

# CORPORATE GOVERNANCE

Bumitama Agri Limited (the “Company” or “Bumitama”) and its subsidiaries (the “Group”) recognises the importance of, and is committed to observing and attaining high standards of corporate governance, business integrity and professionalism in its business and operations. The Board constantly reviews the Company’s corporate governance practices and seeks to align its practices with the development and changes in the Code of Corporate Governance 2012 (the “Code”). The Company has complied substantially with the principles and guidelines set out in the Code, where they are applicable, relevant and practicable. This report sets out Bumitama key corporate governance practices with reference to the Code and with the Group’s cultural pillar of morality, capability and integrity and its code of ethics which is captured by the Company’s code of conduct policy.

## ACHIEVEMENT

The Company has been accorded as the Most Profitable Company (Agriculture Sector) award from The Edge Singapore Billion Dollar Club 2017.

## PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

The primary function of the Board is to protect and enhance long-term value and returns to its Shareholders. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. The Board focuses on the following broad areas, namely:

- Formulate corporate strategies, financial objectives and direction for the Group;
- Ensure effective management leadership of the highest quality and integrity;
- Provide oversight in the proper conduct of the Group’s businesses;
- Oversee and/or evaluate the adequacy of the internal audit, risk management, financial reporting and compliance processes; and
- Oversee and ensure high standards of corporate governance for the Group.

The Board also establishes a framework of prudent and effective internal controls which enable risks to be assessed and managed, reviews Management performance, sets the Company’s values and standards, and ensures that the Company’s obligations to Shareholders and other stakeholders are understood and met and that all decisions are made objectively and in the interest of the Company and its Shareholders.

To facilitate effective management and assist the Board in discharging its responsibilities, certain functions have been delegated by the Board to various Board Committees namely: Audit Committee (“AC”), Remuneration Committee (“RC”), Nominating Committee (“NC”) and Conflicts Resolution Committee (“CRC”), which operate under clearly defined terms of reference.

The Committees are each chaired by an Independent Director and all members are Independent Directors. Each Board Committee is governed by clear terms of references approved by the Board and its role is to assist the Board in the matters that the Board delegates to it. Each Board Committee has the authority to examine any issue that arises in their specific areas and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board. Further details of the scopes and functions of the various Board Committees are set out in this Report.

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The Board and Board Committees meetings are scheduled in advance to coincide with the announcements of the Group's quarterly results. Additional and ad hoc meetings and conference calls are convened as and when they are deemed necessary to address significant transactions or issues that may arise in between the scheduled meetings. In addition to these meetings, Independent Directors meet without the presence of Management, as and when required. The Company's Constitution provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously.

Directors may request for explanations, briefings by or discussions with Management on any aspect of the Group's operations or business from Management. When circumstances require, Board members exchanged views outside the formal environment of Board meetings.

The Board met four times in respect of the financial year ended 31 December 2017 ("FY2017"). The attendance of each Director at the Board and Board Committees Meetings for FY2017 is as follows:

	Board	AC	RC	NC	CRC
Number of Meetings Held	4	4	1	2	1
Name	No. of Meetings Attended				
Lim Gunawan Hariyanto	4	NA	NA	NA	NA
Lim Christina Hariyanto <sup>2</sup>	2	2 <sup>1</sup>	NA	NA	NA
Dato' Lee Yeow Chor	4	2 <sup>1</sup>	NA	NA	NA
Tan Boon Hoo	4	4	1	2	1
Chua Chun Guan Christopher	4	4	1	2	1
Lee Lap Wah George <sup>3</sup>	1	1	–	–	1
Ong Chan Hwa <sup>4</sup>	2	2	1	2	–

NA: Not Applicable

<sup>1</sup> Attendance by invitation of the Committee

<sup>2</sup> Appointed as an Executive Director of the Company with effect from 1 June 2017

<sup>3</sup> Appointed as an Independent Director of the Company with effect from 1 June 2017

<sup>4</sup> Resigned as an Independent Director of the Company with effect from 1 June 2017

The Board has delegated day-to-day operations to Management, while reserving certain key matters for its approval. Matters that specifically require Board approval are the Group's financial results, annual budgets, financial statements, interested person transactions, acquisitions and disposals of assets, capital expenditure plan, corporate or financial restructurings, dividend payments, commitments to banking facilities and convening of Shareholders' meetings. Board approval is also required for other matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business. The Board believes that when making decisions, all Directors of the Board act objectively and in the interests of the Group.

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During FY2017, the Company appointed Mr. Lee Lap Wah George, as Independent Director with the retirement of Mr. Ong Chan Hwa and Ms. Lim Christina Hariyanto as Executive Director, its first female board member. The Company has a programme in place whereby newly appointed Directors would receive orientation and training, if necessary, to enable them to familiarise with the Group's senior management, business activities and the relevant regulations and governance requirements. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the Group's business operations. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing. Both Mr. Lee and Ms. Christina had been provided orientation and training. Mr. Lee had made a visit to the operation sites and office in Jakarta in 2017.

