display and download historical financial data for trend analysis.

Engaging the investing community

Apart from these forums, we hold meetings, telephone and video conference calls with the investing community to facilitate their understanding of the Company's business model and growth strategies. We conduct investment roadshows and participate in investment conferences on a selective basis. Where necessary, the frequency of conducting roadshows and attending investment conferences may increase to meet the Company's requirements of communicating important key messages and addressing market concerns.

Investor Relations activities in 2019

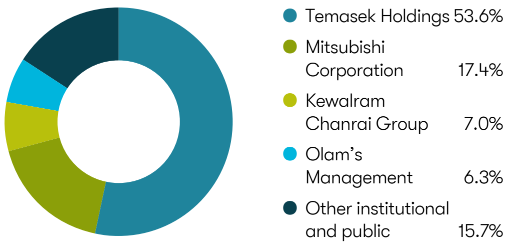
Date	Event
25 January	Briefing on 2019-2024 Strategic Plan
28 February	Briefing on Q4 and Full Year 2018 results
14 May	Briefing on Q1 2019 results
14 August	Briefing on Q2 2019 results
13 November	Briefing on Q3 2019 results

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

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

Tracking changes in shareholder base and interaction with investing community

Our shareholders – a diversified, supportive shareholder group with long-term investment horizon



Note: As of 31 December 2019, about 8.9% of total issued shares (excluding treasury shares) was held by institutional investors.

We track and monitor changes in our shareholder base regularly to help us tailor our shareholder engagement and targeting programmes. We maintain an active electronic database of the investing community, which allows us to target investors and track every investor meeting so that we can measure the frequency, quality and impact of conversations.

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

Obtaining and acting on feedback from the investing community

We conduct investor perception surveys to seek the investing community's feedback on the Company. We hold dialogues with investors as part of our stakeholder consultation process prior to reviewing our Strategic Plans. We also commission annual surveys with the investing community to gather their feedback on annual reports.

With the announcement of the re-organisation of the Company's business into two new operating groups Olam Food Ingredients and Olam Global Agri under the Olam International Group, we plan to engage investors to obtain their feedback and explore potential sequential carve-out of the two groups.

Encouraging greater shareholder participation at AGMs

Olam promotes fair and equitable treatment of all shareholders. All shareholders enjoy rights as stipulated under the Singapore Companies' Act and the new Constitution of the Company which was adopted at its Extraordinary General Meeting in 2018. These rights include, among others, the right to participate in profit distributions and the right to attend and vote at Annual General Meetings (AGMs). Ordinary shareholders are entitled to attend and vote at the AGM by person or proxy. Indirect investors who hold Olam shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the AGM.

The AGM is an opportunity for us to communicate directly with shareholders and also for shareholders to ask questions and share their views on the Company. We are committed to establishing more effective ways of communicating with our shareholders around the AGM. Shareholders are informed of these meetings through notices published in the newspapers or through circulars. To encourage more shareholder participation, our AGMs are held in Singapore's city centre, which is easily accessible by most shareholders.

Board members including the Chairman of all Board Committees, namely, the AC, BRC, CIC, CRSC, GNC and HRCC, and key executives of the senior management team, attend the AGM. Our external auditors are also present to address shareholders' queries. One of the Executive Directors delivers a presentation to update shareholders on the Group's financial performance and progress over the past year.

We treat shareholder issues, particularly those that require shareholders' approval, such as the re-election of Directors and approval of Directors' fees, as distinct subjects and submit them to the AGM as separate resolutions. Shareholders are given time to ask questions on each resolution tabled.

In support of greater transparency and an efficient voting system, the Company has been conducting electronic poll voting since 2011. Shareholders who are present in person or represented at the meeting will be entitled to vote on a one-share, one-vote basis on each of the resolutions by poll, using an electronic voting system.

Voting and vote tabulation procedures are declared and presented to shareholders in a video before the AGM proceeds. The Company appoints an independent scrutineer to count and validate the votes at the AGM. The independent scrutineer for the 24th AGM was RHT Corporate Advisory. The results of all votes cast for and against in respect of each resolution, including abstaining votes, are instantaneously displayed at the meeting and announced on SGXNET after the AGM.

All Board members were present at the 24th AGM, except Directors who were appointed after the AGM:

Chairman of the Board Committees

Lim Ah Doo, Chair of the COC, GNC and HRCC
Yap Chee Keong, Chair of the AC
Marie Elaine Teo, Chair of the BRC
Sanjiv Misra, Chair of the CIC
Jean-Paul Pinard, Chair of the CRSC

Board Members

Sunny George Verghese, Executive Director, Co-Founder and Group CEO
Nihal Vijaya Devadas Kaviratne CBE, Independent and Non-Executive Director
Yukaka Kyoya, Non-Executive Director
Kazuo Ito, Non-Executive Director
Shekhar Anantharaman, Executive Director and CEO, Olam Food Ingredients

During the AGM, shareholders are given the opportunity to ask questions or raise issues. The questions and answers are recorded and detailed in the minutes. The Company provides shareholders with the minutes of all general meetings upon request. The minutes of all general meetings from 2019 are available on the Company's Investor Relations website at www.olamgroup.com/investors.

The Constitution of the Company provides the Board with the authority to approve the implementation of security measures to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or fax. Voting in absentia by mail or electronic means requires careful study and is only feasible if there is no compromise to either the integrity of the information and/or the true identity of the shareholder. The Company has decided, for the time being, not to implement voting in absentia.

As a practice, the Company provides an explanation on the dividend recommended at the AGM in the explanatory notes of the Notice to AGM. The Company does not have a fixed dividend policy. The Directors seek to recommend dividends consistent with the Company's overall governing objective of maximising intrinsic value for its continuing shareholders. Please refer to the explanatory note for more information.

Recognitions

Olam's 2018 Annual Report was awarded Best Annual Report (Silver) in the large-cap category at the Singapore Corporate Awards 2019. Launched in 2005, the Singapore Corporate Awards are umbrella awards for exemplary corporate governance practices for listed companies in Singapore, seeking to consolidate existing awards while introducing new awards in the area of corporate governance.

The Report was also recognised as the Best Annual Report (mid-cap) at the IR Magazine Forum & Awards – South East Asia 2019 against seven other shortlisted nominees from the region. Olam was shortlisted by a panel of judges made up of investment professionals and IR Magazine editorial members, and then put through another round of scrutiny and debate before the decision was taken. The Company was also nominated for Best ESG (Environmental, Social, Governance) materiality reporting and in the researched category of Best Investor Relations (mid-cap) where hundreds of analysts and investors cast their votes and give their opinions on which companies do the best investor relations in the region. Companies were rated on various categories of excellence, including reporting, use of technology in shareholder outreach, targeting, ESG, crisis and overall communication.

Securities Transactions

The Company is committed to transparency, fairness and equity in dealing with all shareholders and in ensuring adherence to all laws and regulations that govern a company listed and trading on the SGX-ST. There is an established policy on dealings in securities of the Company in line with the SGX-ST Listing Rules for its Directors and employees, setting out the implications of insider trading and guidance on such dealings. The policy provides that the Company, its Directors and employees must not deal in the Company's securities at any time after a price-sensitive development has occurred, or has been the subject of a decision, until the price-sensitive decision has been publicly announced. Directors and employees are discouraged from short-term speculative trading in the Company's securities; personal investment decisions should be geared towards long-term investment. In particular, the Company, its Directors and executives will not deal in the Company's securities during the following periods:

- commencing 2 weeks prior to making public the quarterly financial results and ending at the close of trading on the date of the announcement of the relevant results; and
- commencing 1 month prior to making public the annual financial results and ending at the close of trading on the date of the announcement of the relevant results.

With the Company having announced in February 2020 that it would only report its financial results half-yearly and will also continue to provide relevant disclosures of its strategy, operating and financial conditions as appropriate, the policy on dealings in securities of the Company has also been revised to reflect the changes.

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

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

Material contracts

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

Interested person transactions

For the financial year ended 31 December 2019, the Company do not have a shareholders' mandate for interested person transactions pursuant to Rule 920 of the SGX-ST. All transactions with interested persons are reviewed by the internal auditors and reported to the AC for approval. The transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders. The Company's disclosures in respect of interested person transactions (IPT) for the financial year ended 31 December 2019 are as follows:

Parties	FY2019 S$
Singapore Telecommunications Limited	806,748
SP Services Ltd	3,012
StarHub Ltd	711
DBS Bank Limited	1,371,987
Standard Chartered Bank	1,360,194
Mitsubishi International Corporation	111,468
MC Agri Alliance, Ltd	191,260,510
MS Commercial Pte. Ltd.	4,972,669
Total	**199,887,299**

At the forthcoming annual general meeting of the Company, the Company will seek a general mandate from its shareholders to enable the Company, its subsidiaries and associated companies which are considered to be "entities at risk" ("EAR", as that term is defined in Chapter 9 of the Listing Manual) to enter into recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations (the "IPT Mandate") with the interested persons named in such IPT Mandate.

In the event that any member of the relevant approving authority as described in the IPT Mandate has an interest in an IPT under review or any business or personal connection with the relevant Mandated Interested Person, then the relevant person shall not participate in any decision-making procedure in respect of that IPT, and the review and approval of that Mandated IPT will be undertaken only by a non-interested member of that approving authority where applicable. If there is only one member of that approving authority or where all the members of the relevant approving authority of the IPT Mandate are conflicted, then the approval from the next higher approving authority shall be sought.

The Audit Committee shall review quarterly reports on the IPT to ascertain that the established review procedures for IPT have been complied with. Any member of the Audit Committee who is an employee or nominee of the controlling shareholders of the Company or has an interest in an IPT under review or any business or personal connection with the parties or any of its associates, shall not participate in such review or decision-making procedure. If during these quarterly reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as prescribed under the IPT Mandate have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the EAR group are conducted, the Audit Committee will, in consultation with the Board, take such actions as it deems proper in respect of such procedures and/or modify or implement such procedures as may be necessary and direct the Company to seek a fresh general mandate from the shareholders to ensure that the IPT will be conducted on an arm's length basis and on normal commercial terms and hence, will not be prejudicial to the interests of the Company and its minority shareholders.

Shareholders of the Company who are interested persons of an IPT shall abstain from voting their shares on a resolution put to the vote of shareholders in relation to the approval of such IPT. In accordance with Rule 920(1)(b)(viii) of the Listing Manual, Mitsubishi Corporation and its Associates shall abstain from voting in respect of each of their shareholdings on the ordinary resolution to approve the IPT Mandate as set out in the notice of annual general meeting. Any votes cast by such person in contravention of this requirement shall be disregarded.

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

Board Committee Membership as at 31 December 2019

Board	Membership	Board Committees	Date of first appointment
Lim Ah Doo	Chairman Independent Non-Executive	• Council of Chairs (Chairman) • Board Working Group (Chairman) • Capital & Investment Committee • Governance & Nomination Committee (Chairman) • Human Resource & Compensation Committee (Chairman)	1 November 2016 (assumed Chairmanship on 1 January 2017)
Sunny George Verghese	Executive Co-Founder and Group CEO	• Capital & Investment Committee • Corporate Responsibility & Sustainability Committee • Board Working Group	11 July 1996
Jean-Paul Pinard	Independent Non-Executive	• Council of Chairs • Corporate Responsibility & Sustainability Committee (Chairman) • Human Resource & Compensation Committee	29 October 2008
Sanjiv Misra	Independent Non-Executive	• Council of Chairs • Board Risk Committee • Capital & Investment Committee (Chairman) • Human Resource & Compensation Committee	1 November 2013
Nihal Vijaya Devadas Kaviratne CBE	Independent Non-Executive	• Audit Committee • Corporate Responsibility & Sustainability Committee	1 October 2014
Yap Chee Keong	Independent Non-Executive	• Council of Chairs • Audit Committee (Chairman) • Board Risk Committee • Capital & Investment Committee • Governance & Nomination Committee • Board Working Group	1 December 2015
Marie Elaine Teo	Independent Non-Executive	• Council of Chairs • Audit Committee • Board Risk Committee (Chairman) • Capital & Investment Committee	1 December 2015
Yutaka Kyoya	Non-Executive	• Audit Committee • Corporate Responsibility & Sustainability Committee • Governance & Nomination Committee	1 November 2015
Kazuo Ito	Non-Executive	• Board Risk Committee • Capital & Investment Committee • Human Resource & Compensation Committee	1 December 2018
Shekhar Anantharaman	Executive Group Chief Operating Officer	• Board Risk Committee	1 April 1998
Nagi Hamiyeh	Non-Executive	–	1 September 2019
Ajai Puri (Dr.)	Independent Non-Executive	–	1 September 2019
Joerg Wolle (Dr.)	Independent Non-Executive	–	1 September 2019

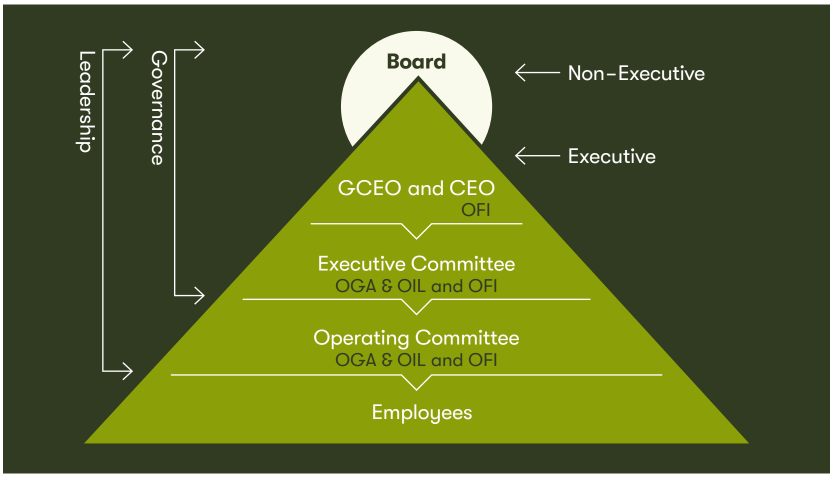
Board Committee Membership at the conclusion of the 25th Annual General Meeting

Board	Membership	Board Committees	Date of first appointment
Lim Ah Doo	Chairman Independent Non-Executive	• Nomination & Remuneration Committee (Chairman) • Capital & Investment Committee • Board Steering Committee (Chairman)	1 November 2016 (assumed Chairmanship on 1 January 2017)
Sunny George Verghese*	Executive Co-Founder and Group CEO	• Board Steering Committee • Capital & Investment Committee • Corporate Responsibility & Sustainability Committee	11 July 1996
Sanjiv Misra	Independent Non-Executive	• Board Risk Committee • Capital & Investment Committee (Chairman) • Nomination & Remuneration Committee	1 November 2013
Nihal Vijaya Devadas Kaviratne CBE*	Independent Non-Executive	• Audit Committee • Corporate Responsibility & Sustainability Committee (Chairman)*	1 October 2014
Yap Chee Keong	Independent Non-Executive	• Audit Committee (Chairman) • Board Risk Committee • Nomination & Remuneration Committee	1 December 2015
Marie Elaine Teo	Independent Non-Executive	• Audit Committee • Board Risk Committee (Chairman) • Corporate Responsibility & Sustainability Committee*	1 December 2015
Kazuo Ito	Non-Executive	• Audit Committee* • Capital & Investment Committee • Board Steering Committee	1 December 2018
Shekhar Anantharaman	Executive CEO, OFI	• Board Risk Committee • Board Steering Committee	1 April 1998
Nagi Hamiyeh*	Non-Executive	• Board Steering Committee • Capital & Investment Committee	1 September 2019
Ajai Puri (Dr.)*	Independent Non-Executive	• Audit Committee • Capital & Investment Committee • Corporate Responsibility & Sustainability Committee	1 September 2019
Joerg Wolle (Dr.)*	Independent Non-Executive	• Nomination & Remuneration Committee	1 September 2019
Norio Saigusa*	Non-Executive	• Board Risk Committee • Corporate Responsibility & Sustainability Committee • Nomination & Remuneration Committee	*

* Subject to the re-election and election of Directors being approved by the members at the 25th Annual General Meeting.

With effect from the conclusion of the 25th AGM, the Governance & Nomination Committee and the Human Resource & Compensation Committee will be merged to become the "Nomination & Remuneration Committee".

Corporate Information



'OGA' denotes Olam Global Agri
'OFI' denotes Olam Food Ingredients

Executive Committee

OGA/OIL

Sunny Verghese (GCEO)
Ashok Chandramohan Hegde
Gagan Gupta
Keshav Chandra Suresh
N Muthukumar
Sundararajan Suresh
Ben Pearcy
Joydeep Bose
Venkataramani Srivathsan

OFI

Shekhar Anantharaman (CEO)
Ashok Krishen
Gerard Anthony Manley
Gregory Carl Estep
Prakash Chand Jhanwer
Vivek Verma
Rishi Kalra
Sandeep Jain
Tejinder Singh Saraon

Operating Committee

OGA/OIL

Anupam Gupta
Syed Abdul Azeez
Bikash Bhagwan Prasad
Christopher G Stewart
Darshan Bhanubhai Raiyani
Devashish Chaubey
Gurpreet Singh Dhaliwal
Janaky Grant
Jayant Shriniwas Parande
Mahadevan Ramanarayanan
Mukul Mathur
Naveen Sharma
Rahul Salim Verghese
Rajeev Pandurang Kadam
Ravi Pokhriyal
Roel Van Poppel
Srinivasan Venkita Padmanabhan
Sanjay Sacheti
Saurabh Mehra
Sharad Gupta
Sriram Subramanian
Thiagaraja Manikandan S

OFI

Amit Khirbat
Anupam Jindel
Arouna Coulibaly
Arun Sharma
Brijesh Krishnaswamy
Briony Rudder Mathieson
Chris Beetge
Damien Houlahan
Edward Norder
George Joseph
Jeronimo Antonio Pereira
Jim Fenn
Juan Antonio Rivas
Kameswar Rao Ellajosyula
Kaushal Khanna
Keith Franzen
Manish Dhawan
Manoj Kumar Vashista
Raja Saoud
Sathyamurthy M
Sumanta Kumar De

Company Secretary

Michelle Tanya Kwek

Registered office

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

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

Auditor

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

Partner in charge:
Christopher Wong
(since financial year
31 December 2019)

Principal bankers

ABN AMRO Bank N.V.

Australia and New Zealand Banking Group Limited

Banco Bilbao Vizcaya Argentaria S.A

Banco Santander, S.A.

BNP Paribas

Citibank N.A.

Commonwealth Bank of Australia

DBS Bank Ltd

First Abu Dhabi Bank P.J.S.C.

ING Bank N.V.

JPMorgan Chase Bank N.A.

Mizuho Bank, Ltd

MUFG Bank, Ltd

National Australia Bank Limited

Natixis

Rabobank International

Scotiabank

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

The Hongkong and Shanghai Banking Corporation Limited

Unicredit Bank AG

Westpac Banking Corporation

Shareholding Information

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders as at 18 March 2020)

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

Notes:

1. Percentages of interests are calculated based on the total number of issued ordinary Shares (excluding Treasury Shares and subsidiary holdings) being 3,186,316,778 as at 18 March 2020.
2. Temasek Holdings (Private) Limited's ("**Temasek**") interest arises from the direct interest held by Breedens Investments Pte. Ltd. ("**Breedens**") and Aranda Investments Pte. Ltd. ("**Aranda**").

   (A) Temasek's deemed interest through Breedens 43.76%[1]

   (i) Breedens has a direct interest in 43.76% of voting Shares of the Company.

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

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

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

   (B) Temasek's deemed interest through Aranda 9.82%[1]

   (i) Aranda has a direct interest in 9.82% of voting shares of the Company.

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

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

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

   Total interest of Temasek 53.58%[1]
3. Total interest of Mitsubishi Corporation 17.41%[1]
4. Orbis Holdings, Orbis Allan Gray Limited and Allan & Gill Gray Foundation (Guernsey) are substantial shareholders of the Company by virtue of their deemed interest in the Shares managed by their indirect subsidiary, Orbis Investment Management Limited ("**OIML**"), which is the fund manager for the Orbis funds. OIML has the ability to vote and acquire/dispose of the Company's Shares for and on behalf of the Orbis funds.

   OIML has also sub-delegated some of its portfolio management duties, including the authority to dispose of securities, to Orbis Investment Management (Hong Kong) Limited ("**OIMHK**"). By virtue of the sub-delegation, OIMHK has deemed interest in the voting Shares of the Company. However, OIML still retains overall investment management oversight, including voting Shares in the Company, held by the portfolios.

   OIML is a substantial shareholder of the Company as it has deemed interests in the Shares of the Company held by the following Orbis funds,

   1. Orbis Emerging Markets Equity Fund (Australia Registered)
   2. Orbis Institutional Emerging Markets Equity LP
   3. Orbis Global Equity LE Fund (Australia Registered)
   4. Orbis Global Equity Fund (Australia Registered)
   5. Orbis Global Balanced Fund Wholesale Class (Australia Registered)
   6. Orbis SIVAC – Orbis Global Balanced Fund
   7. Orbis Institutional Equity LP
   8. Orbis Institutional Global Equity Fund
   9. Orbis Global Equity Fund
   10. Orbis Institutional Global Equity (OFO) Fund
   11. Orbis Institutional Global Equity LP
   12. Orbis Institutional International Equity LP
   13. Orbis Optimal LP
   14. Orbis Optimal SA
   15. Orbis SICAV – Orbis Global Equity
   16. Allan Gray Australia Balanced Fund
   17. Orbis SICAV – Orbis Institutional Equity
   18. Orbis OEIC Global Balanced Fund
   19. Orbis OEIC Global Equity Fund
   20. Orbis SICAV – Orbis Emerging Markets Fund

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

   Total deemed interest of Orbis Group 6.94%[1]
5. Kewalram Singapore Limited ("**KSL**") is a wholly-owned subsidiary of Chanrai Investment Corporation Limited ("**CICL**"), which in turn is a wholly-owned subsidiary of Kewalram Chanrai Holdings Limited ("**KCHL**"). By virtue of Section 4(7)(d) of the Securities and Futures Act, each of CICL and KCHL is deemed to be interested in the 223,769,921 Shares held by KSL.

   GKC Trustees Limited (as trustees of Girdhar Kewalram Chanrai Settlement) ("**GKC Settlement**"), MKC Trustees Limited (as trustees of Hariom Trust) ("**Hariom Trust**") and DKC Trustees Limited (as trustees of DKC Settlement) ("**DKC Settlement**") are shareholders of KCHL. By virtue of Section 4(5) of the Securities and Futures Act, each of the GKC Settlement, Hariom Trust and DKC Settlement is deemed to be interested in the 223,769,921 Shares in which KCHL has an interest.

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

   Total interest of the Kewalram Group 7.02%[1]

Statistics of Shareholdings

As at 18 March 2020

Issued and fully Paid-up Capital	S$3,812,922,224.14
Number of Ordinary Shares in issue (excluding Treasury Shares)	3,186,316,778
Number of Ordinary Shares held as Treasury Shares	84,701,879
Percentage of Treasury Shares held against the total number of Issued Ordinary Shares outstanding (excluding Treasury Shares)	2.66%
Class of Shares	Ordinary Shares
Voting Rights	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	117	1.91	3,948	0.00
100 – 1,000	807	13.15	639,239	0.02
1,001 – 10,000	3,998	65.13	19,245,016	0.60
10,001 – 1,000,000	1,195	19.47	48,627,993	1.53
1,000,001 and above	21	0.34	3,117,800,582	97.85
Total	**6,138**	**100.00**	**3,186,316,778**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Breedens Investments Pte Ltd	1,394,271,494	43.76
2	HSBC (Singapore) Nominees Pte Ltd	573,540,724	18.00
3	Citibank Nominees Singapore Pte Ltd	359,828,756	11.29
4	Aranda Investments Pte Ltd	312,814,360	9.82
5	Kewalram Singapore Limited	223,769,921	7.02
6	DBS Nominees (Private) Limited	78,839,827	2.47
7	Raffles Nominees (Pte.) Limited	64,994,947	2.04
8	Daiwa Capital Markets Singapore Limited	50,000,000	1.57
9	DBS Vickers Securities (Singapore) Pte Ltd	13,333,367	0.42
10	DBSN Services Pte. Ltd.	11,725,354	0.37
11	UOB Kay Hian Private Limited	8,682,710	0.27
12	OCBC Securities Private Limited	7,256,717	0.23
13	United Overseas Bank Nominees (Private) Limited	3,980,854	0.12
14	Mak Seng Fook	3,028,296	0.10
15	CGS-CIMB Securities (Singapore) Pte. Ltd.	2,849,631	0.09
16	OCBC Nominees Singapore Private Limited	2,056,631	0.06
17	Maybank Kim Eng Securities Pte. Ltd.	1,972,825	0.06
18	Raj Sekhar	1,602,522	0.05
19	Zen Property Management Pte Ltd	1,210,000	0.04
20	Fong Soon Yong	1,039,650	0.03
Total		**3,116,798,586**	**97.81**

Public Float

Approximately 10.27% of the Company's Shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

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Olam

Sharpening focus,

accelerating sustainable growth

Financial Report

Olam International Limited
Annual Report 2019

About this report

Financial Report

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

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.

