



## CORPORATE GOVERNANCE

- **Executive Directors (“EDs”)** are members of the Management who are involved in the day-to-day running of the business. They work closely with the NEDs on the long-term sustainability and success of the businesses. They provide insights and recommendations on the Group’s operations at the Board and Board Committee meetings.
- **Non-Executive Directors (“NEDs”)** do not participate in the business operations. They constructively challenge the Management on its decisions and contribute to the development of the Group’s strategic goals and policies. They participate in the review of the Management’s performance in achieving the strategic objectives as well as the appointment, assessment and remuneration of the EDs and key personnel.
- **Independent Directors (“IDs”)** are NEDs who are unrelated to any of the EDs and deemed to be impartial by the Board. IDs have similar duties as the NEDs, with the additional responsibility of providing independent and objective advice and insights to the Board and Management.

**Director Orientation and Training:** The Board recognises the importance of professional development for the Directors in order for them to contribute effectively during the Board and Board Committee meetings. All newly appointed Directors are briefed by the Chairman of the Board as well as any Board Committees they are appointed to regarding their roles, duties and responsibilities. They will also attend an orientation programme conducted by the Management to familiarise them with the Group’s organisation structure, business operations, strategic directions, industry trends, corporate developments and corporate governance practices as well as their statutory duties and other responsibilities as Directors. In 2019, there was no new Director appointed to the Board.

The Directors receive continuing education and training in areas pertaining to their duties and responsibilities. This includes seminars and workshops on corporate governance, financial reporting standards, and relevant laws and regulations, such as the SGX-ST Listing Manual, the Code of Corporate Governance and the Companies Act. The Directors also attend seminars and trainings organised by the Singapore Institute of Directors (“SID”) and other professional organisations to stay abreast of recent developments and approaches in financial, legal, corporate governance and regulatory practices.

In 2019, some of the Directors participated in the following seminars and training programmes:

Date	Description
16 Jan 2019	ACRA-SGX-SID Audit Committee Seminar 2019 - The Audit Committee in the New Normal by SID
1 Apr 2019	M&A in the Era of Complexity by Ernst & Young LLP
4 Apr 2019	Board Leadership for Cyber Resilience by SID
9 Apr 2019	Cyber Security Threats & Data Breaches by SID
25 & 26 Jul 2019	Digital Strategy for Finance Managers by SMU / ACCA
25 Jul 2019	Update on New Financial Standards by Dr Muhammad Chatib Basri, S.E., M.Ec
13 Aug 2019	Indonesia’s Economic Outlook 2020 by Ernst & Young
10 & 11 Sep 2019	Design Thinking for Finance Professionals by SMU / ACCA
11 Sep 2019	SID Directors Conference 2019 - Transformation: From Extraordinary to Ordinary by SID
14 & 15 Oct 2019	Improving Financial Outcomes with Data Analytics by SMU / ACCA
26 Nov 2019	“What You Need To Know as an ID of a REIT Manager“ by REITAS
9 Dec 2019	Update on Indonesia’s Economic Outlook 2020 by Dr Muhammad Chatib Basri

**Board Delegation and Support:** To discharge its fiduciary duties and responsibilities more effectively, the Board is supported by the Executive Committee (“Exco”), the Audit and Risk Management Committee (“AC & RMC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”). These Board Committees play a key role in enhancing corporate governance, improving internal controls and driving the Group’s performance. Each Board Committee has clearly defined terms of reference that set out its compositions, duties, authority and accountability to the Board. The terms of reference are reviewed annually.

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The Exco is chaired by Mr Mark Julian Wakeford, with Messrs Tjhe Tje Fie, Moleonoto Tjang and Suaimi Suriady as members. The Board delegates the Exco certain discretionary limits and authority for business development, investment, divestment, capital expenditure, finance, treasury, budgeting, human resource (“HR”) and business planning. The Exco is entrusted to execute the business strategies approved in the annual budget and business plan, implement the appropriate accounting systems and other financial controls, put in place a robust risk management framework, monitor compliance to laws and regulations, adopt competitive HR practices and compensation policies, and ensure that the Group operates within the approved budget.

All the Directors are required to declare their board representations. In order to ensure that the Directors with multiple board representations are able to devote sufficient time and attention to the affairs of the Company, all the Directors submit an annual affirmation to allocate sufficient time and efforts to carry out their Board duties and responsibilities.

The Board and Board Committees are supported by the Company Secretaries who are competent in company laws and company secretariat practices, including taking minutes of meetings, ensuring compliance with Board procedures and regulatory requirements, and assisting the Board to implement and strengthen corporate governance policies and processes.

The Company Secretaries attend all the Board meetings and are directly accountable to the Chairman on all matters relating to the proper functioning of the Board. The Company Secretaries act as the primary point of contact between the Company and the SGX. The appointment and removal of the Company Secretaries are subject to the approval of the Board.

**Board Processes:** All Board and Board Committee meetings as well as the Annual General Meeting (“AGM”) are scheduled at the start of the year in consultation with the Directors. The Board and Board Committees meet regularly to discuss the Group’s business results and performance, strategic decisions and policies, operational matters and governance issues. The Board meets at least four times a year, the AC & RMC at least six times a year, and both the RC and the NC at least once a year.

The Company Secretaries circulate the schedules of the meetings to the Directors at the beginning of the calendar year. Board papers and other reading materials, such as financial results, project updates, budgets and forecasts, are circulated to the Directors with sufficient time for them to consider the issues before engaging in productive discussions during the meetings.

The Board is regularly updated on significant developments and events regarding the Group. All the Directors have direct and independent access to the Company Secretaries as well as the Management for additional information. They may seek professional advice, either individually or as a group, in executing their duties, and invite external consultants to present or advise on specific matters at Board or Board Committee meetings. The cost of engaging external advice shall be borne by the Company.

The Company’s Constitution allows for the Board and Board Committee meetings to be conducted remotely via telephone or any other available communication channels, and for decisions to be made by way of written resolutions. Directors who are unable to attend the Board or Board Committee meetings are provided with the meeting minutes and materials to facilitate subsequent discussions or follow-up actions after the meetings. The Board and Board Committees can also make decisions by way of circulating the resolutions.

