

# CORPORATE GOVERNANCE

The Board of Directors (“**Board**”) and Management of Indofood Agri Resources Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) firmly believe that good corporate governance is critical to the sustainability and long-term success of the Group’s businesses and performance. The Board is responsible for the corporate governance framework and policies, and is committed to upholding high standards of corporate governance in achieving a culture of accountability and transparency within the Company.

This report sets out the key aspects of the Company’s corporate governance framework and practices, with reference to the principles and guidelines of the Code of Corporate Governance 2012 (“**2012 Code**”). The Company has complied with all material aspects of the 2012 Code, with exception to Guidelines 4.4, 8.4, 9.2 and 9.3.

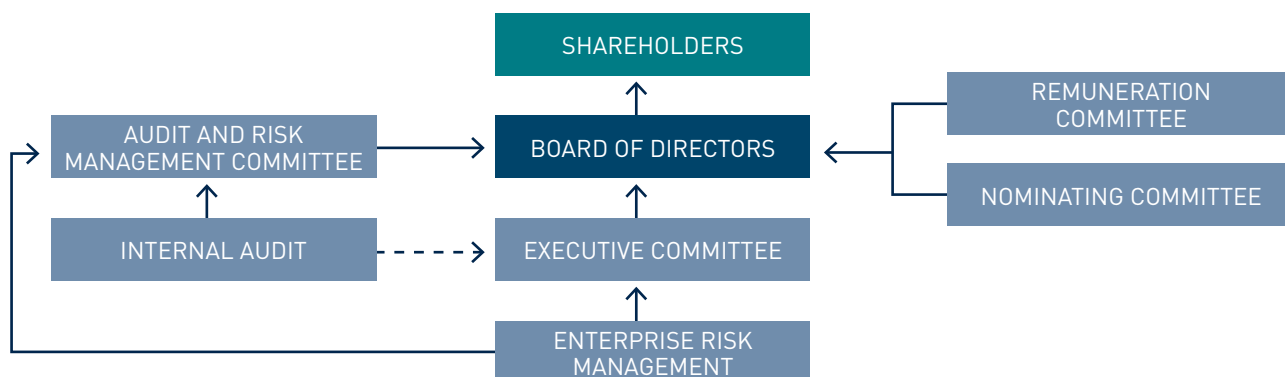
For Guideline 4.4, the Nominating Committee (“**NC**”) has reviewed the participation and contribution of the current Directors, as well as the number of meetings they have attended in 2017. The NC is satisfied that all the Directors have devoted sufficient time to the affairs of the Company. They have adequately discharged their duties as Directors and provided objective views to the Board and Management.

The Board believes that the number of listed company directorships held by its Directors is contingent upon individual capacity. The Company requires all its Directors to provide an annual affirmation of their ability to allocate the time and commitment necessary to carry out their Board responsibilities. In addition, the Directors were selected based on their experience, expertise and ability to contribute to the Board. As such, the Board does not see a need at present to stipulate a policy for the maximum number of listed company board representations that a Director may hold.

For Guideline 8.4, the Company does not stipulate a policy for the reclamation of variable incentives. However, the Remuneration Committee (“**RC**”) has the discretion not to award or reclaim the variable incentives from Executive Directors and key management personnel in exceptional circumstances involving material misstatement of financial results or misconduct resulting in financial loss to the Company.

As for Guidelines 9.2 and 9.3, the exact remunerations of the Directors and the CEO are not disclosed after the Board and Management have carefully considered the competitive nature of the industry and the potential for such information to be used by competition to undermine the Company’s efforts in attracting and retaining talent.

## CORPORATE GOVERNANCE STRUCTURE



## BOARD MATTERS

### Board’s Conduct Of Its Affairs [Principle 1]

The Board comprises Directors with a wide range of skills and experience in operations management, banking, finance, accounting, risk management and industry knowledge. The Board has reviewed the qualifications of its Directors and is satisfied that they possess the necessary competencies to lead and govern the Company effectively. A brief biography of each Director is given on pages 40 to 42 of this Annual Report.

### Roles and Responsibilities:

The principal functions of the Board are to:

- review the financial performance and condition of the Group;
- approve the Group’s strategic plans, key operational initiatives, major investment, divestment and corporate restructuring, as well as major funding decisions;
- identify principal risks of the Group’s businesses, and implement systems to manage these risks;
- assume the responsibility of corporate governance;
- reviews the sustainability issues, validates the material environment, social and governance factors and oversees their management and monitoring;
- establish and maintain exemplary values and standards for the Company; and
- ensure all statutory obligations to shareholders and other stakeholders are understood and met.

## CORPORATE GOVERNANCE

**Board Approval:** The Company has adopted internal guidelines, which set out all matters requiring the Board's approval as specified under the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual. Some of the material items that require the Board's approval would 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 Senior Management such as 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.

**Directors' Duties and Obligations:** All the Directors shall exercise independent judgement and objectively discharge their duties and responsibilities in the best interest of the Company. This is one of the performance criteria for peer and self-assessment in the NC's annual evaluation on the effectiveness of the individual Directors. Based on these assessments for 2017, all the Directors have discharged this duty. In addition, a Director is required to declare any conflict of interest in a transaction or proposed transaction, and abstain from participating in the deliberation of such transactions by the Board and/or its Committees.

**Board Committees:** In discharging its responsibilities and fiduciary obligations more effectively, the Board is assisted by the Executive Committee ("Exco") and various Board Committees including the Audit and Risk Management Committee ("AC & RMC"), the NC and the RC. The Board Committees are actively engaged and play a key role in enhancing corporate governance, improving internal controls and driving the performance of the Group. Each of these Board Committees has clearly defined terms of reference, which set out its duties, authority and accountabilities. The terms of reference are reviewed annually.

