

CORPORATE GOVERNANCE

The 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 Company’s businesses and performance. We are committed to continuously enhance the standards of corporate governance principles and processes so as to improve performance, accountability and transparency of the Company.

This report sets out the key aspects of the Company’s corporate governance framework and practices, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (“**2012 Code**”). The Company has complied with the principles and guidelines 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 Directors, as well as the number of meetings attended by the Directors in 2015. The NC is satisfied that the Directors with multiple board representations have been able to devote sufficient time to the affairs of the Company to adequately discharge their duties as Directors and continue to provide objective views to the Board and Management. As such, the Board does not stipulate a policy for the maximum number of listed company board representations 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 Guideline 9.2 and 9.3, the Board and Management are not in favour of disclosing the exact remuneration of its Directors and the CEO, and the salary band for each key executive with a breakdown (in percentage or dollar terms) of the remuneration earned. This is in consideration of the competitive environment, the nature of the industry and the confidentiality of such information, as this may adversely affect our ability to attract and retain talent.

Our Corporate Governance Structure is as follows:



BOARD MATTERS

BOARD’S CONDUCT OF ITS AFFAIRS [PRINCIPLE 1]

The Board of Directors (the “**Board**”) comprises of Directors with a wide range of skills and experience in the fields of operations management, banking, finance, accounting, risk management, and industry knowledge. The Board considers that its Directors possess the necessary competencies to lead and govern the Company effectively. A brief biography of each Director is given on pages 46 to 48 of this Annual Report.

Roles and Responsibilities of the Board

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;
- establish and maintain exemplary values and standards for the Company; and
- ensure all statutory obligations to shareholders and other stakeholders are understood and met.

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The Company has adopted internal guidelines, which set out all matters requiring the Board's approval as specified under the SGX-ST's Listing Manual. These include new investments and divestment of existing businesses; annual operating plan and strategic plan including planned capital expenditure; and all commitments to term loans, line of credits and credit supports from banks and financial institutions.

All the Directors shall exercise independent judgement and make objective decisions that are in the best interest of the Company. This is one of the performance criteria for the peer and assessment on the effectiveness of the Board. For the year 2015, all the Directors have discharged this duty.

Board Committees

In discharging its overall functions and responsibilities, 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 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

The dates of the Board, Board Committees and Annual General Meetings (AGM) are scheduled at the beginning of the year. The Company's Constitution provides for Board 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. At each Board meeting, the Management will present and update the Board on the business results and performance. The Board meets at least four times a year to deliberate the strategic policies of the Group, including decisions on significant acquisitions and disposals, approval of annual budgets, review of business performance and release of financial results.

The Directors' attendance at the Board and Board Committee meetings held during the financial year ended 31 December 2015 is set out below:

Description	Board	AC & RMC	NC	RC
Number of meetings held in 2015	4	8	1	1
Name of director	Number of meetings attended			
Lee Kwong Foo, Edward	4	-	1	-
Lim Hock San	3	7	1	1
Mark Julian Wakeford	4	-	-	-
Moleonoto Tjang	4	-	-	-
Suaimi Suriady	4	-	-	-
Tjhie Tje Fie	3	-	0	0
Axton Salim	3	-	-	-
Goh Kian Chee	4	8	-	1
Hendra Susanto	4	8	1	-

 Chairman

"-" refers to not applicable

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Training and Induction for Directors

Induction, orientation and training are provided to newly appointed Directors to familiarise them with the organisation, business operations, strategic plans governance practices, as well as industry trends and developments. There was no new Director appointed in 2015.

As part of ongoing efforts to maximise the effectiveness of the Board, site visits to plantations, mills and factories are arranged periodically for the Directors. The Directors also receive updates from the Management on relevant business initiatives, industry developments, and analyst and press commentaries on matters that pertain to the Company or the industries in which it operates. Where necessary, the Directors may seek professional advice, either individually or as a group, in performing their duties.