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The attendance of Directors at the Board and Board Committee meetings and AGM in 2019 was as follows:

Description	Board	AC & RMC	NC	RC	AGM
<b>Number of meetings held in 2019</b>	<b>8</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Name of directors</b>	Number of meetings attended				
Lee Kwong Foo, Edward	8	–	1	–	1
Lim Hock San	8	5	1	1	1
Mark Julian Wakeford	8	–	–	–	1
Moleonoto Tjang	8	–	–	–	1
Suaimi Suriady	7	–	–	–	1
Tjhie Tje Fie	6	–	1	1	0
Axton Salim	7	–	–	–	0
Goh Kian Chee	8	8	–	1	1
Hendra Susanto	8	8	1	–	1

Chairman

“–” Not Applicable

**Board Approval:** The Company has internal guidelines governing the key matters requiring the Board’s approval as specified by the Singapore Exchange Securities Trading Limited’s (“SGX-ST”) listing rules and regulations. Some of the issues requiring the Board’s approval include the Company’s strategic and operating plans, quarterly and full year financial results, dividend matters, issuance of shares, succession plan for the Board and Management namely the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and Chief Operating Officer (“COO”), acquisition and divestment of businesses exceeding certain material limits, and all material commitments to term loans, lines of credit and credit support from banks and financial institutions.

## PRINCIPLE 2: Board Composition and Guidance

**Board Composition and Size:** The Company recognises and values the diversity of background and thinking of the Board as a critical asset in making objective and comprehensive decisions that are in the best interest of the Company. The NC ensures a balanced representation at the Board by considering factors such as the diversity of skills, knowledge, experience, gender, background and age of the Directors. The NC reviews the Board’s composition and succession plans annually to ensure the Directors possess the relevant skillsets, experience and diversity to guide the management and expansion of the wide range of businesses and operations under the Group.

As at 31 March 2020, the Board was made up of nine Directors, comprising three EDs, two NEDs and four IDs. All the Directors were male, between 41 and 72 years old, and have each served on the Board for around 12 years. Three of the Directors were Singaporeans and other six were either Singapore permanent residents or foreigners.

Board of Directors						
Name	Status	Position	Exco	AC & RMC	NC	RC
Lee Kwong Foo, Edward	Lead Independent	Chairman			Chairman	
Lim Hock San	Independent	Vice Chairman		Member	Member	Chairman
Mark Julian Wakeford	Executive	Member	Chairman			
Moleonoto Tjang	Executive	Member	Member			
Suaimi Suriady	Executive	Member	Member			
Tjhie Tje Fie	Non-Executive	Member	Member		Member	Member
Axton Salim	Non-Executive	Member				
Goh Kian Chee	Independent	Member		Chairman		Member
Hendra Susanto	Independent	Member		Member	Member	

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The Directors possess a wide range of skills and experience in operations management, banking, finance, accounting, risk management and industry knowledge. Three of the Directors, namely the CEO, Mr Mark Julian Wakeford, and the EDs, Messrs Moleonoto Tjang and Suaimi Suriady, are deemed to have extensive experience in plantation management and downstream refinery operations in Indonesia. The biographies of the Directors are provided on pages 29 to 31 of this Annual Report.

In 2019, the Board was satisfied that given the scope and nature of the Group's operations, the current composition and size of the Board were adequate in facilitating constructive discussions and effective governance of the Company.

**Board Independence:** The NC, shall conduct an annual review to determine the independence of the Directors according to the guidelines of the 2018 Code and Rule 210(5)(d) of the SGX-ST Listing Manual. The NC shall also consider all nature of relationships and circumstances that could influence the judgement and decisions of the Directors before tabling its findings and recommendations to the Board for approval.

## Annual Review of Directors' Independence

In 2019, the NC conducted an annual review of the independence of the Directors based on their self-declaration in the Directors' Independence Checklist, as well as their respective performance in the Board and Board Committee meetings. The NC was satisfied that the Company had complied with Rules 210(5)(c), 210(5)(d)(i) and (ii) of the SGX-ST Listing Manual, which required at least one third of the Board to be made up of IDs. None of the IDs or their immediate family members was employed by the Company or any of its related corporations. The IDs did not own shares of the Company and were not in foreseeable situations that could compromise their independence of thought and decision.

The Board's IDs, Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto, have all served on the Board for around 12 years. The NC was of the view that the four IDs had fulfilled their obligations as IDs. They had consistently demonstrated independent and sound judgements in the best interest of the Company at the Board and Board Committee meetings, and would continue to contribute to the Board with their extensive experience and deep knowledge of the industry. The Board concurred with the NC's assessment on the independence of the IDs in ensuring an objective and effective Board.

The Company has put in place a process to ensure the continuous monitoring of the independence of the Directors whereby the Directors must immediately report any changes in their external appointments that could affect their independence on the Board.

With effect from 1 January 2022, all Directors who have served on the Board for more than nine years will have to seek the approval of (a) all shareholders; and (b) shareholders, excluding the Directors and CEO of the Company and their associates; in order to comply with Rule 210(5)(d)(iii) of the SGX-ST Listing Manual pertaining to Directors' independence.

**Proportion of NEDs:** To ensure proper check and balance between the Board and the Management, six out of the nine Directors are NEDs. The NEDs shall attend the Board meetings, participate actively in discussions on the Company's strategic plan and issues, monitor the Company's performance and review the Management's performance against the agreed targets. The NEDs may convene meetings in the absence of the Management to deliberate on Company matters, such as Board processes and practices, corporate governance initiatives, succession planning, leadership development and remuneration.

**Role of the Lead ID:** Mr Edward Lee, who chairs the Board and the NC, is the Lead ID. The role of the Lead ID is to facilitate and chair the meetings with the NEDs as and when such meetings are deemed necessary. He is also accessible to the shareholders and other stakeholders on any issues that cannot be resolved in their communications with the CEO or the CFO.

**Board Guidance:** The Directors, especially the NEDs, are kept informed of the Company's business and affairs as well as about the industry in which the Company operates in. This knowledge is essential for the Directors to engage in informed and constructive discussions. The Company has put in place processes to ensure that the Directors receive relevant and timely information to perform their duties effectively. Besides receiving regular Board briefings on key business initiatives, information papers, and industry and market reports, the NEDs are regularly briefed by the Management on major decisions and prospective business deals. Site visits to the Company's plantations, mills and factories are regularly conducted to familiarise the Directors with the business and operations. The NEDs have free access to the Management to consult on any matters regarding the Company and its operations. They can also engage external professional advice, either individually or as a group, to support their roles and duties.

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In 2019, the AC members visited the oil palm plantation and mill in Central Kalimantan. The Company Secretaries also briefed the Directors on the amendments to the 2018 Code and the SGX-ST Listing Manual.