The Company encourages Directors to participate in development programmes especially technology development in palm oil industry, which are considered essential and or will enhance their roles on the Board and its Committees. The cost of Directors' attendance at appropriate training courses, conferences and seminars conducted by professionals (including the Singapore Institute of Directors) will be borne by the Company.

Some of the courses/seminars/conferences attended by some of the Directors are:

- Singapore Institute of Directors ("SID") – Dualing Over Governance, Risks and Rewards – and the SGX Consultation Paper on DCS Structures.
- SID Conference – The Sustainability Imperative
- ACRA-SGX-SID Audit Committee Seminar 2017
- The Global Corporate Governance Conference
- SID Listed Company Director Essentials – Understanding the Regulatory Environment in Singapore
- Reach and Rewind Friends of the Industry Seminar and Dialogue with Minister
- 28th Palm and Lauric Oils: Price Outlook Conference and Exhibition 2017/2018
- Global Transformation Forum
- Business Model Innovation Forum Workshop
- Minister's visit to Philippines – Malaysian Palm Oil Council
- Integrated Reporting Briefing by PricewaterhouseCoopers

Relevant updates, news releases issued by the Singapore Exchange Trading Limited ("SGX-ST"), the Accounting and Corporate Regulatory Authority ("ACRA"), Monetary Authority of Singapore, and the External Auditor were also circulated to the Board for information.

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## PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board comprises six members and half of the Board are Independent Directors as follows:

Name	Board	AC	RC	NC	CRC
Lim Gunawan Hariyanto	Executive Chairman	–	–	–	–
Lim Christina Hariyanto	Executive Director	–	–	–	–
Dato' Lee Yeow Chor	Non-Executive Director	–	–	–	–
Tan Boon Hoo	Lead Independent Director	Chairman	Chairman	Member	Chairman
Chua Chun Guan Christopher	Independent Director	Member	Member	Member	Member
Lee Lap Wah George	Independent Director	Member	Member	Chairman	Member

The strong independent element on the Board ensures that it is able to exercise objective and independent judgement on corporate affairs and on transactions involving conflicts of interest and other complexities.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a Director is independent, bearing in mind the guidelines set forth in the Code and any other salient factors which would render a Director to be deemed not independent. Each of the Independent Directors has provided a declaration of his independence to the NC. The NC has reviewed, determined and confirmed the independence of the Independent Directors.

None of the Independent Directors has served on the Board for a period exceeding nine years from the date of their first appointments.

The Board periodically conducts a review of its size and composition to ensure that both aspects continue to meet the needs of the Group and to maintain the effectiveness of the Board. The Board, with the concurrence of the NC, is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Company's operations. The current Board comprises Directors who as a group provide core competencies such as finance, legal, business management and industry knowledge. The profile of the Directors can be found on pages 16 to 17 of this Annual Report.

Non-Executive Directors' views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also communicate regularly with Management to discuss matters such as the Group's financial performance and corporate governance initiatives. Where necessary, the Group arranges for the Independent Directors to meet the Heads of Departments and key employees without the presence of Management.

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## **PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)**

The Chairman of the Board, Mr. Lim Gunawan Hariyanto, is also the CEO of the Company. Mr. Lim Gunawan Hariyanto plays an instrumental role as the CEO in (i) formulating the overall business and corporate policies and strategies of the Group; (ii) managing the overall business and operations of the Group; and (iii) overseeing the Group’s overall business development. As Chairman of the Board, he bears primary responsibility for the workings of the Board, by ensuring effectiveness on all aspects of its role including setting agenda for Board meetings and ensures that the Directors receive complete and adequate information.

With the establishment of various Board Committees with power and authority to perform key functions and putting in place internal controls to allow effective oversight by the Board of the Group’s business, the Board is of the view that these enable the Board to exercise objective decision-making in the interests of the Group. The Board believes that Mr. Lim Gunawan Hariyanto’s dual role as Chairman and CEO allows for more effective planning and execution of long term business strategies as he is knowledgeable in the business of the Group and provides the Group with a strong and consistent leadership.

In view of the foregoing, the Board is of the view that it is currently unnecessary to effect a separation of the roles of the Chairman of the Board from that of the CEO to facilitate the Group’s decision-making and implementation process.

Taking cognizance of the non-separation of the roles of the Chairman of the Board and the CEO, the Board has in the spirit of good corporate governance, appointed Mr. Tan Boon Hoo as Lead Independent Director to serve as a channel for Shareholders in the event their concerns are not resolved through the normal channel of the Chairman and CEO or the Chief Financial Officer (“CFO”), or for which such contact is inappropriate. Mr. Tan will also act as liaison between the Independent Directors and the Chairman of the Board, as to provide non-executive perspectives in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board.

## **PRINCIPLE 4: BOARD MEMBERSHIP**

The NC comprises three Directors, all three of whom are Independent Directors. The NC members are:

Mr. Lee Lap Wah George (Chairman)  
Mr. Tan Boon Hoo (Lead Independent Director)  
Mr. Chua Chun Guan Christopher

The NC met on two occasions in FY2017.