Contents

Financial Report

Front cover image:

Enriched with fibre and vitamins, Tasty Tom has become the second largest tomato paste in West Africa. In 2019, Tasty Tom expanded into the broader culinary space with the launch of Tasty Tom Jollof Mix.

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Olam International Limited (the 'Company') and its subsidiary companies (the 'Group') and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements set out on pages 13 to 92 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, changes in equity of the Group and of the Company, the financial performance and the cash flows of the Group for the financial year ended on that date; and

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

2. Directors

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

Lim Ah Doo	
Sunny George Verghese	
Jean-Paul Pinard	
Sanjiv Misra	
Nihal Vijaya Devadas Kaviratne CBE	
Yap Chee Keong	
Marie Elaine Teo	
Yutaka Kyoya	
Kazuo Ito	
Shekhar Anantharaman	
Joerg Wolle (Dr.)	(Appointed on 1 September 2019)
Ajai Puri (Dr.)	(Appointed on 1 September 2019)
Nagi Adel Hamiyeh	(Appointed on 1 September 2019)

3. Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year ended 31 December 2019 was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' interests in shares and debentures

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

	Held in the name of the director or nominee			Deemed interest		
Name of directors	As at 1.1. 2019 or date of appointment, if later	**As at 31.12.2019**	**As at 21.1.2020**	As at 1.1.2019 or date of appointment, if later	**As at 31.12.2019**	**As at 21.1.2020**
The Company						
Olam International Limited						
(a) Ordinary shares						
Sunny George Verghese	133,112,233	**133,589,470**	**133,589,470**	–	**–**	**–**
Shekhar Anantharaman	15,896,204	**16,261,136**	**16,261,136**	–	**–**	**–**
Jean-Paul Pinard	806,761	**806,761**	**806,761**	–	**–**	**–**
(b) Euro Medium Term Note Programme						
Nihal Vijaya Devadas Kaviratne CBE [1]	US$200,000	**US$200,000**	**US$200,000**	–	**–**	**–**
(c) Options to subscribe for ordinary shares						
Sunny George Verghese	15,000,000	**15,000,000**	**15,000,000**	–	**–**	**–**
Shekhar Anantharaman	5,000,000	**3,250,000**	**3,250,000**	–	**–**	**–**

4. Directors' interests in shares and debentures continued

Name of directors	Held in the name of the director or nominee: As at 1.1. 2019 or date of appointment, if later	Held in the name of the director or nominee: **As at 31.12.2019**	Held in the name of the director or nominee: **As at 21.1.2020**	Deemed interest: As at 1.1.2019 or date of appointment, if later	Deemed interest: **As at 31.12.2019**	Deemed interest: **As at 21.1.2020**
Subsidiaries of the Company's ultimate holding company						
Temasek Group of companies						
(a) Mapletree North Asia Commercial Trust Management (fka Mapletree Greater China Commercial Trust Management Ltd) (Unit holdings in Mapletree North Asia Commercial Trust (fka Mapletree Greater China Commercial Trust))						
Sunny George Verghese	510,000	**510,000**	**510,000**	–	–	–
(b) Mapletree Logistics Trust Management Ltd (Unit holdings in Mapletree Logistics Trust)						
Sunny George Verghese	505,000	**505,000**	**505,000**	–	–	–
Lim Ah Doo	185,000	**185,000**	**185,000**	–	–	–
(c) Mapletree Commercial Trust Management Ltd. (3.25% Bonds due 3 February 2023)						
Yap Chee Keong	$250,000	–	–	–	–	–
(d) Singapore Technologies Engineering Ltd (Ordinary Shares)						
Lim Ah Doo	60,000	**12,400**	**12,400**	–	**60,000**	**60,000**
(e) Starhub Ltd (Ordinary Shares)						
Nihal Vijaya Devadas Kaviratne CBE [3]	46,800	**45,000**	**45,000**	67,600	–	–
Sanjiv Misra [2]	60,000	**60,000**	**60,000**	–	–	–
(f) Mapletree Industrial Trust (Ordinary Shares)						
Marie Elaine Teo	11,800	**11,800**	**11,800**	–	–	–
(g) Singapore Airlines Limited (3.035% Notes due 2025)						
Yap Chee Keong	$250,000	–	–	–	–	–
(h) Astrea IV Pte Ltd (4.35% bonds due 2028)						
Yap Chee Keong	$250,000	**$250,000**	**$250,000**	–	–	–
(i) Ascott Residence Trust (3.88% fixed rate perpetual securities)						
Yap Chee Keong	–	**$250,000**	**$250,000**	–	–	–
(j) Musel Private Trust (Ordinary Shares)						
Marie Elaine Teo	–	**800**	**800**	–	–	–

1. This refers to the Notes issued under Series 006 of the US$5,000,000,000 Euro Medium Term Note Programme ('EMTN') established by the Company on 6 July 2012 and subsequently updated on 14 July 2014, 21 August 2015, 23 November 2016, 16 March 2018 and 16 March 2019, comprising US$300,000,000 in principal amount of 4.50 per cent fixed rate notes due 2020.
2. Held in trust by Windsor Castle Holding Ltd for Sanjiv Misra and spouse.
3. Held by DBS Nominees Pte Ltd for Green Willow Worldwide Inc., a company wholly-owned by a trust in which Mr Nihal Kaviratne is a named beneficiary.

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

The Company offers the following share plans to its employees:

(a) Olam Employee Share Option Scheme, and
(b) Olam Share Grant Plan.

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

Lim Ah Doo
Jean-Paul Pinard
Sanjiv Misra
Kazuo Ito
Chan Wai Ching (co-opted)

Olam Employee Share Option Scheme

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

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

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS outstanding as at 31 December 2019 are as follows:-

	Exercise price ($)	Number of options
17 February 2020	2.35	15,000,000
23 July 2020	2.64	2,755,000
17 December 2020	3.10	650,000
14 March 2021	2.70	895,000
30 December 2021	2.16	2,000,000
15 June 2022	1.76	15,967,000
Total		37,267,000

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

Name of Participant	Options granted during financial year under review	Exercise Price for options granted during the financial year under review	Aggregate options granted since the commencement of the scheme to the end of financial year under review	Aggregate options exercised since the commencement of the scheme to the end of financial year under review	Aggregate options expired since the commencement of the scheme to the end of the financial year under review	Aggregate options outstanding as at the end of financial year under review
Sunny George Verghese	–	–	30,000,000	15,000,000	–	15,000,000
Shekhar Anantharaman	–	–	5,800,000	800,000	1,750,000	3,250,000

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

The 1,750,000 options granted to Shekhar Anantharaman in financial year 2010 were exercisable in tranches of 25% and 75% at the end of the third and fourth anniversary from the date of grant (21 July 2009) at the exercise price of $2.28 where the vesting conditions were met. These options expired on 21 July 2019. The 3,250,000 options granted to Shekhar Anantharaman in financial year 2012 are exercisable in tranches of 25% and 75% at the end of the third and fourth anniversary respectively from the date of grant (15 June 2012) at the exercise price of $1.76 if the vesting conditions are met. The options will expire ten years after the date of grant.

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

Olam Share Grant Plan

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

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

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

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

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

Type of Grant	Performance share awards ('PSA')	Restricted share awards ('RSA')
Date of Grant	**12 April 2019**	**12 April 2019**
Number of Shares which are subject of the Awards granted	**7,974,087**	**4,946,477**
Number of employees receiving Shares Awards	**661**	**661**
Market Value of Olam Shares on the Date of Grant	**$1.98**	**$1.98**
Number of Shares awarded granted to directors of the Company	**Sunny George Verghese** **368,687**	**Sunny George Verghese** **367,677**
	Shekhar Anantharaman **290,500**	**Shekhar Anantharaman** **176,800**
Vesting Date of Shares awarded	**April 2022**	**Tranche 1 – 25%: 1 April 2020** **Tranche 2 – 25%: 1 April 2021** **Tranche 3 – 25%: 1 April 2022** **Tranche 4 – 25%: 1 April 2023**

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

Olam Share Grant Plan continued

Type of Grant	Performance share awards ('PSA')		Restricted share awards ('RSA')	
Date of Grant	16 April 2018	12 April 2018	16 April 2018	12 April 2018
Number of Shares which are subject of the Awards granted	779,800	8,183,700	491,500	4,932,400
Number of employees receiving Shares Awards	2	712	2	712
Market Value of Olam Shares on the Date of Grant	$2.34	$2.36	$2.34	$2.36
Number of Shares awarded granted to directors of the Company	Sunny George Verghese 478,000	–	Sunny George Verghese 286,800	–
	Shekhar Anantharaman 301,800	–	Shekhar Anantharaman 204,700	–
Vesting Date of Shares awarded	April 2021	April 2021	Tranche 1 – 25%: 1 April 2019 Tranche 2 – 25%: 1 April 2020 Tranche 3 – 25%: 1 April 2021 Tranche 4 – 25%: 1 April 2022	Tranche 1 – 25%: 1 April 2019 Tranche 2 – 25%: 1 April 2020 Tranche 3 – 25%: 1 April 2021 Tranche 4 – 25%: 1 April 2022

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

The actual number of shares to be delivered pursuant to the PSA granted in the table above will range from 0% to 200.0% of the base award and is contingent on the achievement of pre-determined targets set out in the three year performance period and other terms and conditions being met.

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

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

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

Olam Share Grant Plan continued

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

Name of Participant	Share awards granted during financial year under review	Aggregate share awards granted since the commencement of the scheme to the end of financial year under review	Aggregate share awards vested since the commencement of the scheme to the end of financial year under review	Aggregate share awards cancelled since the commencement of the scheme to the end of the financial year under review	Aggregate share awards outstanding as at the end of financial year under review
Performance Share Awards:					
Sunny George Verghese	368,687	2,048,834	522,600	287,400	1,238,384
Shekhar Anantharaman	290,500	1,515,326	373,500	226,500	915,326
Restricted Share Awards:					
Sunny George Verghese	367,677	1,456,624	575,274	–	881,350
Shekhar Anantharaman	176,800	936,526	386,689	–	549,837

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

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

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

There were no options/shares granted at a discount.

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

6. Audit Committee

The Audit Committee (the "AC" or "Committee") comprises three Independent Non-Executive directors and a Non-Executive director. The members of the AC are Yap Chee Keong (Chairman), Nihal Vijaya Devadas Kaviratne CBE, Marie Elaine Teo and Yutaka Kyoya. The AC performed the functions specified in section 201B(5) of the Singapore Companies Act, Chapter 50, the Singapore Code of Corporate Governance and the Listing Manual of the SGX-ST with full access and cooperation of the management and full discretion to invite any director or executive officer to attend its meetings.

In performing its function, the AC held 5 meetings during the year and reviewed the following:

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

Further, the Committee

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

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

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

Please refer to the additional disclosures on the AC provided in the Corporate Governance Report in the Company's Annual Report to shareholders.

7. Auditor

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

On behalf of the board of directors,

Lim Ah Doo
Director

Sunny George Verghese
Director

24 March 2020

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of Olam International Limited

Report on the financial statements

We have audited the accompanying financial statements of Olam International Limited (the 'Company') and its subsidiaries (collectively, the 'Group') set out on pages 13 to 92, which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) in Singapore (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

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

During the year, the Group completed various acquisitions as disclosed in Note 12. The Group has determined these acquisitions to be business combinations for which the purchase price is to be allocated between acquired assets and liabilities, identified intangible assets and contingent liabilities, and leading to the resultant recognition of goodwill at their respective fair values. As a policy, for significant acquisitions, independent professional valuers were engaged by the Group to perform purchase price allocation exercise, fair valuation of acquired assets and liabilities and/or identification and valuation of intangible assets. The identification of such assets and liabilities, including contingent assets and liabilities and their measurement at fair value is inherently judgemental, thus we considered this area to be a key audit matter.

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

We have also assessed the Group's determination of the fair value of the remaining assets and liabilities having regard to the completeness of assets and liabilities identified and the reasonableness of any underlying assumptions in their respective valuations. We also considered the adequacy of disclosures on contingent liabilities and assets in relation to the acquisitions.

Key audit matters continued

2 Impairment assessment of property, plant and equipment, goodwill and indefinite life intangible assets

The Group has significant property, plant and equipment, goodwill and indefinite life intangible assets as disclosed in Notes 11 and 12. Management performs periodic and annual impairment reviews of goodwill, intangible assets with indefinite life and impairment assessments for identified property, plant and equipment where there are indications of impairment. Recoverable values of the property, plant and equipment, goodwill and indefinite life intangible assets are determined based on fair value less costs to sell or value-in-use assessment where relevant, and are performed by management with the help of independent professional valuers where applicable. As these assessments involves judgement exercised in fair value less costs to sell, forecasting and discounting future cash flows, we have considered this to be a key audit matter.

For fair value less costs to sell calculation where independent professional valuers are involved, we have reviewed, with the assistance of our internal valuation specialist where required, the competence, capabilities and objectivity and evaluating the appropriateness of the fair value model prepared by independent professional valuers.

For the value-in-use assessment, we have obtained the business units' cash flow forecasts assessment prepared by management and evaluated the reasonableness of management's conclusions on key assumptions including forecast cash flows focusing on revenues and earnings before interest, tax, depreciation and amortisation ('EBITDA'). We also assessed the appropriateness of discount rates with the assistance of our internal valuation specialist where required and growth rates to historical and market trends to assess the reliability of management's forecast.

We have also reviewed the adequacy of the Group's disclosures in relation to property, plant and equipment, goodwill and indefinite life intangible assets as disclosed in Note 11 and 12.

3 Valuation of biological assets

The Group operates various farms and plantations for which the dairy cows, poultry, agricultural produce ('fruits on trees') and annual crops are subject to fair valuation. These significant biological assets across the Edible Nuts, Spices and Vegetable Ingredients and Food Staples and Packaged Foods segments, are fair valued by management and/or independent professional valuers engaged by the Group using industry/market accepted valuation methodology and approaches. As the measurement of fair value involves judgement on the assumptions and estimates used, we have considered this to be a key audit matter.

We had obtained the valuations of biological assets prepared by management and/or independent professional valuers engaged by the Group. The fair value reports are reviewed by us, together with our internal valuation specialists where required for appropriateness of the fair value methodology used and reasonableness of the assumptions used, including forecast cash flows, discount rates and yield rates for the plantations and market prices of the fruits or nuts/crop and livestock. To the extent where independent professional valuers are involved, we have reviewed the competence, capabilities and objectivity and evaluating the appropriateness of the valuation models prepared by independent professional valuers.

We have also reviewed the adequacy of the Group's disclosures in relation to biological assets as disclosed in Note 13.

Key audit matters continued

4 **Valuation of financial instruments**

The Group enters into various financial instruments which are required to be carried at fair value as disclosed in Notes 35 and 36. This include fair value of financial assets and financial liabilities relating to Level 3 financial instruments. Estimation uncertainty is high for these financial instruments where significant valuation inputs are unobservable as it involves judgement on the assumptions and estimates used and therefore, considered a key audit matter.

We have reviewed and assessed the controls over identification, measurement and management of valuation risk, and evaluating the methodologies, inputs and assumptions used by the Group in determining fair values. We have also evaluated the assumptions and models used or performed an independent valuation to assess the reasonableness of the computed fair value with the help of our internal valuation specialist where required. The review also included testing of the evidence supporting significant unobservable inputs utilised in Level 3 measurements in the fair value hierarchy as outlined in Notes 35 and 36 to the financial statements, which included assessing management's valuation assumptions against independent price quotes, recent transactions and other verifiable supporting documentation.

Additionally, we reviewed the adequacy of disclosures of fair value risks and sensitivities in Notes 35 and 36 to the financial statement to reflect the Group's exposure to valuation risk.

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

Management is responsible for the other information. The other information in the Annual Report 2019 comprises the information included in (i) Strategy Report, (ii) Governance Report and (iii) Directors' Statement (within the Financial Report) sections, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
24 March 2020

Consolidated Profit and Loss Account

For the financial year ended 31 December 2019

		Group	
	Note	**2019 $'000**	2018 $'000
Sale of goods and services	4	**32,992,722**	30,479,056
Other income	5	**531,537**	87,742
Cost of goods sold	6	**(30,055,135)**	(27,985,803)
Net gain from changes in fair value of biological assets	13	**1,857**	61,270
Depreciation and amortisation	10, 11, 12	**(500,334)**	(392,836)
Other expenses	7	**(1,822,637)**	(1,462,564)
Finance income		**88,649**	79,689
Finance costs	8	**(628,381)**	(548,464)
Share of results from joint ventures and associates		**67,872**	62,525
Profit before taxation		**676,150**	380,615
Income tax expense	9	**(150,988)**	(57,422)
Profit for the financial year		**525,162**	323,193
Attributable to:			
Owners of the Company		**564,157**	347,870
Non-controlling interests		**(38,995)**	(24,677)
		525,162	323,193
Earnings per share attributable to owners of the Company (cents)			
Basic	26	**15.98**	9.20
Diluted	26	**15.79**	9.08

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2019

	Group	
	2019 $'000	2018 $'000
Profit for the financial year	**525,162**	323,193
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net gain/(loss) on fair value changes during the financial year	**93,243**	(72,544)
Recognised in the profit and loss account on occurrence of hedged transactions	**(105,532)**	(2,474)
Foreign currency translation adjustments	**(87,369)**	(43,473)
Share of other comprehensive income of joint ventures and associates	**(5,948)**	(33,940)
	(105,606)	(152,431)
Items that will not be reclassified subsequently to profit or loss:		
Net fair value loss on equity instrument at fair value through other comprehensive income	**(64,274)**	(121,742)
Other comprehensive income for the year, net of tax	**(169,880)**	(274,173)
Total comprehensive income for the year	**355,282**	49,020
Attributable to:		
Owners of the Company	**402,344**	87,778
Non-controlling interests	**(47,062)**	(38,758)
	355,282	49,020

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

Balance Sheets

As at 31 December 2019

		Group		Company	
	Note	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Non-current assets					
Property, plant and equipment	11	**6,186,963**	5,809,948	**8,898**	10,722
Right-of-use assets	10	**577,589**	–	**53,524**	–
Intangible assets	12	**1,165,231**	1,199,912	**292,103**	290,058
Biological assets	13	**531,178**	511,931	**–**	–
Subsidiary companies	14	**–**	–	**9,004,517**	7,001,031
Deferred tax assets	9	**183,273**	166,785	**–**	–
Investments in joint ventures and associates	15	**661,105**	691,692	**403,708**	439,099
Long-term investment	16	**71,503**	135,777	**71,503**	135,777
Other non-current assets	22	**44,956**	27,786	**2,019**	–
		9,421,798	8,543,831	**9,836,272**	7,876,687
Current assets					
Amounts due from subsidiary companies	17	**–**	–	**2,435,290**	3,988,713
Trade receivables	18	**2,316,519**	2,435,168	**991,427**	1,307,958
Inventories	20	**7,211,465**	6,468,157	**1,985,021**	1,608,225
Advance payments to suppliers	21	**563,537**	805,472	**92,669**	44,457
Advance payments to subsidiary companies	21	**–**	–	**358,804**	1,816,605
Cash and short-term deposits	34	**3,179,584**	2,480,374	**1,200,479**	891,379
Derivative financial instruments	35	**1,847,715**	1,835,043	**1,374,556**	1,317,899
Other current assets	22	**1,129,743**	878,772	**313,603**	205,968
		16,248,563	14,902,986	**8,751,849**	11,181,204
Current liabilities					
Trade payables and accruals	23	**(3,983,485)**	(3,633,860)	**(2,174,563)**	(2,352,435)
Margin accounts with brokers	19	**(12,961)**	(121,017)	**(110,918)**	(168,499)
Borrowings	25	**(6,675,458)**	(4,766,411)	**(3,597,553)**	(2,891,457)
Lease liabilities	25	**(82,032)**	(10,710)	**(18,513)**	–
Derivative financial instruments	35	**(1,162,135)**	(928,631)	**(959,691)**	(688,823)
Provision for taxation		**(259,077)**	(151,994)	**(26,037)**	(26,954)
Other current liabilities	24	**(596,936)**	(456,399)	**(88,214)**	(100,003)
		(12,772,084)	(10,069,022)	**(6,975,489)**	(6,228,171)
Net current assets		**3,476,479**	4,833,964	**1,776,360**	4,953,033
Non-current liabilities					
Deferred tax liabilities	9	**(502,031)**	(422,625)	**(1,893)**	(2,957)
Borrowings	25	**(5,403,423)**	(6,407,718)	**(3,082,230)**	(4,478,115)
Lease liabilities	25	**(435,068)**	(83,396)	**(35,308)**	–
Other non-current liabilities	24	**(17,695)**	–	**–**	–
		(6,358,217)	(6,913,739)	**(3,119,431)**	(4,481,072)
Net assets		**6,540,060**	6,464,056	**8,493,201**	8,348,648
Equity attributable to owners of the Company					
Share capital	27	**3,748,994**	3,748,994	**3,748,994**	3,748,994
Treasury shares	27	**(158,807)**	(166,280)	**(158,807)**	(166,280)
Capital securities	27	**1,045,867**	1,046,406	**1,045,867**	1,046,406
Reserves		**1,795,934**	1,696,246	**3,857,147**	3,719,528
		6,431,988	6,325,366	**8,493,201**	8,348,648
Non-controlling interests		**108,072**	138,690	**–**	–
Total equity		**6,540,060**	6,464,056	**8,493,201**	8,348,648

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

Statements of Changes in Equity

For the financial year ended 31 December 2019

31 December 2019 Group	Share capital (Note 27) $'000	Treasury shares (Note 27) $'000	Capital securities (Note 27) $'000	Capital reserves[1] $'000	Foreign currency translation reserves[2] $'000	Fair value adjustment reserves[3] $'000	Share-based compensation reserves[4] $'000	Revenue reserves $'000	Total reserves $'000	Total $'000	Total non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company											
At 1 January 2019	**3,748,994**	**(166,280)**	**1,046,406**	**295,563**	**(1,069,917)**	**(327,545)**	**127,315**	**2,670,830**	**1,696,246**	**6,325,366**	**138,690**	**6,464,056**
Profit for the financial year	–	–	–	–	–	–	–	564,157	564,157	564,157	(38,995)	525,162
Other comprehensive income												
Net gain on fair value changes during the financial year	–	–	–	–	–	28,969	–	–	28,969	28,969	–	28,969
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	–	–	(105,532)	–	–	(105,532)	(105,532)	–	(105,532)
Foreign currency translation adjustments	–	–	–	–	(79,302)	–	–	–	(79,302)	(79,302)	(8,067)	(87,369)
Share of other comprehensive income of joint ventures and associates	–	–	–	1,541	(7,489)	–	–	–	(5,948)	(5,948)	–	(5,948)
Other comprehensive income for the financial year, net of tax	–	–	–	1,541	(86,791)	(76,563)	–	–	(161,813)	(161,813)	(8,067)	(169,880)
Total comprehensive income for the year	–	–	–	1,541	(86,791)	(76,563)	–	564,157	402,344	402,344	(47,062)	355,282
Contributions by and distributions to owners												
Buy back of treasury shares (Note 27)	–	(8,274)	–	–	–	–	–	–	–	(8,274)	–	(8,274)
Issue of treasury shares for Restricted Share Award (Note 27)	–	15,747	–	–	–	–	(15,747)	–	(15,747)	–	–	–
Share-based expense	–	–	–	–	–	–	23,687	–	23,687	23,687	–	23,687
Dividends on ordinary shares (Note 28)	–	–	–	–	–	–	–	(238,606)	(238,606)	(238,606)	–	(238,606)
Accrued capital securities distribution	–	–	55,054	–	–	–	–	(55,054)	(55,054)	–	–	–
Payment of capital securities distribution	–	–	(55,593)	–	–	–	–	–	–	(55,593)	–	(55,593)
Total contributions by and distributions to owners	–	7,473	(539)	–	–	–	7,940	(293,660)	(285,720)	(278,786)	–	(278,786)
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests without a change in control	–	–	–	(16,936)	–	–	–	–	(16,936)	(16,936)	(10,005)	(26,941)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	26,449	26,449
Total transactions with owners in subsidiaries	–	–	–	(16,936)	–	–	–	–	(16,936)	(16,936)	16,444	(492)
Total transactions with owners in their capacity as owners	–	7,473	(539)	(16,936)	–	–	7,940	(293,660)	(302,656)	(295,722)	16,444	(279,278)
At 31 December 2019	**3,748,994**	**(158,807)**	**1,045,867**	**280,168**	**(1,156,708)**	**(404,108)**	**135,255**	**2,941,327**	**1,795,934**	**6,431,988**	**108,072**	**6,540,060**