## **PRINCIPLE 3: The Chairman and The Chief Executive Officer**

**Separation of Roles:** The roles of the Chairman and the CEO must be held by different persons, each with his own area of responsibilities and accountabilities, to ensure proper balance of power and independence.

Mr Edward Lee is the Chairman of the Board as well as the Lead ID. Pursuant to Rule 1207(10A) of the SGX Listing Manual, Mr Edward Lee is not related to the CEO or members of the Management. As the Chairman, Mr Edward Lee bears the responsibility for the proper functioning of the Board and the effectiveness of its governance processes. The Chairman works closely with the CEO to develop the agenda for the Board meetings and to ensure that the Company Secretaries disseminate the Board papers and materials to the Directors in a timely manner to prepare them for the Board meetings. During the Board meetings, the Chairman shall facilitate open and objective discussions among the Directors to encourage active participation, and to ensure that all issues on the agenda are carefully deliberated before arriving at a decision. The Chairman also plays an important role to facilitate the smooth and constructive communication among the shareholders, the Directors and the Management at the AGM and shareholder meetings.

Mr Mark Julian Wakeford is the CEO, whose responsibilities include charting the corporate directions and business strategies, including marketing and strategic alliances, and providing strong leadership and clear vision for the Company. The CEO is responsible for the day-to-day operations and management of the Company. He is supported by the Exco and is accountable to the Board for all decisions, actions and performance of the Company.

## **PRINCIPLE 4: Board Membership**

The Board has a formal and transparent process for the appointment and re-appointment of Directors.

**Nominating Committee:** The NC is chaired by Mr Edward Lee (Lead ID), with Messrs Lim Hock San (ID), Hendra Susanto (ID) and Tjhie Tje Fie (NED) as members. The NC meets at least once a year to carry out the following duties and functions:

- Review the succession plans for the Board and the Management;
- Nominate new Directors to the Board;
- Recommend the re-appointment of Directors to the Board with consideration of their respective contributions, conduct and performance;
- Ensure the Directors submit themselves for re-appointment at least once every three years;
- Conduct an annual review of the independence of the Directors according to the 2018 Code;
- Assess the attitude and abilities of the Directors to adequately carry out their respective duties and responsibilities especially for those with other board commitments;
- Establish the evaluation criteria for the Directors' performance; and
- Review the professional training and development programmes for the Directors.

**Nomination of New Directors and Re-appointment of Incumbent Directors:** The NC adopts the following process to select and nominate new Directors as well as re-appoint incumbent Directors for another term on the Board:

- Conduct an annual review on the size and composition of the Board to ensure there are sufficient IDs represented;
- Leverage external resources, such as recruitment firms, to search and shortlist potential candidates;
- Review the suitability of each candidate, including factors like experience, competencies, drive and commitment, in consultation with the Board and the Management, to ensure diversity and effectiveness of the Board;
- Recommend the best candidates to the Board for approval.

In recommending the Directors for re-appointment, the NC considers factors such as their attendance record and level of participation and contribution at the Board and Board Committee meetings. Pursuant to the Company's Constitution, at least one third of the Board shall retire from office by rotation at each AGM. Unless they are disqualified from holding office, all the incumbent Directors shall submit themselves for re-appointment at least once every three years.

**Retirement by Rotation at the 2020 AGM:** Messrs Edward Lee, Lim Hock San and Goh Kian Chee will retire by rotation at the 2020 AGM pursuant to Regulation 111 of the Constitution of the Company. They will continue to serve as members of the Board upon their successful re-election.

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**Directors' Commitment:** For Directors serving on the board of other public-listed companies, the NC will review the number of board representations against their attendance, participation, commitment and contributions at the Company's Board and Board Committee meetings, in assessing whether they have effectively carried out their fiduciary duties as Directors of the Company. The NC was satisfied that all the Directors had devoted sufficient time to attend the Board and Board Committee meetings in 2019. They had adequately discharged their duties as Directors and provided objective views to the Board and the Management. The Board does not see a need at present to limit the number of board representations for the Directors.

**Alternate Directors:** The Company has no Alternate Directors on the Board.

**Nominee Directors:** The NC does not see a need at present for Nominee Directors, and has not formulated a policy for such appointments.

## **PRINCIPLE 5: Board Performance**

**Evaluation of the Board, Board Committees and Directors:** The Company conducts an annual assessment of the overall performance and effectiveness of the Board and Board Committees, and the contributions of the Chairman and Directors using key criteria set out in the "Nominating Committee Guide" issued by the SID. Where appropriate, the Board will recommend changes to the assessment forms to align with prevailing regulations and requirements.

All the Directors are required to complete the following appraisal forms annually:

- Board Assessment
- Board Committee Assessment for the AC & RMC, the NC and the RC
- Board Chairman Assessment
- Director Peer Assessment

The Chairman is assessed by his fellow Board members on his ability to lead the Board, establish proper procedures to ensure the effective functioning of the Board, and facilitate meaningful participation and open communication during Board meetings.

The NC evaluates the contributions and performance of the Directors and recommends key areas for improvement in its report to the Board.

In 2019, the Board reviewed and endorsed the NC's report which had found the Directors to be effective and competent in meeting the performance objectives for the year.

## **REMUNERATION MATTERS**

### **PRINCIPLE 6: Procedures in Developing Remuneration Policies**

**Remuneration Committee:** The RC is chaired by Mr Lim Hock San (ID), with Messrs Tjhie Tje Fie (NED) and Goh Kian Chee (ID) as members. The RC meets at least once a year to review and approve the remuneration package and terms of employment for the Directors and the key management personnel ("**KMP**").

The RC shall review and recommend to the Board on all aspects of remuneration for the Directors and the KMP, including the Directors' fees, as well as salaries, allowances, bonuses and benefits-in-kind for the KMP. The RC will ensure that the termination pay-out, retirement payment, gratuity, ex-gratia payment, severance payment and other such compensations in the employment contracts of the KMP are reasonable and not overly generous.

The RC shall submit its recommendations on the remuneration package for the KMP as well as present the Directors' fees as a total sum to the Board for endorsement before tabling its proposal at the AGM for the shareholders' approval.

The RC is empowered to review the HR management policies of the Group, and may seek external professional advice on remuneration and HR matters.

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## **PRINCIPLE 7: Level and Mix of Remuneration**

The Company's remuneration policy aims to reward the EDs and the Management based on their performance and contributions to the Group, and to ensure the remuneration is commercially competitive to attract and retain the right talent. The remuneration package is carefully structured to deliver sustained performance and value for the Group and to strengthen the accountability and commitment of the Management in today's highly globalised and competitive environment.