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

In 2015, some of the Directors attended the following courses and training programmes:

Date	Training Programmes
23 Apr	EY's 9th South East Asia Capital Confidence Barometer Study seminar
13 May	Singapore Dialogue on Sustainable World Resources
15 Jul	EY breakfast seminar on New and Revised Singapore Standards on Auditing Relating to Auditor Reporting
27 Aug	The New Age Board: Turning Uncertainty into Breakthrough Opportunities
28 Aug	Launch of Nominating Committee Guide by SID
14 Oct	Noble Group: the Saga and its Lessons by SID
28 Oct	EY presentation on New and Revised Singapore Standards on Auditing Relating to Auditor Reporting
16 Nov	Culture Eats Strategy for Breakfast: Are Boards Paying Enough Attention to it
18 Nov	Corporate Governance Roundup 2015 by SID
04 Dec	Seminar on Indonesia's Macroeconomic Condition

BOARD COMPOSITION AND GUIDANCE [PRINCIPLE 2]

The NC conducts a yearly review of the Board size to ensure it is commensurate with the Group's business and operations. It also considers the composition of the Board and Board Committees to attain a balance and diversity of skills, experience and knowledge required by the Directors to discharge their duties and responsibilities effectively as well as to make objective decisions.

Board Size

As at 31 March 2016, the Board comprises of 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.

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

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER [PRINCIPLE 3]

The roles of the Chairman and Chief Executive Officer (“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 function of the Board and the effectiveness of its governance processes. The Chairman works closely with the CEO on issues and decisions to be tabled at meetings, and in ensuring that Board members receive accurate and timely information. The Chairman 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.

BOARD MEMBERSHIP [PRINCIPLE 4]

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.

Process of Appointing New Directors and Re-nomination of Directors

The NC has the following process of selecting and appointing new Directors when the need arises:

- review annually the size of the Board and determine that the composition of the Board has a balance and diversity of skills, experience and knowledge;
- leverage external help from sources such as recruitment firms to identify potential candidates and in consultation with the controlling shareholders and Management;
- assess the suitability of the potential candidates, and consult with the Board and Management to determine the selection criteria. The considerations include, among others, integrity, diversity of core competencies, knowledge and experience, and the ability to devote time and effort to carry out the role and duties independently and effectively; and
- recommend the best candidate to the Board for approval.

The NC is also responsible for the re-nomination of Directors, taking into consideration factors such as attendance, preparedness, participation and candour. 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

All the Independent Directors, Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto have been with the Board for more than nine years.

The NC will determine annually – after taking into account the Directors’ declaration of their independence based on guidelines provided in the 2012 Code, amongst others – whether a Director has business relationships with the Company or any of its related companies that could impair independent judgement. Based on the NC’s assessment, the Board is of the view that the four Independent Directors have exercised independent judgement in the best interests of the Company, and have contributed positively towards Board discussions in discharging their duties as Independent Directors. Accordingly, four out of the nine Directors are considered to be independent.

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Annual Assessment of Director's Commitment

For Directors with multiple board representations in other listed companies, the NC will consider whether the Director is able to carry out his duties as a Director of the Company. The NC has reviewed the participation and contribution of the current Directors, as well as the number of meetings attended by the Directors in 2015. The NC is satisfied that the Directors with multiple board representations have been able to devote sufficient time to the affairs of the Company to adequately discharge their duties as Directors and continue to provide objective views to the Board and Management. As such, the Board does not stipulate a policy for the maximum number of listed company board representations a Director may hold.

BOARD PERFORMANCE [PRINCIPLE 5]

Evaluation of the Board

The Directors are requested to complete appraisal forms to assess the overall effectiveness of the Board annually. The assessment criteria for the Board covers effectiveness in key areas such as governance, leadership and strategy, Board meeting and decision-making, Board performance, development and training, control and risk management, and communication.

The NC will discuss the performance of the Board as a whole, ascertain key areas for improvement and recommend follow-up actions. The results of the evaluation, including recommendations and feedback from the Board members, are presented by the NC Chairman to the Board so as to enhance the effectiveness of the Board as a whole and ensure diversity of skill and experience is maintained within the Board.

Based on the assessment criteria above, the Board is satisfied that its performance objectives have been met for 2015.

Evaluation of the Individual Director

The performance of Individual Directors are assessed annually. All the Directors of the Board are required to participate in the evaluation by completing a peer assessment form. The primary objective of this is to gather constructive feedback on each Director's performance on the Board. Thereafter, the NC Chairman shall present a consolidated report to the Board for discussion, with a view to improving the performance of the Board in order to enhance shareholders' value.