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

31 December 2018 Group	Share capital (Note 27) $'000	Treasury shares (Note 27) $'000	Capital securities (Note 27) $'000	Capital reserves[1] $'000	Foreign currency translation reserves[2] $'000	Fair value adjustment reserves[3] $'000	Share-based compensation reserves[4] $'000	Revenue reserves $'000	Total reserves $'000	Total $'000	Total non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company											
At 1 January 2018	3,674,206	(187,276)	1,045,773	295,563	(1,006,585)	(130,785)	136,515	2,616,170	1,910,878	6,443,581	177,448	6,621,029
Profit for the financial year	–	–	–	–	–	–	–	347,870	347,870	347,870	(24,677)	323,193
Other comprehensive income												
Net loss on fair value changes during the financial year	–	–	–	–	–	(194,286)	–	–	(194,286)	(194,286)	–	(194,286)
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	–	–	(2,474)	–	–	(2,474)	(2,474)	–	(2,474)
Foreign currency translation adjustments	–	–	–	–	(29,392)	–	–	–	(29,392)	(29,392)	(14,081)	(43,473)
Share of other comprehensive income of joint ventures and associates	–	–	–	–	(33,940)	–	–	–	(33,940)	(33,940)	–	(33,940)
Other comprehensive income for the financial year, net of tax	–	–	–	–	(63,332)	(196,760)	–	–	(260,092)	(260,092)	(14,081)	(274,173)
Total comprehensive income for the year	–	–	–	–	(63,332)	(196,760)	–	347,870	87,778	87,778	(38,758)	49,020
Contributions by and distributions to owners												
Buy back of treasury shares (Note 27)	–	(2,636)	–	–	–	–	–	–	–	(2,636)	–	(2,636)
Issue of shares on exercise of warrants (Note 27)	71,782	–	–	–	–	–	–	–	–	71,782	–	71,782
Issue of shares on exercise of share options (Note 27)	3,006	2,887	–	–	–	–	(2,887)	–	(2,887)	3,006	–	3,006
Issue of treasury shares for Restricted Share Award (Note 27)	–	20,745	–	–	–	–	(20,745)	–	(20,745)	–	–	–
Share-based expense	–	–	–	–	–	–	14,432	–	14,432	14,432	–	14,432
Dividends on ordinary shares (Note 28)	–	–	–	–	–	–	–	(237,728)	(237,728)	(237,728)	–	(237,728)
Accrued capital securities distribution	–	–	55,482	–	–	–	–	(55,482)	(55,482)	–	–	–
Payment of capital securities distribution	–	–	(54,849)	–	–	–	–	–	–	(54,849)	–	(54,849)
Total contributions by and distributions to owners	74,788	20,996	633	–	–	–	(9,200)	(293,210)	(302,410)	(205,993)	–	(205,993)
Total transactions with owners in their capacity as owners	74,788	20,996	633	–	–	–	(9,200)	(293,210)	(302,410)	(205,993)	–	(205,993)
At 31 December 2018	3,748,994	(166,280)	1,046,406	295,563	(1,069,917)	(327,545)	127,315	2,670,830	1,696,246	6,325,366	138,690	6,464,056

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

	Attributable to owners of the Company									
31 December 2019 Company	Share capital (Note 27) $'000	Treasury shares (Note 27) $'000	Capital securities (Note 27) $'000	Capital reserves[1] $'000	Foreign currency translation reserves[2] $'000	Fair value adjustment reserves[3] $'000	Share-based compensation reserves[4] $'000	Revenue reserves $'000	Total reserves $'000	Total $'000
At 1 January 2019	**3,748,994**	**(166,280)**	**1,046,406**	**140,486**	**(2,053)**	**(327,539)**	**127,315**	**3,781,319**	**3,719,528**	**8,348,648**
Profit for the financial year	–	–	–	–	–	–	–	**612,599**	**612,599**	**612,599**
Other comprehensive income										
Net gain on fair value changes during the financial year	–	–	–	–	–	**23,300**	–	–	**23,300**	**23,300**
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	–	–	**(105,532)**	–	–	**(105,532)**	**(105,532)**
Foreign currency translation adjustments	–	–	–	–	**(107,028)**	–	–	–	**(107,028)**	**(107,028)**
Other comprehensive income for the financial year, net of tax	–	–	–	–	**(107,028)**	**(82,232)**	–	–	**(189,260)**	**(189,260)**
Total comprehensive income for the year	–	–	–	–	**(107,028)**	**(82,232)**	–	**612,599**	**423,339**	**423,339**
Contributions by and distributions to owners										
Buy back of treasury shares (Note 27)	–	**(8,274)**	–	–	–	–	–	–	–	**(8,274)**
Issue of treasury shares for Restricted Share Awards (Note 27)	–	**15,747**	–	–	–	–	**(15,747)**	–	**(15,747)**	–
Share-based expense	–	–	–	–	–	–	**23,687**	–	**23,687**	**23,687**
Dividends on ordinary shares (Note 28)	–	–	–	–	–	–	–	**(238,606)**	**(238,606)**	**(238,606)**
Accrued capital securities distribution	–	–	**55,054**	–	–	–	–	**(55,054)**	**(55,054)**	–
Payment of capital securities distribution	–	–	**(55,593)**	–	–	–	–	–	–	**(55,593)**
Total contributions by and distributions to owners	–	**7,473**	**(539)**	–	–	–	**7,940**	**(293,660)**	**(285,720)**	**(278,786)**
Total transactions with owners in their capacity as owners	–	**7,473**	**(539)**	–	–	–	**7,940**	**(293,660)**	**(285,720)**	**(278,786)**
At 31 December 2019	**3,748,994**	**(158,807)**	**1,045,867**	**140,486**	**(109,081)**	**(409,771)**	**135,255**	**4,100,258**	**3,857,147**	**8,493,201**

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

31 December 2018 Company	Share capital (Note 27) $'000	Treasury shares (Note 27) $'000	Capital securities (Note 27) $'000	Capital reserves[1] $'000	Foreign currency translation reserves[2] $'000	Fair value adjustment reserves[3] $'000	Share-based compensation reserves[4] $'000	Revenue reserves $'000	Total reserves $'000	Total $'000
				Attributable to owners of the Company						
At 1 January 2018	3,674,206	(187,276)	1,045,773	140,486	(141,027)	(130,779)	136,515	1,544,396	1,549,591	6,082,294
Profit for the financial year	–	–	–	–	–	–	–	2,530,133	2,530,133	2,530,133
Other comprehensive income										
Net loss on fair value changes during the financial year	–	–	–	–	–	(194,286)	–	–	(194,286)	(194,286)
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	–	–	(2,474)	–	–	(2,474)	(2,474)
Foreign currency translation adjustments	–	–	–	–	138,974	–	–	–	138,974	138,974
Other comprehensive income for the financial year, net of tax	–	–	–	–	138,974	(196,760)	–	–	(57,786)	(57,786)
Total comprehensive income for the year	–	–	–	–	138,974	(196,760)	–	2,530,133	2,472,347	2,472,347
Contributions by and distributions to owners										
Buy back of treasury shares (Note 27)	–	(2,636)	–	–	–	–	–	–	–	(2,636)
Issue of shares on exercise of warrants (Note 27)	71,782	–	–	–	–	–	–	–	–	71,782
Issue of shares on exercise of share options (Note 27)	3,006	2,887	–	–	–	–	(2,887)	–	(2,887)	3,006
Issue of treasury shares for Restricted Share Awards (Note 27)	–	20,745	–	–	–	–	(20,745)	–	(20,745)	–
Share-based expense	–	–	–	–	–	–	14,432	–	14,432	14,432
Dividends on ordinary shares (Note 28)	–	–	–	–	–	–	–	(237,728)	(237,728)	(237,728)
Accrued capital securities distribution	–	–	55,482	–	–	–	–	(55,482)	(55,482)	–
Payment of capital securities distribution	–	–	(54,849)	–	–	–	–	–	–	(54,849)
Total contributions by and distributions to owners	74,788	20,996	633	–	–	–	(9,200)	(293,210)	(302,410)	(205,993)
Total transactions with owners in their capacity as owners	74,788	20,996	633	–	–	–	(9,200)	(293,210)	(302,410)	(205,993)
At 31 December 2018	3,748,994	(166,280)	1,046,406	140,486	(2,053)	(327,539)	127,315	3,781,319	3,719,528	8,348,648

1 Capital reserves

Capital reserves represent the premium paid and discounts on acquisition of non-controlling interests, gain on partial disposal of subsidiary which did not result in loss of control, residual amount of convertible bonds net of proportionate share of transaction costs, after deducting the fair value of the debt and derivative component on the date of issuance and the share of capital reserve of a joint venture.

2 Foreign currency translation reserves

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

3 Fair value adjustment reserves

Fair value adjustment reserves record the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that are determined to be effective hedges as well as fair value changes of long term investment.

4 Share-based compensation reserves

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

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2019

	2019 $'000	2018 $'000
Cash flows from operating activities		
Profit before taxation	**676,150**	380,615
Adjustments for:-		
Allowance for doubtful debts	**14,474**	32,699
Amortisation of intangible assets, depreciation of property, plant and equipment and depreciation of right-of-use assets	**500,334**	392,836
Share-based expense	**23,687**	14,432
Negative goodwill arising from acquisition of subsidiary	**(7,857)**	–
Fair value of biological assets (Note 13)	**(1,857)**	(61,270)
Gain on disposal of subsidiary	**(593)**	(5,831)
(Gain)/loss on disposal/partial divestment of joint venture and associate	**(39,214)**	25,930
Gain on disposal of property, plant and equipment and intangible assets	**(429,259)**	(28,718)
Impairment of goodwill, property, plant and equipment and intangible assets	**206,452**	–
Interest income	**(88,649)**	(79,689)
Interest expense	**628,381**	548,464
Inventories written down/(written back), net	**40,271**	(2,265)
Share of results from joint ventures and associates	**(67,872)**	(62,525)
Operating cash flows before reinvestment in working capital	**1,454,448**	1,154,678
Increase in inventories	**(514,572)**	(339,985)
Decrease/(increase) in receivables and other current assets	**222,290**	(508,939)
Decrease/(increase) in advance payments to suppliers	**282,489**	(49,597)
(Increase)/decrease in margin account with brokers	**(112,060)**	502,716
Increase in payables and other current liabilities	**26,211**	1,326,433
Cash flows from operations	**1,358,806**	2,085,306
Interest income received	**88,649**	79,689
Interest expense paid	**(643,362)**	(543,811)
Tax paid	**(106,835)**	(137,929)
Net cash flows generated from operating activities	**697,258**	1,483,255
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**12,925**	77,323
Purchase of property, plant and equipment	**(601,324)**	(804,180)
Purchase of intangible assets (Note 12)	**(18,385)**	(16,956)
Acquisition of subsidiaries, net of cash acquired (Note 12)	**(445,895)**	(10,359)
Advance for acquisition of subsidiary	**–**	(21,329)
Net proceeds from associates and joint ventures	**6**	142,470
Dividends received from associate and joint venture	**4,617**	1,009
Proceeds on disposal of intangible asset	**463,270**	2,642
Proceeds from disposal/partial divestment of joint venture and associate	**20,281**	195,162
Proceeds from divestment of subsidiary	**1,817**	17,228
Net cash flows used in investing activities	**(562,688)**	(416,990)

	2019 $'000	2018 $'000
Cash flows from financing activities		
Dividends paid on ordinary shares by the Company	**(238,606)**	(237,728)
Proceeds from/(Repayment of) borrowings, net	**877,130**	(308,265)
Repayment of lease liabilities	**(79,521)**	–
Proceeds from issuance of shares on exercise of share options	**–**	3,006
Proceeds from exercise of warrants	**–**	71,782
Payment of capital securities, net of distribution	**(55,593)**	(54,849)
Purchase of treasury shares	**(8,274)**	(2,636)
Net cash flows generated from/(used in) financing activities	**495,136**	(528,690)
Net effect of exchange rate changes on cash and cash equivalents	**(45,936)**	(26,236)
Net increase in cash and cash equivalents	**583,770**	511,339
Cash and cash equivalents at beginning of period	**2,393,146**	1,881,807
Cash and cash equivalents at end of period (Note 34)	**2,976,916**	2,393,146

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors on 24 March 2020.

1. Corporate information

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

The Company's immediate holding company is Temasek Capital (Private) Limited and its ultimate holding company is Temasek Holdings (Private) Limited, both companies are incorporated in Singapore.

The principal activities of the Company are those of sourcing, processing, packaging and merchandising of agricultural products. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

The registered office and principal place of business of the Company is at 7 Straits View, #20-01 Marina One East Tower, Singapore 018936.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted SFRS(I) 16 Leases and SFRS(I) INT 23 Uncertainty over Income Tax Treatment, as described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

SFRS(I) 16 Leases
The Group applied SFRS(I) 16 using the modified retrospective approach, under which right-of-use asset is measured on a lease-by-lease basis as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019. Under this approach the prior year comparative information presented for 2018 is not restated.

In addition, the Group has elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

2. **Summary of significant accounting policies** continued

2.2 Changes in accounting policies continued

SFRS(I) 16 Leases continued

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

	Group	Company
	1 January 2019 $'000	1 January 2019 $'000
Assets		
Finance lease assets reclass from property, plant and equipment, net (Note 10)	**(76,819)**	–
Right-of-use assets (Note 10)	**706,818**	**32,565**
	629,999	**32,565**
Other current assets	**(24,200)**	–
Effect of adoption of SFRS(I) 16	**605,799**	**32,565**
Liabilities		
Lease liabilities (Note 25)	**699,905**	**32,565**
Borrowings (Note 25)	**(94,106)**	–
Effect of adoption of SFRS(I) 16	**605,799**	**32,565**

For all other details on SFRS(I) 16 post 1 January 2019, please refer to Notes 10 and 25.

SFRS(I) INT 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of SFRS(I) 1-12 Income Taxes. It does not apply to taxes or levies outside the scope of SFRS(I) 1-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group applies judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements and concluded that the Interpretation did not have a material impact on the financial statements of the Group.

2.3 Standards issued but not yet effective

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

Description	Effective for financial year beginning on
Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
Amendments to SFRS(I)1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
Insurance Contracts	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

2. Summary of significant accounting policies continued

2.4 Functional and foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars as the Company is domiciled in Singapore.

The Company's functional currency is the United States Dollar ('USD'), which reflects the economic substance of the underlying events and circumstances of the Company as most of the Company's transactions are denominated in USD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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

(c) Translation to the presentation currency

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

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

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

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

2. Summary of significant accounting policies continued

2.5 Subsidiary companies, basis of consolidation and business combinations

(a) Subsidiary companies

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

A list of the Group's significant subsidiary companies is shown in Note 14.

(b) Basis of consolidation

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

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

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

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

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

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

2. Summary of significant accounting policies continued

2.5 Subsidiary companies, basis of consolidation and business combinations continued

(c) Business combinations and goodwill

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

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

2.6 Transactions with non-controlling interests

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

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

2.7 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.8.

2. **Summary of significant accounting policies** continued

2.8 Joint ventures and associates

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

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

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

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.16. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

Bearer plants	• 15 to 30 years
Buildings and improvements	• 5 to 50 years
Plant and machinery	• 3 to 25 years; 30 years for ginning assets
Motor vehicles	• 3 to 5 years
Furniture and fittings	• 5 years
Office equipment	• 5 years
Computers	• 3 years

2. Summary of significant accounting policies continued

2.9 Property, plant and equipment continued

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

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

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

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

2.10 Intangible assets

(a) Goodwill

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

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

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

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

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

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

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

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

2. Summary of significant accounting policies continued

2.11 Biological assets

(a) Agricultural produce ('Fruits on trees') and annual crops

The agricultural produce ('fruits on trees') are valued at fair value less costs to sell, with any changes recognised in the profit or loss. The fair value amount is an aggregate of the fair valuation of the current financial year and the reversal of the prior year's fair valuation. The fair value takes into account current selling prices and related costs. The calculated value is then discounted by a suitable factor to take into account the agricultural risk until maturity.

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

(b) Livestock

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

(c) Poultry

Poultry are stated at fair value less estimated costs to sell, with any resultant gain or loss recognised in the profit or loss. Costs to sell include all costs that would be necessary to sell the assets. The fair value of poultry is determined based on estimated market price of livestock of similar age, breed and generic merit.

Breeding chickens are carried at fair value, which approximates cost and are amortised over the economic egg-laying lives of the breeding chickens after it starts producing eggs.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The Group makes an estimate of the asset's recoverable amount with the help of independent professional valuers where applicable.

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

Impairment losses are recognised in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

2. Summary of significant accounting policies continued

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments – amortised costs

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

Equity instruments

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at FVOCI are recognised in OCI and are not reclassified to profit or loss. Consequently, there is no need to review such instruments for impairment.

On derecognition of the equity instrument in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income may however be transferred to another component of equity.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Impairment

For trade receivables, the Group applies a simplified approach in calculating expected credit losses ('ECLs'). The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This is similar for other financial assets on the balance sheet. Impairment losses are reflected in the allowance account of the respective financial asset class on the balance sheet:

- Trade receivables (Note 18)
- Loans to joint ventures and associates (Note 15)
- Other current assets – Sundry receivables, export incentives and subsidies receivable, deposits, staff advances, insurance receivables, amount due from joint venture, associates and a shareholder related company (Note 22)
- Amount due from subsidiary companies (Note 17)

Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments, is recognised in profit or loss.

2. Summary of significant accounting policies continued

2.13 Financial instruments continued

(b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts are recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term fixed bank deposits that are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. Cash and cash equivalents carried in the balance sheets are classified and accounted as measured at amortised cost under SFRS(I) 9. The accounting policy for this category of financial assets is stated in Note 2.13.

2.15 Inventories

Inventories for commodity trading businesses are measured at fair value less costs to sell, with changes in fair value less costs to sell recognised in the profit or loss in the period of the change.

Other inventories are stated at the lower of cost and net realisable value and are valued on a first-in-first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated cost of disposal and after making allowance for damages and slow-moving items.

For fruits on trees that are harvested, are stated at fair value less estimated point-of-sale costs at the time of harvest (the 'initial cost'). Thereafter these inventories are carried at the lower of initial cost and net realisable value.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of significant accounting policies continued

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Employee benefits

(a) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

(c) Employee share options scheme/share grant plan

Employees (including senior executives) of the Group receive remuneration in the form of share options or shares as consideration for services rendered ('equity-settled transactions').

The cost of these equity-settled share-based payment transactions with employees is measured with reference to the fair value at the date on which the share subscriptions/options are granted which takes into account market conditions and non-vesting conditions.

This cost is recognised in the profit or loss, with a corresponding increase in the share-based compensation reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

Where the terms of an equity-settled award are modified, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for a modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. Summary of significant accounting policies continued

2.19 Leases

Lease contracts, as defined by SFRS(I) 16 Leases, are recorded in the balance sheet, which leads to the recognition of:

- an asset representing a right of use of the asset leased during the lease term of the contract;
- a liability related to the payment obligation

Right-of-use assets
Right-of-use assets are measured at cost, which comprise the following - lease liability, lease payments made at or prior to delivery, less lease incentives received, initial direct costs; and restoration obligations.

Following initial recognition, right-of-use assets are subsequently measured at amortised cost and depreciated over the term of the lease using the straight-line method.

Lease liability
The lease liability at commencement date is recognised for an amount equal to the present value of the lease payments over the lease term.

The lease liability is subsequently measured based on a process similar to the amortised cost method using the discount rate: where the liability is increased by the accrued interests resulting from the discounting of the lease liability, at the beginning of the lease period; and less payments made. The interest cost for the period as well as variable payments, not taken into account in the initial measurement of the lease liability and incurred over the relevant period are recognised as costs.

Variable lease payments
The Group enters into 'Revenue Tiered Sharing Arrangements' for certain leases of land, buildings, plant and machinery and other assets. Arising from such arrangements are variable lease payments that do not depend on an index or rate and are based on production volumes or revenues of the underlying performance of the respective business units. Such variable lease payments are recognised in profit or loss in the period in which the event that triggers the occurrence of payments.

To the extent that the lease contract is a variable lease arrangement arising from a sale-leaseback transaction, which does not result in a right-of-use asset, the gain on sale is recognised in the profit or loss in the accounting period in which the sale is concluded.

Short term leases and low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of land, buildings, plant and machinery and other assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to other assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. Summary of significant accounting policies continued

2.20 Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods as performance obligation is judged to have been satisfied and revenue is therefore recognised.

Revenue is measured at the consideration promised in the contract with a customer, less discounts and rebates.

(b) Sale of services

Revenue from services rendered is recognised in the accounting period in which services are rendered.

2.21 Interest income

Interest income is recognised using the effective interest method.

2.22 Government grants, export incentives and subsidies

Government grants, export incentives and subsidies are recognised at their fair values when there is reasonable assurance that the grant will be received and all conditions attached will be complied with. When the grant relates to an expense item, it is recognised in the profit or loss over the period necessary to match it on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. **Summary of significant accounting policies** continued

2.23 Taxes continued

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:-

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:-

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would be treated either as a reduction to goodwill (as long as it does not exceed goodwill) if incurred during the measurement period or in profit or loss.

2. Summary of significant accounting policies continued

2.23 Taxes continued

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:-

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services, which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

The segment managers report directly to the management of the Company which regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issue expenses

Proceeds from issuance of ordinary shares net of directly attributable expenses are recognised as share capital in equity.

2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost (including directly attributable expenses) and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.27 Perpetual capital securities

The perpetual capital securities do not have a maturity date and the Company is able to elect to defer making a distribution subject to the terms and conditions of the securities issue. The Company is considered to have no contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue. Accordingly, the perpetual capital securities do not meet the definition for classification as financial liability and are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

2. **Summary of significant accounting policies** continued

2.28 Contingencies

A contingent liability is:-

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair values can be reliably determined.

2.29 Derivative financial instruments and hedging activities

Derivative financial instruments include forward currency contracts, commodity futures, options, over-the-counter ('OTC') structured products, commodity physical forwards, foreign currency swap, interest rate swap contracts and power purchase agreements. These are used to manage the Group's exposure to risks associated with foreign currency, commodity price and interest rate fluctuations. Certain derivatives are also used for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts and interest rate derivatives are calculated by reference to current forward exchange rates and interest rates respectively for contracts with similar maturity profiles. The fair values of commodity futures, options, OTC structured products and physical forwards are determined by reference to available market information and market valuation methodology. Where the quoted market prices are not available, fair values are based on management's best estimates, which are arrived at by reference to market prices.

Hedge accounting
The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:-

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

2. Summary of significant accounting policies continued

2.29 Derivative financial instruments and hedging activities continued

Hedge accounting continued

(a) Fair value hedges

Fair value hedge accounting is applied to hedge the Group's exposure to changes in the fair value portion of such an asset or liability or an identified portion of such an asset or liability that is attributable to a particular risk – commodity price risk that could affect the profit and loss account. For fair value hedges, the carrying amount of the hedged item (inventories) is adjusted for gains and losses attributable to the risk being hedged, the derivative (hedging instrument) is remeasured at fair value, gains and losses from both are taken to the profit and loss account.

When inventories are designated as a hedged item, the subsequent cumulative change in the fair value of these inventories attributable to the hedged commodity price risk is recognised as part of inventories with a corresponding gain or loss in the profit and loss account. The hedging instrument is recorded at fair value as an asset or liability and the changes in the fair value of the hedging instrument are also recognised in the profit and loss account.

The application of hedge accounting is discontinued in cases where the Group revokes the hedging relationship. Effective from SFRS(I) 9, hedging relationships may not be voluntarily revoked unless there is a change in risk management objective. Accordingly, in cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the Group adjusts the hedging ratio to re-establish the effectiveness of the hedging relationship. Furthermore, the Group discontinues the application of hedge accounting in cases where there is a change in the risk management objective for the hedging relationship.