The Exco is chaired by Mr Mark Julian Wakeford, and comprises Messrs Tjhie Tje Fie, Moleonoto Tjang and Suaimi Suriady as its members. The Board delegates the Exco certain discretionary limits and authority for business development, investment, divestment, capital expenditure, finance, treasury, budgeting, human resource 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 human resource practices and compensation policies, and ensure that the Group operates within the approved budget.

**Board and Board Committee Meetings:** All Board, Board Committee and Annual General Meetings ("AGM") for the year are scheduled in advance 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 each year. For the Board Committees, the AC & RMC meets eight times each year, while meetings by the RC and NC are held at least once a year.

The Company's Constitution provides for the Board and Board Committee meetings to be conducted via telephone or any other forms of communication facilities as well as decisions to be made by way of written resolutions. Directors who are unable to attend the Board and Board Committee meetings are provided with the meeting materials, to facilitate follow-ups on any matters covered in the meetings.

The Directors' attendance at the Board and Board Committee meetings held during the financial year ended 31 December 2017 is set out below:

Description	Board	AC & RMC	NC	RC
<b>Number of meetings held in 2017</b>	5	8	1	1
<b>Name of directors</b>	Number of meetings attended			
Lee Kwong Foo, Edward	5	-	1	-
Lim Hock San	3	6	1	1
Mark Julian Wakeford	5	-	-	-
Moleonoto Tjang	4	-	-	-
Suaimi Suriady	4	-	-	-
Tjhie Tje Fie	3	-	1	1
Axton Salim	3	-	-	-
Goh Kian Chee	5	8	-	1
Hendra Susanto	5	8	1	-

 Chairman

"-" refers to not applicable

## CORPORATE GOVERNANCE

**Training and Induction for Directors:** The Board recognises the importance of continuous professional development in order to contribute effectively to the Board. All newly appointed Directors are briefed by the respective Chairmen of the Board on key areas and issues. In addition, new Directors are required to undergo orientation and training conducted by the Senior Management to familiarise them with the Group's organisation, business operations, strategic direction, industry trends and developments, governance practices, as well as their statutory and other responsibilities as Directors. There was no new Director appointed in 2017.

The Directors receive continuing education and training in areas pertaining to their duties and responsibilities, corporate governance, and the changes to relevant laws and regulations, such as the SGX-ST Rules, Code of Corporate Governance, Companies Act, as well as financial reporting standards. The Directors are also invited to attend seminars and trainings organised by the Singapore Institute of Directors ("SID") and various professional bodies and organisations to stay abreast of relevant developments and issues in financial, legal, corporate governance and regulatory requirements.

In 2017, some of the Directors participated in the following seminars and training programmes:

- Executive seminars including "The Sustainability Imperative", "Audit Committee Seminar 2017" and "Strategy at the Board Level" organised by the SID.
- "4th Singapore Dialogue on Sustainable World Resources" organised by Singapore Institute of International Affairs.
- "EmTech Asia", a seminar hosted by MIT Technology Review.
- "Solving the Triple Challenge to Agriculture", a conference hosted by World Agricultural Forum and the S. Rajaratnam School of International Studies, Nanyang Technological University.
- "Innovative Dynamic Education and Action for Sustainability 6.0", a one-year programme conducted by The MIT Sloan School of Management.
- "New Business Models, Evolving Business Models and Strategy in the Years Ahead", a seminar organised by Singapore Management University.
- "3rd Annual Mixed-Use Development", a seminar organised by Marcus Evans.

### BOARD COMPOSITION AND GUIDANCE [PRINCIPLE 2]

**Board Independence:** The Board is required to determine on an annual basis whether a Director is deemed to be independent based on the guidelines in the 2012 Code and the assessment of the NC. The Board is required to take into account the existence of relationships or circumstances that are relevant to its evaluation. The 2012 Code states that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subjected to a more rigorous review. The NC reviews the independence of each Non-Executive Director annually. The results of the assessments conducted in 2018 are disclosed under "Annual Assessment of Directors' Independence".

**Board Composition and Size:** The Company recognises and views diversity at the Board level as a critical aspect in achieving its strategic objectives and long-term sustainability. The NC ensures a balanced representation at the Board by taking into consideration factors such as the diversity of skills, knowledge, experience, gender, background and ages of all the Directors. The NC reviews the Board's composition and succession plans annually to ensure they are commensurate with the Group's business and operations.

As at 31 March 2018, the Board comprises nine Directors, of whom three are Executive Directors, two are Non-Executive Directors and four are Independent Directors. Taking into account the nature and scope of the Company's operations, the Board and the NC concur that the current Board size is appropriate and adequate for effective decision making. Three out of the nine Directors, namely the CEO, Mr Mark Julian Wakeford, and the Executive Directors, Messrs Moleonoto Tjang and Suaimi Suriady, are deemed to have extensive experience in plantation and downstream refinery operations in Indonesia.

**Board Information:** The Directors receive updates from the Management on relevant business initiatives, industry developments, and matters relating to the Group or the industries in which it operates. The Directors also receive analysts' reports on the Group and other plantation companies from time to time, which provide updates on key issues and developments in the industry, as well as the challenges and opportunities for the Group. As part of ongoing efforts to maximise the effectiveness of the Board, site visits to the plantations, mills and factories are arranged periodically for the Directors. Where necessary, the Directors may seek professional advice, either individually or as a group, to support their duties.