**Remuneration for the IDs and NEDs:** The RC adopts a Base Fee Remuneration model for the IDs. The Director's fee is benchmarked against various factors, including prevailing market practices and industry norms as well as the roles and responsibilities of the IDs in the Board and Board Committees. IDs who chair the Board and Board Committees are paid higher fees in view of their greater responsibilities, and those who are involved in Board Committees are paid additional fees for their services.

Non-independent NEDs do not receive any Director's fees or any other forms of remuneration. When a NED is required to travel for Company business, the Company will reimburse all the travel-related expenses and provide a prescribed daily allowance.

**Remuneration for the EDs and the KMP:** The RC establishes the remuneration framework for the EDs and the KMP in consultation with the controlling shareholders, taking into account the performance of the Group, the business unit and the individual along with the relevant benchmarks in the respective markets and industries. The RC shall exercise full discretion and independent judgment to determine the right level and mix of compensations for the long-term success of the Company while upholding shareholders' interest.

The remuneration of the EDs and the KMP comprises both fixed and variable components.

### Fixed components

The fixed components comprise mainly the annual base salary, fixed benefits and other defined contributions. In determining the fixed components, the RC will consider the individual responsibilities, performances, qualification and experience, as well as regulatory guidelines on wages, economic inflation and market surveys on executive compensations.

The base salary is recommended by the RC and approved by the Board. The based salary is reviewed annually based on the performance of Group and the business unit, and the contributions of the individual.

The Group also provides benefits and contributions in line with local market practices and legislative requirements. The Group participates in national pension schemes as defined by the laws of the countries in which it has operations. The Singapore companies in the Group make contributions to the Central Provident Fund, a defined pension scheme in Singapore. In Indonesia, the Group makes contributions to defined retirement plans covering all of its qualified permanent employees. The Group also provides for employee service entitlements in line with the minimum benefits payable to qualified employees, as required under the Indonesian labour law.

### Variable components

The variable components, including bonuses and incentives, are designed to support the Group's business strategy and to drive shareholder value through annual financial, strategic and operational objectives. They are linked to the Group's financial and non-financial performance as well as the individual performance through a Balanced Scorecard that covers the six key areas of crop, cost, condition, people, processes and products underlying the Group's strategic objectives. Weightings are assigned to the targets to encourage a balanced performance and to avoid over-emphasis on any one measure.

The Company does not offer a share option scheme. The RC may consider other forms of long-term incentive schemes for the KMP when necessary. The RC is empowered to withhold or reclaim the variable incentives from the EDs and the KMP in exceptional circumstances involving material misstatement of financial results or misconduct resulting in financial losses to the Company.

The RC was satisfied that the remunerations awarded to the EDs and the KMP in 2019 were aligned with their respective performances.



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## PRINCIPLE 8: Disclosure on Remunerations

The 2018 Code requires the disclosure of the policy and criteria for setting remuneration, as well as the names, amounts and breakdown of remuneration of (a) each individual Director and the CEO; and (b) at least the top five KMP (who are not Directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these KMP.

**Remunerations for the Directors and the CEO:** The remunerations for the Directors and the CEO that were paid by the Company and its subsidiaries for the financial year ended 31 December 2019 were as follows:

Name of Directors	Fixed Salary	Variable Bonus/ Benefits	Directors' Fees
<b>Above S\$1,250,000</b>			
Mark Julian Wakeford <sup>(1)</sup>	76%	24%	–
Moleonoto Tjang <sup>(2)</sup>	21%	79%	–
<b>Below S\$250,000</b>			
Lee Kwong Foo, Edward <sup>(1)</sup>	–	–	100%
Lim Hock San <sup>(1)</sup>	–	–	100%
Goh Kian Chee <sup>(1)</sup>	–	–	100%
Hendra Susanto <sup>(1)</sup>	–	–	100%
Tjhie Tje Fie <sup>(3)</sup>	–	–	–
Axton Salim <sup>(3)</sup>	–	–	–
Suaimi Suriady <sup>(3)</sup>	–	–	–

<sup>(1)</sup> Remuneration paid by the Company.

<sup>(2)</sup> Remuneration paid by the subsidiary, PT Salim Ivomas Pratama Tbk ("PT SIMP").

<sup>(3)</sup> Remuneration paid by parent company, PT ISM, or by other companies in the PT ISM Group.

Considering the competitive nature of the industry and the steep competition for talent, the Company has decided to disclose the remuneration of its Directors in bands of S\$250,000, along with the mix of the fixed and variable components.

**Remunerations for the IDs:** The Director's fees paid to the IDs were as follows:

Fees Framework (in S\$)	Board	AC & RMC	NC	RC	
Chairman	75,000	30,000	15,000	15,000	
Member	50,000	15,000	10,000	10,000	

Name of ID	Board	AC & RMC	NC	RC	Total (S\$)
Lee Kwong Foo, Edward	Chairman	–	Chairman	–	90,000
Lim Hock San	Member	Member	Member	Chairman	90,000
Goh Kian Chee	Member	Chairman	–	Member	90,000
Hendra Susanto	Member	Member	Member	–	75,000
<b>Total Fees paid to IDs</b>					<b>345,000</b>

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**Remunerations for the KMP:** The remunerations of the top five KMP, who were not Directors or the CEO of the Company, were as follows:

Name	Job Position	Fixed Salary	Variable Bonus/ Benefits
<b>S\$250,000 – S\$500,000</b>			
Mak Mei Yook <sup>(1)</sup>	CFO	77%	23%
Johnny Ponto <sup>(2)</sup>	Director of PT SIMP	39%	61%
Tan Agustinus Dermawan <sup>(2)</sup>	Director of PT SIMP	38%	62%
Rogers H. Wirawan <sup>(2)</sup>	Head of Internal Audit	48%	52%
<b>S\$1,000,000 – S\$1,250,000</b>			
Benny Tjoeng <sup>(3)</sup>	President Director of Lonsum	36%	64%

<sup>(1)</sup> Remuneration paid by the Company.

<sup>(2)</sup> Remuneration paid by the subsidiary, PT SIMP.

<sup>(3)</sup> Remuneration paid by the subsidiary, PT PP London Sumatra Indonesia Tbk (“Lonsum”).

The total aggregate remuneration paid to the KMP for the financial year ended 31 December 2019 was S\$2,552,275.