(b) Cash flow hedges

For each cash flow hedge relationship, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the profit and loss account at the time hedge effectiveness is tested.

When a cash flow hedge is discontinued, any cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur. If the hedged future cash flows no longer expected to occur, the net cumulative gain or loss is immediately reclassified to profit and loss account.

2. Summary of significant accounting policies continued

2.30 Related parties

A related party is defined as follows:-

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:-

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty as at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Valuation of goodwill, intangible and tangible assets/liabilities through business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The fair value of such assets and liabilities are estimated by independent professional valuers where significant, or using the discounted cash flow model, which requires the Group to make an estimate of the expected future cash flows of the acquired business and choosing a suitable discount rate. The business combinations completed during the current financial year are disclosed in Note 12 to the financial statements.

3. Significant accounting judgements and estimates continued

Key sources of estimation uncertainty continued

(b) Impairment of goodwill and intangible assets with indefinite useful life

Management performs periodic reviews of goodwill, intangible assets with indefinite life for indication of impairment. The Group estimates the value in use of the cash-generating units to which the goodwill and intangible asset with indefinite useful life is allocated. Estimating the value in use requires the Group, with the help of independent professional valuers where applicable, to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment tests are sensitive to forecasted EBITDA, growth rates and discount rates. Changes in these assumptions may result in changes in recoverable values. The carrying amount of the Group's goodwill and indefinite life intangible assets at the balance sheet date is disclosed in Note 12 to the financial statements.

(c) Impairment of property, plant and equipment

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The Group had engaged independent professional valuers, where relevant to assess the fair values for certain assets using recognised valuation techniques.

The value in use calculation is based on a discounted cash flow model and requires the Group, with the help of independent professional valuers where applicable, to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The value in use calculations are sensitive to forecasted EBITDA, growth rates and discount rates.

Changes in these above assumptions may result in changes in recoverable values. The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 11 to the financial statements.

(d) Biological assets

The fair value of biological assets (other than livestock and poultry) is estimated using the discounted cash flow model, which requires the Group to make an estimate of the expected future cash flows from the biological assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows, which is referenced to professional valuations or fair valued by independent professional valuers where significant. The valuation of these biological assets is particularly sensitive to discount rates and they are disclosed in Note 13.

(e) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values (Level 3). The judgements include considerations of model inputs regarding forward prices, credit risk, volatility and counterparty risk that are not supported by observable market data. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 36.

(f) Taxation

The Group establishes provisions, based on reasonable estimates, of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of the Group's income tax payables, deferred tax assets and deferred tax liabilities as at 31 December 2019 is disclosed in Note 9 to the financial statements.

4. Revenue from contracts with customers – disaggregation of revenue

	Group	
	2019 $'000	2018 $'000
Types of goods or services		
Sale of goods	**32,773,684**	30,221,716
Sale of services	**219,038**	257,340
Total revenue from contracts with customers	**32,992,722**	30,479,056
Timing of revenue recognition		
Goods transferred at point in time	**32,773,684**	30,221,716
Services transferred at point in time	**212,610**	253,153
Others	**6,428**	4,187
Total revenue from contracts with customers	**32,992,722**	30,479,056

Revenue from sale of services mainly represents ginning and toll processing income and freight charter income.

For further disaggregation disclosure of revenue from contracts with customers by business and geographical segments – refer to Note 39.

5. Other income

Other income included the following:-

	Group	
	2019 $'000	2018 $'000
Gain on disposal of subsidiary (Note 14)	**593**	5,831
Gain on disposal of property, plant and equipment and intangible assets, net [1]	**429,259**	28,718
Gain on partial divestment of associate (Note 15(b))	**40,371**	–
Negative goodwill arising from business combination (Note 12)	**7,857**	–
Commissions and claims, sale of packaging materials, sales of scrap and others	**53,457**	53,193
	531,537	87,742

1. Net gain on disposal of property, plant and equipment and intangible asset includes gain on sale of real estate assets of onion and garlic processing facility ('Facility') in USA amounting to $132,285,000 and gain on sale of permanent water rights in Australia amounting to $294,057,000 in a Revenue Tier Sharing Arrangement where the Group will pay the buyer a share of the annual revenue from sale of goods and harvests respectively, while the Group continues to operate both the Facility and water rights for the next 25 years. In the previous financial year, net gain on of disposal of property, plant and equipment includes gain on sale of spices, vegetable & dehydrates facility and almonds farmland in USA amounting to $23,772,000.

6. Cost of goods sold

The significant portion of the cost of goods sold pertains to the purchase costs of inventories sold (Note 20). There are other directly attributable costs associated with cost of goods sold and these include:-

	Group	
	2019 $'000	2018 $'000
Shipping, logistics, commission and claims	**(3,233,710)**	(3,025,881)
Foreign exchange on cost of goods sold [1]	**(76,894)**	(157,466)
Gains on derivatives net of fair value changes	**465,438**	203,480
Inventories (written down)/written back, net (Note 20)	**(40,271)**	2,265
Export incentives, subsidies and grant income received [2]	**41,943**	21,276

1. Foreign exchange on cost of goods sold relate to foreign exchange movement arising between the time of purchase of goods and the time of sale of such goods.
2. Export incentives and subsidies relate to income from government agencies of various countries for the export of agricultural products.

7. Other expenses

Other expenses are stated after (charging)/crediting:-

	Group	
	2019 $'000	2018 $'000
Loss on disposal of joint venture and associate	**(1,157)**	(25,930)
Employee benefits expenses (Note 31)	**(914,758)**	(753,660)
Loss on foreign exchange, net	**(73,881)**	(30,470)
Bank charges	**(68,617)**	(88,608)
Travelling expenses	**(71,360)**	(66,452)
Transaction costs incurred in business combinations (Note 12)	**(4,043)**	(192)
Impairment loss on financial assets – Trade receivables (Note 18)	**(7,190)**	(27,087)
Allowance for doubtful debts – Advance payments to suppliers (Note 21)	**(7,284)**	(5,612)
Impairment of intangible assets (Note 12)	**(40,885)**	–
Impairment of property, plant and equipment (Note 11)	**(165,567)**	–
Auditor's remuneration:		
• Ernst & Young LLP, Singapore	**(2,174)**	(1,772)
• Other member firms of Ernst & Young Global	**(6,560)**	(5,858)
Non-audit fees:		
• Ernst & Young LLP, Singapore	**(956)**	(1,901)
• Other member firms of Ernst & Young Global	**(649)**	(781)

8. Finance costs

Finance costs include the following:-

	Group	
	2019 $'000	2018 $'000
Interest expense:		
• On bank overdrafts	**26,099**	17,108
• On bank loans	**451,236**	372,380
• On medium-term notes	**161,044**	167,790
• On bonds	**25,468**	24,705
• On lease liabilities (Note 10, 25)	**28,380**	3,324
• Others	**27,031**	35,134
	719,258	620,441
Less: interest expense capitalised in:		
• Property, plant and equipment and biological assets	**(90,877)**	(71,977)
	628,381	548,464

Interest was capitalised to capital work-in-progress, plant and machinery, buildings and biological assets by various subsidiaries of the Group at rates ranging from 3.50% to 7.50% (2018: from 3.50% to 7.50%) per annum.

9. Income tax

(a) Major components of income tax expense

	Group 2019 $'000	Group 2018 $'000
Profit and loss account		
Current income tax:		
• Singapore	**29,480**	27,841
• Foreign	**140,616**	82,940
(Over)/under provision in respect of prior years	**(8,407)**	1,965
	161,689	112,746
Deferred income tax:		
• Singapore	**816**	1,296
• Foreign	**(11,517)**	(56,620)
Income tax expense	**150,988**	57,422

	Group 2019 $'000	Group 2018 $'000
Statement of comprehensive income:		
Deferred income tax related to items charged directly to other comprehensive income:		
Net change in fair value adjustment reserves for derivative financial instruments designated as hedging instruments in cash flow hedges	**979**	3,324
Deferred tax recorded in other comprehensive income	**979**	3,324

(b) Relationship between tax expense and accounting profit

A reconciliation of the statutory tax rate to the Group's effective tax rate is as follows:-

	Group 2019 %	Group 2018 %
Tax using Singapore tax rate 17% (2018: 17%)	**17.0**	17.0
Tax effect of non-deductible expenses	**10.1**	4.3
Higher statutory tax rates of other countries [1]	**8.3**	9.9
Tax effect on (over)/under provision in respect of prior years	**(1.3)**	0.5
Tax effect of income taxed at concessionary rate [2]	**(10.8)**	(3.2)
Tax effect on non-taxable/exempt income [3]	**(2.9)**	(12.5)
Tax effect of joint ventures/associates	**(1.7)**	(2.7)
Tax effect of deferred tax assets not recognised	**2.1**	3.3
Tax effect of others, net	**1.5**	(1.5)
	22.3	15.1

1. The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.
2. The Company is an approved company under the Global Trader Programme ('GTP') of Enterprise Singapore and Development and Expansion Incentive ('DEI') under the International Headquarters ('IHQ') award of Singapore Economic Development Board. By virtue of this, the Company is entitled to a concessionary income tax rate of 5% and 5.5% respectively for a period of 5 years from 1 July 2018 until and including 31 December 2022 on qualifying activities, products and income.
3. There are seven (2018: six) subsidiaries within the Group that are taxed at the preferential tax rate of 0% (as opposed to the local headline/statutory tax rates ranging from 20% to 35%) by the local tax authorities for periods ranging from 0.5 to 4 years (2018: 1 to 5 years), except one subsidiary which does not have an expiry date on preferential tax rate.

9. **Income tax** continued

(c) Deferred income tax

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The amounts, after such offsets, are disclosed on the balance sheet as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Deferred tax assets	**183,273**	166,785	**–**	–
Deferred tax liabilities	**(502,031)**	(422,625)	**(1,893)**	(2,957)
Net deferred tax liabilities	**(318,758)**	(255,840)	**(1,893)**	(2,957)

Details of deferred tax assets and liabilities before offsetting is as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Deferred tax liabilities on:				
Property, plant and equipment	**287,289**	221,717	**494**	509
Intangible assets	**8,165**	6,073	**–**	–
Fair value adjustment on business combinations	**169,680**	125,203	**2,471**	1,974
Biological assets	**85,079**	75,132	**–**	–
Revaluation of financial instruments to fair value	**15,973**	16,014	**86**	1,079
Others	**17,790**	25,314	**–**	–
	583,976	469,453	**3,051**	3,562
Amount offset against deferred tax assets	**(81,945)**	(46,828)	**(1,158)**	(605)
	502,031	422,625	**1,893**	2,957
Deferred tax assets on:				
Property, plant and equipment	**36,507**	46,971	**–**	–
Intangible assets	**77,293**	83,777	**–**	–
Allowance for impairment	**1,939**	2,462	**–**	–
Inventories written down	**6,103**	3,120	**1,143**	605
Revaluation of financial instruments to fair value	**860**	8,706	**–**	–
Unabsorbed losses	**54,421**	6,738	**–**	–
Others	**88,095**	61,839	**15**	–
	265,218	213,613	**1,158**	605
Amount offset against deferred tax liabilities	**(81,945)**	(46,828)	**(1,158)**	(605)
	183,273	166,785	**–**	–
Net deferred tax liabilities	**(318,758)**	(255,840)	**(1,893)**	(2,957)

9. **Income tax** continued

(c) Deferred income tax continued

Movements in deferred tax during the financial year is as follows:-

	Group	
	2019 $'000	2018 $'000
As at beginning of year	**(255,840)**	(321,120)
Business combinations (Note 12)	**(81,375)**	(2,530)
Tax income recognised in profit and loss	**10,701**	55,324
Tax income recognised in equity	**979**	3,324
Foreign currency translation adjustments	**6,777**	9,162
	(318,758)	(255,840)

Unrecognised tax losses and capital allowances for which no deferred tax assets have been recognised
The Group has tax losses of approximately $456,667,000 (2018: $464,116,000) and capital allowances of $46,958,000 (2018: $63,031,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset has been recognised. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate and there is no expiry date on the utilisation of such tax losses and capital allowances for offset against future taxable profits, except for amounts of $365,180,000 (2018: $326,929,000) which will expire over financial years 2020 to 2039.

Unrecognised temporary differences relating to investments in subsidiaries and joint ventures
At the end of the financial years ended 31 December 2018 and 31 December 2019, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint ventures as:-

- The Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future; and
- The joint ventures of the Group cannot distribute its earnings until it obtains the consent of both parties. At the end of the reporting period, the Group does not foresee giving such consent.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $184,087,000 (2018: $173,110,000). The deferred tax liability is estimated to be $31,295,000 (2018: $29,429,000).

Tax consequences of proposed dividends
There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements in respect of the current and previous financial year (Note 28).

10. Right-of-use assets

Group	Leasehold land $'000	Leasehold buildings $'000	Other assets[1] $'000	Total $'000
Cost				
As at 1 January 2019 – effects of adoption of SFRS(I) 16	381,352	202,149	46,498	629,999
Finance lease assets reclass from property, plant and equipment (Note 2.2, 11)	63,561	–	13,258	76,819
As at 1 January 2019 – as adjusted	444,913	202,149	59,756	706,818
Additions in relation to business combinations (Note 12)	26,713	–	8,059	34,772
Additions/(disposals), net	(143,373)	38,522	51,341	(53,510)
Charge for the year	(21,100)	(52,555)	(26,217)	(99,872)
Foreign currency translation adjustments	(6,198)	(3,529)	(892)	(10,619)
As at 31 December 2019	**300,955**	**184,587**	**92,047**	**577,589**
Average remaining amortisation period (years) – 31 December 2019	1-41	1-39	1-5	

1. Other assets comprise of vessel charter contracts, motor vehicles, office equipment and computers.

Company	Leasehold buildings $'000	Other assets[1] $'000	Total $'000
Cost			
As at 1 January 2019 – effects of adoption of SFRS(I) 16	18,437	14,128	32,565
Additions	567	35,034	35,601
Charge for the year	(4,743)	(9,216)	(13,959)
Foreign currency translation adjustments	(177)	(506)	(683)
As at 31 December 2019	**14,084**	**39,440**	**53,524**
Average remaining amortisation period (years) – 31 December 2019	1-3	1-4	

Amount recognised in profit and loss

	Group 2019 $'000
Interest expense on lease liabilities (Note 8)	28,380
Expenses relating to variable leases (included in Cost of Goods Sold)	10,789
Expenses relating to short-term leases (included in Other Operating Expenses)	66,782
Expenses relating to leases of low value assets (included in Other Operating Expenses)	2,077

These leases have no contingent rent provision included in the contracts. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. The Group had total cash outflows for leases of $184,688,000 in 2019 since the adoption of SFRS(I) 16 Leases in the current financial year.

11. Property, plant and equipment

Group	Freehold land $'000	Buildings and improvements $'000	Plant and machinery $'000	Other assets[1] $'000	Capital work-in-progress $'000	Bearer plants $'000	Total $'000
Cost							
As at 1 January 2018	292,978	2,050,265	2,224,203	288,986	653,815	1,530,477	7,040,724
Additions in relation to business combinations	–	3,739	2,947	267	610	–	7,563
Additions	8,712	130,732	131,305	44,235	148,620	340,576	804,180
Disposals	(8,204)	(24,543)	(43,179)	(34,059)	(6,950)	–	(116,935)
Reclassification	59,522	96,490	204,966	2,148	(380,988)	17,862	–
Sale of subsidiary	–	(12,292)	–	–	–	–	(12,292)
Foreign currency translation adjustments	(3,300)	(72,113)	(58,495)	(2,597)	(18,585)	(60,560)	(215,650)
As at 31 December 2018 and 1 January 2019	349,708	2,172,278	2,461,747	298,980	396,522	1,828,355	7,507,590
Additions in relation to business combinations (Note 12)	50,225	147,636	343,571	57,644	7,573	–	606,649
Additions	1,057	42,405	103,129	37,935	184,989	240,806	610,321
Disposals	(11,556)	(80,826)	(136,437)	(21,407)	(3,037)	(23,726)	(276,989)
Reclassification	12,357	38,070	94,406	(1,212)	(156,037)	12,416	–
Finance Lease Assets reclass to Right-of-use assets (Note 10)	–	–	(17,138)	(524)	–	(63,561)	(81,223)
Sale of subsidiary	(824)	(6,343)	(1,838)	(390)	–	–	(9,395)
Foreign currency translation adjustments	(3,867)	(30,573)	(46,650)	(4,519)	(10,551)	(52,472)	(148,632)
As at 31 December 2019	**397,100**	**2,282,647**	**2,800,790**	**366,507**	**419,459**	**1,941,818**	**8,208,321**
Accumulated depreciation and impairment loss							
As at 1 January 2018	–	323,905	761,523	173,234	–	156,225	1,414,887
Charge for the year	–	80,353	175,873	43,180	–	61,008	360,414
Disposals	–	(6,117)	(19,185)	(29,163)	–	–	(54,465)
Reclassification	–	1,038	(205)	(892)	–	59	–
Sale of subsidiary	–	(872)	–	–	–	–	(872)
Foreign currency translation adjustments	–	(7,246)	(14,249)	1,804	–	(2,631)	(22,322)
As at 31 December 2018 and 1 January 2019	–	391,061	903,757	188,163	–	214,661	1,697,642
Charge for the year	–	91,989	189,590	43,142	–	42,609	367,330
Disposals	(2,469)	(33,643)	(127,782)	(19,750)	–	(688)	(184,332)
Reclassification	–	1,456	414	(1,870)	–	–	–
Finance Lease Assets reclass to Right-of-use assets (Note 10)	–	–	(4,206)	(198)	–	–	(4,404)
Impairment	52,947	14,350	45,935	158	–	52,177	165,567
Sale of subsidiary	–	–	(499)	(450)	–	–	(949)
Foreign currency translation adjustments	(644)	(2,006)	(11,310)	(547)	–	(4,989)	(19,496)
As at 31 December 2019	**49,834**	**463,207**	**995,899**	**208,648**	**–**	**303,770**	**2,021,358**
Net carrying value							
As at 31 December 2019	**347,266**	**1,819,440**	**1,804,891**	**157,859**	**419,459**	**1,638,048**	**6,186,963**
As at 31 December 2018	349,708	1,781,217	1,557,990	110,817	396,522	1,613,694	5,809,948

1. Other assets comprise of motor vehicles, furniture and fittings, office equipment and computers.

11. **Property, plant and equipment** continued

Company	Buildings and improvements $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture and fittings $'000	Office equipment $'000	Computers $'000	Total $'000
Cost							
As at 1 January 2018	552	879	1,178	9,123	1,751	28,091	41,574
Additions	–	–	878	1,868	3	2,263	5,012
Disposals	–	–	(476)	(1,756)	(651)	(5,422)	(8,305)
Foreign currency translation adjustments	11	18	27	185	30	541	812
As at 31 December 2018 and 1 January 2019	563	897	1,607	9,420	1,133	25,473	39,093
Additions	–	–	–	5	18	2,497	2,520
Disposals	–	(384)	(582)	(271)	(292)	(3,140)	(4,669)
Foreign currency translation adjustments	(7)	(6)	(13)	(114)	(10)	(309)	(459)
As at 31 December 2019	**556**	**507**	**1,012**	**9,040**	**849**	**24,521**	**36,485**
Accumulated depreciation							
As at 1 January 2018	375	499	955	2,713	1,093	22,654	28,289
Charge for the year	48	76	155	2,000	133	5,283	7,695
Disposals	–	–	(371)	(1,756)	(630)	(5,422)	(8,179)
Foreign currency translation adjustments	8	11	18	56	18	455	566
As at 31 December 2018 and 1 January 2019	431	586	757	3,013	614	22,970	28,371
Charge for the year	43	90	170	1,839	157	1,812	4,111
Disposals	–	(313)	(572)	(274)	(278)	(3,110)	(4,547)
Foreign currency translation adjustments	(6)	(4)	(4)	(58)	(6)	(270)	(348)
As at 31 December 2019	**468**	**359**	**351**	**4,520**	**487**	**21,402**	**27,587**
Net carrying value							
As at 31 December 2019	**88**	**148**	**661**	**4,520**	**362**	**3,119**	**8,898**
As at 31 December 2018	132	311	850	6,407	519	2,503	10,722

The Group's land, buildings, plant and machinery with a carrying amount of $169,092,000 (2018: $150,356,000) have been pledged to secure the Group's borrowings as set out in Note 25 to the financial statements.

Bearer plants consist of mature and immature almond orchards, coffee, cocoa, palm and rubber plantations.

The almond orchards and coffee plantations presently consist of trees aged between 1 and 30 years and 1 and 15 years respectively (2018: 1 and 29 years and 1 and 17 respectively). The cocoa plantations presently consist of trees aged between 1 and 18 years (2018: 1 and 18 years).

Immature plantations mainly consist of almond, palm and rubber trees aged between 1 and 6 years (2018: 1 and 6 years) amounting to $858,360,000 (2018: $878,649,000).

At the end of the financial year, the Group's total planted area of plantations is approximately 109,393 (2018: 105,467) hectares, excluding hectares for those commodities whose plantations are not managed by the Group.

12. Intangible assets

Group	Goodwill $'000	Customer relationships $'000	Brands and trademarks[1] $'000	Software $'000	Water Rights[2] $'000	Concession Rights[3] $'000	Others[4] $'000	Total $'000
Cost								
As at 1 January 2018	642,781	126,513	144,632	79,212	185,877	80,113	130,900	1,390,028
Additions in relation to business combinations	–	5,681	–	23	–	–	–	5,704
Additions	–	–	183	12,327	–	4,214	232	16,956
Disposals	–	–	–	(21)	–	–	(2,316)	(2,337)
Reclassification	–	–	34	178	–	–	(212)	–
Foreign currency translation adjustments	11,416	2,496	2,914	376	(14,704)	288	968	3,754
As at 31 December 2018 and 1 January 2019	654,197	134,690	147,763	92,095	171,173	84,615	129,572	1,414,105
Additions in relation to business combinations (Note 12)	196,200	5,044	–	–	–	–	6,020	207,264
Additions	–	–	–	16,605	–	–	1,780	18,385
Disposals	–	–	–	(5,685)	(168,447)	–	(377)	(174,509)
Reclassification	–	–	(9)	42	–	–	(33)	–
Foreign currency translation adjustments	(10,690)	(1,790)	(1,843)	(1,517)	(2,726)	577	(1,757)	(19,746)
As at 31 December 2019	**839,707**	**137,944**	**145,911**	**101,540**	**–**	**85,192**	**135,205**	**1,445,499**
Accumulated amortisation and impairment								
As at 1 January 2018	3,921	55,996	–	39,730	–	42,673	40,425	182,745
Amortisation	–	11,620	–	7,759	–	4,527	8,516	32,422
Disposals	–	–	–	(19)	–	–	(2,316)	(2,335)
Reclassification	–	(889)	–	1	–	–	888	–
Foreign currency translation adjustments	(204)	1,065	–	(197)	–	619	78	1,361
As at 31 December 2018 and 1 January 2019	3,717	67,792	–	47,274	–	47,819	47,591	214,193
Amortisation	–	11,384	–	9,560	–	4,553	7,635	33,132
Impairment	11,837	4,918	24,130	–	–	–	–	40,885
Disposals	–	–	–	(3,617)	–	–	(376)	(3,993)
Reclassification	–	–	–	(12)	–	–	12	–
Foreign currency translation adjustments	(199)	(1,100)	(308)	(830)	–	(785)	(727)	(3,949)
As at 31 December 2019	**15,355**	**82,994**	**23,822**	**52,375**	**–**	**51,587**	**54,135**	**280,268**
Net carrying value								
As at 31 December 2019	**824,352**	**54,950**	**122,089**	**49,165**	**–**	**33,605**	**81,070**	**1,165,231**
As at 31 December 2018	650,480	66,898	147,763	44,821	171,173	36,796	81,981	1,199,912
Average remaining amortisation period (years)								
– 31 December 2019	**–**	**1–12**	**–**	**1–14**	**–**	**7–17**	**1–46**	
– 31 December 2018	–	1–13	–	1–14	–	8–18	1–47	

12. **Intangible assets** continued

Company	Goodwill $'000	Brands and trademarks $'000	Software $'000	Others[4] $'000	Total $'000
Cost					
As at 1 January 2018	194,368	845	46,199	65,831	307,243
Additions	–	–	10,880	–	10,880
Foreign currency translation adjustments	3,914	17	1,013	1,325	6,269
As at 31 December 2018 and 1 January 2019	198,282	862	58,092	67,156	324,392
Additions	–	–	15,402	1,369	16,771
Disposals	–	–	(2,750)	–	(2,750)
Foreign currency translation adjustments	(2,473)	(11)	(887)	(855)	(4,226)
As at 31 December 2019	**195,809**	**851**	**69,857**	**67,670**	**334,187**
Accumulated amortisation					
As at 1 January 2018	–	–	15,394	11,302	26,696
Amortisation	–	–	4,836	2,211	7,047
Foreign currency translation adjustments	–	–	347	244	591
As at 31 December 2018 and 1 January 2019	–	–	20,577	13,757	34,334
Amortisation	–	–	6,780	2,229	9,009
Disposals	–	–	(726)	–	(726)
Foreign currency translation adjustments	–	–	(333)	(200)	(533)
As at 31 December 2019	**–**	**–**	**26,298**	**15,786**	**42,084**
Net carrying amount					
As at 31 December 2019	**195,809**	**851**	**43,559**	**51,884**	**292,103**
As at 31 December 2018	198,282	862	37,515	53,399	290,058
Average remaining amortisation period (years)					
– 31 December 2019	–	–	1–9	1–46	
– 31 December 2018	–	–	2–10	1–47	

1. Brands and trademarks include 'Dona', 'OK Foods' and 'OK Sweets' brands. The useful lives of the brands are estimated to be indefinite as management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash flows for the Group.
2. Water rights relate to perpetual access to share of water from a specified consumptive pool, for which was disposed in the current year in a Revenue Tier Sharing Arrangement (Note 5).
3. Concession rights consist of rights to harvest trees in designated areas. Amortisation is charged over the estimated useful life of the concession rights.
4. Others comprise land use rights, trade names, marketing agreements and non-compete fees. Land use rights relate to rights to land where the Group has acquired plantations. Amortisation is charged over the estimated useful lives of the land use rights.