During the year, the Board engaged a law firm, Rajah & Tann Singapore LLP, to brief the Directors on the amendments to the Companies Act and the SGX-ST Listing Manual, as well as the necessary amendments to be made to the Company's Constitution.

## CORPORATE GOVERNANCE

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	

**Non-Executive Directors' Participation:** The Non-Executive Directors are encouraged to attend the Board meetings, participate actively in discussions about the Company's strategic plan and issues, review the Management's performance against targets, and monitor the reporting of the Company's performance. The Non-Executive Directors may schedule, as and when necessary, to meet without the presence of Management on matters such as Board processes and practices, corporate governance initiatives, succession planning, leadership development and remuneration matters.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER [PRINCIPLE 3]

**Separation of Roles:** The roles of Chairman and CEO are held by separate persons, each with his own area of responsibilities and accountabilities, to ensure an appropriate balance of power and independence.

The office of the Chairman is assumed by Mr Edward Lee, who is also the Lead Independent Director. He is a Non-Executive Director and is unrelated to the CEO or other 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 ensures that the Corporate Secretary disseminates complete, accurate and timely information to the Directors for their reading prior to the meetings. During the Board meetings, the Chairman facilitates open and objective debates among the Directors to encourage their active contributions as well as to carefully deliberate on all the agenda items, especially the strategic issues, for sound decision-making. The Chairman also plays an important role in fostering constructive exchanges amongst the shareholders, the Board and Management at the AGM and other shareholder meetings.

Mr Mark Julian Wakeford holds the office of the CEO. His responsibilities include charting and reviewing the corporate directions and strategies, which cover the areas of marketing and strategic alliances, and providing the Company with strong leadership and clear vision. The CEO, supported by the Exco, is responsible for the day-to-day operation and management of the businesses. The CEO is accountable to the Board for all decisions, actions and performance of the Group.

**Lead Independent Director:** Mr Edward Lee, who chairs the Board and the NC, is the Lead Independent Director. The role of the Lead Independent Director includes meeting with the Non-Executive Directors as and when such meetings are deemed necessary. He is also available to shareholders on matters of concern that cannot be resolved through contact with the CEO or CFO, or where such contact is deemed inappropriate.

### BOARD MEMBERSHIP [PRINCIPLE 4]

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

- review the Board succession plans for Directors and Management;
- recommend to the Board all board appointments and re-nomination of Directors in consideration of their respective contribution and performance;
- ensure all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- determine annually whether a Director is independent, according to the 2012 Code;
- assess the ability of a Director to adequately carry out his duties especially when he has multiple board representations;
- decide on the evaluation criteria for the Board's performance; and
- review the professional training and development programmes for the Board.

## CORPORATE GOVERNANCE

**Appointment of New Directors and Re-nomination of Directors:** The NC adopts the following process when selecting and appointing new Directors and re-nominating Directors should the need arise:

- review annually the size and composition of the Board to ensure that there are sufficient independent Directors;
- leverage the help of external sources such as recruitment firms to identify potential candidates in consultation with the controlling shareholders and Management;
- consider the age, experience, gender and knowledge of potential candidates when selecting a new Board member to ensure sufficient diversity in the Board to maximise its effectiveness;
- consult with the Board and Management to determine the selection criteria and suitability of the potential candidates based on their values and track record, core competencies, and ability to devote time and effort to carry out their role and duties independently and effectively; and
- recommend the best candidate to the Board for approval.

**Re-nomination of Directors:** The NC is also responsible for the re-nomination of Directors, taking into consideration factors such as their attendance record and participation at Board meetings. Pursuant to the Company's Constitution, at each AGM, at least one-third of the Directors shall retire from office by rotation. Existing Directors shall submit themselves for re-nomination and re-election at least once every three years, unless the member is disqualified from holding office. Newly appointed Directors shall submit themselves for re-election at the AGM immediately following the appointment.

**Annual Assessment of Director's Independence:** The NC reviewed the independence of each Non-Executive Director in February 2018 based on the respective Directors' self-declaration in the Directors' Independence Checklist and their performance on the Board and Board Committees, and was satisfied that the Company has complied with the guidelines of the 2012 Code, which required at least one-third of the Board to be made up of Independent Directors.

All the Independent Directors, Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto have been with the Board for more than 10 years. The NC was of the view that the four Independent Directors demonstrated independent judgement in the best interests of the Company at the Board and Board Committee meetings. These Directors have continued to provide valuable and objective contributions to the Board through their in-depth knowledge and involvement in the industry. As non-executives, they have no affiliation to the Company, its related corporations, substantial shareholders or Management that could affect or compromise their independence or impartiality in the Group's day-to-day operations. There has been no increase in Director's fees for the past few years, and the level of remuneration paid to these Independent Directors does not compromise their objectivity.

The NC has deemed that Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto have fulfilled their obligations as Independent Directors. The Board has considered the views of the NC and concurred with their assessments on the independent status of the four Independent Directors.

**Annual Assessment of Director's Commitment:** For Directors with board representations in other public-listed companies, the NC has reviewed whether they would be able to carry out their fiduciary duties as Directors of the Company based on the level of participation and contribution of the respective Directors, as well as the number of meetings they have attended in the year. The NC was satisfied that all the Directors had devoted sufficient time to the affairs of the Company. They adequately discharged their duties as Directors and provided objective views to the Board and Management. The Board does not see a need at present to stipulate a policy for the maximum number of listed company board representations that a Director may hold.

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

**Nominee Directors:** The NC does not see a need for Nominee Directors, and therefore no formal policy has been put in place for the appointment of Nominee Directors.