ACCESS TO INFORMATION [PRINCIPLE 6]

The Company Secretaries attend and prepare minutes of the Board and Board Committee proceedings. They assist the Chairman to ensure that Board procedures are followed and applicable rules and regulations are complied with. They also assist the Chairman and the Board to implement and strengthen corporate governance practices.

The Company Secretaries circulate a schedule of Board and Board Committees' meetings to the Directors at the beginning of the calendar year. Board papers and related materials such as financial results, progress update on projects, budgets and forecasts are circulated to the Board before each meeting with sufficient time for the Directors to consider the issues and prepare themselves for productive and effective discussions.

Members of the Management, as well as external consultants on specific projects, are available to provide insights and address queries or make formal presentation when necessary during Board meetings. The Directors have direct and independent access to the Company's Management and Company Secretaries and they are also informed on a regular basis as and when there are significant developments or events relating to the Group.

The Directors may seek professional advice, either individually or as a group, in the furtherance of their duties. The cost of such professional advices will be borne by the Company.

REMUNERATION MATTERS

PROCEDURES IN DEVELOPING REMUNERATION POLICIES [PRINCIPLE 7]

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 with Messrs Lim Hock San and Goh Kian Chee being 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 the Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind. RC members are refrained from deciding on their own remuneration.

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The RC will submit its 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.

LEVEL AND MIX OF REMUNERATION [PRINCIPLE 8]

The Group's remuneration policy seeks to align the interests of employees with the Group, to reward and encourage performance based on its core values and to ensure that remuneration is commercially competitive to attract and retain talent.

The remuneration framework for Independent Directors adopted by the RC comprises of a base fee as a member of the Board. In addition, Independent Directors who perform additional services in Board committees are paid an additional fee for such services. If the Director is required to travel for meetings or for any other purpose of the Company, the Company will reimburse the travel expenses incurred plus travelling allowances.

The Chairman of the Board and each Board Committee are paid a higher fee than the members of the respective committees in view of the greater responsibility carried by that office. Executive Directors and Non-Executive Directors are not paid Directors' fees. Directors' fees are submitted as a lump sum for shareholders' approval at the AGM.

The RC approves the framework of remuneration for the Executive Directors and Key Executives. The RC exercises broad discretion and independent judgment, and consults with the controlling shareholder to ensure that the compensation amount and remuneration mix are appropriate for the Company and for the respective individual roles. The remuneration mix of the Executive Directors and Key Executives consists of two components: an annual fixed cash component which comprises the annual basic salary and other fixed allowances; and an annual variable cash performance incentive which is linked to the Company and its operating units' and individual employee's performance.

To motivate results, the compensation is directly linked to corporate and individual performance. This is achieved by incorporating relevant and appropriate Key Performance Indicators ("KPIs") for the annual rewards and cash incentives. The Company measures its performance against its strategic objectives across six areas – crop, cost, condition, people, process and product. This provides a framework enabling employees to understand how they have contributed to each area, and to the overall performance of the Company.

In determining the quantum for the variable component of the remuneration, the RC takes into account the extent to which the above performance conditions are met. The 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. The RC is satisfied that remuneration is aligned to performance during the year 2015.

DISCLOSURE ON REMUNERATION [PRINCIPLE 9]

The Board and Management are not in favour of disclosing the exact remuneration of its Directors and the CEO, and the salary band for each key executive with a breakdown (in percentage or dollar terms) of the remuneration earned as stipulated by the 2012 Code. This is considering that the competitive environment and the nature of the industry including the confidentiality in such information, as this may adversely affect our ability to attract and retain talent.

Directors' Remuneration

The remunerations of the Directors and the CEO, for the financial year ended 31 December 2015 are as follows:

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

⁽¹⁾ Remuneration was paid by the parent company, PT ISM or other group of companies

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Directors' Fees for Independent Directors

The Directors' fees framework and the fees paid to each Independent Director are as follows:

Fees Framework (in S\$)	Board	AC & RMC	NC	RC
Chairman	80,000	30,000	15,000	15,000
Members	55,000	15,000	10,000	10,000

Name of Director	Total
Lee Kwong Foo, Edward	90,000
Lim Hock San	90,000
Goh Kian Chee	90,000
Hendra Susanto	75,000
Total	345,000

Remuneration of Key Executives

The remuneration bands of Key Executives who are not also 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 2015 was S\$1,799,574.