12. **Intangible assets** continued

Impairment testing of goodwill and other intangible assets

Goodwill and intangible assets with indefinite lives arising from business combinations have been allocated to the following cash-generating units ('CGU'), for impairment testing:-

	Goodwill		Brands and trademark		Water rights	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Olam Orchards Australia Pty Ltd [1]	**–**	–	**–**	–	**–**	171,173
Cocoa Processing Business	**233,553**	236,503	**–**	–	**–**	–
Dangote Flour Mills Limited	**193,696**	–	**–**	–	**–**	–
Olam Peanut Shelling Company Inc [2]	**124,243**	125,813	**–**	–	**–**	–
Quintessential Foods Nigeria Limited	**75,302**	76,253	**–**	–	**–**	–
Universal Blanchers	**66,684**	67,526	**–**	–	**–**	–
Packaged Foods brands	**31,727**	32,128	**121,236**	122,768	**–**	–
Caraway Africa Nigeria Limited (Formerly known as 'Ranona Limited')	**43,350**	43,898	**–**	–	**–**	–
Progida Group	**12,591**	12,750	**–**	–	**–**	–
Acacia Investments Limited [3]	**–**	11,834	**–**	24,132	**–**	–
Olam Spices & Vegetables Ingredients	**9,233**	9,316	**853**	863	**–**	–
Olam Food Ingredients Holdings UK Limited	**7,741**	7,789	**–**	–	**–**	–
Others	**26,232**	26,670	**–**	–	**–**	
	824,352	650,480	**122,089**	147,763	**–**	171,173

1. In the current financial year, the permanent water rights owned by subsidiary Olam Orchards Australia Pty Ltd was sold and please refer to details on sale at Note 5.
2. In the current financial year, both McCleskey Mills Inc and Brooks Peanuts Company were merged together as both are in the business of peanut shelling and are situated near one another; and has been renamed as 'Olam Peanuts Shelling Company Inc.'. As a result of the merger, the goodwill of both entities $75,224,000 and $49,019,000 (2018: $76,174,000 and $49,638,000) respectively have been combined and assessed as one CGU for goodwill impairment testing as at year end and going forward.
3. The recoverable amount of the Acacia Investment Limited as at 31 December 2019 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. As a result of this analysis, management has recognised a full impairment charge in the current financial year against both goodwill and indefinite life brand as at 31 December 2019. The impairment charge is recorded within Other Expenses in the profit or loss account.

12. **Intangible assets** continued

Impairment testing of goodwill and other intangible assets continued

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five year period. The discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the five year period are as follows:-

	Growth rates		Discount rates	
	2019 %	2018 %	**2019 %**	2018 %
Olam Orchards Australia Pty Ltd	**–**	–	**–**	13.00
Cocoa Processing Business	**2.00**	2.00	**10.00**	10.00
Dangote Flour Mills Limited	**–**	–	**11.50**	–
Olam Peanut Shelling Company Inc	**1.50**	1.50	**8.00**	8.00
Quintessential Foods Nigeria Limited	**–**	–	**11.40**	11.40
Universal Blanchers	**2.00**	2.00	**8.00**	8.00
Packaged Foods brands	**3.00**	3.00	**13.50**	12.50
Caraway Africa Nigeria Limited (Formerly known as 'Ranona Limited')	**3.00**	3.00	**14.00**	12.50
Progida Group	**2.00**	2.00	**12.50**	12.50
Acacia Investment Limited	**3.00**	3.00	**17.70**	17.70
Olam Spices & Vegetables Ingredients	**2.00**	2.00	**12.00**	12.00
Olam Food Ingredients Holdings UK Limited	**–**	–	**12.50**	12.50
Others	**Range from 0.00 – 2.00**		**Range from 11.50 – 13.00**	

The calculations of value in use for the CGUs are most sensitive to the following assumptions:-

Forecasted EBITDA – Forecasted EBITDA are based on average values achieved at prevailing market conditions at the start of the budget period.

Growth rates – The growth rates indicated are as estimated by the management based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Discount rates – Discount rates reflect management's estimate of risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

12. Intangible assets continued

Business combinations

During the current financial year, the Group entered into the following business combinations:-

	YTS Holdings $'000	Cotonchad $'000	Hughson Nut Inc. $'000	Dangote Flour Mills Ltd $'000	Total $'000
Fair value of assets and liabilities					
Property, plant and equipment (Note 11)	52,119	75,067	57,924	421,539	606,649
Right of use assets (Note 10)	20,885	–	8,059	5,828	34,772
Intangible assets (Note 12)	21	–	11,043	–	11,064
Deferred tax assets	5,147	–	–	2,400	7,547
Inventories	44,534	6,432	137,837	72,347	261,150
Trade and other receivables	15,711	2,137	39,435	25,933	83,216
Other current assets	1,492	9,608	872	27,046	39,018
Other non-current assets	1,005	–	2,870	–	3,875
Cash and bank balances	5,303	–	3	84,212	89,518
Advance payment to suppliers	930	1,756	–	8,910	11,596
Fair value of derivative financial instruments	3,787	–	–	–	3,787
	150,934	95,000	258,043	648,215	1,152,192
Trade and other payables	6,784	27,775	143,107	282,259	459,925
Lease liabilities	–	–	8,059	6,786	14,845
Borrowings	111,372	17,625	24,487	1,597	155,081
Provision for taxation	9	–	–	1,573	1,582
Deferred tax liabilities	3,315	–	–	85,607	88,922
Other current liabilities	34	5,080	893	21,682	27,689
Fair value of derivative financial instruments	1,193	–	–	–	1,193
Other non-current liabilities	2,400	11,144	–	–	13,544
	125,107	61,624	176,546	399,504	762,781
Total identifiable net assets at fair value	25,827	33,376	81,497	248,711	389,411
Non-controlling interest measured based on proportionate share of net identifiable assets	(3,874)	(13,351)	–	–	(17,225)
Foreign currency translation reserve	–	(52)	–	–	(52)
Net identifiable assets	21,953	19,973	81,497	248,711	372,134
Negative goodwill (Note 5)	–	–	(7,857)	–	(7,857)
Goodwill arising from acquisitions (Note 12)	–	–	–	196,200	196,200
	21,953	19,973	73,640	444,911	560,477
Consideration transferred for the acquisitions:					
Cash paid	10,136	21,329	73,640	451,637	556,742
Deemed consideration [1]	9,224	–	–	–	9,224
Settlement of pre-existing intercompany balance	5,244	–	–	(6,726)	(1,482)
Option to purchase	(2,651)	(1,356)	–	–	(4,007)
Total consideration	21,953	19,973	73,640	444,911	560,477
Less: Cash and cash equivalents acquired	(5,303)	–	(3)	(84,212)	(89,518)
Less: Non-cash items	(11,817)	1,356		6,726	(3,735)
Less: Consideration paid in advance	–	(21,329)	–	–	(21,329)
Net cash outflow on acquisition of subsidiaries	**4,833**	**–**	**73,637**	**367,425**	**445,895**

1. Deemed consideration relates to the proportion of $61,493,000 injected by the Group into YTS Holdings Pte Ltd ("YTS") in respect of the subscription of new shares in YTS, attributable to non-controlling interests.

12. Intangible assets continued

Business combinations continued

Acquisitions of subsidiaries

(i) Cotonchad SN ("Cotonchad")
On 14 January 2019, the Group completed the acquisition of 60.0% interest in Cotonchad SN, the state-owned company with exclusive rights to procure, process and sell Chadian cotton and by-products.

(ii) YTS Holdings Pte Ltd ("YTS")
On 26 February 2019, the Group completed acquisition of 85% equity stake in YTS Holdings Pte Ltd, a company incorporated in Singapore, which owns 100% of PT Bumitangerang Mesindotama ("BT Cocoa") Indonesia's largest cocoa processor. The transaction is part of the Group's Strategic Plan to grow its cocoa ingredients business by expanding its platform in Asia and enhancing its product offering in the region.

(iii) Hughson Nut Inc. ("HNI")
On 22 October 2019, the Group completed acquisition of 100% equity stake in leading Californian almond processor and ingredient manufacturer Hughson Nut Inc (HNI). The acquisition of HNI is consistent with the Group's 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, the Group can now offer a fully integrated solution across the almond value chain from the U.S., including processed whole nuts and value-added ingredients, complementing similar capabilities in Australia and Vietnam.

(iv) Dangote Flour Mills ("DFM")
On 1 November 2019, the Group completed acquisition of 100% equity stake in DFM, a leading flour and pasta manufacturer, a company incorporated in Nigeria. The acquisition of DFM supports the Group's strategy of the Grain and Animal Feed business to expand its wheat milling capacity in high-growth markets, such as Nigeria. The Group and DFM combined would provide enhanced manufacturing capacity and create synergies with the Group's existing business.

Trade and other receivables acquired

Trade and other receivables acquired comprise gross trade and other receivables amounting to $83,216,000, which approximates fair value. It is expected that the full contractual amount of the receivables can be collected.

Transaction costs

Total transaction costs related to all acquisitions of $4,043,000 have been recognised in the 'Other operating expenses' line item in the Group's profit and loss account for the financial year from 1 January 2019 to 31 December 2019.

Goodwill arising from acquisitions

Goodwill of $196,200,000 represents the synergies expected to be achieved from integrating the value-added midstream processing business of the subsidiaries into the Group's existing supply chain business.

Impact of the acquisitions on profit and loss

From acquisition date, subsidiaries acquired during the financial year have increased the Group's sales of goods by 0.6% and increased the Group's profits for the financial year, net of tax by 2.1%. Had the acquisitions taken place at the beginning of the financial year, the sales of goods for the financial year would have increased by 1.4% and the Group's profit for the financial year, net of tax would have increased by 12.7%.

13. Biological assets

Group	Fruits on trees and annual crops $'000	Livestock $'000	Poultry $'000	Total $'000
As at 1 January 2018	328,415	143,241	–	471,656
Net (reductions)/additions	(55,406)	(43,203)	11,192	(87,417)
Capitalisation of expenses	51,619	61,371	–	112,990
Net change in fair value less estimated costs to sell	52,759	8,511	–	61,270
Foreign currency translation adjustments	(36,941)	(9,549)	(78)	(46,568)
As at 31 December 2018 and 1 January 2019	340,446	160,371	11,114	511,931
Net (reductions)/additions	(43,408)	(70,662)	7,326	(106,744)
Capitalisation of expenses	42,488	83,339	–	125,827
Net change in fair value less estimated costs to sell	24,138	(22,281)	–	1,857
Foreign currency translation adjustments	(8,171)	6,778	(300)	(1,693)
As at 31 December 2019	**355,493**	**157,545**	**18,140**	**531,178**

Fruits on trees

During the financial year, the Group harvested approximately 50,662 metric tonnes (2018: 41,165 metric tonnes) of almonds, which had a fair value less estimated point-of-sale costs of approximately $427,798,000 (2018: $361,031,000). The fair value of almonds was determined with reference to the market prices at the date of harvest.

The fair value of fruits on trees (almonds) is estimated using the present value of expected net cash flows from the biological assets. The following table shows the key inputs used:-

Key inputs	Inter-relationship between key inputs and fair value measurement
Discount rates of 8.5% (2018: 14.6%) per annum	The estimated fair value increases as the estimated discount rate per annum decreases, and vice versa. The decrease in discount rate by 6.1% is mainly due to management's having established a systemic process in count of fruits on trees before harvest to estimate the expected yields; as a result reducing the risk that was previously included in the discount rate.
Market prices approximating $9,553 (2018: $10,158) per metric tonne	The estimated fair value increases as the respective inputs increase, and vice versa.

Annual crops

Annual crops consist of various commodities such as cotton, onions, tomatoes and other vegetables, rice and grains. For cotton, onions, tomatoes and other vegetables, the Group provides seeds to farmers to sow and grow while for rice and grains, the Group manages its own farms. For annual crops where seeds are provided, the farmers take all the harvest risks and bear all the farming costs. However, the Group has the first right to buy the produce from these farmers, when these annual crops are harvested.

At the end of the financial year, the Group's total planted area of annual crops is approximately 115,794 (2018: 114,838) hectares, excluding for those commodities where farms are not managed by the Group.

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

13. Biological assets continued

Livestock

Livestock relates mainly to dairy cattle in Uruguay and Russia. At the end of the financial year, the Group held approximately 42,000 (2018: 45,000) cows, which are able to produce milk (mature assets) and approximately 45,000 (2018: 42,000) heifers and calves, being raised to produce milk in the future (immature assets). The cows produced approximately 275 million litres (2018: 291 million litres) of milk with a fair value less estimated point-of-sale costs of $166,382,000 (2018: $169,776,000) during the financial year.

The fair value of livestock is determined based on valuations by an independent professional valuer using market prices ranging from $87 to $4,304 (2018: $81 to $4,526) of livestock of similar age, breed and generic merit.

Poultry

Poultry relates mainly to breeding chickens for meat and laying eggs in Nigeria. At the end of the financial year, the Group held approximately 1,703,000 (2018: 2,425,000) chickens.

Financial risk management strategies related to agricultural activities

The Group is exposed to financial risk in respect of agricultural activity. The agricultural activity of the Group consists of the management of biological assets to produce marketable output. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of biological assets and on harvesting and ultimately receiving cash from the sale of the marketable output. The Group plans for cash flow requirements for such activities and manages its debt and equity portfolio actively.

14. Subsidiary companies

	Company	
	2019 $'000	2018 $'000
Unquoted equity shares at cost	**5,869,079**	5,491,404
Less: Impairment loss	**(17,981)**	(76,131)
Foreign currency translation adjustments	**(5,060)**	110,982
	5,846,038	5,526,255
Loans to subsidiary companies	**3,158,479**	1,474,776
	9,004,517	7,001,031

Loans to subsidiary companies denominated in currencies other than functional currency of the Company are as follows:-

	2019 $'000	2018 $'000
Euro	**1,619,645**	226,234

In the current financial year, no impairment was recognised as the recoverable value is more than carrying value of the investment cost (2018: impairment loss of $$60,001,000 recognised).

Loans to subsidiary companies are unsecured and are not repayable within the next 12 months. The loans are non-interest bearing, except for amounts of $1,439,018,000 (2018: $126,337,000) which bear interest ranging from 5.0% to 7.5% (2018: 0.1% to 7.0%) per annum.

The Group did not have any material non-controlling interests as at the balance sheet dates.

Disposal of subsidiary

In the current financial year, the Group sold its 100% equity interest in wholly owned subsidiary, Olam Alimentos S.A., a company incorporated in Argentina with principal activity in peanut shelling and blanching. Net assets amounting to $11,313,000 were disposed against cash consideration of $11,906,000, resulting in a gain on disposal of $593,000 that has been recognised in 'Other income' in the profit and loss account (Note 5).

14. **Subsidiary companies** continued

Composition of the Group

Details of significant subsidiary companies are as follows:-

Name of company	Country of incorporation	Principal activities	Effective percentage of equity held by the Group 2019 %	2018 %
Olam Ghana Limited [1]	Ghana	(a)	**100**	100
Olam Ivoire SA [1]	Ivory Coast	(a)	**100**	100
Olam Nigeria Limited [1]	Nigeria	(a)	**100**	100
Outspan Ivoire SA [1]	Ivory Coast	(a)	**100**	100
Olam Moçambique, Limitada [1]	Mozambique	(a)	**100**	100
Olam Vietnam Limited [1]	Vietnam	(a)	**100**	100
Olam South Africa (Proprietary) Limited [1]	South Africa	(a)	**100**	100
PT Olam Indonesia [1]	Indonesia	(a)	**100**	100
Olam Agricola Ltda. [1]	Brazil	(a)	**100**	100
Café Outspan Vietnam Limited [1]	Vietnam	(a)	**100**	100
LLC Outspan International [1]	Russia	(a)	**100**	100
Crown Flour Mills Limited [1]	Nigeria	(a)	**100**	100
Olam Orchards Australia Pty Ltd [1]	Australia	(a) & (c)	**100**	100
tt Timber International AG [2]	Switzerland	(a) & (b)	**100**	100
NZ Farming Systems Uruguay Limited [1]	New Zealand	(a), (b) & (c)	**100**	100
Caraway Pte Ltd [1]	Singapore	(a)	**75**	75
OK Foods Limited [1]	Nigeria	(a) & (b)	**75**	75
Caraway Africa Nigeria Limited [1] (Formerly known as 'Ranona Limited')	Nigeria	(a)	**75**	75
Nutrifoods Ghana Limited [1]	Ghana	(a)	**75**	75
Olam Sanyo Foods Limited [1]	Nigeria	(a)	**75**	75
Olam Cocoa Processing Cote d'Ivoire [1]	Ivory Coast	(a)	**100**	100
Seda Outspan Iberia S.L. [1]	Spain	(a)	**100**	100
Dehydro Foods S.A.E. [1]	Egypt	(a)	**100**	100
Queensland Cotton Holdings Pty Ltd [1]	Australia	(a) & (b)	**100**	100
Olam Holdings Inc [3]	The United States of America	(a), (b) & (c)	**100**	100
Progida Tarim Űrűnleri Sanayi ve Ticaret A.Ş.[1]	Turkey	(a)	**100**	100
Progida Pazarlama A.Ş.[1]	Turkey	(a)	**100**	100
LLC Russian Dairy Company [1]	Russia	(c)	**100**	93
Gabon Fertilizer Company SA [1]	Gabon	(a)	**80**	80
Olam Palm Gabon SA [1]	Gabon	(a) & (c)	**60**	60
Olam Rubber Gabon SA [1]	Gabon	(a) & (c)	**60**	60
Olam Cam SA [1]	Cameroon	(a)	**100**	100
Olam Cocoa Processing Ghana Limited [1]	Ghana	(a)	**100**	100
Olam Cocoa B.V. [2]	Netherlands	(a)	**100**	100
Olam Cocoa Pte Limited [1]	Singapore	(a)	**100**	100
Acacia Investment Limited [3]	United Arab Emirates	(b)	**100**	100
Quintessential Foods Nigeria Limited [1]	Nigeria	(a)	**100**	100
Dangote Flour Mills Limited [2]	Nigeria	(a)	**100**	–
Olam Holdings B.V. [2]	Netherlands	(b)	**100**	100
Olam Agro India Private Limited [1]	India	(a)	**100**	100
Olam Treasury Pte Ltd [1]	Singapore	(d)	**100**	100

(a) Sourcing, processing, packaging and merchandising of agricultural products and inputs.
(b) Investment holding.
(c) Agricultural operations.
(d) Treasury activities.

1. Audited by member firms of Ernst & Young Global.
2. Audited by other Certified Public Accounting ('CPA') firms.
3. No statutory audit required.

15. Investments in joint ventures and associates

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Joint ventures (Note 15(a))	**122,936**	129,507	**110,017**	116,010
Associates (Note 15(b))	**538,169**	562,185	**293,691**	323,089
	661,105	691,692	**403,708**	439,099

(a) Investments in joint ventures

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Unquoted equity shares at cost [1, 2]	**87,782**	90,864	**75,305**	75,305
Share of post-acquisition reserves	**2,406**	(8,245)	**–**	–
Loans to joint ventures [3]	**35,666**	40,720	**35,666**	40,720
Foreign currency translation adjustments	**(2,918)**	6,168	**(954)**	(15)
	122,936	129,507	**110,017**	116,010

1. In the current financial year, the Group divested the 50% stake in Collymongle Ginning Pty Ltd for sales consideration of $3,922,000 and net loss of $1,157,000 was recorded in 'Other expenses' in the profit and loss account.
2. In the previous financial year, the Group made the following investments and divestment:
   - Acquired a 30% stake in Long Son Joint Stock Company, cashew processing facility in Vietnam for purchase consideration of $22,851,000 and a 29% stake in Guzman Coffee & Nuts, SL. in Spain for a purchase consideration of $3,136,000; and
   - Divested the 50% stake in Nauvu Investment Pte Ltd for sales consideration of $195,049,000 and net loss of $24,597,000 was recorded in 'Other expenses' in the profit and loss account.
3. Loans to joint ventures are unsecured, not expected to be repayable within the next 12 months and bears interest ranging from 3.25% to 4.00% (2018: 3.25% to 4.00%).

List of key joint ventures of the Group are as follows:-

			Percentage of equity held	
Name of company	Country of incorporation	Principal activities	**2019 %**	2018 %
Held by the Company				
Far East Agri Pte Ltd [1]	Singapore	Processing and trading of agricultural commodities	**50**	50
Long Son Joint Stock Company [2]	Indonesia	Sourcing, processing and trading of agricultural commodities and technical services	**30**	30

1. Audited by Ernst & Young LLP, Singapore.
2. Audited by other Certified Public Accounting ('CPA') firms.

15. Investments in joint ventures and associates continued

(a) Investments in joint ventures continued

As of 31 December 2019 and 31 December 2018, no joint venture was individually material to the Group. The summarised financial information in respect of the joint ventures, based on its SFRS(I) financial statements and reconciliation with the carrying amount of the investments in the combined financial statements are as follows:-

	Group	
	2019 $'000	2018 $'000
Summarised balance sheet		
Non-current assets	**130,669**	122,900
Current assets	**213,347**	270,117
Total assets	**344,016**	393,017
Non-current liabilities	**17,648**	13,417
Current liabilities	**183,352**	232,851
Total liabilities	**201,000**	246,268
Net assets	**143,016**	146,749
Proportion of the Group's ownership:		
Group's share of net assets	**58,819**	60,336
Goodwill on acquisition	**28,451**	28,451
Loan to joint ventures	**35,666**	40,720
Carrying amount of the investments	**122,936**	129,507
Summarised statement of comprehensive income		
Revenue	**459,519**	534,734
Profit after tax	**6,503**	2,608
Other comprehensive income	**1,158**	–
Total comprehensive income	**7,661**	2,608

15. Investments in joint ventures and associates continued

(b) Investments in associates

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Unquoted equity shares at cost	**330,615**	333,780	**346,919**	372,615
Share of post-acquisition reserves	**229,004**	242,417	**–**	–
Loans to associates [1]	**18,447**	18,965	**–**	–
Less: Impairment loss	**(35,596)**	(35,596)	**(35,596)**	(35,596)
Foreign currency translation adjustments	**(4,301)**	2,619	**(17,632)**	(13,930)
	538,169	562,185	**293,691**	323,089

1. Loans to associates are unsecured, not expected to be repayable within the next 12 months and are interest-free.

List of key associates of the Group are as follows:-

			Percentage of equity held	
Name of company	Country of incorporation	Principal activities	**2019 %**	2018 %
Held by the Company through Gabon Special Economic Zone SA [1]				
ARISE Port & Logistics [1]	Gabon	Managing port and logistics infrastructure	**40.49**	40.49
ARISE Integrated Industrial Platforms [1]	Gabon	Infrastructure management and development services	**40.49**	40.49
ARISE Infrastructure Services [1]	Gabon	Managing special economic zones	**30.44**	40.49
Held by the Company				
Open Country Dairy Limited [2]	New Zealand	Processing and trading of agricultural commodities	**15.19**	15.19

1. Audited by member firms of Ernst & Young Global.
2. Audited by other CPA firms.

Management has assessed and is satisfied that the Group retains significant influence over Open Country Dairy Limited as the Group continues to hold positions in the Board of Directors of the entity and actively participates in all board meetings.