### BOARD PERFORMANCE [PRINCIPLE 5]

**Evaluation of the Board, Board Committees and Directors:** As recommended by the NC, the Company has implemented an annual process to evaluate the overall performance and effectiveness of the Board, the Board Committees, and the contribution of the Chairman and respective Directors, using the NC's recommended performance criteria.

Where appropriate, the Board may recommend changes to the assessment forms to align with prevailing regulations and requirements.

Every year, all Directors are required to complete the following appraisal forms:

- Board Assessment – This evaluates the effectiveness of the Board in key areas such as governance, leadership and strategy, Board meetings and decision-making, Board performance, development and training, control and risk management, and communication.

## CORPORATE GOVERNANCE

- Board Committees Assessment – This evaluates the effectiveness of the AC & RMC, RC and NC based on key criteria recommended by the “Nominating Committee Guide in Singapore”.
- Peer Assessment – This evaluates the performance of each Director based on their level of commitment, standard of conduct, competency, attendance at meetings, training and development, and interaction with other Directors, Management and stakeholders.

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

The NC assesses the contributions of each Director and ways to improve the Board’s performance. A report of the evaluation, including the key areas for improvement and recommendations, is presented to the Board for consideration.

The Board has reviewed the NC’s report and agrees with the findings that the Directors have been effective and met the performance objectives in 2017.

### ACCESS TO INFORMATION [PRINCIPLE 6]

The Company Secretary is competent in company laws and company secretariat practices to provide effective secretarial support to the Board and its various committees, which includes taking minutes of the meetings, ensuring compliance with Board procedures and regulatory requirements, and assisting the Board to implement and strengthen corporate governance policies and processes.

The Company Secretary attends all the Board meetings and is directly accountable to the Board, through the Chairman, on all matters relating to the proper functioning of the Board, including its compliance with the Company’s Constitution, the Companies Act, the Securities and Futures Act and the SGX-ST Listing Manual. The Company Secretary acts as the primary point of contact between the Company and the SGX. The appointment and removal of the Company Secretary is subject to the approval of the Board.

In providing secretarial support to the Board and Board Committees, the Company Secretary is responsible for circulating the schedules of the meetings to the Directors at the beginning of the calendar year. Board papers and related materials, such as financial results, project updates, budgets and forecasts are circulated to the Directors before the meeting and in a timely manner so that they can consider the issues adequately and engage in productive discussions during the meetings.

The Company Secretary may invite other Management members or external consultants to the meetings to present or advise on specific matters. The Directors have direct and independent access to the Company Secretary as well as the Management, and are regularly updated on significant developments and events regarding the Group. The Directors may seek professional advice, either individually or as a group, in executing their duties. The cost of such professional advice is borne by the Company.

### REMUNERATION MATTERS

#### PROCEDURES IN DEVELOPING REMUNERATION POLICIES [PRINCIPLE 7]

**Remuneration Committee:** The RC is chaired by Mr Lim Hock San, with Messrs Tjhie Tje Fie and Goh Kian Chee as members. All the RC members are Non-Executive Directors. Messrs Lim Hock San and Goh Kian Chee are also Independent Directors. The RC meets at least once a year to review and approve the remuneration package and terms of employment of the Company’s Directors and Key Executives.

The RC covers all aspects of remuneration, including Director’s fees, salaries, allowances, bonuses and benefits-in-kind. RC members are refrained from deciding on their own remuneration. For Key Executives, the RC also recommends their termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments, while ensuring the fair and reasonable termination clauses that are not overly generous have been provided for in their service contracts.

The RC consolidates the Director’s fees as a total sum and submits it, along with the other recommendations, to the Board for endorsement before tabling it for shareholders’ approval at the AGM. The RC is also empowered to review the human resource management policies of the Group.

## CORPORATE GOVERNANCE

### LEVEL AND MIX OF REMUNERATION [PRINCIPLE 8]

The remuneration policy seeks to reward the Executive Directors and Key Executives based on their performance and contributions to the Group, and to ensure the remuneration is commercially competitive to attract and retain the right talent.

**Remuneration of Independent Directors and Non-Executive Directors:** The RC adopts a base fee remuneration model for the Independent Directors. The Chairmen of the Board and Board Committees who are Independent Directors are paid higher fees in view of their greater responsibilities. Independent Directors who are involved in Board Committees are paid additional fees for their services. If the Independent Director is required to travel on behalf of the Company, the Company will reimburse the travel expenses incurred along with a prescribed travel allowance.

Non-Executive Directors are not paid a Director's fee or other forms of remuneration. This is to avoid compromising their independence of views.

**Remuneration of Executive Directors and Key Executive:** The RC approves the framework of remuneration for the Executive Directors and Key Executives. The RC exercises broad discretion and independent judgement, and consults with controlling shareholders to ensure that the compensation amount and remuneration mix are appropriate for the Company and the respective roles. The remuneration mix of the Executive Directors and Key Executives consists of two components: an annual fixed cash component comprising an annual basic salary and other fixed allowances, and an annual variable cash incentive that is directly linked to the performance of the Company, the respective operating unit and the individual.

Appropriate Key Performance Indicators ("KPI"), covering the six strategic objectives of crop, cost, condition, people, process and product, are used to assess individual performance and to determine the quantum of annual rewards and cash incentives. In determining the quantum for the variable component of the remuneration, the RC takes into account the extent to which the KPIs have been met. The RC has the discretion not to award or to reclaim the variable incentives from the Executive Directors and Key Executives in exceptional circumstances involving material misstatement of financial results or misconduct resulting in financial loss to the Company. The RC is satisfied that the remuneration is aligned to the performance of the Executive Directors and Key Executives in 2017.