The NC performs the following functions:

1. review and recommend to the Board the structure, size and composition of the Board and Board Committees;
2. determine the process for search, nomination, selection and appointment of new Board members;
3. review and make recommendations to the Board on all Board appointments, including nomination of the Directors for re-election/re-appointment, taking into account the Director’s contribution and performance;
4. determine annually whether a Director is independent;

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5. determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly where the Director concerned has multiple board representations;
6. evaluate the Board's performance as a whole and the contribution by each Director to the effectiveness of the Board, and to adopt appropriate measures to assess performance;
7. review succession plans, in particular, the Chairman and CEO;
8. oversee the induction, orientation and training for any new and existing Directors; and
9. undertake such other functions and duties as may be delegated by the Board.

Pursuant to Regulation 91 of the Company's Constitution, one-third of the Directors will retire from office by rotation and submit themselves for re-nomination and re-election at every Annual General Meeting. Each Director is also required to retire at least once every three years. Pursuant to Regulation 97 of the Company's Constitution, any Director so appointed shall hold office until the next Annual General Meeting. A retiring Director is eligible and may be nominated for re-election.

The NC has recommended to the Board that Dato' Lee Yeow Chor and Mr. Chua Chun Guan Christopher (retiring pursuant to Regulation 91 of the Company's Constitution) and Mr. Lee Lap Wah George and Ms. Lim Christina Hariyanto (retiring pursuant to Regulation 97 of the Company's Constitution), be nominated for re-election at the forthcoming Annual General Meeting ("AGM"). Dato' Lee Yeow Chor, Mr. Chua Chun Guan Christopher, Mr. Lee Lap Wah George and Ms. Lim Christina Hariyanto have signified their consent to remain in office.

In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regards not only to their attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs. The Board has accepted the NC's recommendation.

Each member of the NC shall abstain from voting on any resolutions and/or participating in deliberations in respect of his re-election as Director. Accordingly, Dato' Lee Yeow Chor, Mr. Chua Chun Guan Christopher, Mr. Lee Lap Wah George and Ms. Lim Christina Hariyanto have abstained from the deliberation and decision in respect of their own re-election.

The NC conducts an annual review of Directors' independence adopting the Code's definition of an Independent Director and guidelines as to relationship in determining the independence of a Director. The NC and the Board are of the view that Mr. Tan Boon Hoo, Mr. Chua Chun Guan Christopher, and Mr. Lee Lap Wah George are considered independent while Dato' Lee Yeow Chor is considered a Non-Executive and Non-Independent Director in view of his association with Oakridge Investments Pte Ltd., a substantial shareholder of the Company.

Save as disclosed, the Non-Executive Directors are not related and do not have any relationship with the Company, its related corporations, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The NC had adopted a process for the selection and appointment of new Directors which provides the procedures for identification of potential candidates' skills, knowledge, experience and assessment of candidates' suitability.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, Management or external parties. The NC interviews the shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committee(s).

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In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's independence, in the case of the appointment of an Independent Director; (b) the composition requirements for the Board or Board Committee(s) as the case may be; (c) the candidate's track record, experience and capabilities and such other relevant factors as may be determined by the NC which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

The Company will provide a formal letter of appointment to newly appointed Non-Executive Directors, setting out the Director's duties and obligations and terms of appointment whereas Executive Directors will be provided with Service Agreements setting out their terms of office and terms and conditions of appointment.

The NC had deliberated on succession planning for the Chairman/CEO and would bear this factor in mind when considering the appointment of any Executive Director.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. The NC is of the view that Directors who have multiple board representations have performed as well as the other Directors with lesser board representations. The Board, with the concurrence of the NC, having considered the attendance of the Directors and their contributions at meetings of the Board and Board Committees, is of the view that such multiple representations do not hinder the Directors from carrying out their duties in the Company. The Board and the NC are also satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Group. The NC is also of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each vary, and thus should not be prescriptive but are not adverse to consider and review existing models available on the market for managing board representations.

As at 31 December 2017, there is no alternate Director on the Board.

### **PRINCIPLE 5: BOARD PERFORMANCE**

The NC has adopted an annual assessment of the performance and effectiveness of the Board and Board Committees collectively. The NC believes it is more appropriate to assess the Board as a whole, rather than assessing individual Directors, bearing in mind that each member of the Board contributes in different ways to the effectiveness of the Board.

The assessment process had been continuously improved upon, with feedback from the Board and the review incorporates factors such as attendance, Board composition, conduct, input and contributions of the Board and its various committees; keeping updated on latest trends in the industry and global market; and quality, availability and sufficiency of information. Each Director evaluates and assesses the Board and the Board Committees, the results of which are consolidated, analysed and discussed within the NC, which included a comparison with the results of the preceding financial year. The results and areas to be strengthened are identified and reported to the Board.