Partial divestment of associate

In the current financial year, the Group announced that Gabon Special Economic Zone ("GSEZ"), an associate of the Group, is reorganising its infrastructure and logistics business into three verticals - ARISE Port & Logistics ("ARISE P&L"), ARISE Integrated Industrial Platforms ("ARISE IIP") and ARISE Infrastructure Services ("ARISE IS"). On 24 December 2019, as part of this re-organisation, the Company sold an effective equity interest of 10% in ARISE IIP business. The divestment was against cash consideration of $80,435,000, resulting in a gain on disposal of $40,371,000 that has been recognised in 'Other income' in the profit and loss account (Note 5).

15. Investments in joint ventures and associates continued

(b) Investments in associates continued

As of 31 December 2019 and 31 December 2018, no associate was individually material to the Group. The summarised financial information in respect of the associates based on its SFRS(I) financial statements and reconciliation with the carrying amount of the investment in the combined financial statements are as follows:-

	Group	
	2019 $'000	2018 $'000
Summarised balance sheet		
Non-current assets	**1,920,653**	1,692,364
Current assets	**1,397,588**	1,395,487
Total assets	**3,318,241**	3,087,851
Non-current liabilities	**702,610**	902,220
Current liabilities	**864,871**	553,942
Total liabilities	**1,567,481**	1,456,162
Net assets	**1,750,760**	1,631,689
Proportion of the Group's ownership:		
Group's share of net assets	**523,708**	547,724
Goodwill on acquisition	**14,461**	14,461
Carrying amount of the investments	**538,169**	562,185
Summarised statement of comprehensive income		
Revenue	**2,308,727**	2,103,253
Profit after tax	**188,865**	163,616
Other comprehensive income	**(11,061)**	(99,375)
Total comprehensive income	**177,804**	64,241

16. Long-term investment

The Group and Company's long-term investment in quoted equity shares relates to a 18.56% (2018: 18.56%) investment in PureCircle Limited ('PureCircle'). Management has assessed and is of the view that the Group does not retain significant influence over PureCircle and is accounted for as fair value through other comprehensive income. The fair value of PureCircle is determined based on Level 3 inputs for the current financial year (Note 36(a)).

17. Amounts due from subsidiary companies

	Company	
	2019 $'000	2018 $'000
Trade receivables	**2,398,173**	2,150,769
Loans to subsidiaries, net	**96,717**	1,822,058
Non-trade (payables)/receivables	**(59,600)**	15,886
	2,435,290	3,988,713

Loans to subsidiaries, net include loans to subsidiaries amounting to $202,110,000 (2018: $1,426,305,000) and loans from subsidiaries amounting to $349,934,000 (2018: Nil) which are unsecured and bear interest ranging from 3.00% to 7.50% (2018: 3.80% to 7.50%) per annum, repayable on demand and are to be settled in cash. The remaining amounts are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.

The other amounts are non-interest bearing, unsecured, subject to trade terms or repayable on demand, and are to be settled in cash.

Amounts due from subsidiary companies denominated in currencies other than functional currency of the Company are as follows:-

	Company	
	2019 $'000	2018 $'000
Euro	**263,733**	1,384,079
Indian Rupee	**360,874**	(493,869)
Great Britain Pounds	**29,383**	(37,604)
Australian Dollar	**1,340**	(809)

The movement in the allowance accounts for amounts due from subsidiary companies is as follows:-

	Company	
	2019 $'000	2018 $'000
Movement in allowance accounts:-		
As at beginning of year	**13,331**	30,422
Written off	**(90)**	(1,340)
Written back	**–**	(16,230)
Foreign currency translation adjustments	**(166)**	479
As at end of year	**13,075**	13,331

18. Trade receivables

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Trade receivables	**2,024,819**	2,148,087	**989,332**	1,307,349
Indirect tax receivables	**291,700**	287,081	**2,095**	609
	2,316,519	2,435,168	**991,427**	1,307,958

Trade receivables are non-interest bearing and are subject to trade terms of 30 to 60 days' terms. They are recognised at their original invoice amounts, which represent their fair values on initial recognition. Indirect tax receivables comprise goods and services, value-added taxes and other indirect forms of taxes.

Trade receivables denominated in currencies other than functional currencies of Group companies are as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Euro	**280,771**	220,732	**233,837**	181,417
United States Dollar	**160,076**	186,022	**–**	–
Great Britain Pounds	**66,094**	30,919	**56,000**	14,416

Trade receivables include amounts due from associates of $16,099,000 (2018: $13,944,000), and due from joint ventures of $975,000 (2018: $13,136,000).

The expected credit loss provision as at 31 December 2019 is determined as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Trade receivables measured at amortised cost	**2,114,434**	2,247,884	**1,043,169**	1,369,573
Less: Lifetime expected credit loss for trade receivables	**(89,615)**	(99,797)	**(53,837)**	(62,224)
Total trade receivables measured at amortised cost	**2,024,819**	2,148,087	**989,332**	1,307,349
Movement in allowance accounts:-				
As at beginning of year	**99,797**	81,211	**62,224**	50,228
Charge for the year	**7,190**	27,087	**–**	12,141
Written off	**(6,789)**	(4,392)	**–**	(1,241)
Written back	**(8,955)**	(4,155)	**(7,710)**	–
Foreign currency translation adjustments	**(1,628)**	46	**(677)**	1,096
As at end of year	**89,615**	99,797	**53,837**	62,224

Receivables that are past due but not impaired

The analysis of the Group and Company's ageing for receivables that are past due but not impaired is as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Trade receivables past due but not impaired:-				
Less than 30 days	**697,839**	488,334	**191,326**	187,402
30 to 60 days	**201,625**	232,124	**44,062**	14,451
61 to 90 days	**54,994**	78,597	**14,318**	32,042
91 to 120 days	**31,125**	27,802	**4,447**	12,427
121 to 180 days	**13,342**	20,714	**3,882**	3,679
More than 180 days	**40,666**	42,296	**4,749**	8,688

19. Margin accounts with brokers

Margin accounts are maintained with recognised futures dealers and brokers for trades done on the futures exchanges. These margin accounts move in relation to trades done on futures, variation margins required and prices of the commodities traded.

These amounts reflect the payments made to futures dealers as initial and variation margins depending on the volume of trades done and price movements.

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Margin deposits with brokers	**335,282**	260,704	**237,199**	212,756
Amounts due to brokers	**(348,243)**	(381,721)	**(348,117)**	(381,255)
	(12,961)	(121,017)	**(110,918)**	(168,499)

20. Inventories

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Balance sheets:				
Commodity inventories at fair value	**5,196,333**	4,318,954	**1,905,995**	1,438,660
Commodity inventories at the lower of cost and net realisable value	**2,015,132**	2,149,203	**79,026**	169,565
	7,211,465	6,468,157	**1,985,021**	1,608,225
Profit and loss account:				
Inventories recognised as an expense in cost of goods sold inclusive of the following (charge)/credit	**(27,340,735)**	(24,951,944)	**(23,833,685)**	(21,639,076)
• Inventories written down	**(79,752)**	(49,410)	**(27,183)**	(19,877)
• Reversal of write-down of inventories [1]	**39,481**	51,675	**20,036**	25,071

1. The reversal of write-down of inventories is made when the related inventories are sold above their carrying amounts.

21. Advance payments to suppliers/subsidiary companies

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Third parties	**563,537**	805,472	**92,669**	44,457
Subsidiary companies	**–**	–	**358,804**	1,816,605
	563,537	805,472	**451,473**	1,861,062

These represent advance payments to suppliers and subsidiary companies for procurement of physical commodities.

Advance payments to suppliers and subsidiary companies denominated in currencies other than functional currencies of Group companies are as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
United States Dollar	**20,422**	19,616	**–**	–
Euro	**22,444**	10,550	**741,412**	917,787
Great Britain Pounds	**20**	186	**(65,505)**	(71,809)

21. Advance payments to suppliers/subsidiary companies continued

Advance payments to subsidiary companies are stated after deducting allowance for doubtful debts of $48,549,000 (2018: $42,655,000).

Advance payments to suppliers (third parties) for the Group and Company are stated after deducting allowance for doubtful debts of $11,715,000 and $886,000 (2018: $13,474,000 and $852,000) respectively.

The movement in the allowance accounts for advance payment to suppliers is as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Movement in allowance accounts:-				
As at beginning of year	**13,474**	11,423	**852**	769
Charge for the year	**7,284**	5,612	**45**	67
Written off	**(5,273)**	(1,252)	**–**	–
Written back	**(3,464)**	(1,537)	**–**	–
Foreign currency translation adjustments	**(306)**	(772)	**(11)**	16
As at end of year	**11,715**	13,474	**886**	852

22. Other current/non-current assets

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Current:				
Sundry receivables	**424,750**	253,076	**87,238**	21,264
Export incentives and subsidies receivable [1]	**118,814**	72,873	**–**	–
Amounts due from joint venture, associates and a shareholder related company [2]	**27,822**	3,373	**27,281**	1,275
Deposits	**38,578**	42,211	**1,845**	1,870
Option premium receivable	**867**	5,907	**867**	5,907
Staff advances [3]	**10,236**	9,941	**292**	161
Insurance receivables [4]	**33,244**	23,808	**29,935**	8,077
Short-term investment	**4,219**	6,056	**–**	–
	658,530	417,245	**147,458**	38,554
Prepayments [5]	**343,171**	377,291	**166,145**	167,414
Advance corporate tax paid	**126,621**	80,325	**–**	–
Taxes recoverable	**1,421**	3,911	**–**	–
	1,129,743	878,772	**313,603**	205,968
Non-current:				
Other non-current assets	**44,956**	27,786	**2,019**	–

1. These relate to incentives and subsidies receivable from the Government agencies of various countries for export of agricultural products. There are no unfulfilled conditions or contingencies attached to these incentives and subsidies.
2. Amounts due from joint venture, associates and a shareholder related company are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.
3. Staff advances are interest-free, unsecured, repayable within the next 12 months and are to be settled in cash.
4. Insurance receivables pertain to pending marine and inventories insurance claims. The outstanding claims are currently being processed by the insurance companies for final settlement.
5. Prepayments mainly pertain to prepaid shipping and logistics related expenses incurred for sourcing, processing, packaging and merchandising of agricultural products and inputs.

23. Trade payables and accruals

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Trade payables	**3,198,701**	3,017,911	**1,948,054**	2,211,402
Accruals	**630,400**	517,459	**217,530**	138,383
Advances received from customers	**102,133**	56,986	**1,333**	–
GST payable and equivalent	**52,251**	41,504	**7,646**	2,650
	3,983,485	3,633,860	**2,174,563**	2,352,435

Trade payables are non-interest bearing. Trade payables are subject to trade terms of 30 to 60 days' terms while other payables have an average term of two months.

Trade payables and accruals denominated in currencies other than functional currencies of Group companies are as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Euro	**621,198**	431,343	**579,482**	424,226
Great Britain Pounds	**205,262**	163,250	**204,288**	150,181
Australian Dollar	**58,684**	179,846	**58,684**	179,846
United States Dollar	**39,108**	98,010	**–**	–

Trade payables include amounts of $35,059,000 (2018: $33,560,000) and $1,048,000 (2018: $5,218,000) due to an associate and a joint venture respectively.

Accruals mainly relate to operating costs such as logistics, insurance premiums and employee benefits.

24. Other current/non-current liabilities

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Current:				
Interest payable on bank loans	**69,761**	87,604	**55,939**	74,814
Sundry payables	**496,480**	332,664	**17,050**	3,215
Option premium payable	**15,226**	19,587	**15,225**	19,587
Amount due to joint ventures [1]	**658**	6,210	**–**	2,387
	582,125	446,065	**88,214**	100,003
Withholding tax payable	**14,811**	10,334	**–**	–
	596,936	456,399	**88,214**	100,003
Non-current:				
Other non-current liabilities	**17,695**	–	**–**	–

1. Amount due to joint ventures are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.

25. Borrowings and lease liabilities

Borrowings

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Current:				
Bank overdrafts (Note 34)	**198,826**	84,161	**–**	–
Bank loans	**3,813,276**	2,220,091	**995,966**	1,064,933
Term loans from banks	**1,610,472**	1,712,692	**1,548,704**	1,077,057
Medium-term notes	**717,798**	749,467	**717,798**	749,467
Other bonds	**335,086**	–	**335,085**	–
	6,675,458	4,766,411	**3,597,553**	2,891,457
Non-current:				
Term loans from banks	**2,773,071**	2,848,187	**1,212,313**	1,525,075
Medium-term notes	**2,630,352**	3,220,467	**1,869,917**	2,613,976
Other bonds	**–**	339,064	**–**	339,064
	5,403,423	6,407,718	**3,082,230**	4,478,115
Total borrowings	**12,078,881**	11,174,129	**6,679,783**	7,369,572
Lease liabilities – Current	**82,032**	10,710	**18,513**	–
Lease liabilities – Non-current	**435,068**	83,396	**35,308**	–
Total lease liabilities	**517,100**	94,106	**53,821**	–
Total borrowings and lease liabilities	**12,595,981**	11,268,235	**6,733,604**	7,369,572

Borrowings denominated in currencies other than functional currencies of Group companies are as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Japanese Yen	**1,068,238**	1,053,187	**388,765**	378,941
Singapore Dollar	**484,046**	1,233,174	**484,046**	1,233,174
United States Dollar	**293,648**	296,746	**–**	–
Australian Dollar	**170,052**	189,023	**170,052**	189,023
Euro	**20,408**	32,267	**–**	–
Chinese Yuan	**–**	204,319	**–**	204,319

Bank overdrafts and bank loans

The bank loans to the Company are repayable within 12 months and bear interest of 2.39% to 2.44% (2018: 2.74% to 2.85%) per annum.

The bank loans and bank overdrafts of the subsidiary companies are repayable within 12 months and bear interest in a range from 0.90% to 27.00% (2018: 0.70% to 27.00%) per annum.

Bank loans include an amount of $78,086,000 (2018: $74,627,000) secured by the assets of subsidiaries. The remaining amounts of bank loans are unsecured.

Term loans from banks

Term loans from banks to the Company bear interest at floating interest rates ranging from 2.54% to 3.48% (2018: 3.16% to 4.16%) per annum. Term loans to the Company are unsecured and are repayable within five years.

Term loans from banks to the subsidiary companies bear interest at floating interest rates ranging from 2.09% to 10.00% (2018: 0.91% to 12.00%) per annum. Term loans from banks to the subsidiary companies are repayable between one to nine years (2018: two to ten years).

Term loans from banks include an amount of $107,587,000 (2018: $88,632,000) secured by the assets of subsidiaries. The remaining amounts of term loans from banks are unsecured.

25. Borrowings and lease liabilities continued

Medium-term notes

The Company has a US$5,000,000,000 Euro medium-term notes ('EMTN') programme. The drawdowns from the EMTN is unsecured. The EMTN are as follows:-

		Group		Company	
	Maturity	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Current:					
Euro medium-term note programme:					
• 4.25% fixed rate notes	2019	**–**	399,670	**–**	399,670
• 5.80% fixed rate notes	2019	**–**	349,797	**–**	349,797
• 4.50% fixed rate notes	2020	**403,673**	–	**403,673**	–
• 4.875% fixed rate notes	2020	**170,052**	–	**170,052**	–
• 1.375% fixed rate notes	2020	**76,782**	–	**76,782**	–
• 4.00% fixed rate notes	2020	**67,291**	–	**67,291**	–
		717,798	749,467	**717,798**	749,467
Non-current:					
Euro medium-term note programme:					
• 4.50% fixed rate notes	2020	**–**	407,770	**–**	407,770
• 4.875% fixed rate notes	2020	**–**	189,022	**–**	189,022
• 1.375% fixed rate notes	2020	**–**	69,716	**–**	69,716
• 4.00% fixed rate notes	2020	**–**	68,073	**–**	68,073
• 6.00% fixed rate notes	2022	**484,046**	483,707	**484,046**	483,707
• 4.50% fixed rate notes	2021	**605,562**	613,137	**605,562**	613,137
• 1.427% fixed rate notes	2021	**67,988**	68,600	**67,988**	68,600
• 0.47% fixed rate notes	2022	**70,557**	69,248	**70,557**	69,248
• 0.9725% fixed rate notes	2022	**74,300**	73,562	**74,300**	73,562
• 3.65% fixed rate notes	2022	**67,241**	68,073	**67,241**	68,073
• 0.9825% fixed rate notes	2022	**99,136**	97,812	**99,136**	97,812
• 4.375% fixed rate notes	2023	**401,087**	405,256	**401,087**	405,256
Other medium-term notes:					
• 3.90% fixed rate notes	2022	**235,534**	238,508	**–**	–
• 3.73% fixed rate notes	2022	**228,803**	231,693	**–**	–
• 4.35% fixed rate notes	2023	**134,590**	136,290	**–**	–
• 3.89% fixed rate notes	2024	**161,508**	–	**–**	–
		2,630,352	3,220,467	**1,869,917**	2,613,976

Other bonds

	Group and Company	
	2019 $'000	2018 $'000
Current:		
7.50% unsecured senior bonds [1]	**335,086**	–
Non-current:		
7.50% unsecured senior bonds [1]	**–**	339,064

1. On 7 August 2010, the Company issued 7.50% interest bearing unsecured senior bonds of US$250,000,000 due in 2020. The interest is payable semi-annually. On 9 July 2014, the Company repurchased US$917,000 of the senior bonds. Upon settlement, the repurchased portion was cancelled and the aggregate outstanding principal amount following such cancellation is US$249,083,000.

25. Borrowings and lease liabilities continued

Lease liabilities

Reconciliation of operating lease commitments as at 31 December 2018 to lease liabilities recognised as at 1 January 2019 upon adoption of SFRS(I) 16 Leases is as follows:-

	Group 1 January 2019 $'000	Company 1 January 2019 $'000
Operating lease commitments as at 31 December 2018 as previously disclosed	**964,935**	**63,369**
Discounted using the weighted average incremental borrowing rate (7.17%) as at 1 January 2019	**659,893**	**61,862**
Recognition exemptions:		
Short term leases	**(46,742)**	**(29,297)**
Leases of low value	**(159)**	**–**
Leases commencing after 1 January 2019	**(7,193)**	**–**
Effects of adoption of SFRS(I) 16	**605,799**	**32,565**
Add: Finance lease liabilities recognised as at 31 December 2018	**94,106**	**–**
Lease liabilities upon adoption of SFRS(I) 16 (Note 2.2)	**699,905**	**32,565**

	Group 2019 $'000	Company 2019 $'000
As at 1 January (Note 2.2)	**699,905**	**32,565**
(Derecognition)/additions, net	**(96,245)**	**35,600**
Accretion of interest (Note 8)	**28,380**	**1,025**
Payments	**(105,040)**	**(14,684)**
Foreign currency translation adjustment	**(9,900)**	**(685)**
As at 31 December	**517,100**	**53,821**
Current	**82,032**	**18,513**
Non-current	**435,068**	**35,308**

Leases amounting to $20,245,000 (2018: $12,127,000) are guaranteed by a subsidiary company.

Lease liabilities bear interest ranging from 1.60% to 10.60% (2018: 3.49% to 9.50%) per annum and are repayable between 1 and 41 years (2018: 1 and 20 years).

Change in liabilities arising from financing activities

A reconciliation of liabilities arising from financing activities is as follows:-

	Group						
	2018 $'000	Cash flows $'000	Non-cash changes				2019 $'000
			Adoption of SFRS(I) 16 on 1 January 2019 $'000	Net movement in lease liabilities $'000	Acquisition of subsidiary (Note 12) $'000	Foreign exchange movement $'000	
Bank borrowings (excluding bank overdrafts and lease liabilities)	6,780,970	**1,460,535**	**–**	**–**	**155,081**	**(199,767)**	**8,196,819**
Lease liabilities	94,106	**(79,521)**	**605,799**	**(108,229)**	**14,845**	**(9,900)**	**517,100**
Medium-term notes	3,969,934	**(583,405)**	**–**	**–**	**–**	**(38,379)**	**3,348,150**
Other bonds	339,064	**–**	**–**	**–**	**–**	**(3,978)**	**335,086**

26. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the year.

Diluted earnings per share is calculated by dividing the adjusted net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the year adjusted for the effects of dilutive shares and options.

The following reflects the profit and share data used in the basic and diluted earnings per share computations for the financial years ended 31 December:-

	Group	
	2019 $'000	2018 $'000
Net profit attributable to owners of the Company	**564,157**	347,870
Less: Accrued capital securities distribution	**(55,054)**	(55,482)
Adjusted net profit attributable to owners of the Company for basic and dilutive earnings per share	**509,103**	292,388
	No. of shares	No. of shares
Weighted average number of ordinary shares on issue applicable to basic earnings per share	**3,186,355,548**	3,178,664,663
Dilutive effect of share options	**1,021,998**	2,458,849
Dilutive effect of performance share plan	**37,425,900**	39,009,951
Dilutive effect of warrants	**–**	669,719
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	**3,224,803,446**	3,220,803,182

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and the date of these financial statements.

27. Share capital, treasury shares, perpetual capital securities and warrants

(a) Share capital

	Group and Company			
	31 December 2019		31 December 2018	
	No. of shares	**$'000**	No. of shares	$'000
Ordinary shares issued and fully paid [1]				
Balance at beginning of year	**3,271,018,657**	**3,748,994**	3,221,044,910	3,674,206
Issue of shares on exercise of warrants	**–**	**–**	49,973,747	71,782
Issue of shares on exercise of share options	**–**	**–**	–	3,006
Balance at end of year	**3,271,018,657**	**3,748,994**	3,271,018,657	3,748,994

1. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	31 December 2019		31 December 2018	
	No. of shares	**$'000**	No. of shares	$'000
Ordinary shares issued and fully paid [1]				
Balance at beginning of year	**88,589,323**	**166,280**	99,533,600	187,276
Use of treasury shares for share awards/options [2]	**(8,142,544)**	**(15,747)**	(12,564,277)	(23,632)
Share buyback during the year	**4,255,100**	**8,274**	1,620,000	2,636
Balance at end of year	**84,701,879**	**158,807**	88,589,323	166,280

1. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.
2. The Company used 8,142,544 treasury shares during the current financial period towards the release of the performance share awards and restricted share awards.

(c) Capital securities

US$500,000,000 5.35% Perpetual Capital Securities

On 20 July 2016, the Company issued subordinated perpetual capital securities (the 'capital securities') with an aggregate principal amount of US$500,000,000 under the US$5,000,000,000 EMTN Programme. Issuance costs incurred amounting to $6,126,000 were recognised in equity as a deduction from proceeds.

The capital securities were priced at par and bear a distribution rate of 5.35% for the first five years. The distribution rate will then be reset at the end of five years from the issue date of the capital securities and each date falling every 5 years thereafter. Additionally, Olam may choose to redeem in whole the capital securities on or after the fifth anniversary of the issuance of the capital securities.

Combined S$350,000,000 5.50% Perpetual Capital Securities

On 11 July 2017 and 4 August 2017, the Company issued subordinated perpetual capital securities (the 'capital securities') with an aggregate combined principal amount of S$350,000,000 (S$300,000,000 and S$50,000,000 respectively) under the US$5,000,000,000 EMTN Programme. Issuance costs incurred amounting to $2,273,000 were recognised in equity as a deduction from proceeds.

The capital securities were priced at par and bear a distribution rate of 5.50% for the first five years. The distribution rate will then be reset at the end of five years from the issue date of the capital securities and each date falling every 5 years thereafter. Additionally, Olam may choose to redeem in whole the capital securities on or after the fifth anniversary of the issuance of the capital securities.

(d) Warrants

On 29 January 2013, 387,365,079 Warrants were listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited. Each Warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company (the 'New Share') at an original exercise price of US$1.291 for each New Share. These Warrants were exercisable from 29 January 2016 to 29 January 2018. The Warrants have been presented as capital reserves under equity.