### DISCLOSURE ON REMUNERATION [PRINCIPLE 9]

The salary band of every Director and Key Executive is to be duly disclosed with a breakdown, either in percentage or dollar terms, of the remuneration earned as stipulated by the 2012 Code. The exact remuneration of the Directors and the CEO are not disclosed after the Board and Management have carefully considered the competitive nature of the industry and the potential for such information to be used by competition to undermine the Company's efforts in attracting and retaining talent.

**Director's Remuneration:** The remuneration of the Directors and the CEO paid by the Company and its subsidiaries, for the financial year ended 31 December 2017 are as follows:

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

<sup>(1)</sup> Remuneration paid by PT Salim Ivomas Pratama Tbk.

<sup>(2)</sup> Remuneration paid by PT ISM or other companies in the PT ISM Group.

## CORPORATE GOVERNANCE

**Director's Fee for Independent Directors:** The fees paid to the Independent Directors are 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 Directors	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 Independent Directors</b>					<b>345,000</b>

**Remuneration of Key Executives:** The remuneration bands of Key Executives who are not Directors of the Company are similarly disclosed in bands of S\$250,000. The total aggregate remuneration paid to the top five key management personnel who are not Directors or the CEO for the financial year ended 31 December 2017 was S\$2,356,603.

Remuneration Band	Number of Executives
S\$250,000 – S\$500,000	4
S\$500,000 – S\$750,000	1
S\$750,000 – S\$1,000,000	1
S\$1,000,000 – S\$1,250,000	1

During the year, there was no termination, retirement or post-employment benefit granted to any Director or Key Executive.

**Remuneration of employees who are immediate family members of a Director or the CEO:** There was no employee of the Company or its subsidiaries who was an immediate family member of a Director or the CEO and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2017.

**Other Remuneration Matters:** The Company has no share option scheme. It will consider the establishment of other forms of longer term incentive schemes, as and when appropriate.

### ACCOUNTABILITY AND AUDIT

#### ACCOUNTABILITY [PRINCIPLE 10]

The Board is accountable to the shareholders. It is required to furnish timely information and ensure full disclosure of material information to the shareholders in compliance with legislative and regulatory requirements, including statutory requirements and the requirements under the SGX-ST Listing Manual.

#### RISK MANAGEMENT AND INTERNAL CONTROLS [PRINCIPLE 11]

The Board has overall responsibility for the governance of risk and the oversight of material risks in the Group's business. For the financial year ended 31 December 2017, the AC & RMC assisted the Board to maintain oversight of the Group's risk in financial reporting, and to review the adequacy and effectiveness of the Group's internal control and compliance systems. They also supported the operation and review of the risk management system, including the framework and processes for the identification and management of material risks.

The AC & RMC reports to the Board on the material impact from the findings and its recommendations on risk mitigation measures. The report covers operational, financial and compliance controls, risk management policies and systems. The AC & RMC meets with internal and external auditors four times a year and at least one of these meetings is conducted without the presence of the Management. The AC & RMC also meets with the Enterprise Risk Management ("ERM") team four times a year.

During the financial year 2017, the AC & RMC reviewed and recommended the Group's quarterly and full-year financial statements to the Board for approval and subsequent publication. It also reviewed key control findings from the Internal Audit Department ("IAD") and ERM team, as well as remedial actions recommended by the Management to resolve the discrepancies. The AC & RMC was kept abreast of changes to accounting standards and their impact on the financial statement as reported by the independent external auditor.



## CORPORATE GOVERNANCE

The ERM team has worked closely with IAD to manage high-risk areas, ensure accuracy of the risk assessment reports, and enforce risk mitigation controls and strategies. IAD has performed independent reviews of the risks and controls identified by the ERM team to ensure adequate monitoring and proper resolution. The AC & RMC is satisfied that effective internal controls have been put in place with robust internal audit and ERM frameworks to identify, monitor, manage and report material risks affecting the Group.

The Board also reviewed the adequacy and effectiveness of the Company's risk management and internal control systems with the AC & RMC and the ERM team in the year. The Board confirmed, with the AC & RMC's concurrence, that the Group's internal controls were adequate and effective in addressing the financial, operational, compliance and information technology control risks, and risk management system.

In making its assessments, the Board has received assurance from the CEO and the CFO that the financial records were properly maintained to their best knowledge and ability, and the financial statements provided a true and fair view of the Group's operations and finances. The Board was also assured that the Company had implemented effective risk management and internal control systems to safeguard stakeholders' interest.

Noting that, as no internal control system or ERM framework can provide absolute assurance against material, judgement or human errors, frauds and other irregularities, the Board deems that the Group's internal control system and ERM framework have provided reasonable assurance against material financial misstatement or loss in safeguarding the Company's assets and shareholders' value.

### AUDIT AND RISK MANAGEMENT COMMITTEE [PRINCIPLE 12]

**Composition of the AC & RMC:** The AC & RMC comprises three Independent Directors, including the Chairman, Mr Goh Kian Chee, and members, Messrs Lim Hock San and Hendra Susanto. The AC & RMC possesses expertise in financial management and is fully qualified to discharge its powers and duties.

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

The AC & RMC is authorised by the Board to review and investigate any matters according to its terms of reference. It has full access to external and internal auditors, and may invite any Director, Management or employee in the Group to attend its meetings.

The key responsibility of the AC & RMC is to assist the Board in risk management, controls and governance processes as well as to provide an independent review of the effectiveness of the risk management framework and systems, and the adequacy of control measures in addressing the financial, operational, compliance and information technology control risks.