Remuneration Band	Number of Executives
S\$250,000 – S\$500,000	5
S\$500,000 – S\$750,000	3

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

There was no employee of the Company and its subsidiaries who was an immediate family member of a Director or the CEO whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2015.

Other Remuneration Matters

The Company has no share option scheme.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY [PRINCIPLE 10]

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

RISK MANAGEMENT AND INTERNAL CONTROLS [PRINCIPLE 11]

The AC & RMC, with support from the internal and external auditors as well as the Enterprise Risk Management (“ERM”) team, reviews and reports to the Board regularly on the effectiveness and adequacy of the internal control system. These reports cover operational, financial and compliance controls, risk management policies and systems. The AC & RMC meets with internal and external auditors at least four times a year and at least one of these meetings is conducted without the presence of Management. The AC & RMC also meets with the ERM team separately at least four times a year.

The ERM team communicates and coordinates with the Internal Audit Department (“IAD”) to focus on high risk areas, ensure accuracy of risk assessment reports and implement the risk mitigation strategies and controls effectively. The IAD also performs independent reviews of the risks and controls identified by the ERM team to ensure adequate monitoring and proper resolution.

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At each quarterly AC & RMC meeting, the IAD and ERM team will present the key findings together with the Management's recommended remedial actions for discussion and follow-up actions.

With the Internal Audit ("IA") and ERM framework and processes firmly in place as an effective tool to identify, monitor, manage and report material risks affecting the Group, the AC & RMC is satisfied that the Group's internal controls are in order.

The Board has received assurance from the CEO and CFO that, to their best knowledge and belief, the financial records were properly maintained, the financial statements presented a true and fair view of the Group's operations, and effective risk management and internal control systems were put in place.

Based on the Group's established framework and the reviews conducted by the Management, IAD and ERM team, the Board with the AC & RMC's concurrence confirms that the Group's internal controls are adequate and effective in addressing the financial, operational, compliance and information technology control risks, as well as risk management system.

However, 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 provide reasonable assurance against material financial misstatement or loss and is sufficient in safeguarding the Company's assets and shareholders' value.

AUDIT AND RISK MANAGEMENT COMMITTEE [PRINCIPLE 12]

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 duties and responsibilities as follows:

- review the audit plan, the evaluation of the internal accounting controls, audit report, Management letter and Management's response with the external auditors;
- review the quarterly, half-yearly and annual financial statements before submission to the Board for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, going concern statement, compliance with applicable accounting standards, and stock exchange, statutory and regulatory requirements;
- 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 external auditors and Management;
- review the level of assistance provided by the Management to the auditors, the resolution of problems and concerns arising from the interim and final audits, and any issues surfaced by the auditors (in the absence of Management where necessary);
- review and discuss with the external auditors any suspected fraud, irregularity, and infringement of laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- consider the appointment and re-appointment of the external auditors, the audit fee, and matters relating to the resignation or dismissal of auditors;
- review Interested Person Transactions;
- review the whistle-blowing arrangements instituted by the Group where staff can raise concerns and report possible improprieties in financial or other matters in confidence;
- review the Group's ERM reports;
- undertake reviews and projects as may be requested by the Board and report to the Board its findings on matters requiring the attention of the AC & RMC; and
- undertake functions and duties as may be required by the statute or the Listing Manual.

External Audit

The AC & RMC reviews the scope, results and objectivity of the audit work carried out by the external auditors annually. Following the review of services performed during the financial year by the external auditors, Ernst & Young LLP, the AC & RMC was satisfied with the impartiality of the independent external auditors. In accordance to Rule 1207(6)(a) of the Listing Manual, the audit fees and non-audit fees paid to the external auditors for their services in the financial year ended 31 December 2015 are disclosed on page 95 of this Annual Report.

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The external auditors of the Group's subsidiaries and associated companies are disclosed on page 115, 118 and 120 of this Annual Report. The AC & RMC and the Board are satisfied that the appointment of different auditors for its subsidiaries and associate companies would not compromise the standard and effectiveness of the audit of the Company, and are of the opinion that the Company is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual.