As at 29 January 2018, a total of 49,973,747 Warrants were exercised at a price of US$1.09 and new ordinary shares were issued. Post 29 January 2018, all remaining subscription rights under the Warrants which have not been exercised have lapsed and ceased to be valid.

There are no such warrants exercised in current financial year.

28. Dividends

	Group and Company	
	2019 $'000	2018 $'000
Declared and paid during the financial year ended:-		
Dividends on ordinary shares:		
• One tier tax exempted interim dividend for financial year ended 31 December 2019: $0.035 (2018: $0.035) per share	**110,427**	111,061
• One tier tax exempted second and final dividend for financial year ended 31 December 2018: $0.040 (2017: $0.040) per share	**128,179**	126,667
	238,606	237,728
Proposed but not recognised as a liability as at:-		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
• One tier tax exempted second and final dividend for financial year ended 31 December 2019: $0.045 (2018: $0.040) per share	**143,384**	127,297

29. Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:-

	Group	
	2019 $'000	2018 $'000
Capital commitments in respect of property, plant and equipment	**82,253**	71,214

30. Contingent liabilities

	Company	
	2019 $'000	2018 $'000
Contingent liabilities not provided for in the accounts:		
Financial guarantee contracts given on behalf of subsidiary companies that were drawn-down at 31 December [1]	**16,576,483**	15,259,742

1. Amounts utilised by subsidiary companies on the bank facilities secured by corporate guarantees amounted to $2,111,311,000 (2018: $3,794,986,000).

The Company has agreed to provide continuing financial support to certain subsidiary companies.

31. Employee benefits expenses

Employee benefits expenses (including executive directors):-

	Group	
	2019 $'000	2018 $'000
Salaries and employee benefits	**841,682**	706,149
Central Provident Fund contributions and equivalents	**38,594**	32,067
Retrenchment benefits	**10,795**	1,012
Share-based expense (relates to OSGP only)	**23,687**	14,432
	914,758	753,660

(a) Employee share option scheme

The Olam Employee Share Option Scheme (the 'ESOS') was approved by shareholders at an Extraordinary General Meeting held on 4 January 2005. The ESOS rules were amended on 29 October 2008 at the Extraordinary General Meeting of the Company. Under the amended rules, the directors (including Non-Executive Directors and Independent Directors) and employees of the Group are eligible to participate in the ESOS and all subsequent options issued to the Group's employees and Executive Directors shall have a life of 10 years, instead of 5 years. For Options granted to the Company's Non-Executive Directors and Independent Directors, the Option Period shall be no longer than 5 years.

The shares issued upon the options being exercised carry full dividend and voting rights.

Controlling Shareholders and associates of Controlling Shareholders are not eligible to participate in the ESOS.

All these options have a contractual life of 10 years with no cash settlement alternatives.

The fair value of share options as at the date of grant, is estimated by the Company using the Black Scholes Model, taking into account the terms and conditions upon which the options are granted. The expected life of the option is based on the assumption that the options would be exercised within six months of the vesting date. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Pursuant to the voluntary conditional cash offer by Breedens International Pte Ltd approval was sought and granted on 8 April 2014 such that all outstanding options which have not been exercised at the expiry of the accelerated exercise period shall not automatically lapse and become null and void but will expire in accordance with their original terms.

The ESOS has expired on 3 January 2015. The terms of the ESOS continue to apply to outstanding options granted under the ESOS. The ESOS rules amended on 29 October 2008 may be read in the Appendix 1 of the Company's circular dated 13 October 2008.

31. Employee benefits expenses continued

(a) Employee share option scheme continued

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise price of, and movements in, share options during the financial year:-

	2019		2018	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	**68,952,000**	**2.20**	71,267,000	2.20
Forfeited during the year	**(31,685,000)**	**2.29**	(790,000)	2.38
Exercised during the year [1]	**–**	**–**	(1,525,000)	2.09
Outstanding at the end of the year [2]	**37,267,000**	**2.13**	68,952,000	2.20
Exercisable at end of year	**37,267,000**	**2.13**	68,952,000	2.20

1. No options were exercised in the current financial year. The weighted average share price when the options were exercised in the previous financial year was $2.09.
2. The range of exercise prices for options outstanding at the end of the financial year was $1.76 to $3.10 (2018: $1.76 to $3.10). The weighted average remaining contractual life for these options is 1.30 years (2018: 1.50 years).

(b) Olam Share Plans

Olam Share Grant Plan ('OSGP')

On 30 October 2014, the Company had adopted the new Share Grant Plan ('OSGP'). The OSGP is a share-based incentive plan which involves the award of fully-paid shares, when and after pre-determined performance or service conditions are accomplished. Any performance targets set under the OSGP are intended to be based on longer-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The actual number of shares to be delivered pursuant to the award granted will range from 0% to 192.5% and 200% of the base award and is contingent on the achievement of pre-determined targets set out in the three-year performance period and other terms and conditions being met.

The details of OSGP are described below:-

Olam Share Grant Plan ('OSGP') – Performance and Restricted Share Awards ('PSA' and 'RSA')

Plan Description	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives
Performance Conditions	• Absolute Total Shareholder Return ('TSR') • Relative Total Shareholder Return • Return on Equity ('ROE') • Profit after Tax and Minority Interest ('PATMI') Growth
Vesting Condition	Vesting based on meeting stated performance conditions over a three-year performance period
Payout	0% – 192.5% and 200% depending on the achievement of pre-set performance targets over the performance period.

31. Employee benefits expenses continued

(b) Olam Share Plans continued

Fair value of OSGP

The fair value of services received in return for shares awarded is measured by reference to the fair value of shares granted under the OSGP. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model, which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns. The inputs to the model used for the shares granted are shown below:-

Plan:	RSA and PSA	RSA and PSA	RSA and PSA	RSA and PSA	PSA
Grant date:	12 April 2019	12 April 2018	24 April 2017	15 April 2016	7 April 2015
Dividend yield (%)	4.387	2.507	2.333	2.753	2.87
Expected volatility (%)	21.023	22.015	22.035	22.747	7.82
Risk-free interest rate (%)	1.873	1.980	1.394	1.197	1.33
Expected term (years)	2.97	2.97	2.94	2.72	2.74
Index (for Relative TSR)	Not applicable	Not applicable	Not applicable	FTSE Straits Times Index	FTSE Straits Times Index
Index volatility (%)	Not applicable	Not applicable	Not applicable	14.081	7.82
Correlation with Index (%)	Not applicable	Not applicable	Not applicable	35.4	38.8
Share price at date of grant ($)	1.980	2.360	1.910	1.720	1.985
Fair value at date of grant - PSA ($)	1.844	2.221	1.594	1.400	1.848
Fair value at date of grant - RSA ($)	1.781	2.218	1.739	1.620	–

The number of contingent shares granted but not released for both PSA and RSA awards as at 31 December 2019 was 36,802,122 (2018: 37,601,452).

Based on the achievement factor, the actual release of the PSA awards could range from zero to maximum of 49,861,920 (2018: 52,957,796) fully-paid ordinary shares of the Company.

32. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; ii) it is subject to common control or common significant influence.

The following are the significant related party transactions entered into by the Group and Company in the ordinary course of business on terms agreed between the parties:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Subsidiary companies:				
• Sales of goods	**–**	–	**3,870,488**	3,112,460
• Sales of services, net	**–**	–	**113,691**	418,245
• Purchases	**–**	–	**16,338,577**	12,261,889
• Insurance premiums paid	**–**	–	**21,251**	17,961
• Commissions paid	**–**	–	**29,040**	48,237
• Interest received on loans, net	**–**	–	**117,549**	88,287
• Consultancy fee paid	**–**	–	**155,636**	81,333
• Management fee received	**–**	–	**63,287**	57,387
• Trademark income	**–**	–	**248,530**	449,502
• Dividend income	**–**	–	**–**	1,875,603
• Toll processing charges paid	**–**	–	**293,065**	565,347
• Warehouse rental paid	**–**	–	**–**	129
• Corporate guarantee received	**–**	–	**–**	21,889
Joint ventures:				
• Sales of goods	**116,770**	897	**115,441**	–
• Purchases	**–**	1,339	**–**	–
• Management fee received	**3,399**	402	**2,999**	–
• Dividend income	**1,091**	–	**1,091**	
• Interest received on loans	**284**	–	**284**	–
• Finance cost	**243**	–	**–**	–
• Toll processing fee paid	**841**	–	**–**	–
• Purchase of plant & machinery	**20**	–	**–**	–
Associates:				
• Sales of goods	**199,669**	133,217	**192,018**	130,324
• Purchases	**214,764**	271,449	**214,764**	271,449
• Finance income	**791**	17,415	**791**	17,415
• Dividend income	**30,593**	738	**30,593**	738
• Management fee received	**3,340**	2,799	**3,340**	2,799
• Director fees received	**–**	36	**–**	36
Shareholder related companies:				
• Sale of goods	**111**	44,958	**111**	427
• Finance cost	**–**	2	**–**	–

33. Compensation of directors and key management personnel

The remuneration of directors and key management personnel during the years is as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Directors' fees	**2,354**	1,855	**2,279**	1,780
Salaries and employee benefits	**20,503**	22,524	**16,071**	19,982
Central Provident Fund contributions and equivalents	**579**	406	**140**	117
Share-based expense	**5,228**	4,924	**4,317**	4,366
	28,664	29,709	**22,807**	26,245
Comprising amounts paid to:-				
Directors of the Company	**13,240**	14,049	**13,165**	13,974
Key management personnel	**15,424**	15,660	**9,642**	12,271
	28,664	29,709	**22,807**	26,245

Directors' interests in employee share benefit plans

At the end of the reporting date, the total number of outstanding options/shares that were issued/allocated to the directors and key management personnel under existing employee benefit schemes is given below:-

	2019 Options/shares	2018 Options/shares
Employee Share Option Scheme:		
Directors	**18,250,000**	20,000,000
Key management personnel	**6,900,000**	16,800,000
Olam Share Grant Plan:		
Directors	**3,585,247**	3,603,852
Key management personnel	**4,091,025**	4,795,800

34. Cash and short-term deposits

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Cash and bank balances	**2,310,648**	1,582,654	**1,114,958**	796,792
Deposits	**868,936**	897,720	**85,521**	94,587
	3,179,584	2,480,374	**1,200,479**	891,379

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.01% to 16.87% (2018: 0.01% to 20.90%) per annum.

Deposits include short-term and capital guaranteed deposits. Short-term deposits are made for varying periods between 1 and 90 days (2018: 1 and 90 days) depending on the immediate cash requirements of the Group, and interest earned at floating rates ranging from 0.25% to 17% (2018: 0.50% to 16%) per annum and may be withdrawn on demand.

Deposits include capital guaranteed, non-interest bearing, index-linked structured deposits of $3,842,000 (2018: $3,067,000) and may be withdrawn on demand.

Cash and bank balances and deposits denominated in currencies other than functional currencies of Group companies are as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Euro	**300,293**	367,485	**276,764**	265,825
United States Dollar	**75,766**	191,872	**–**	–
Great Britain Pounds	**97,021**	42,274	**96,082**	42,079
Singapore Dollar	**46,173**	17,604	**45,720**	16,558
Swiss Franc	**4,383**	13,725	**4,369**	13,703
Japanese Yen	**14,800**	11,808	**14,800**	11,802
Australian Dollar	**5,439**	4,773	**5,400**	4,772

34. **Cash and short-term deposits** continued

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:-

	Group	
	2019 $'000	2018 $'000
Cash and bank balances	**2,310,648**	1,582,654
Deposits	**868,936**	897,720
Structured deposits	**(3,842)**	(3,067)
Bank overdrafts (Note 25)	**(198,826)**	(84,161)
	2,976,916	2,393,146

Bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management.

35. Financial risk management policies and objectives

The Group and the Company are exposed to financial risks from its operations and the use of financial instruments. The Board of Directors and Board Risk Committee reviews and agrees on policies and procedures for the management of these risks, which are executed by the Chief Financial Officer and Head of Risk. The Board Risk Committee provides independent oversight to the effectiveness of the risk management process.

The Group's principal financial instruments, other than derivative financial instruments and investment in security, comprise bank loans, medium-term notes, term loans from banks, bonds, cash and bank balances, fixed deposits and bank overdrafts. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including interest rate swaps, commodity options, swaps and futures contracts and foreign currency forward contracts. The purpose is to manage the commodity price risk, foreign currency risk and interest rate risk arising from the Group's operations and its sources of financing.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

The main risks arising from the Group's financial instruments are commodity price risk, credit risk, foreign currency risk, liquidity risk and interest rate risk. The Board of Directors reviews and agrees on the policies for managing each of these risks and they are summarised below:-

(a) Commodity price risk

Commodities traded by the Group are subject to fluctuations due to a number of factors that result in price risk. The Group purchases and sells various derivative products, primarily exchange traded futures and options with the purpose of managing market exposure to adverse price movements in these commodities. The Group has established policies and exposure limits that restrict the amount of unhedged fixed price physical positions in each commodity.

The Group also enters into commodity derivatives for trading purposes. The Group's trading market risk appetite is determined by the Board of Directors, with detailed exposure limits recommended by the Executive Risk Committee and approved by the Board Risk Committee.

At balance sheet date, if the commodities price index increased by 1.0% with all other variables held constant, the Group's profit net of tax would have increased by $10,338,000 (2018: $16,851,000) given its net long commodity positions, arising as a result of fair value on Group's commodity futures, options contracts, physical sales and purchases commitments as well as the inventory held at balance sheet date.

35. Financial risk management policies and objectives continued

(b) Credit risk

Credit risk is limited to the risk arising from the inability of a customer to make payment when due. It is the Group's policy to provide credit terms only to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

For computation of impairment losses on financial assets, the Group uses a provision matrix as presented below:-

Balance Sheet	Expected credit loss
Trade receivables (Note 18)	
Loans to joint ventures and associates (Note 15)	
Other current assets – Sundry receivables, export incentives and subsidies receivable, deposits, staff advances, insurance receivables, amount due from joint venture, associates and a shareholder related company (Note 22)	Expected credit loss is calculated by applying the default sovereign risk rating of the counterparties' country of domicile based on external benchmarks
Amount due from subsidiary companies (Note 17)	

The carrying amounts of trade receivables, other non-current and current assets, margin accounts with brokers, cash and short-term deposits payments, including derivatives with positive fair value represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. Cash and bank balances and deposits are placed with reputable banks.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the operating segment profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:-

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
By operating segments:				
Edible nuts and spices	**238,596**	329,558	**44,805**	207,732
Confectionery and beverage ingredients	**544,598**	566,697	**206,076**	243,984
Industrial raw materials, infrastructure and logistics	**205,861**	213,564	**116,020**	158,761
Food staples and packaged food business	**1,035,764**	1,038,262	**622,431**	696,872
Commodity financial services	**–**	6	**–**	–
	2,024,819	2,148,087	**989,332**	1,307,349

The Group has no significant concentration of credit risk with any single customer.

35. Financial risk management policies and objectives continued

(c) Foreign currency risk

The Group trades its products globally and, as a result, is exposed to movements in foreign currency exchange rates. The primary purpose of the Group's foreign currency hedging activities is to protect against the volatility associated with foreign currency purchases and sales of raw materials and other assets and liabilities created in the normal course of business. The Group primarily utilises foreign currency forward exchange contracts and cross currency interest rate swap to hedge firm commitments.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD), Great Britain Pounds (GBP), Euro (EUR), Australian Dollar (AUD), Singapore Dollar (SGD) and Japanese Yen (YEN).

The following table demonstrates the sensitivity of the Group's profit net of tax and equity to a reasonably possible change in the USD, GBP, EUR, AUD, SGD and YEN exchange rates, with all other variables held constant.

	Group			
	2019		2018	
	Profit net of tax $'000	**Equity $'000**	Profit net of tax $'000	Equity $'000
	Increase/ (decrease)	**Increase/ (decrease)**	Increase/ (decrease)	Increase/ (decrease)
SGD – strengthened 0.5%	**(2,327)**	**3,159**	(5,892)	5,234
GBP – strengthened 0.5%	**(1,346)**	**(6,298)**	(1,371)	(4,212)
USD – strengthened 0.5%	**(305)**	**–**	(63)	–
AUD – strengthened 0.5%	**(253)**	**1,166**	(820)	3,012
EUR – strengthened 0.5%	**(390)**	**(7,671)**	378	(8,233)
YEN – strengthened 0.5%	**(2,378)**	**–**	(2,326)	–

35. Financial risk management policies and objectives continued

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations associated with its financial liabilities or due to shortage of funds.

To ensure continuity of funding, the Group primarily uses short-term bank facilities that are transaction-linked and self-liquidating in nature. The Group also has a multicurrency medium-term notes programme, as well as term loans from banks, to fund its ongoing working capital requirement and growth needs.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	2019 $'000				2018 $'000			
	One year or less	**One to five years**	**Over five years**	**Total**	One year or less	One to five years	Over five years	Total
Group								
Financial liabilities:								
Margin accounts with brokers (Note 19)	**12,961**	**–**	**–**	**12,961**	121,017	–	–	121,017
Trade payables and accruals (Note 23)	**3,829,101**	**–**	**–**	**3,829,101**	3,535,370	–	–	3,535,370
Other current liabilities (Note 24)	**512,364**	**–**	**–**	**512,364**	358,461	–	–	358,461
Other non-current liabilities	**–**	**17,695**	**–**	**17,695**	–	–	–	–
Borrowings	**6,977,281**	**5,660,225**	**82,733**	**12,720,239**	5,167,607	6,781,122	31,350	11,980,079
Lease liabilities	**99,705**	**309,296**	**277,346**	**686,347**	11,543	46,054	96,759	154,356
Derivative financial instruments (Note 35(f))	**1,162,135**	**–**	**–**	**1,162,135**	928,631	–	–	928,631
Total undiscounted financial liabilities	**12,593,547**	**5,987,216**	**360,079**	**18,940,842**	10,122,629	6,827,176	128,109	17,077,914
Company								
Financial liabilities:								
Margin accounts with brokers (Note 19)	**110,918**	**–**	**–**	**110,918**	168,499	–	–	168,499
Trade payables and accruals (Note 23)	**2,165,584**	**–**	**–**	**2,165,584**	2,349,785	–	–	2,349,785
Other current liabilities (Note 24)	**32,275**	**–**	**–**	**32,275**	25,189	–	–	25,189
Borrowings	**3,816,631**	**3,234,180**	**–**	**7,050,811**	3,205,998	4,793,310	–	7,999,308
Lease liabilities	**20,422**	**37,258**	**–**	**57,680**	–	–	–	–
Derivative financial instruments (Note 35(f))	**959,691**	**–**	**–**	**959,691**	688,823	–	–	688,823
Total undiscounted financial liabilities	**7,105,521**	**3,271,438**	**–**	**10,376,959**	6,438,294	4,793,310	–	11,231,604

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts drawn/undrawn are allocated to the earliest period in which the guarantee could be called.

	2019 $'000				2018 $'000			
	One year or less	**One to five years**	**Over five years**	**Total**	One year or less	One to five years	Over five years	Total
Company								
Financial guarantees	**2,111,311**	**–**	**–**	**2,111,311**	3,794,986	–	–	3,794,986

(e) Interest rate risk

The Company's and the Group's exposure to market risk for changes in interest rates relate primarily to its floating rate loans and borrowings. Interest rate risk is managed on an ongoing basis such as hedging the risk through interest rate derivatives with the primary objective of limiting the extent to which net interest exposure could be affected by adverse movements in interest rates. The details of the interest rates relating to the interest-earning financial assets and interest-bearing financial liabilities are disclosed in various notes to the financial statements.

At the balance sheet date, if interest rates had moved by 25 basis points with all other variables held constant, the Group's profit net of tax would have changed inversely by $23,169,000 (2018: $24,260,000).

35. Financial risk management policies and objectives continued

(f) Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage the Group's exposure to risks associated with foreign currency and commodity price. Certain derivatives are also used for trading purposes. The Group and Company have master netting arrangements with certain dealers and brokers to settle the net amount due to or from each other.

As at 31 December 2019, the settlement dates on open foreign exchange derivatives and commodity derivatives ranged between 1 and 24 months (2018: 1 and 24 months), except for power purchase agreement (10 years).

The Group's and Company's derivative financial instruments that are offset are as follows:-

	2019				2018			
	Fair value				Fair value			
	Group		Company		Group		Company	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Derivatives held for hedging:								
Foreign exchange contracts	**360,778**	**(354,224)**	**316,287**	**(337,803)**	260,197	(251,156)	213,363	(189,569)
Commodity contracts	**2,973,170**	**(2,323,287)**	**2,534,673**	**(2,105,938)**	3,200,199	(2,372,951)	2,711,387	(2,165,790)
Power purchase agreement	**–**	**(13,459)**	**–**	**–**	10,438	–	–	–
Cross currency interest rate swap	**29,668**	**(12,891)**	**8,025**	**(12,891)**	–	–	–	–
Interest rate swaps	**–**	**(2,762)**	**–**	**(2,762)**	–	(135)	–	(135)
Fair value hedge	**3,363,616**	**(2,706,623)**	**2,858,985**	**(2,459,394)**	3,470,834	(2,624,242)	2,924,750	(2,355,494)
Foreign exchange contracts – Cash flow hedge	**–**	**(1,951)**	**–**	**(1,951)**	4,965	–	4,965	–
Cross currency interest rate swap – Cash flow hedge	**5,597**	**–**	**–**	**–**	–	–	–	–
Interest rate swaps – Cash flow hedge	**18,821**	**(980)**	**11,105**	**(980)**	–	–	–	–
Cash flow hedge	**24,418**	**(2,931)**	**11,105**	**(2,931)**	4,965	–	4,965	–
Total derivatives held for hedging	**3,388,034**	**(2,709,554)**	**2,870,090**	**(2,462,325)**	3,475,799	(2,624,242)	2,929,715	(2,355,494)
Derivatives held for trading:								
Foreign exchange contracts	**22,342**	**(16,394)**	**22,342**	**(16,394)**	10,506	(6,765)	10,506	(6,765)
Commodity contracts	**48,755**	**(47,603)**	**48,755**	**(47,603)**	103,574	(52,460)	103,574	(52,460)
Total derivatives held for trading	**71,097**	**(63,997)**	**71,097**	**(63,997)**	114,080	(59,225)	114,080	(59,225)
Total derivatives, gross	**3,459,131**	**(2,773,551)**	**2,941,187**	**(2,526,322)**	3,589,879	(2,683,467)	3,043,795	(2,414,719)
Gross amounts offset in the balance sheet	**(1,611,416)**	**1,611,416**	**(1,566,631)**	**1,566,631**	(1,754,836)	1,754,836	(1,725,896)	1,725,896
Net amounts in the balance sheet	**1,847,715**	**(1,162,135)**	**1,374,556**	**(959,691)**	1,835,043	(928,631)	1,317,899	(688,823)

35. Financial risk management policies and objectives continued

(f) Derivative financial instruments and hedge accounting continued

The Group applies hedge accounting in accordance with SFRS(I) 9 for certain hedging relationships which qualify for hedge accounting. The effects of applying hedge accounting for expected future sales and purchases on the Group's balance sheet and profit or loss are as follows:-

		Group 2019		Group 2018	
	Line item in the Balance Sheets where the hedging instrument is reported:	**Assets $'000**	**Liabilities $'000**	Assets $'000	Liabilities $'000
Fair value hedge – Commodity contracts					
Hedged item:					
Inventories	Inventories	**1,613,278**	**–**	1,070,045	–
Sales and purchase contracts	Derivative assets/(liabilities)	**93,337**	**–**	190,151	–
Hedging instruments:					
Commodity contracts	Derivative assets/(liabilities)	**10,864**	**–**	5,328	(4,747)
Fair value hedge – Cross currency interest rate swap					
Hedged item:					
Forecasted transactions relating to borrowings denominated in foreign currency	Borrowings – Term loans and EMTN	**–**	**(847,012)**	–	–
Hedging instruments:					
Cross currency interest rate swap	Derivative assets/(liabilities)	**29,668**	**(12,891)**	–	–
Cash flow hedge – Foreign exchange contracts					
Hedged item:					
Forecasted transactions denominated in foreign currency	Fair value adjustment reserves	**–**	**(86,634)**	–	(72,544)
Hedging instruments:					
Foreign exchange contracts	Derivative assets/(liabilities)	**–**	**(1,951)**	4,965	–
Cash flow hedge – Cross currency interest rate swap					
Hedged item:					
Forecasted transactions relating to borrowings denominated in foreign currency	Fair value adjustment reserves	**–**	**(5,597)**	–	–
Hedging instruments:					
Cross currency interest rate swap	Derivative assets/(liabilities)	**5,597**	**–**	–	–
Cash flow hedge – Interest rate swap					
Hedged item:					
Forecasted transactions denominated in foreign currency	Fair value adjustment reserves	**–**	**(940)**	–	–
Hedging instruments:					
Interest rate swap	Derivative assets/(liabilities)	**18,821**	**(980)**	–	–

Fair value hedge – Commodity contracts

The Group is exposed to price risk on the purchase side due to increase in commodity prices, on the sales sides and inventory held to decrease in commodity prices. Therefore, the Group applies fair value hedge accounting to hedge its commodity prices embedded in its inventories, sales and purchase contracts and uses commodity derivatives to manage its exposure. The Group determines its hedge effectiveness based on the volume of both hedged item and hedging instruments.