The list of duties set out in the AC & RMC's terms of reference include:

- review the audit plan, internal accounting controls, audit report, Management letter and Management's response to the external auditor;
- review the quarterly, half-yearly and annual financial statements, especially on changes to accounting policies and practices, major risk areas, and significant adjustments resulting from the audit, before submitting the 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, and compliance controls and procedures, risk management policies and systems, and co-ordination between the Management and the external auditor;
- review with the external auditor any suspected frauds, irregularities as well as infringements of Singapore laws, regulations and the 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, the level of assistance the Management has provided to the external auditor, and the adequacy of the resolution to issues arising from the audits or highlighted by the external auditor;
- review Interested Person Transactions;
- review the whistle-blowing system and its effectiveness as a confidential channel for employees to report potential improprieties in financial management and other areas;
- review ERM reports;
- consider all matters related to the appointment of the external auditor, including the audit fee;
- undertake additional reviews and projects requested by the Board, and to report its findings and recommendations to the Board in a timely manner; and
- undertake functions and duties as required by the Singapore laws and the Listing Manual.

## CORPORATE GOVERNANCE

### Audit Activities Performed in 2017

The AC & RMC conducted eight meetings during the year and carried out its duties according to the terms of reference. The Company Secretary maintained records of all the AC & RMC meetings including minutes of discussions and decisions on key matters. The AC & RMC also met with the internal and external auditors separately and without the presence of the Management.

The financial statements of the Group and the Company are reviewed and endorsed by the AC & RMC before they are submitted to the Board for approval, and the financial results subsequently disclosed to the public. The AC & RMC also reviews and monitors the Group's and the Company's financial conditions, internal and external audits, and the effectiveness of the Group's and the Company's systems of accounting and internal controls.

In 2017, the following key audit matters were discussed between the Management and the external auditors, and subsequently reviewed by the AC & RMC. The AC & RMC is satisfied that the list of key audit matters has been appropriately addressed and disclosed in the financial statements.

Key Audit Matters	Key Considerations and Decisions made by the AC & RMC
Assessment of goodwill impairment	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. 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 2017.
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 their assessment of the recoverability of deferred tax assets arising from tax losses carried forward for the financial year ended 31 December 2017.

The external auditors have included the above significant matters as key audit matters in their audit report for the financial year ended 31 December 2017 together with a detailed description of the audit procedures adopted from page 64 of this Annual Report.

The Board is of the view that all the members of the AC & RMC are appropriately qualified to discharge their responsibilities.

In 2017, the AC & RMC conducted an annual assessment of its effectiveness in discharging its roles and responsibilities. Based on the self-assessment, the AC & RMC believes it has adequately fulfilled its duties as set out in the terms of reference.

**External Audit:** The appointment of the external auditor is recommended by the Board and approved by the shareholders at the AGM. The AC & RMC assesses the performance of the external auditor annually based on ACRA's Audit Quality Indicators, feedback from the Management, and the objectivity and conduct of the external auditor during the audit, and recommends the re-appointment of the external auditor to the Board. An external auditor can only be appointed for a maximum of five consecutive annual audits according to SGX-ST regulations.

The AC & RMC has reviewed the audit services provided by the external auditor in 2017 and is satisfied with the quality and objectivity of the audit. In accordance with Rule 1207(6)(a) of the Listing Manual, the audit and non-audit fees paid to the external auditor for its services in the financial year ended 31 December 2017 are disclosed on page 99 of this Annual Report.

## CORPORATE GOVERNANCE

The external auditors of the Group's subsidiaries, associated companies and a joint venture are also disclosed on pages 117, 119 and 122 of this Annual Report respectively. The Board and the AC & RMC are satisfied that these external auditors are qualified and have adequate resources to meet their audit obligations, and do not compromise the standard and effectiveness of the audit. The Board and the AC & RMC are of the opinion that the Company is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual.

Ernst & Young LLP is the current external auditor for the Company. The AC & RMC is satisfied with the performance of Ernst & Young LLP and has recommended to the Board for it to be re-appointed as the external auditor of the Company for another term, subject to shareholders' approval at the next AGM.

### INTERNAL AUDIT [PRINCIPLE 13]

IAD is headed by Mr Rogers H. Wirawan who reports directly to the Chairman of the AC & RMC on all internal audit matters. IAD plans the internal audit schedules in consultation with the Management before submitting the plan to the AC & RMC for approval. The internal audit is conducted in accordance with the guidelines and standards set out in the Professional Practice of Internal Auditing by the Institute of Internal Auditors. As at end-December 2017, there were 89 staff in the IAD.

IAD is an independent unit separate from the business and corporate activities. Its duties and responsibilities, with regards to risk management and internal controls, are as follows:

- review the risk profile of the Company;
- identify and recommend actions to eliminate or mitigate risks so as to improve the risk profile;
- recommend risk parameters for the Company's operations;
- review risk mitigation efforts and related costs;
- monitor the mitigation efforts and risk parameters; and
- establish and maintain a risk reporting and monitoring framework.

IAD operates within the framework set out in the Internal Audit Charter and Code of Ethics that is approved by the Management and the AC & RMC. It implements a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes. As part of the audit plan, IAD performs independent reviews of the risks and controls identified by the ERM team to provide additional assurance of the robustness of the ERM framework to the Management.