There was no pay-out for termination, retirement or post-employment benefit granted to any of the Directors or KMP in 2019.

**Remunerations for employees who are immediate family members of a Director, the CEO or a substantial shareholder:**

There was no employee of the Company or its subsidiaries who was an immediate family member of a Director, the CEO or a substantial shareholder and whose remuneration exceeded S\$100,000 for the financial year ended 31 December 2019.

## ACCOUNTABILITY AND AUDIT

### PRINCIPLE 9: Risk Management and Internal Controls

The Board is solely accountable to the shareholders. It is required to furnish timely information and ensure the appropriate disclosure of material information to the shareholders in compliance with the SGX-ST Listing Manual and other regulatory requirements.

The Board has overall responsibility for the governance and oversight of material risks for the Group. It is supported by the AC & RMC which maintains oversight of the Group’s risk in financial reporting and reviews the adequacy and effectiveness of the Group’s internal controls and risk management system.

The AC & RMC meets with internal and external auditors four times a year, and at least one of these meetings is conducted without the Management present. Following the amendments to Rule 705 of the SGX-ST Listing Manual effective 7 February 2020, the Company will not be required to announce its financial statements on a quarterly basis. The Board has, after due deliberation, decided that the financial statements will be announced on a half-yearly basis. In line with this, the AC & RMC will meet with the external auditors at least two times a year with effect from 2020.

The AC & RMC also meets with the Enterprise Risk Management (“ERM”) team four times a year, and reports to the Board every quarter on its findings on the material impacts and recommendations on risk mitigation measures.

For the financial year ended 31 December 2019, the AC & RMC reviewed the Group’s quarterly and full-year financial statements before they were tabled to the Board for approval. It also conducted quarterly reviews of the key findings by the Internal Audit Department (“IAD”), ERM team and the external auditor, as well as the actions recommended by the Management to rectify the discrepancies. The AC & RMC was kept abreast of changes to accounting standards and the impacts on financial reporting by the external auditor.

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Both the ERM team and the IAD worked closely to manage high-risk areas, ensure accuracy of the risk assessment reports, and enforce risk mitigation controls and strategies. The IAD also performed independent reviews of the risks and controls identified by the ERM team to ensure adequate monitoring and resolution. In 2019, the AC & RMC was satisfied that effective internal controls were put in place and supported by a sound internal audit process and a comprehensive ERM framework to identify, monitor, manage and report material risks in key areas, including strategy, operations, governance and finance.

The Board made its assessments based on quarterly updates and discussions with the AC & RMC on the adequacy and effectiveness of the Company's internal controls and risk management systems. The Board was assured by the CEO and the CFO on the proper keeping of financial records and financial statements to give a true and fair view of the Company's operations and finances. The Board was also assured by the CEO and the KMP that adequate and effective risk management and internal control systems were implemented to safeguard the stakeholders' interest.

Noting that no internal control system or ERM framework could absolutely guarantee against material, judgement or human errors, frauds and other irregularities, the Board was of the view that the Group's internal control system, including financial, operational, compliance and information technology controls, and ERM framework were adequate and effective in addressing the identified risks. The AC & RMC concurred with the Board's assessment.

In 2019, key audit matters, listed below, were discussed between the Management and the external auditor, and subsequently reviewed by the AC & RMC. The AC & RMC was satisfied that the key audit matters were appropriately addressed and disclosed in the financial statements.

Key Audit Matters	Key Considerations and Decisions made by the AC & RMC
Impairment assessment of goodwill	The AC & RMC considered and evaluated the methodology applied by the independent valuer engaged by the Management to determine the recoverable value for the assessment of goodwill impairment using the income approach. The AC & RMC reviewed the appropriateness and reasonableness of the underlying assumptions applied in determining the recoverable value of the goodwill impairment as well as the audit findings report presented by the external auditor during the year-end meeting. The AC & RMC concurred with the Management's assessment on goodwill impairment for the financial year ended 31 December 2019.
Recoverability of deferred tax assets arising from tax losses carried forward	The AC & RMC considered and reviewed the methodology and key assumptions used by the Management to determine the amount of future taxable profits for the next five years for deferred tax assets recognition. The AC & RMC reviewed the financial projections to assess the appropriateness of the methodology and reasonableness of the assumptions made as well as the audit findings report presented by the external auditor during the year-end meeting. The AC & RMC concurred with the Management on the assessment of the recoverability of deferred tax assets arising from tax losses carried forward for the financial year ended 31 December 2019.

The key audit matters were listed in the external auditor's report for the financial year ended 31 December 2019, together with a detailed description of the audit procedures adopted on pages 53-54 of this Annual Report.

### PRINCIPLE 10: Audit Committee

**Composition of the AC & RMC:** The AC & RMC is chaired by Mr Goh Kian Chee (ID), with Messrs Lim Hock San (ID) and Hendra Susanto (ID) as members. The AC & RMC possess sound expertise in financial management and is fully qualified to discharge its powers and duties. None of the AC & RMC members is a partner, employee or director, present or former, of the Company's appointed audit firm.

# CORPORATE GOVERNANCE

## **Powers and Duties of the AC & RMC**

The key responsibility of the AC & RMC is to support the Board in risk management, internal controls and governance processes as well as to conduct an independent review of the effectiveness of the ERM framework and the adequacy of internal control measures in addressing the financial, operational, compliance and information technology risks. The AC & RMC is empowered to review and investigate any matters under its terms of reference listed below, with full access to the Directors, Management, employees, internal auditors and the external auditor.

The terms of reference of the AC & RMC were as follows:

- Review the audit plan, internal accounting controls, audit report, management letter and the Management's response to the external auditor;
- Review the quarterly, half-yearly and annual financial statements, paying special attention to changes in accounting policies and practices, major risk areas, and rectifications arising from the audit, before submitting the financial reports to the Board for approval;
- Review the on-going concern statement, compliance with applicable accounting standards, and requirements by the SGX, statutes and laws;
- Review the effectiveness and adequacy of the Group's internal controls, including financial, operational, compliance and information technology, and the ERM framework;
- Review the assurance from the CEO and the CFO on the financial records and financial statements;
- Review, together with the external auditor, any suspected frauds, irregularities and infringements of Singapore laws, regulations and the SGX-ST Listing Manual that would likely have a material impact on the Group's operating results or financial position, and the mitigating measures recommended by the Management;
- Review, without the presence of the Management, on the level of assistance the Management has provided to the external auditor, and the adequacy of the resolutions to issues arising from the audits;
- Review Interested Person Transactions ("IPT");
- Review the effectiveness of the whistle-blowing system as a confidential channel for employees to report potential improprieties in financial management and other areas;
- Review the ERM reports;
- Review the adequacy, effectiveness, independence, scope and results of the external and internal audits;
- Undertake additional reviews and projects as required by the Board, and to report the findings and recommendations to the Board in a timely manner; and
- Undertake additional functions and duties as required by the Singapore laws and the SGX-ST Listing Manual.

