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**Issuer:** Del Monte Pacific Limited

**Security:** Del Monte Pacific Limited

**Meeting details:**

Date: 17 August 2018

Time: 10.00 a.m.

Venue: Banquet Suite, Level 10 of M Hotel, 81 Anson Road, Singapore 079908

**Company Description**

Del Monte Pacific Limited, an investment holding company, produces, markets, and distributes food, beverage, and other related products in the Americas, the Asia Pacific, Europe, and internationally. The company is involved in growing, processing, developing, manufacturing, marketing, distributing, and selling packaged fruit and vegetable products, including canned and fresh pineapples, and tropical mixed fruits, as well as canned beans, peaches, pears, and corns; juices, juice drinks, and pineapple juice concentrates; and tomato-based products, such as ketchups, tomato sauces, pasta sauces, recipe sauces, pizza sauces, pastas, broth, and condiments. It offers its products under the Del Monte, S&W, Today's, Contadina, College Inn, and Fruit Refreshers brand names. The company also produces and distributes private label food products, as well as offers UHP avocado products; and provides administrative support and liaison services. In addition, it offers management, logistics, and support services. The company was founded in 1926 and is based in Singapore. Del Monte Pacific Limited is a subsidiary of NutriAsia Pacific Limited.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=D03](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=D03))

1. At the General Meeting held on 1 June 2018, shareholders approved the proposed public offering and listing of the ordinary shares of Del Monte Philippines, Inc (DMPI) on the Philippine Stock Exchange.

On 7 June 2018, the company announced that the market conditions were too volatile and the offering was deferred. As disclosed in the Letter to shareholders, the public offering of DMPI would be relaunched when the equity market is more favourable.

- (i) **Would the board/management help shareholders understand if the volatile market conditions affected the pricing and/or the book building of DMPI?**
- (ii) **Would the company confirm that the pricing of DMPI has been fixed at between 20x to 29x of earnings, and that the IPO would not be priced below 20x earnings?**
- (iii) **Is there a time limit to the approval given by the Philippines Securities and Exchange Commission and the Philippine Stock Exchange to launch the IPO of DMPI? If so, can the company disclose the window of opportunity for the IPO?**
- (iv) **Is the group actively observing the market with a view to relaunch the IPO promptly?**

2. Would the board/management help shareholders better understand the following operational and financial matters? Specifically:

- (i) **New management team in DMFI:** The management team in DMFI has been strengthened, with Gregory Longstreet joining DMFI as CEO effective 5 September 2017. In addition, the senior management at DMFI has been further strengthened with personnel changes in Marketing, Foodservice and Operations. **Are there further changes expected in DMFI? Has the new team been fully integrated into the group and has the new team been able to hit the ground running? As the group shifts its focus to new product development, how does the board/management help and transition the staff's mindset to adapt to the renewed focus on innovation throughout the group given the group's long history?**
- (ii) **Beverage:** As shown in Note 29 (pages 209 to 212 – Operating segments), the segment profit before taxation for beverage was US\$14.1 million in 2016 and US\$14.8 million in 2017. In 2018, segment profit before taxation for beverage dropped to US\$223,000. **What are the reasons for the significant drop in segment profit for beverage? As the group expands its product range in the beverage segment, what are the profit targets in the near-mid (2-3 years) term?**
- (iii) **Fresh fruit and others:** Similarly, as shown in Note 29 (pages 209 to 212 – Operating segments), the group's move into fresh fruit saw segment profit

jumped from US\$10.0 million in 2016 to US\$22.4-25.5 million in 2017 and 2018. **How much more growth in this segment can the group support out of its 25,000 hectares pineapple plantation in Bukidnon? Can management elaborate further on the growth strategies in China and Japan for fresh fruit?**

- (iv) **FieldFresh:** The joint venture in India achieved sales of over 4 billion Indian rupees and has been EBITDA positive in recent years. **Can management help shareholders understand the level of influence and control over the strategic and operational matters in the JV? When is the JV expected to be profitable?**
- (v) **Dividends:** The group has issued US\$300 million in Preference shares, with coupon rates of 6.625% (Series A-1) and 6.5% (Series A-2). The total coupon payment for the Preference shares amount to \$19.75 million. **Can the board help shareholders understand if this has affected the company's ability to pay dividends to its shareholders? Is the company still committed to its dividend payment policy of a minimum of 33% of full year profit?**

3. As disclosed on page 73, the board has formed a Remuneration and Share Option Committee (RSOC) that makes recommendation to the board on all remuneration matters of Key Management Personnel.

The company has also disclosed that:

*The level and structure of remuneration are aligned with the long-term interests and risk policies of the Company. Relative to industry practice, trends and norms, the Company has measurable standards to align the performance-based remuneration of the Executive Directors and Key Management Personnel with the long-term interests of the Company.*

- (i) **Would the RSOC help shareholders understand what are the performance indicators used in the assessment of the performance of the executive directors and key management personnel of the group?**

In the Corporate Governance report, under Principle 8: Level and mix of remuneration, the following was disclosed (page 84):

*The compensation structure for Key Management Personnel of Group subsidiaries consists of two key components – fixed cash and a short term variable bonus. The fixed component includes salary, pension fund contributions and other allowances. The variable component comprises a performance-based bonus which is payable upon the achievement of individual and corporate performance targets such as revenue and net profit.*

For FY2018, Mr Joselito D Campos, Jr, as Managing Director and CEO, received variable income/bonus that amounted to 55% of his annual remuneration. Mr Edgardo M Cruz, Jr, as Executive Director, received variable income/bonus of 17% of his total remuneration.

The remuneration band and the variable income/bonus components of the executive directors in the past 4 years are shown in the table below:

	FY2015	FY2016	FY2017	FY2018
Mr Joselito D Campos, Jr	S\$250,000 to below S\$500,000  12%	Above S\$500,000  49%	Above S\$500,000  58%	Above S\$500,000  55%
Mr Edgardo M Cruz, Jr	Below S\$250,000  15%	S\$250,000 to below S\$500,000  6%	Above S\$500,000  18%	Above S\$500,000  17%

- (ii) **Would the RSOC help shareholders understand how the variable components of the remuneration of executive directors (and key management personnel) were determined?**
- (iii) **Can the RSOC also help shareholders understand the level and trend of executive remuneration (including variable component) relative to the group's performance in the past 3-4 years since the take over of DMFI?**

A copy of the questions for the Annual Report for the financial year ended 30 April 2016 and 30 April 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Del%20Monte%20Pacific%20Ltd>

The company's response could be found here: -----