For the relevant commodity derivatives used for above hedging accounting purposes, the forecasted transactions are expected to occur within 3 to 24 months (2018: 3 to 24 months). These commodity derivatives held for hedging accounting are used to hedge the commodity price risk related to inventories, sales and purchases contracts. The accumulated amount of fair value hedge adjustments included in the carrying amount of the inventories for the current financial year amounts to $241,895,000 (2018: $361,001,000).

Fair value hedge – Cross currency interest rate swaps

The Group entered into cross-currency interest rate swap contracts in order to hedge the currency and interest rate exposures of the (i) JPY Term Loans and (ii) AUD and JPY EMTNs issued under the EMTN programme of the Group. The hedge on the exposure linked to future interest payments on these EMTNs and term loans are booked at fair value through profit or loss as a fair value hedge. The hedge on currency and interest rate exposure are booked at fair value through profit and loss, and is recorded in "Other expenses" and "Finance costs" respectively in the profit and loss account. At 31 December 2019, the AUD cross-currency swap is effective until 2020 while the JPY cross currency swap is effective until 2020 and 2021 and is linked to the payment due date of the EMTNs or term loan. The critical terms of these swap contracts and their corresponding hedged items are matched, and the Group expects a highly effective hedging relationship with the swap contracts and the value of the corresponding hedged items to change systematically in opposite direction in response to movements in the underlying interest rate and exchange rates.

35. Financial risk management policies and objectives continued

(f) Derivative financial instruments and hedge accounting continued

Cash flow hedge – Foreign exchange contracts

For the relevant foreign exchange derivatives used for above hedging accounting purposes, the forecasted transactions are expected to occur within 24 months (2018: 24 months). The fair value of these derivatives recorded in the 'Other Comprehensive Income' are reclassified through the profit and loss account upon occurrence of the forecasted transactions and this amounts to $105,532,000 (2018: $2,474,000) for the current financial year. The net hedging gain recognised in the 'Other Comprehensive Income' in relation to such transactions amounts to $1,951,000 (2018: $4,965,000) in the current financial year.

Cash flow hedge – Cross currency interest rate swaps

The Group entered into cross-currency swap contracts in order to hedge the currency and interest rate exposures of two JPY term loans draw down by the Group. The hedge on the interest exposure linked to future interest payments on these term loans is booked at fair value through OCI as a cash flow hedge.

The hedge on currency exposure is booked at fair value through profit and loss, and is recorded in "Other expenses" in the profit and loss account. At 31 December 2019, the remaining cross-currency swap will expire in 2021 and 2023, which is the repayment date of the two JPY term loans. The critical terms of these swap contracts and their corresponding hedged items are matched, and the Group expects a highly effective hedging relationship with the swap contracts and the value of the corresponding hedged items to change systematically in opposite direction in response to movements in the underlying interest rate and exchange rates.

Cash flow hedge – Interest rate swaps

The Group entered into interest rate swap contracts to hedge against fluctuation in the international rates (LIBOR) on the floating rate exposure of its Structured Letter of Credit ("SLC"). All interest rate derivative financial instruments are in a cash flow hedge relationship resulting in changes in fair value are recognised in other comprehensive income. As at 31 December 2019, these hedges are effective until 2020 and 2021 with 1-month to 3-month LIBOR rate ranging from 1.5% to 3.0% per year.

36. Fair values of assets and liabilities

(a) Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Transfer into Level 3

During the financial year ended 31 December 2019, the fair value basis of the long-term investment in PureCircle (Note 16) was transferred from Level 1 to Level 3 of the fair value hierarchy. The carrying amount of the total financial assets transferred was $71,503,000. The long-term investment PureCircle is a quoted investment and prior to transfer, it was fair valued based on its own quoted closing share prices. This was no longer available as PureCircle shares were suspended for trading during the current financial year. Hence, the long-term investment has been valued using valuation model incorporating significant non market-observable inputs.

36. Fair values of assets and liabilities continued

(b) Fair value of assets and liabilities that are carried at fair value

The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:-

	Group 2019				Group 2018			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Recurring fair value measurements								
Financial assets:								
Long-term investment (Note 16)	–	–	71,503	71,503	135,777	–	–	135,777
Derivative financial instruments:-								
Commodity contracts	105,516	1,238,066	66,927	1,410,509	328,582	1,156,237	64,118	1,548,937
Foreign exchange contracts – fair value hedge	–	383,120	–	383,120	–	270,703	–	270,703
Foreign exchange contracts – cash flow hedge	–	–	–	–	–	4,965	–	4,965
Cross currency interest-rate swap – fair value hedge	–	29,668	–	29,668	–	–	–	–
Cross currency interest rate swap – cash flow hedge	–	5,597	–	5,597	–	–	–	–
Interest rate swap – cash flow hedge	–	18,821	–	18,821	–	–	–	–
Power purchase agreement	–	–	–	–	–	–	10,438	10,438
	105,516	1,675,272	138,430	1,919,218	464,359	1,431,905	74,556	1,970,820
Financial liabilities:								
Derivative financial instruments:-								
Commodity contracts	120,510	633,565	5,399	759,474	39,874	625,386	5,316	670,576
Foreign exchange contracts – fair value hedge	–	370,618	–	370,618	–	257,920	–	257,920
Foreign exchange contracts – cash flow hedge	–	1,951	–	1,951	–	–	–	–
Cross currency interest-rate swap – fair value hedge	–	12,891	–	12,891	–	–	–	–
Interest rate swap – cash flow hedge	–	980	–	980	–	–	–	–
Interest rate swaps	–	2,762	–	2,762	–	135	–	135
Power purchase agreement	–	–	13,459	13,459	–	–	–	–
	120,510	1,022,767	18,858	1,162,135	39,874	883,441	5,316	928,631
Non-financial assets:								
Biological assets (Note 13)	–	–	531,178	531,178	–	–	511,931	511,931
Inventories (Note 20)	–	4,969,977	226,356	5,196,333	–	4,027,034	291,920	4,318,954
	–	4,969,977	757,534	5,727,511	–	4,027,034	803,851	4,830,885

Determination of fair value

Long-term investment (Note 16) is fair valued based on adjusted enterprise valuation model using comparable companies price/book multiples as a basis in computing the fair value per share.

Foreign exchange contracts and interest rate swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Commodity contracts, inventories, interest rate swaps and cross currency interest rate swaps and power purchase agreement are valued based on the following:-

- Level 1 – Based on quoted closing prices at the balance sheet date;
- Level 2 – Valued using valuation techniques with market observable inputs. The models incorporate various inputs including the broker quotes for similar transactions, credit quality of counter-parties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodities; and
- Level 3 – Valued using inputs that are not based on observable inputs such as historical transacted prices and estimates.

The fair value of biological assets has been determined through various methods and assumptions. Please refer to Note 13 for more details.

36. Fair values of assets and liabilities continued

(c) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The significant unobservable inputs used in the valuation of biological assets are disclosed in Note 13.

The following table shows the information about fair value measurements of other assets and liabilities using significant unobservable inputs (Level 3):-

Recurring fair value measurements	Valuation techniques	Unobservable inputs	Percentage
Financial assets/liabilities:			
Long-term investment	Comparable market approach	Price/book multiples	0.5% (2018: Not applicable as fair value at Level 1)
Commodity contracts	Comparable market approach	Premium on quality per metric tonne	0% to 31% (2018: 0% to 35%)
Commodity contracts	Comparable market approach	Discount on quality per metric tonne	0% to 16% (2018: 0% to 37%)
Power purchase agreement	Discounted Cash Flow	Electricity Pricing per megawatt hour	0% to 14% (2018: 0% to 8%)
Non-financial assets:			
Inventories	Comparable market approach	Premium on quality per metric tonne	0% to 25% (2018: 0% to 29%)
Inventories	Comparable market approach	Discount on quality per metric tonne	0% to 25% (2018: 0% to 29%)

Impact of changes to key assumptions on fair value of Level 3 financial instruments

The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	2019			2018		
		Effect of reasonably possible alternative assumptions			Effect of reasonably possible alternative assumptions	
	Carrying amount $'000	Profit/(loss) $'000	Other comprehensive income $'000	Carrying amount $'000	Profit/(loss) $'000	Other comprehensive income $'000
Recurring fair value measurements						
Financial assets:						
Long-term investment – increased by 0.5%	71,503	–	358	–	–	–
Long-term investment – decreased by 0.5%	71,503	–	(358)	–	–	–
Commodity contracts	66,927	(717)	–	64,118	(1,377)	–
Financial liabilities:						
Commodity contracts	(5,399)	177	–	(5,316)	603	–
Power purchase agreement	(13,459)	(505)	–	10,438	355	–
Non-financial assets:						
Biological assets – increased by 0.5%	531,178	(2,317)	–	511,931	(2,184)	–
Biological assets – decreased by 0.5%	531,178	2,331	–	511,931	2,195	–
Inventories	226,356	(6,913)	–	291,920	2,897	–

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the following key unobservable inputs used in the fair value measurement:-

- For long-term investment, the Group adjusted the share price of the valuation model by 0.5%.
- For certain commodity contracts and inventories, the Group adjusted the market prices of the valuation model by 1%.
- For biological assets, the Group adjusted the key assumptions (discount rate/pricing) applied to fair values by 0.5%.

36. Fair values of assets and liabilities continued

(c) Level 3 fair value measurements continued

(ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value, except for biological assets (Note 13), based on significant unobservable inputs (Level 3):-

	Commodity contracts – assets $'000	Commodity contracts – liabilities $'000	Power purchase agreement – assets $'000	Inventories $'000	Long-term investment $'000
At 1 January 2018	70,579	(1,662)	13,801	389,687	–
Total gain/(loss) for the year					
• Included in profit or loss	(6,461)	(3,654)	(3,363)	33,167	–
Purchases and sales, net	–	–	–	(130,934)	–
At 31 December 2018 and 1 January 2019	**64,118**	**(5,316)**	**10,438**	**291,920**	**–**
Transfer into Level 3	**–**	**–**	**–**	**–**	**135,777**
Total gain/(loss) for the year					
• Included in profit or loss	**2,809**	**(83)**	**(23,897)**	**(13,164)**	**–**
• Included in other comprehensive income	**–**	**–**	**–**	**–**	**(64,274)**
Purchases and sales, net	**–**	**–**	**–**	**(52,400)**	**–**
At 31 December 2019	**66,927**	**(5,399)**	**(13,459)**	**226,356**	**71,503**

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

(i) Cash and short-term deposits, trade receivables, other current assets, margin accounts with brokers, amounts due from subsidiary companies, trade payables and accruals, other current liabilities and bank overdrafts.

The fair values of these financial instruments approximate their carrying amounts at the balance sheet date because of their short-term maturity.

(ii) Loans to joint ventures, bank loans and term loans from banks

The carrying amount of loans to joint ventures, bank loans and term loans from banks are an approximation of fair values as they are subjected to frequent repricing (floating rates) and/or because of their short-term maturity.

36. Fair values of assets and liabilities continued

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

(i) Loans to subsidiary companies

Loans to subsidiary companies are repayable only when the cash flow of the entities permits. Accordingly, the fair value of these amounts is not determinable as the timing of the future cash flow arising from these balances cannot be estimated reliably.

(ii) Medium-term notes and other bonds

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:-

	Group		Company	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
31 December 2019				
Financial liabilities:				
Medium-term notes	**3,348,150**	**3,411,532**	**2,587,715**	**2,651,099**
Other bonds	**335,086**	**344,031**	**335,086**	**344,031**
31 December 2018				
Financial liabilities:				
Medium-term notes	3,969,934	3,973,148	3,363,443	3,366,658
Other bonds	339,064	353,309	339,064	353,309

The fair value of medium-term notes and all bonds is determined directly by reference to their published market bid price (Level 1) or valued using valuation techniques with market observable inputs (Level 2), where relevant at the end of the respective financial years.

37. Capital management

The Group manages the capital structure by a balanced mix of debt and equity. Necessary adjustments are made in the capital structure considering the factors vis-a-vis the changes in the general economic conditions, available options of financing and the impact of the same on the liquidity position. Higher leverage is used for funding more liquid working capital needs and conservative leverage is used for long-term capital investments. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2019.

The Group calculates the level of debt capital required to finance the working capital requirements using leverage/gearing ratio and the Group's policy is to maintain the leverage ratio within 2 times.

As at balance sheet date, leverage ratios are as follows:-

	Group	
	2019	2018
Gross debt to equity:		
• Before fair value adjustment reserve	1.84 times	1.69 times
Net debt to equity:		
• Before fair value adjustment reserve	1.38 times	1.32 times

The Group assesses the level of debt capital used to finance capital investment in respect of the projected risk and returns of these investments using a number of traditional and modified investment and analytical models including discounted cash flows. It also assesses the use of debt capital to fund such investments relative to the impact on the Group's overall debt capital position and capital structure.

In order to manage its capital structure, the Group may issue debt of either a fixed or floating nature, arrange credit facilities, issue medium-term notes, issue new shares or convertible bonds and adjust dividend payments.

38. Classification of financial assets and financial liabilities

	Group 2019			Group 2018		
	Amortised cost $'000	**Fair value through Other Comprehensive Income $'000**	**Fair value through Profit or Loss $'000**	Amortised cost $'000	Fair value through Other Comprehensive Income $'000	Fair value through Profit or Loss $'000
Financial assets:						
Loans to joint ventures (Note 15(a))	**35,666**	**–**	**–**	40,720	–	–
Loans to associates (Note 15(b))	**18,447**	**–**	**–**	18,965	–	–
Long-term investment (Note 16)	**–**	**71,503**	**–**	–	135,777	–
Trade receivables (Note 18)	**2,024,819**	**–**	**–**	2,148,087	–	–
Other current assets (Note 22)	**658,530**	**–**	**–**	417,245	–	–
Cash and short-term deposits (Note 34)	**3,179,584**	**–**	**–**	2,480,374	–	–
Derivative financial instruments (Note 35(f))	**–**	**24,418**	**1,823,297**	–	4,965	1,830,078
Other non-current assets (Note 22)	**44,956**	**–**	**–**	27,786	–	–
	5,962,002	**95,921**	**1,823,297**	5,133,177	140,742	1,830,078
Financial liabilities:						
Trade payables and accruals (Note 23)	**3,829,101**	**–**	**–**	3,535,370	–	–
Margin accounts with brokers (Note 19)	**12,961**	**–**	**–**	121,017	–	–
Other current liabilities (Note 24)	**582,125**	**–**	**–**	446,065	–	–
Other non-current liabilities (Note 24)	**17,695**	**–**	**–**	–	–	–
Borrowings (Note 25)	**12,078,881**	**–**	**–**	11,174,129	–	–
Lease liabilities (Note 25)	**517,100**	**–**	**–**	94,106	–	–
Derivative financial instruments (Note 35(f))	**–**	**2,931**	**1,159,204**	–	–	928,631
	17,037,863	**2,931**	**1,159,204**	15,370,687	–	923,631

	Company 2019			Company 2018		
	Amortised cost $'000	**Fair value through Other Comprehensive Income $'000**	**Fair value through Profit or Loss $'000**	Amortised cost $'000	Fair value through Other Comprehensive Income $'000	Fair value through Profit or Loss $'000
Financial assets:						
Loans to joint ventures (Note 15(a))	**35,666**	**–**	**–**	40,720	–	–
Long-term investment (Note 16)	**–**	**71,503**	**–**	–	135,777	–
Amounts due from subsidiary companies (Note 17)	**2,435,290**	**–**	**–**	3,988,713	–	–
Trade receivables (Note 18)	**989,332**	**–**	**–**	1,307,349	–	–
Other current assets (Note 22)	**147,458**	**–**	**–**	38,554	–	–
Cash and short-term deposits (Note 34)	**1,200,479**	**–**	**–**	891,379	–	–
Derivative financial instruments (Note 35(f))	**–**	**11,105**	**1,363,451**	–	4,965	1,312,934
Other non-current assets (Note 22)	**2,019**	**–**	**–**	–	–	–
	4,810,244	**82,608**	**1,363,451**	6,266,715	140,742	1,312,934
Financial liabilities:						
Trade payables and accruals (Note 23)	**2,165,584**	**–**	**–**	2,349,785	–	–
Margin accounts with brokers (Note 19)	**110,918**	**–**	**–**	168,499	–	–
Other current liabilities (Note 24)	**88,214**	**–**	**–**	100,003	–	–
Borrowings (Note 25)	**6,679,783**	**–**	**–**	7,369,572	–	–
Lease liabilities (Note 25)	**53,821**	**–**	**–**	–	–	–
Derivative financial instruments (Note 35(f))	**–**	**2,931**	**956,760**	–	–	688,823
	9,098,320	**2,931**	**956,760**	9,987,859	–	688,823

39. Segmental information

The Group's businesses are organised and managed as five broad segments grouped in relation to different types and nature of products traded. The Group's supply chain activities of sourcing, processing and merchandising span across a broad range of agricultural products.

The segmentation of products has been done in the following manner:-

- Edible Nuts and Spices – Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts, sesame and beans including pulses, lentils and peas), spices and vegetable ingredients (including pepper, onion, garlic, capsicums and tomato).
- Confectionery and Beverage Ingredients – cocoa and coffee.
- Industrial Raw Materials, Infrastructure and Logistics – cotton, wood products, rubber, fertiliser and Gabon Special Economic Zone (GSEZ including ports and infrastructure).
- Food Staples and Packaged Foods – rice, sugar and sweeteners, grains and animal feed, edible oils, dairy and packaged foods.
- Commodity Financial Services – risk management solutions, market-making, volatility and asset management, and trade and structured finance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate cash, fixed deposits, other receivables and corporate liabilities such as taxation and borrowings. Assets which are unallocated are common and shared by segments and thus it is not practical to allocate them.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The measure used by management to evaluate segment performance is different from the operating profit or loss in the consolidated financial statements, as explained in the table in Note 39(a).

Group financing (including finance cost), which is managed on group basis, and income tax which is evaluated on group basis are not allocated to operating segments.

The turnover by geographical segments is based on the location of customers regardless of where the goods are produced. The assets and capital expenditure are attributed to the location of those assets.

39. Segmental information continued

(a) Business segments

	Edible Nuts and Spices		Confectionery and Beverage Ingredients		Industrial Raw Materials, Infrastructure and Logistics		Food Staples and Packaged Foods		Commodity Financial Services		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Segment revenue:												
Sales to external customers	4,436,382	4,312,017	6,686,184	7,129,800	4,246,737	4,530,960	17,623,419	14,506,279	–	–	32,992,722	30,479,056
Segment result (EBITDA)	342,415	339,898	562,100	443,997	173,672	176,226	454,597	288,822	18,979	(13,076)	1,551,763	1,235,867
Depreciation and amortisation	(148,065)	(128,720)	(120,764)	(104,113)	(39,886)	(28,178)	(190,841)	(131,261)	(778)	(564)	(500,334)	(392,836)
Finance costs	–	–	–	–	–	–	–	–	–	–	(628,381)	(548,464)
Finance income	–	–	–	–	–	–	–	–	–	–	88,649	79,689
Exceptional items [1]	327,817	23,772	(56,183)	5,831	34,042	(8,219)	(138,383)	(15,025)	(2,840)	–	164,453	6,359
Profit before taxation											676,150	380,615
Taxation expense											(150,988)	(57,422)
Profit for the financial year											525,162	323,193
Segment assets	4,099,003	4,170,409	7,094,756	6,416,675	2,886,606	2,655,133	6,803,944	6,414,580	178,623	109,806	21,062,932	19,766,603
Unallocated assets [2]											4,607,429	3,680,214
											25,670,361	23,446,817
Segment liabilities	754,229	560,547	2,003,165	1,481,448	790,663	838,108	1,576,828	1,837,022	49,580	(7,820)	5,174,465	4,709,305
Unallocated liabilities [3]											13,955,836	12,273,456
											19,130,301	16,982,761
Other segmental information:												
Share of results from joint ventures and associates	2,832	(590)	2,584	797	53,196	53,210	9,260	9,108	–	–	67,872	62,525
Investments in joint ventures and associates	24,524	23,612	5,816	4,982	432,186	467,205	198,579	195,893	–	–	661,105	691,692
Capital expenditure	142,572	141,111	70,563	104,060	62,079	71,811	335,007	486,535	100	663	610,321	804,180

(b) Geographical segments

	Asia, Middle East and Australia		Africa		Europe		Americas		Eliminations		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Segment revenue:												
Sales to external customers	16,409,323	13,098,750	4,490,889	4,680,764	6,599,226	7,537,172	5,493,284	5,162,370	–	–	32,992,722	30,479,056
Intersegment sales	10,057,104	15,216,713	1,790,811	3,570,496	186,864	820,377	1,149,490	2,839,625	(13,184,269)	(22,447,211)	–	–
	26,466,427	28,315,463	6,281,700	8,251,260	6,786,090	8,357,549	6,642,774	8,001,995	(13,184,269)	(22,447,211)	32,992,722	30,479,056
Non-current assets [4]	3,868,216	3,465,983	3,471,843	3,102,174	686,784	619,415	1,394,955	1,356,259	–	–	9,421,798	8,543,831

(c) Information on major customers

The Group has no single customer accounting for more than 10% of the turnover.

39. Segmental information continued

1 Exceptional items included the following items of income/(expenses):-

	Group	
	2019 $'000	2018 $'000
Gain on disposal of intangible asset (Note 5)	**294,057**	2,686
Gain on sale of USA spices, vegetables dehydrate facilities (2018: Gain on sale of USA orchards farmland and spices, vegetables dehydrate facilities) (Note 5)	**132,285**	23,772
Gain on partial divestment of associate (Note 5)	**40,371**	–
Negative goodwill (Note 5)	**7,857**	–
Gain on disposal of subsidiary (Note 13)	**593**	5,831
Impairment of property, plant and equipment and intangible assets	**(206,452)**	–
Closure and restructuring costs	**(103,101)**	–
Loss on disposal of joint venture and associate	**(1,157)**	(25,930)
	164,453	6,359

2 The following unallocated assets items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:-

	Group	
	2019 $'000	2018 $'000
Cash and bank balances	**2,310,648**	1,582,654
Fixed deposits	**868,936**	897,720
Other current/non-current assets	**1,173,069**	897,278
Long-term investments	**71,503**	135,777
Deferred tax assets	**183,273**	166,785
	4,607,429	3,680,214

3 The following unallocated liabilities items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:-

	Group	
	2019 $'000	2018 $'000
Borrowings	**12,078,881**	11,174,129
Lease liabilities	**517,100**	94,106
Deferred tax liabilities	**502,031**	422,625
Other current/non-current liabilities	**598,747**	430,602
Provision for taxation	**259,077**	151,994
	13,955,836	12,273,456

4 Non-current assets mainly relate to property, plant and equipment, intangible assets, biological assets, investments in joint ventures and associates and long-term investments.

40. Events occurring after the reporting period

(a) On 24 December 2019, the Group announced that Gabon Special Economic Zone ("GSEZ"), an associate of the Group, is reorganising its infrastructure and logistics business into three verticals - ARISE Port & Logistics ("ARISE P&L"), ARISE Industrial Zones ("ARISE IZ") and ARISE Infrastructure Services ("ARISE IS"). On 28 January 2020, as part of this reorganisation, the Group entered into an agreement with A.P. Moeller Capital ("APMC") and Africa Finance Corporation ("AFC") who will inject additional capital into ARISE P&L, resulting in APMC holding a 43.0% stake, with Olam and AFC holding the residual 31.0% and 26.0% stake respectively.

(b) On 3 March 2020, the Group announced the sale of its remaining 50.0% equity stake in Indonesian sugar joint-venture Far East Agri to its joint venture partner Mitr Phol Sugar Corporation for a total consideration approximately between $112,500,000 and $115,900,000, subject to final adjustments as provided in the sale and purchase agreement.

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