## **Audit Activities Performed in 2019**

The AC & RMC met eight times during the year and carried out its duties according to the terms of reference. It also met the internal auditors and the external auditor separately, without the Management present.

The AC & RMC reviewed the financial statements before they were submitted to the Board for approval. It also monitored and reviewed the financial status, internal and external audit findings, and the effectiveness of the accounting and internal control systems.

The Company obtained the shareholders' approval in the Addendum dated 8 April 2019 to enter into IPT with individuals who fall within the approved categories of Interested Persons, provided such transactions were entered into according to the review procedures set out in the Addendum. The IPT Mandate was last approved by the shareholders at the 2019 AGM. The list of IPTs is disclosed on page 160 of this Annual Report.

The AC & RMC did not engage an independent financial adviser for the renewal of the IPT Mandate as the guidelines, methods and review procedures to determine the transaction prices of IPTs had remained unchanged since the last shareholders' approval of the IPT Mandate at the 2019 AGM; and the review procedures were deemed sufficient to ensure the IPTs were carried out on fair commercial terms and without prejudice to the interest of the Company or the minority shareholders.

## **External Audit**

The Board will recommend the appointment of a new external auditor or the re-appointment of the incumbent external auditor to the shareholders for approval at the AGM. In the case of the re-appointment of the incumbent external auditor, the AC & RMC will assess the performance of the external auditor based on a combination of inputs, including ACRA's Audit Quality Indicators, feedback from the Management, and the objectivity and conduct of the external auditor during the audit process. If the performance of the external auditor is found to be satisfactory, the AC & RMC will recommend to the Board

# CORPORATE GOVERNANCE

for the external auditor to be re-appointed, provided the external auditor has not been appointed for a maximum of five consecutive annual audits according to the SGX-ST regulation.

Ernst & Young LLP was the external auditor appointed by the Company in 2019. In accordance with Rule 1207(6)(a) of the SGX-ST Listing Manual, the audit and non-audit fees paid to the external auditor for the financial year ended 31 December 2019 are disclosed on page 93 of this Annual Report.

The Board and the AC & RMC reviewed the audit services provided by the external auditor and were satisfied with the quality, objectivity and independence of the audit. They recommended for Ernst & Young LLP to be re-appointed for another term, subject to the shareholders' approval at the next AGM.

The Board and the AC & RMC were also satisfied with the performance of the external auditors engaged by the Company's subsidiaries, associated companies and joint ventures and were of the opinion that the Company had complied with Rules 712 and 716 of the SGX-ST Listing Manual. These external auditors are disclosed on pages 116, 119 and 123 of this Annual Report.

## Internal Audit

The IAD is an independent unit that operates separately from the business and corporate activities. Its operations are governed by the framework set out in the Internal Audit Charter and Code of Ethics approved by the AC & RMC and the Management. IAD is headed by Mr Rogers H. Wirawan who reports directly to the AC & RMC Chairman on all internal audit matters. The IAD had 58 staff as at 31 December 2019.

The IAD is responsible for the internal audits of the Company's operations in accordance with the guidelines and standards set out in the Professional Practice of Internal Auditing by the Institute of Internal Auditors. It will prepare the internal audit schedules in consultation with the Management before submitting the audit plan to the AC & RMC for approval. As part of the audit plan, the IAD will perform independent reviews of the risk control measures identified by the ERM team to provide added assurance on the robustness of the ERM framework. The duties and responsibilities of the IAD in the area of risk management and internal controls were as follows:

- Review the risk profile of the Company;
- Identify new risks and exposures in the Company's operations;
- Evaluate the effectiveness and cost of the risk control measures in eliminating or mitigating risks and exposures to the Company;
- Establish and maintain the risk reporting and monitoring framework.

In 2019, the IAD adopted a risk-based auditing approach that focused on material internal controls to identify and audit high-risk areas of strategic business units. The mitigation measures were subsequently proposed by the Management in consultation with the IAD. The findings and recommendations of the internal audit as well as quarterly update on the progress of the rectification measures were presented to the AC & RMC. The AC & RMC was satisfied that the IAD had adequately monitored and managed the key risks and internal controls for the Company.

During the year, the AC & RMC reviewed the adequacy of the internal audit function, including the IAD's organisational structure, work scope and audit plans, and was satisfied that the IAD had remained independent, adequately resourced and maintained a good standing within the Group to carry out its roles and responsibilities effectively. The AC & RMC also conducted an annual self-assessment that reflected it had adequately fulfilled its duties as set out in the terms of reference. The Board conducted a separate review of the performance of the AC & RMC and was satisfied that the AC & RMC was well-qualified to discharge its duties and responsibilities in managing the risks and internal controls of the Company.