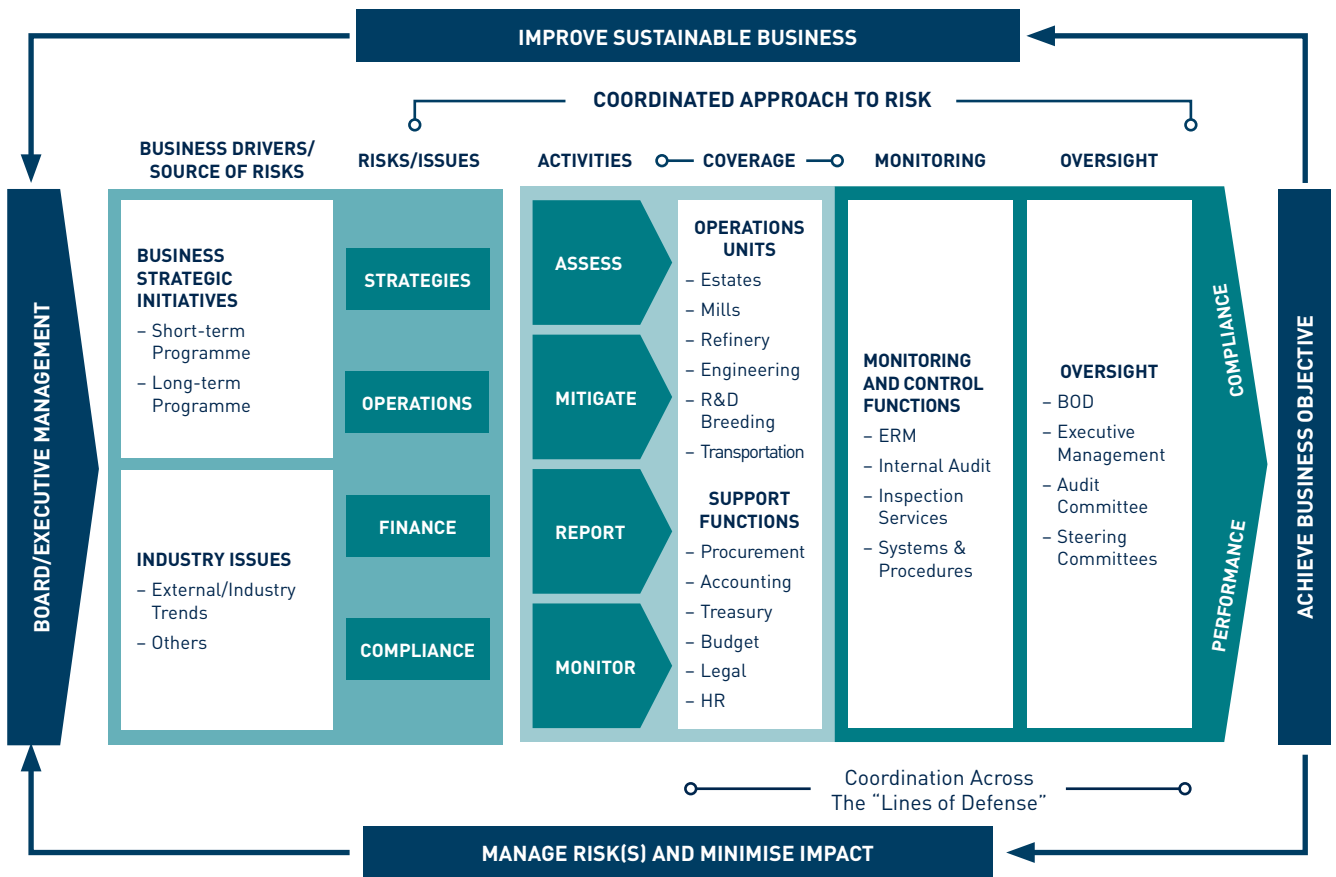
The AC & RMC is satisfied that the key risks and controls are adequately monitored and managed in 2017. During the year, IAD adopted a risk-based auditing approach that focused on material internal controls. High-risk areas of strategic business units were identified and audited, and key findings and recommendations were presented and discussed at the quarterly meetings with the AC & RMC. A set of key actions to rectify the gaps was developed by IAD together with the Management, and its progress monitored and reported to the AC & RMC at quarterly meetings. The AC & RMC has also reviewed the adequacy of the internal audit function, including IAD's organisational structure, work scope and audit plans. Overall, the AC & RMC is satisfied that IAD has adequate resources and a good standing within the Group to perform its role effectively.

### ENTERPRISE RISK MANAGEMENT ("ERM")

As an agribusiness constantly exposed to unpredictable weather conditions, fluctuating commodity prices, and evolving consumer needs, amongst other challenging conditions, the Group is said to operate in a VUCA (volatile, uncertain, complex and ambiguous) environment. Recent global economic developments have intensified the challenges with trade uncertainties, currency volatility, security threats, conscientious consumerism and aggressive competition.

To mitigate these risks, the Group has established an integrated ERM framework to proactively manage uncertainties across operations. Supported by sound corporate governance and effective operational execution, ERM fully coordinates the 'Lines of Defence' across all operating and functional units to enable the Group to maintain vigilance and oversight of its operations for timely and accurate identification, assessment, mitigation, reporting and monitoring of risks that could have an adverse impact on the business drivers and results.

# CORPORATE GOVERNANCE



In preparing the Group for the challenges of an increasingly competitive business environment, ERM also contributes to the sustainable operation of the Group. Since 2013, the Group has put in place a Business Continuity Management ("**BCM**") framework to assure all stakeholders of the availability of the Group's products and services during periods of emergency. BCM focuses on minimising the impact of emergencies on the Group's operations and establishing a high level of resilience within the organisation to continue its operations during times of distress.

Under BCM, several potential emergency scenarios, with control measures to mitigate and minimise foreseeable operational impacts, have been developed. Take for example the 'plantation fire' scenario. Control measures included daily monitoring of hotspots based on reliable satellite data and observations of fire incidents by fire patrol teams, regular fire prevention trainings and exercises in fire-prone estates, regular upkeep of fire-fighting equipment, construction of fire-monitoring towers, mapping of water sources, and regular communication on the Group's Zero Burn policy and fire safety with employees, contract workers and the local community. These efforts have led to reduction of fire incidents over the years.