The AC & RMC has recommended for Ernst & Young LLP to be re-appointed as the external auditors of the Company at the forthcoming AGM.

INTERNAL AUDIT [PRINCIPLE 13]

The IAD is led by Mr Rogers H. Wirawan, who reports directly to the Chairman of the AC & RMC on all internal audit matters. The IAD plans its internal audit schedules in consultation with the Management before it submits the plan to the AC & RMC for approval. The IA conducts its audit in accordance with the guidance and standard for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The IAD is independent of the activities it audits. Its duties and responsibilities with regard 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 risk monitoring framework.

The IAD operates within the framework set out in the IA Charter and Code of Ethics 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 so as to provide reasonable assurance to Management and the AC & RMC that the key risks and controls are adequately monitored and addressed.

During the year, the IAD adopted a risk-based auditing approach that focused on material internal controls, whereby audits were conducted on high-risk areas of significant business units. The IAD's key findings and recommendations were presented and discussed at the quarterly meetings with the AC & RMC. The progress of the key actions agreed by the Management was monitored and reviewed by the AC & RMC.

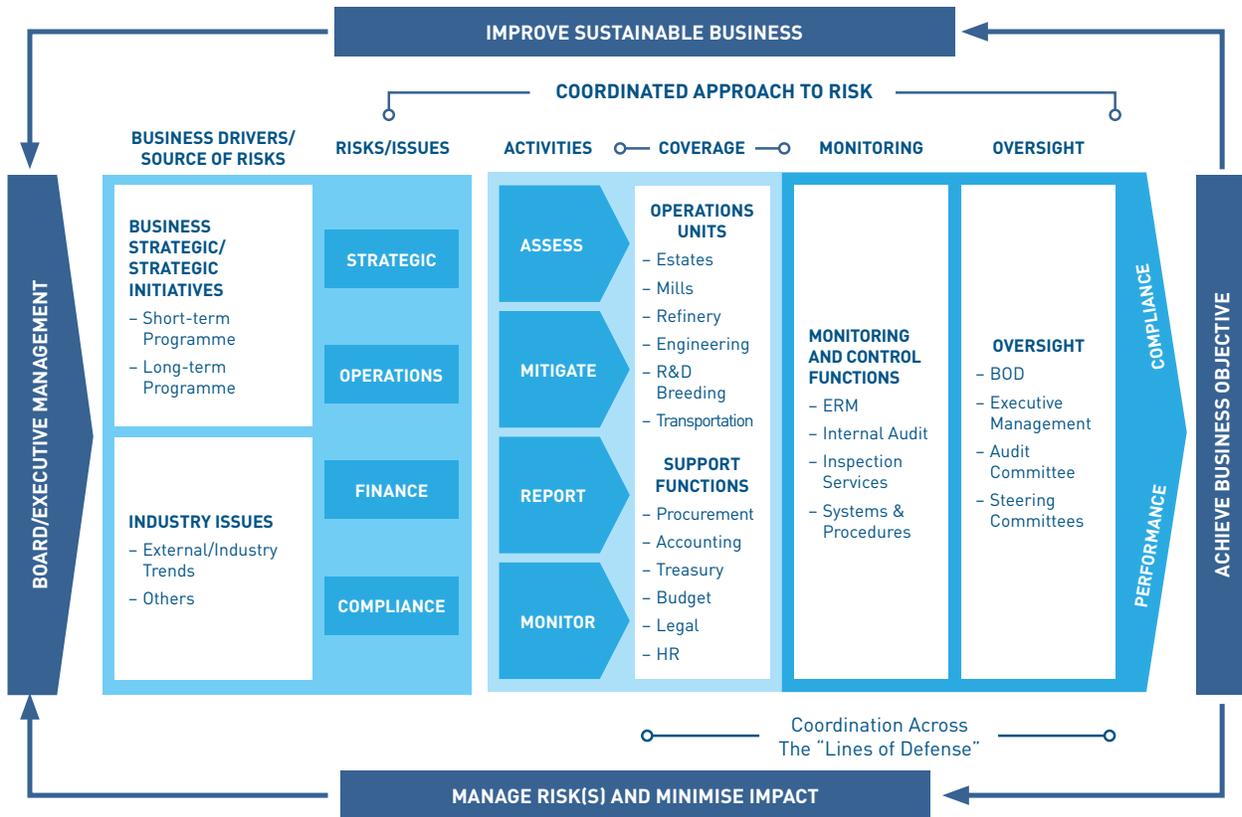
ENTERPRISE RISK MANAGEMENT

The Group operates in a VUCA (Volatile, Uncertain, Complex, Ambiguous) environment due to various factors, such as regulatory changes on a local, national and cross-border level, political dynamics on a country and regional level, security threats, pandemic risks, increasing number of natural disasters, the El Nino phenomenon, intense public scrutiny, aggressive competition, volatile commodity prices, rising interest rates, and evolving consumer needs. As such, the Group is fully committed to a comprehensive approach of managing risks across its operations. This has enabled the Group to be more proactive and prepared in dealing with and addressing the various challenges and uncertainties faced in a tough and competitive business environment. At the same time, this has allowed the Group to promote and implement good corporate governance.

Integrated Risk Management Framework

The ERM framework continues to underscore the Group's success in effective risk management. The framework coordinates the "Lines of Defence" across all operating and functional units that enables the Group to maintain vigilance and oversight of the operations for timely and accurate identification, assessment, mitigation, reporting and monitoring of risks that can have an adverse impact on the business drivers and the Group's ability to achieve business results.

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As part of its commitment to good corporate governance and effective risk management, the Group implemented a Business Continuity Management (BCM) System in 2013. The BCM is integral to the Group's overall Operational Risk Management and ensures the continuity of business operations and services to maintain public trust and confidence in the event of a disaster or crisis. The BCM is focused on establishing high-level resilience against the failure to deliver critical services during a crisis, and on minimising the impact of natural and man-made disasters on the Group's operations.