# CORPORATE GOVERNANCE

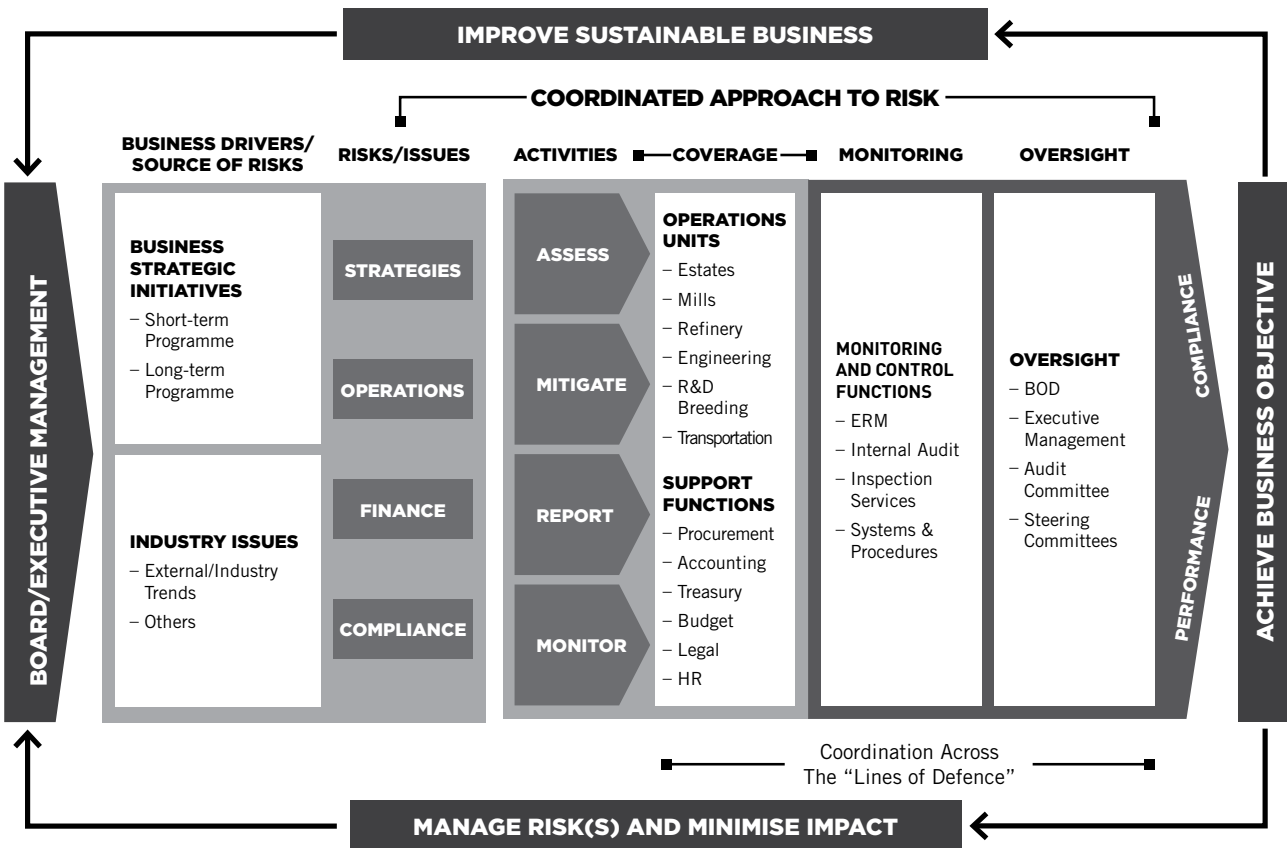
## Whistle-Blowing Policy

The Company has established a whistle-blowing policy and system that provides clearly defined channels and procedures for employees to report any misconduct, including suspected frauds, corruptions and unethical practices. All reports are kept strictly confidential to protect the identities of the whistle-blowers. The reports are reviewed and acted upon by either the AC & RMC or the Exco. The IAD will also conduct an independent investigation of each case and report these investigations to the AC & RMC on a quarterly basis.

## Enterprise Risk Management

As an agribusiness, the Company operates in a VUCA (volatile, uncertain, complex and ambiguous) environment. Its performance is constantly influenced by external variables, such as unpredictable weather conditions, volatile commodity prices, fluctuating exchange rates, shifting consumer needs, economic uncertainties, security threats, international competition, disruptive technologies and market dynamics.

To mitigate the vagaries of the external environment, the Company has established an integrated ERM framework to coordinate the 'lines of defence' and proactively manage risks and uncertainties across its operations. The ERM framework enables the Company to stay vigilant and actively monitor its operations for the timely and accurate identification, assessment, mitigation, and reporting of risks and exposures that could have an adverse impact on the business operations and results. In so doing, the ERM framework enhances the competitiveness and sustainability of the Company's operations.



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The Company has put in place a Business Continuity Management (“**BCM**”) framework to assure all stakeholders of the availability of its products and services during periods of emergency. The BCM focuses on minimising the impacts of emergencies on the operations and establishing a high level of resilience within the organisation to carry on business as usual during times of distress.

Under the BCM, several potential emergency scenarios have been identified, with the appropriate control measures put in place to mitigate and minimise foreseeable operational impacts. In the ‘plantation fire’ scenario, for instance, the control measures include the daily monitoring of hotspots based on satellite data, observations of fire incidents by the Company’s fire patrol teams, regular fire prevention training, fire drills in high-risk estates, proper upkeep of fire-fighting equipment, construction of fire-monitoring towers, mapping of water sources, and regular communication with key stakeholders on the Company’s Zero Burn and Fire Safety policies. These efforts have led to a significant reduction in fire incidents over time and helped to mitigate impacts due to the dry season in 2019, which was more severe than the previous year.

A risk governance structure has been established where the Directors, Management, and Heads of Department and Operating Units are committed to enhance the ERM policy and programmes to mitigate risks in business strategies and operations. Regular communications with the employees on the ERM framework have helped to raise awareness on risks and exposures and foster a resilient corporate culture.

The ERM framework and system are maintained by the ERM team, who works closely with the risk owners and managers to conduct quarterly risk assessments and review the overall effectiveness of the risk control measures. The ERM team monitors the progress of the ERM Action Plan, which contains the risk mitigation measures, and reports significant risks and exposures to the AC & RMC and the Board.

In 2019, the following risks were identified, managed and monitored:

## 1) Strategic Risks

- Planning – Inadequate planning and forecasting could limit the Company’s ability to anticipate and respond to internal and external changes, make sound and informed decisions, and take advantage of growth opportunities.
- Sustainable Palm Oil – Uncertainty in industry trends and requirements could threaten the Company’s ability to ensure sustainable operations, leading to adverse perceptions among the stakeholders and the loss of competitive advantage.
- Land Expansion – Land is a key resource in agribusiness, and any restrictions on the availability or use of land could restrict growth and compromise the strategic objectives.

## 2) Operational Risks

- Pests and Plant Diseases – Infestations of the crops by pests and plant diseases could lead to lower crop yield and premature crop death.
- Occupational Health and Safety – Failure to implement a proper system of occupational health and safety to adequately protect employees and workers from workplace accidents and health hazards could expose the Group to higher fatality and accident rates, financial losses in terms of compensations and liabilities, and poor business reputation.
- Resource Availability – Inadequate resources, such as raw materials, fertilisers, equipment, tools and component parts, could threaten the Group’s ability to produce quality products on time and at competitive prices.
- Social Conflicts – Conflicts with local communities could affect the Group’s operations, resulting in limited or controlled access to critical areas, higher operating costs, lower productivity and unsafe work environments.
- Natural Disasters – Disasters such as flooding, drought, earthquake and fire, could result in property damage, stoppage or delay in operations, higher operating costs, lower productivity and customer dissatisfaction.
- Secured Communications – Disruptions to information technology due to system failures, cyber-attack or human errors could lead to operational disruptions, financial liabilities and customer dissatisfaction.