In 2017, the Group has continued its ERM strategy to enhance the commitment of the Board of Directors, Heads of Department and Operating Units in the implementation of the ERM policy, establish a clear risk governance structure to support accountability of each unit, integrate the ERM policy into the management processes, align ERM programmes to support the business strategies, communicate ERM policy and processes, and foster a risk awareness culture within the Group.

ERM is supported by an ERM team who works closely with managers and risk owners to conduct quarterly risk assessments and review the effectiveness of control measures. The ERM team monitors the progress of the ERM Action Plan to mitigate risks, and reports significant risks and exposures to the Board as well as the AC & RMC.

# CORPORATE GOVERNANCE

In 2017, the following risks were identified, monitored and managed:

## Strategic Risks

- **Planning**  
Inadequate planning and forecasting may limit the Group'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 may threaten the Group's ability to ensure sustainable business operations, leading to adverse perceptions among stakeholders and the loss of competitive advantage for the Group.
- **Land Expansion**  
Land is a key resource in agribusiness, and any limitation on the availability or use of land can threaten the Group's ability to grow and achieve its strategic objectives.

## Operational Risks

- **Pests and Plant Diseases**  
Infestations by pests and plant diseases may lower crop productivity and potential death of trees.
- **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 may expose the Group to higher fatality and accident rates, financial loss in terms of compensations and liabilities, and poor business reputation.
- **Resource Availability**  
Inadequate resources, such as raw materials, fertilisers, equipment, tools and component parts, may threaten the Group's ability to produce quality products on time and at competitive prices.
- **Social Conflicts**  
Conflicts with local communities may 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, may result in property damage, stoppage or delay in operations, higher operating costs, lower productivity and customer dissatisfaction.

## Compliance Risks

- **Land Ownership**  
Failure to obtain land permits and licenses and to promptly resolve land ownership issues and third-party claims may 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 may result in severe financial penalties.
- **Environmental Compliance**  
Non-compliance to environmental laws and regulations may expose the Group to regulatory sanctions, public protests, security problems, fines and penalties.

## Financial Risks

- **Credit Defaults**  
Defaults of loans by plasma smallholders may result in financial loss.
- **Capital Liquidity**  
Insufficient access to financial capital may affect the Group's capacity to achieve growth, execute strategies and generate returns.
- **Economic Uncertainty**  
Fluctuations in commodity prices and rupiah exchange rates may adversely affect the Group's financial condition.

# CORPORATE GOVERNANCE

## WHISTLE-BLOWING POLICY

The Group has implemented whistle-blowing policy and procedures. The policy provides clearly defined channels and processes for employees to report any misconducts, which include suspected frauds, corruptions and unethical practices. All reports are kept strictly confidential to protect the identities of the reporting employees. The reports are reviewed and acted upon by either the Exco or the AC & RMC.

The IAD will conduct an independent investigation of each case and recommend the appropriate resolutions. A quarterly report of these investigations is submitted to the AC & RMC.

The AC & RMC has reviewed and approved the whistle-blowing policy and procedures.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS [PRINCIPLE 14 AND 15]

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 by 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, which includes Company's presentation slides, annual reports, shares and dividend information and factsheets, for the investment community.

The CEO, CFO and other Management members conduct quarterly and full-year results briefings, as well as organise conferences and conference calls to communicate important corporate developments and announcements, such as merger and acquisition of companies, to analysts. Apart from these channels, the Management also engages in frequent dialogues, road shows and investment forums with the investing community both individually and as a group to facilitate their understanding of the Group's business model and growth strategies.

In 2017, the Group conducted 140 meetings and conference calls to engage and share with shareholders and analysts the Group's business strategies, operational and financial results and business outlook. These meetings are supported by selected members of the Company's Management and the Board. As part of the engagement efforts with the investing community, key shareholders and analysts were taken on site visits to the Group's refinery in Tanjung Priok.

## DIVIDEND POLICY

The Company started paying dividends since 2012. The dividend payments take into consideration the Group's financial performance, liquidity, capital commitment, business prospect, economic outlook and regulatory factors. The Board aims to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend payment.

## CODE OF CONDUCT AND COMPANY CULTURE

The Group adopts the Code of Conduct and core values of 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. Having the same core values and company culture as PT ISM allows the Group to engage stakeholders and conduct its businesses in a consistent manner.

The Code of Conduct and core values are regularly communicated and reinforced at staff engagement platforms. They are also easily accessible by all employees from the Company's website. Any violation of the Code of Conduct is deemed a breach of the employment contract and may lead to sanction or disciplinary action.

## CORPORATE GOVERNANCE

### CONDUCT OF SHAREHOLDER MEETINGS [PRINCIPLE 16]

The Company encourages shareholders' active participation at the AGM, which are held at accessible venues. 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 at general meetings for each key matter, including the election or re-election of Directors as well as explanatory notes for each item in the AGM agenda where necessary.

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 licence holders that are providing custodial services, may appoint more than two proxies. This allows indirect investors, including CPF investors, to attend the AGM as proxies. Voting in absentia by mail or other electronic means are not supported presently due to authentication and other integrity-related issues.

At the AGM held in April 2017, the CEO updated the shareholders on the Group's performance and strategies. The Board and the Management were present to address queries and feedback about the Group. They also used the opportunity to gather the shareholders' feedback on specific issues. The Company's external auditor also attended the AGM to address queries related to the audit.

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

### DEALING 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. Amongst 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.