The Chairman, in consultation with the NC, would act on the results of the assessment; upon the endorsement of the report.

For FY2017, the NC is generally satisfied with the Board evaluation results, which indicated areas of strengths and areas that could be improved further. No significant problems had been identified. The NC had discussed the results with the Board and the Board has agreed to work on the areas where improvement is necessary as appropriate.

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## PRINCIPLE 6: ACCESS TO INFORMATION

Prior to each Board meeting, all Directors are provided with the relevant Board papers and reports within adequate time for the Directors to review the papers and reports. These reports provide information on the Group's performance, financial position, significant issues and any other matter which may be brought before the Board. Besides these, Board members are provided with monthly operational performance report with a short commentary so as to ensure Board members are kept updated and informed of the progress of the Group on a regular basis. Directors are also informed of any significant developments or events relating to the Group.

All Directors are updated on an on-going basis via Board meetings and/or circulars on matters relating to, *inter alia*, changes to the regulations of the SGX-ST, Companies Act, accounting standards and/or other statutory requirements. The Directors may also seek independent professional advice on any Group matters, as they require, at the Group's expense.

All Directors have independent access to the senior management of the Group and the Company Secretaries. The Directors also have unrestricted access to the Group's information, minutes of Board meetings, and management accounts to enable them to carry out their duties.

At least one of the Company Secretaries attends all Board and Board Committees meetings and ensures that Board procedures are followed and that the applicable rules and regulations are complied with. The Company Secretaries are responsible for assisting the Company in its compliance with the requirements of the Companies Act, the rules of SGX-ST Listing Manual and any other applicable regulations. The Company Secretaries also ensure good information flow within the Board and the Board Committees, as well as between the senior management and Non-Executive Directors (including Independent Directors), and assists in the professional development of existing Directors, as and when required. The appointment and/or removal of the Company Secretaries are subject to Board approval.

## PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises three, all three of whom are Independent Director. The members of the RC are:

Mr. Tan Boon Hoo (Chairman)  
Mr. Lee Lap Wah George  
Mr. Chua Chun Guan Christopher

The RC's duties include:

1. recommending to the Board a framework of remuneration for the Directors and key management personnel of the Group;
2. ensuring that these remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities;
3. reviewing and recommending Directors' fees for Non-Executive Directors, taking into account factors such as their effort, time spent, and responsibilities;
4. reviewing the service contracts of the CEO and Executive Directors (if any);

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5. recommending to the Board long term incentive schemes which may be set up from time to time; and
6. undertaking such other functions and duties as may be delegated by the Board.

The Group has a formal and transparent process for developing policy on executive remuneration and fixing the remuneration packages of individual Directors and key management personnel. The RC's review covers all aspects of remuneration including but not limited to, Directors' fees, salaries, allowances, bonus, employees share options and benefits in kind and specific remuneration package for each Director.

In developing a policy on executive remuneration, the RC seeks to link a proportion of the compensation to the Group's performance. The RC also ensures that the remuneration packages of individual Directors take into consideration the Group's performance and the performance of that individual Director. No Director is involved in deciding his own remuneration. The RC has access to external expert advice with regard to remuneration matters, if required.

The Group does not have any employee share option scheme or any long-term scheme in place.

### **PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION**

### **PRINCIPLE 9: DISCLOSURE ON REMUNERATION**

The remuneration policy of the Company is to provide compensation packages at market rates, reward performance and attract, retain and motivate the key management personnel.

Only Non-Executive Directors (including Independent Directors) are paid Directors' fees. The Directors' fees are set in accordance with a framework comprising Board fees and additional fee/s for serving on any of the Board Committees, and taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the Directors. The payment of such fees is recommended for Shareholders' approval at the AGM of the Company.

The Executive Directors do not receive any Directors' fee. The remuneration packages of the Executive Directors and key management personnel are determined annually having regard to the performance of the individuals and the Group as well as taking into account industry standards.

The remuneration packages for the Executive Directors and key management personnel consist of both fixed and variable components. The variable component is determined based on the performance of the individual and the Group's performance in the relevant financial year. Annual increments and adjustments to remuneration are reviewed and approved taking into account the outcome of the annual appraisal of the employees. Management makes recommendations to the RC, having regard to key performance indicators, such as (a) revenue, (b) earnings before interest, depreciation and amortisation ("EBITDA"), (c) net profit, (d) land bank and (e) planted area. The list is not exhaustive. The Group will also consider the individual contribution to these objectives.

During FY2017, the RC met on one occasion.

Each member of the RC shall abstain from voting on any resolutions and/or participating in discussion regarding his own remuneration package or on matters in which he is interested.

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The Executive Directors' Service Agreements were for an initial period of 3 years from the date of appointment respectively and are renewable for successive periods of one year each. The Service Agreements may be terminated during such term either as provided in the Service Agreements or by either party giving to the other not less than six months' written notice. There are no onerous compensation commitments on the part of the Company or its subsidiaries in the event of an early termination of the service of the Executive Directors. The Executive Directors and key management personnel of the Group are rewarded based on their achievement of certain key performance indicators and the actual results of the Group, and not on any other assigned incentives, the "claw back" provisions in their employment contracts may therefore not be relevant or appropriate. The RC will when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstance of misstatement of financial results or of misconduct which could result in financial loss to the Group.

The RC, with the concurrence of the Board, has recommended that an amount of S\$317,500 as Directors' fees be paid to the Non-Executive Directors quarterly in arrears for FY2018. These fees will be tabled for Shareholders' approval at the forthcoming AGM.

The annual remuneration bands for the Directors and key management personnel and the proportion of variable bonus and fixed remuneration, fee and salary of the benefit for FY2017 are set out below:

Name	Remuneration Band	Fixed Salary	Variable Bonus and Benefit	Directors' Fee	Total
<b>Directors</b>					
Lim Gunawan Hariyanto	S\$2,250,001 – S\$2,500,000	55%	45%	–	100%
Lim Christina Hariyanto <sup>1</sup>	S\$250,001 – S\$500,000	59%	41%	–	100%
Dato' Lee Yeow Chor	Below S\$250,000	–	–	100%	100%
Tan Boon Hoo	Below S\$250,000	–	–	100%	100%
Chua Chun Guan Christopher	Below S\$250,000	–	–	100%	100%
Lee Lap Wah George <sup>2</sup>	Below S\$250,000	–	–	100%	100%
Ong Chan Hwa <sup>3</sup>	Below S\$250,000	–	–	100%	100%
<b>Key Management Personnel</b>					
Johannes Tanuwijaya	S\$2,000,001 – S\$2,250,000	57%	43%	–	100%
Roebianto	S\$2,000,001 – S\$2,250,000	57%	43%	–	100%
Sie Eddy Kurniawan	S\$1,250,001 – S\$1,500,000	49%	51%	–	100%

**Notes:**

<sup>1</sup> Appointed as an Executive Director with effect from 1 June 2017.

<sup>2</sup> Appointed as an Independent Director with effect from 1 June 2017. The Director's fee will be prorated from his date of appointment.

<sup>3</sup> Resigned as an Independent Director of the Company with effect from 1 June 2017. The Director's fee was prorated to his date of resignation.

The remuneration of the Directors and key management personnel are set out in incremental bands of S\$250,000. The Group is of the view that disclosure in incremental bands is sufficient and adequate, and that any further disclosure could be detrimental to the Group's interest, as it may hamper the Group's efforts in retaining and nurturing its talent pool, having regard to the highly competitive human resource environment, and the confidential nature of remuneration matters.

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On the same basis and also due to sensitivity of such matter, it is not in the Group's interest to disclose the aggregate remuneration of its key management personnel (who are not Directors or the CEO).

Having considered Guideline 9.3 of the Code requiring the disclosure of the remuneration of at least the top 5 key management personnel (who are not directors or the CEO), the Group is only disclosing the above 3 individuals, who, besides the CEO, are considered as the Group's key management personnel and since they have supervisory roles over the other senior management of the Group.

There are two employees, who are immediate family members of a Director and/or the CEO whose remuneration exceeded S\$50,000 during FY2017. The information is set out below:

Name of Executives	Related to	Remuneration Band
Michael Raben	Brother-in-law of Lim Gunawan Hariyanto and Lim Christina Hariyanto	S\$50,001 – S\$100,000
Lim Liana Sarwono	Sister of Lim Gunawan Hariyanto and Lim Christina Hariyanto	S\$250,001 – S\$300,000

### PRINCIPLE 10: ACCOUNTABILITY

The Board promotes timely and balanced disclosure of all material matters concerning the Group. Shareholders are updated on the operations and financial position of the Group through its quarterly and full year results announcements (in line with the Singapore Financial Reporting Standards prescribed by the Accounting Standards Council of Singapore) as well as timely announcements of other matters as prescribed by the SGX-ST Listing Manual and other relevant rules and regulations.

A summary of the Group's operational highlight prepared on a quarterly basis is also released via SGXNet.

In line with the listing requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading. The Company is not required to issue negative assurance statements for its full year results announcement.

Management provides the Board with financial information as and when required to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. As and when circumstances arise, the Board can request Management to provide any necessary explanation on the financial information of the Group.

### PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises that it is responsible for ensuring that Management maintains a sound system of internal controls to safeguard Shareholder's investment and the Group's assets.

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The Board regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. Management reviews all control policies and procedures and highlights all significant matters to the AC and the Board. The Group's financial risk factors and financial risk management objectives and policies are outlined under Note 36 of the "Notes to the Financial Statements" on pages 133 to 139. Risk management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the AC and the Board are in a position to make more informed decisions and will benefit from a better balance between risk and reward. This will assist in protecting the Group's assets.

The AC, together with the Board has reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational, compliance and information technology risks affecting the operations.

### **ENTERPRISE RISK MANAGEMENT ("ERM")**

Effective and prudent risk management is one of the key factors in achieving the Group's business objectives and strategic goals.

The Group has established a systematic ERM framework to identify, assess, monitor, manage and evaluate the significant business risks which the Group is exposed to. Under the ERM framework, a risk register identifying the material risks together with the internal controls to manage or mitigate those risks is maintained. A separate Management Committee and an Enterprise Risk Department were formed to oversee the ERM and ensure that the risk register is reviewed, managed and updated regularly.

The Management Committee comprises the Chief Operating Officer, Chief Financial Officer, Deputy Chief Operating Officer, Group Head of Corporate Secretarial Services and Corporate Social Responsibility as well as the Head of the Internal Audit Department.

Risks are pro-actively identified and addressed. The ownership of these risks lies with the respective business and executive heads with stewardship residing with the Board. The Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems quarterly. As the Group continues to grow and taking into account the evolving nature of its business, the Management Committee will on a regular basis, conduct an assessment on the adequacy of the framework, processes and procedures and risk identified and measured. The results and recommendation for improvement of this assessment will be shared with the AC and the Board.

The Board has received written assurances from the CEO and CFO that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal control systems are effective.

Based on the ERM framework established, internal controls systems maintained by the Group, work performed by the internal and external auditors, and assurance from Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems addressing financial, operational, compliance and information technology risks of the Group are adequate and effective during FY2017.

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## PRINCIPLE 12: AUDIT COMMITTEE

The AC comprises three members, all of whom are Independent Directors. The AC members are:

Mr. Tan Boon Hoo (Chairman)  
Mr. Lee Lap Wah George  
Mr. Chua Chun Guan Christopher

In accordance with the principles in the Code, the Board is of the view that at least two members of the AC, collectively, have the expertise and experience in accounting and financial and finance management, and are qualified to fulfill and discharge their responsibilities.

For 2017, the AC has performed the following in accordance with their terms of reference:

1. met with both the internal and the external auditors to review the audit plans, and discussed the results of their audit findings and evaluation of the Group's system of internal accounting controls;
2. reviewed the Group's significant financial reporting issues and judgement to ensure the integrity of the financial statements of the Group and announcements relating to the Group's financial performance;
3. reviewed with the internal auditors, the scope and results of the internal audit procedures and monitored Management's response to their findings to ensure that appropriate follow-up measures are taken;
4. reviewed the effectiveness of the Group's internal audit function;
5. reviewed compliance with the corporate governance guidelines on processes and activities adopted by the Board;
6. reviewed Interested Person Transactions ("IPT") falling within the scope of Chapter 9 of the SGX-ST Listing Manual and the IPT Register;
7. made recommendations to the Board on the nomination of the external auditors, as well as reviewing the remuneration and terms of engagement of the external auditors;
8. met with the internal and external auditors, without the presence of Management. Both the internal and external auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of the respective audits;
9. kept abreast of accounting standards and issues that could potentially impact the Group's financial reporting through quarterly updates and advice from the external auditors;
10. reviewed the non-audit services provided by the external auditors of the Group, and the fees paid to them, to assess the independence and objectivity of the external auditors. The aggregate amount and breakdown of the audit and non-audit fees paid to the external auditors are found in Note 6 "General and Administrative Expenses" in the Financial Statements of this Annual Report. The AC is satisfied that the nature and extent of non-audit services had not prejudiced the independence and objectivity of the external auditors. The external auditors had also confirmed their independence in this respect; and

## CORPORATE GOVERNANCE

11. reviewed and confirmed the Group's compliance with Rules 712, 715 and 716(1) of the Listing Rules of the SGX-ST. The AC in their deliberation on the proposed appointment of Ernst & Young LLP have considered various factors, and was satisfied that the adequacy of resources and firm's experience, the audit engagement partner and his team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. The accounts of the Company, its significant foreign-incorporated subsidiaries and its associates are audited by Ernst & Young LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority, and KAP Purwanto, Sungkoro & Surja (a member firm of Ernst & Young Global Indonesia).

The rest of the Group's subsidiaries are audited by Anwar & Rekan ("A&R"), an auditing firm which is part of DFK International, a worldwide association of independent accounting firms and business advisers. Details of DFK International and the list of the Group's subsidiaries audited by A&R are disclosed on Note 9 of the "Notes to the Financial Statements" on pages 97 and 99 of this Annual Report. The AC is satisfied that the appointment of A&R would not compromise the standard and effectiveness of the audit of the Group.

The AC with the concurrence of the Board has recommended the nomination of Ernst & Young LLP for re-appointment as external auditors of the Company at the forthcoming AGM.

The AC has explicit authority within the scope of its responsibilities to seek any information it requires or investigate any matter within its terms of reference. In particular, the AC has full access to both the external and internal auditors. It also has full discretion to invite any Director, and/or Management to attend its meetings.

The Group has put in place a **whistle-blowing policy**, whereby staff of the Group or any other persons such as customers, suppliers, contractors or local community may, in good faith and confidence, without fear of reprisals raise concerns about possible improprieties in financial reporting, unethical practices or other matters. Anonymous disclosures will also be accepted and anonymity honoured. Arrangements are also in place for the confidential and independent investigation of such matters and for appropriate follow up actions; always mindful of protecting the identity and interest of all whistle blowers. The whistle-blowing policy and the procedures put in place to implement such a policy, has been reviewed by the AC and made available to all employees.

During FY2017, the Group had received whistle-blowing reports which were also highlighted to the AC's attention. The whistle-blowing reports highlighted several incidents of impropriety carried out at the Group's plantations in Indonesia. These incidents were not material to the Group's financial statements and operations and remedial actions had been taken to address the issues raised.

### PRINCIPLE 13: INTERNAL AUDIT

A dedicated in-house internal audit team ("IA") is in place to review, at least once annually, the risks of the Group's policy, procedures and activities. The IA has free access to all of the Group's records and documents and reports directly to the AC on any material non-compliance and internal control weakness.

The Head of the IA reports directly to the Chairman of the AC on audit matters and to the CFO on administrative matters. The Head of the IA also shares the IA report with Management so as to ensure that the recommended corrective and preventive actions are taken. Every quarter, the IA prepares the internal audit report and reports the key issues, highlighting concerns, if any, to the AC. Feedback from the AC is taken note of, acted on and monitored. Within this framework, the internal audit function provides reasonable assurance that the risks of the Group will be identified, analysed and managed by Management. The IA will also make recommendations to enhance the effectiveness and security of the Group's operations.

## CORPORATE GOVERNANCE

The AC ensures that the internal audit function is adequately resourced and qualified. On an annual basis, the AC reviews the adequacy and effectiveness of the internal audit function. The IA prepares and presents internal audit plan which incorporated feedback from the AC reviews, categorised inputs gathered from the audits, reviewing risk map, core programmes of the Group and critical internal control areas. To ensure maximisation of human resources in this department, IA has a training programme drawn up specifically to ensure that the team is kept updated and current on matters of audit, risks and internal controls based on the recommendations of the AC. The IA department is staffed with suitably qualified and experienced professionals with operational and financial experiences.

In addition to the work performed by the internal audit team, the external auditors also performed tests of certain controls that are relevant to the preparation of the Group's financial statements. The external auditors report any significant deficiencies of such internal controls to the AC. The AC also reviews the effectiveness of measures taken by Management to address the issues noted by the external auditors. The internal controls are continually being refined by Management.

### **PRINCIPLE 14, PRINCIPLE 15 & PRINCIPLE 16:**

#### **SHAREHOLDERS RIGHTS**

#### **COMMUNICATION WITH SHAREHOLDERS**

#### **CONDUCT OF SHAREHOLDER MEETINGS**

The Group is committed to disseminate information to Shareholders regularly and on a timely basis. It aims to provide Shareholders with clear, balanced, useful and material information to ensure that Shareholders receive a balanced and up-to-date view of the Group's strategic development, performance and business.

Announcements on material information and the release of quarterly and full year results are released via SGXNet. Every quarter, the Group's senior management holds briefings and/or conference calls with analysts and the media to coincide with the release of the Group's results announcements. Analyst presentation slides will also be released on SGXNet and made available on the Company's website. In addition, Management takes an active role in investor relations, meeting local and foreign fund managers and analysts regularly as well as participating in roadshows and conferences both locally and overseas. For a more hands-on experience, investors, analysts, bankers and representatives from government organisations, civil societies and many other stakeholders were also invited to the Group's plantations.

All Shareholders of the Company receive the annual report of the Company and notice of the AGM, together with explanatory notes, at least 14 days before the meeting. The notice is also advertised in a national newspaper.

The Group's main forum for dialogue with Shareholders takes place at its AGM, where members of the Board, senior management and the external auditors are in attendance. In particular, the chairpersons of the Audit, Nominating, Remuneration and Conflicts Resolution Committees will all endeavor to be present and available to address questions raised at the AGM.

The Group's external auditors are also invited and required to attend the AGM and are available to assist the Directors in addressing any relevant queries by the Shareholders relating to the conduct of the audit and the preparation and content of their Auditors' Report.

## CORPORATE GOVERNANCE

Shareholders will be given the opportunity to air their views and ask questions regarding matters affecting the Group. The Company's Constitution allows a Shareholder to appoint one or two proxies to attend and vote at the general meetings on his/her behalf. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meeting without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Shareholders are encouraged to attend the Company's AGM to ensure a high level of accountability and to stay informed of the Group's strategies and growth. If Shareholders are unable to attend the meetings, the Constitution allows a Shareholder of the Company to appoint up to two proxies to attend and to vote in place of the Shareholder through proxy form sent in advance.

As the authentication of Shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate.

The minutes of general meetings, which will typically include relevant and substantial comments from Shareholders relating to the agenda of the meetings and responses from Management, will be made available to Shareholders upon written request.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings. The Company has yet to adopt electronic poll voting.