# CORPORATE GOVERNANCE

## 3) Compliance Risks

- Land Ownership – Failure to obtain land permits and licences or to promptly resolve land ownership issues and third-party claims could result in loss of land rights.
- Tax Compliance – Non-compliance with local or national tax regulations, failure to identify and prevent legal risks, and inadequate communication with tax authorities could result in severe financial penalties.
- Environmental Compliance – Non-compliance with environmental laws and regulations could expose the Company to regulatory sanctions, public protests, security problems, fines and penalties.

## 4) Financial Risks

- Credit Defaults – Defaults of loans by plasma smallholders could result in financial losses.
- Capital Liquidity – Insufficient access to financial capital could affect the Company's ability to grow, execute strategies and generate returns.
- Economic Uncertainty – Fluctuations in commodity prices and currency exchange rates could adversely affect the Group's financial position and standing.

## Shareholder Rights and Engagement

### PRINCIPLE 11: Shareholder Rights and Conduct of General Meetings

### PRINCIPLE 12: Engagement with Shareholders

The Company is committed to regular and timely disclosure of information pertinent to the shareholders. Announcements are made within the prescribed periods through the SGXNET, and where necessary, through mainstream news media via press releases. All announcements are posted on the Company's Investor Relations ("IR") website and disseminated by email to subscribers as news alerts. The IR website is a key source of investor-related information, including presentation slides on financial results, annual and sustainability reports, shares and dividend information, and factsheets.

The CEO, the CFO and other Management members conduct half-year and full-year results briefings, and regularly communicate important corporate developments and announcements, such as merger and acquisition of companies, to analysts and shareholders through meetings and conference calls. The Management also engages the investing community either individually or as a group in dialogues, road shows and investment forums to facilitate their understanding of the Company's business model and strategies.

In 2019, around 160 meetings and conference calls were made to engage the analysts and shareholders and to share the Group's business strategies, operational and financial results and business outlook with them. These engagements were attended by selected members of the Board and the Management. Key analysts and major shareholders were also invited to site visits at the North Sumatra plantation.

### Dividend Policy

The Company has started paying dividends since 2012. Dividend payments are made with due consideration of the Company's financial performance, liquidity, capital commitments, business prospects, economic outlook and regulatory factors. The Board aims to maintain a balance between meeting the shareholders' expectation for dividend returns and prudent capital management.

### Conduct of the Annual General Meetings

The AGM is attended by all the Directors, the Management as well as the external auditor, who will address the shareholders' queries on the audit report.

The shareholders are encouraged to actively participate at the AGM, which are held at venues easily accessible by the public. Notice of the AGM and related information are provided to the shareholders within the prescribed timeline under the listing rules. The Company provides separate resolutions for every item in the AGM agenda, and where necessary, additional explanatory notes, for each of the items.

All shareholders are entitled to attend and vote at the AGM in person or by proxy. Each shareholder may appoint up to two proxies to vote at the AGM by submitting the proxy forms to the Company in advance. Intermediaries, such as banks and capital markets services license holders that are providing custodial services, may appoint more than two proxies. This allows indirect investors, such as CPF investors, to attend the AGM as proxies. Voting in absentia by mail or other electronic means is currently not supported.



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All resolutions at the AGM are passed by poll voting. An electronic poll voting system is used to register the number of votes by the shareholders present at the AGM. An external party is engaged as a scrutineer to ensure the integrity of the poll voting process. The result of each poll, including the number and percentage of votes cast in favour or against the resolution, is immediately computed and presented to the shareholders. The poll voting and proxy voting results are filed with SGX-ST on the same day as the AGM.

At the AGM held in April 2019, the CEO presented the Company's performance and strategies to the shareholders. The Board and the Management were present to address queries from the shareholders, as well as to gather their feedback on specific issues. The external auditor also attended the AGM to take questions on the audit report.

## Dealings in The Company's Securities

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Group has adopted an Internal Code with regards to dealings in the securities of the Company by its officers. Among other restrictions, the Company's officers are prohibited from dealing in the Company's securities on short-term considerations when they have possession of any unpublished, price-sensitive information about the Company's securities during the two-week period before the announcement of the Group's quarterly and half-yearly financial results or one month before the announcement of the Group's full-year financial results. The Directors and employees are expected to observe the insider trading laws at all times, even when dealing in securities outside the prohibited trading periods, and to refrain from short-term dealings in the Company's securities.

## MANAGING STAKEHOLDER RELATIONSHIP

### PRINCIPLE 13: Engagement with Stakeholders

The Company's agribusiness operations are constantly exposed to rapidly changing opportunities and risks related to the environment, communities and stakeholders. These opportunities and risks are addressed through formal management processes, an open and responsible work culture, and partnerships with key stakeholders, which include local communities, customers, suppliers and civil society organisations. Steps are taken to improve operational efficiencies and innovations as part of the Company's pledge towards sustainable agriculture, community development and workplace safety.

In line with the Board's commitment to maintain high ethical standards, the Company maintains the following corporate policies:

#### 1) Code of Conduct and Company Culture

The Company adopts the same Code of Conduct and core values as its parent company, PT ISM. These include two policies on the Company Business Ethics and the Work Ethics of Employees, and the core values of Discipline, Integrity, Respect, Unity, Leadership and Innovation. Sharing the same company culture as PT ISM allows the Company to engage with stakeholders and conduct its businesses in a manner that is consistent with its parent company.

The Code of Conduct and core values are regularly communicated and reinforced at staff engagement platforms. They are also easily accessible by all employees on the Company's website. Any violations of the Code of Conduct are deemed to be a breach of the employment contract and could lead to disciplinary actions or dismissal.

#### 2) Sustainable Agriculture Policy

The Group's Sustainable Agriculture Policy is applicable to all of IndoAgri's operating units, plasma smallholders and third-party CPO suppliers. The Policy sets out the manner in which the Group achieves responsible and traceable supplies, taking into consideration the risks and opportunities arising from the ESG factors, as well as interactions with different stakeholder groups.

The key commitments under this policy are as follows:

- No deforestation;
- No planting on peat, regardless of depth;
- No burning;
- Preservation of High Conservation Value and High Carbon Stock areas;
- Upholding of Labour and Human Rights, including Freedom of Association and non-discrimination; and
- Upholding of Free, Prior and Informed Consent.