As part of the BCM programme, a number of possible disaster scenarios were created and related controls were identified and put in place to mitigate and minimise impact on operations. The incidence of a plantation fire was one such scenario. The control measures included daily monitoring of hotspots based on data from NOAA18 satellite and the observation of fire incidence (if any) by designated fire patrol teams, fire prevention training and exercise in fire-prone estates/areas, conduct of inventory checks on fire-fighting equipment in every estate, mapping of water sources, and continuous socialisation to keep all employees, contract workers and local community members safe. With this, the Group was able to manage and minimise the effects of fires arising from the extreme El Nino experienced in Indonesia in 2015.

Significant Risks

On a quarterly basis, the ERM team, in coordination with the respective risk owners and Heads of operating units and supporting departments, conducts an assessment of identified risks and the controls in place. The ERM team monitors the progress of the ERM action plan to mitigate risks and reports significant risks and exposures to the Board and the AC & RMC.

The Management implements risk mitigation strategies and controls to address the significant risks. The following list outlines some of the significant risks that were closely monitored during the year.

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1. Strategic Risks

- Planning – Inadequate planning and forecasting may limit the Group's ability to anticipate and respond to internal and external changes, threatening its ability to make good decisions and take advantage of growth opportunities.
- Sustainable Palm Oil – Changing of industry trends and requirements threaten the Group's ability to ensure a sustainable business operations resulting in an unfavourable perception amongst the stakeholders and loss of competitive advantage of the Group.
- Land Expansion – Land is a major resource for the Group's core business, hence, the unavailability or limitation on availability of land threatens the Group's ability to grow and achieve its strategic objectives.

2. Operational Risks

- Pest and Plant Diseases – Infestation of pests and plant diseases could result in lowered crop productivity and potential death of trees.
- Health and Safety – Failure to implement a system of occupational health and safety to protect the employees and workers from accidents and improve their health conditions may expose the Group to excess costs associated with compensation liabilities, financial loss, negative business reputation, and possible loss of life.
- Resource Availability – Inadequate sources of raw materials, fertilisers, equipment, tools, component parts, etc. may threaten the Group's ability to produce quality products on time and at competitive prices.
- Social Conflict – Existing conflict with the local communities could affect the Group's operations, resulting in limited or controlled access to critical areas, higher operational costs due to the inability to operate efficiently, and thereby, threatening the safety of our workers.
- Natural Disasters – Disasters such as flooding, drought, earthquake and fire, etc. may result in property damage, stoppage or delays in operations, lower productivity, higher operating costs, and failure to provide products to the Group's customers.