### **DIVIDEND POLICY**

The Group has a dividend policy to distribute up to 40% of its distributable income. The policy on distribution of dividend depends on the results of the Group's cash flow and financial position, capital expenditure plan, debt repayment schedule, dividends received from its subsidiaries, industry conditions and prospects, and other factors deemed relevant by the Board of Directors.

For FY2017, the Group had declared and paid interim dividend of S\$0.0075 per ordinary share on 4 September 2017. A final dividend of S\$0.02 per ordinary share for FY2017 has been recommended by the Board and subject to the approval by Shareholders at the forthcoming AGM.

### **CONFLICTS RESOLUTION COMMITTEE**

In light of the interest of the Group's controlling shareholders in the palm oil business outside of the Group (in particular, the controlling stake which IOI Corporation has in SNA and BAS), the Board has adopted certain procedures to address conflicts or potential conflicts of interest issues that may arise from time to time in the course of business conducted or carried on by the Group.

## CORPORATE GOVERNANCE

The CRC comprises three members, all of whom are Independent Directors. The members are:

Mr. Tan Boon Hoo (Chairman)  
Mr. Lee Lap Wah George  
Mr. Chua Chun Guan Christopher

The CRC performs the following functions:

1. review on an annual basis the protocols established to resolve conflicts or potential conflicts of interest, so as to ascertain that the guidelines are adequate and relevant to the business and affairs of the Group; and
2. review specific conflicts or potential conflicts of interests that may arise from time to time and to ensure that such conflicts are dealt with or resolved properly.

Management maintains a record of potential conflict transactions (deliberated on as well as decided). Any member of the CRC is entitled to inspect such records.

Within 45 days from the end of each financial quarter and 60 days from the full year results announcement, Management will circulate or present information on transactions or potential transactions carried out or rejected in the immediately preceding financial quarter to the Board. However, this information will not be extended to the Directors who are in a conflict or potential conflict of interest situation.

On a quarterly basis, the CRC will receive reports from the internal auditors who provide confirmation that the protocols have been adhered to in the preceding quarter.

### DEALINGS IN SECURITIES

The Group has adopted an internal compliance code on Securities Transaction (“Compliance Code”) which provides guidance and internal regulation with regard to dealings in the Company’s securities by the Company, its Directors and officers. These guidelines prohibit dealing in the Company’s securities on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities and during the “closed period”, which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company’s financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Company are notified in advance of the commencement of each “closed period”. The Compliance Code has been disseminated and made available to all employees.

The Group confirmed that it has adhered to its Compliance Code for FY2017 pursuant to Rule 1207(19) of the SGX-ST Listing Manual.

## CORPORATE GOVERNANCE

### INTERESTED PERSON TRANSACTIONS

The Group has established internal guidelines to ensure compliance with the requirements of Chapter 9 of the Listing Manual on interested person transactions. The main objective is to ensure that interested person transactions are properly reviewed, approved, and conducted on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Shareholders.

In particular, the CFO will maintain a register of interested persons and a register of transactions carried out with interested persons. These registers are updated quarterly based on submissions by the designated persons. The AC reviews all transactions recorded in the register of interested person transactions on a quarterly basis to ensure that they are carried out on normal commercial terms and in accordance with the procedures established by the Group.

The aggregate value of interested person transactions entered into by the Group in FY2017 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual during the financial year under review (excluding transactions less than S\$100,000)
	in IDR million	in IDR million
Mr. Gunardi Hariyanto Lim	2,400 <sup>1</sup>	-
IOI Corporation Berhad	-	107,475 <sup>2</sup>
PT Sawit Nabati Agro <sup>3</sup>	-	-
PT Lima Srikandi Jaya	7,200 <sup>4</sup>	-
<b>TOTAL</b>	<b>9,600</b>	<b>107,475</b>

Notes:

\* For illustrative purpose the aggregate value of all interested person transactions, conducted under the Shareholders' Mandate during the financial year under review using the current period closing rate.

- 1 In respect of the aggregate rent paid by the Group to Mr. Gunardi Hariyanto Lim for office space in Indonesia pursuant to the lease agreement between Mr. Gunardi Hariyanto Lim and PT Bumitama Gunajaya Agro.
- 2 In respect of transactions conducted pursuant to the Shareholders' Mandate for Transactions with IOI Corporation and its Associates (as described in the Prospectus).
- 3 In respect of transactions conducted pursuant to the Shareholders' Mandate for transaction with Sawit Nabati Agro (SNA) Group (as described in the Prospectus).
- 4 In respect of the rental agreement of barge transactions involving PT Lima Srikandi Jaya which is one of the subsidiaries of Harita Group. Harita Group is owned by Lim family and also one of the Company's controlling shareholders.

### MATERIAL CONTRACTS

Save as disclosed above in the sections on "Interested Person Transactions" and Service Agreements entered into between the Company and the Executive Director, there are no other material contracts of the Company or its subsidiaries involving the interest of the CEO, each Director or controlling shareholders, which are either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of FY2017.