3. Compliance Risks

- Permits, Licenses and Land Ownership – The Group is exposed to the risk of loss of land rights due to failure in obtaining the appropriate land permits and licenses on time, overlapping ownership issues and third party claims.
- Tax Compliance and Tax Authority Examination Management – This includes the risk of failure to identify and prevent legal risks posed by non-compliance with local jurisdictional and national government rules and regulations for tax compliance and dealings with jurisdictional tax authorities.
- Environmental – Non-compliance to environmental laws may expose the Group to regulatory sanctions, public protests, security problems and imposition of fines and penalties by the government.

4. Financial Risks

- Credit – The Group is exposed to potential financial loss that may occur as a result of the possible credit default by smallholders.
- Liquidity – Insufficient access to available capital threatens the Group's capacity to grow, execute its business model and generate future returns.
- Commodity Price and Foreign Exchange – Fluctuation in CPO price and depreciation of the Rupiah against foreign currencies may have an adverse impact on the Group's financial condition.

WHISTLE-BLOWING POLICY

The Group has put in place a whistle-blowing policy and procedure ("**Policy**"). This Policy provides employees with clearly defined processes through which they may raise their concerns in good faith and in strict confidence, with respect to suspected fraud, corruption, dishonest practices or other malpractices that do not comply with the Group's standard operating procedures, to the Head of IAD, the Exco or the AC & RMC.

The Policy aims to encourage the reporting of discrepancies and suspicious behaviours with the confidence that employees making such reports will be treated fairly and, to the extent possible, protected from reprisal.

The AC & RMC reviewed and approved the Policy and was satisfied that independent investigation would be conducted for all whistle-blowing reports and the appropriate follow-up actions would be taken to resolve the issues.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS [PRINCIPLES 14 AND 15]

The Company is committed to the regular and timely disclosure of information pertinent to the shareholders. Announcements are made within the prescribed periods through the SGXNET as well as through press releases to the relevant media, if necessary. All announcements are posted on the Company's website and disseminated by email to subscribers as news alerts.

Engagement with shareholders takes many forms, including analyst briefings at quarterly and full year results with the CEO, CFO and senior management team present to take questions from the analysts. We also hold analyst conferences and teleconference calls to communicate important corporate developments, such as mergers and acquisition announcements.

Apart from these communication channels, we hold frequent dialogues through meetings, telephone and video conference calls with the investing community to facilitate their understanding of the Group's business model and growth strategies. We also attend road shows and investment conferences to stay in touch with the investing community.

As part of the engagement with the investing community in the reporting year, we took several key shareholders and analysts on site visits to our plantation operation in North Sumatra, and the refinery in Tanjung Priok.

Code of Conduct and Company Culture

In line with the practices of our parent company, PT Indofood Sukses Makmur Tbk ("ISM"), we have implemented ISM's Code of Conduct across all the subsidiaries and business units under IndoAgri. The Code of Conduct guides the actions of our employees in their interactions with various stakeholders, ensuring that business is conducted in a manner that is consistent with our values.

To ensure that its policies on business and work ethics are well understood, the Code of Conduct is communicated to all employees on a regular basis through various staff engagement platforms. Any violation of the Code of Conduct is considered a breach of the employment contract, and may result in sanctions or disciplinary actions.

The Code of Conduct and our company culture are aligned to ISM's core values of discipline, integrity, respect, unity, leadership and innovation.

CONDUCT OF SHAREHOLDER MEETINGS [PRINCIPLE 16]

The Company supports the 2012 Code's principle to encourage the participation of shareholders at the AGMs. All shareholders are given the opportunity to attend and vote at AGMs. They can vote in person or by proxy if they are unable to attend the meetings in person.

The Directors of the Company, as well as the external auditors are in attendance at the AGMs to address any queries from shareholders.

DEALINGS IN THE COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Group has adopted an Internal Code with regard to dealings in the securities of the Company by its officers. Amongst others, the Company restricts its officers from dealing in any of the Company's securities on short-term considerations.

In addition, the Internal Code also prohibits dealing in any of the securities of the Company at any time when in possession of any unpublished price-sensitive information in relation to those securities, during the two-week period before the announcement of Group's quarterly and half yearly financial results, and one month before the announcement of Group's full year financial results.

Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods.