Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Del Monte Pacific Limited

Stock code: D03

Meeting details:
Date: 26 August 2022
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

(i) **Strategic price adjustments: What are the opportunities for the group to pass on cost increases to maintain/increase its profit margin? How elastic is the demand for the group's products across the various brands and categories?**

(ii) **Kitchen Basics: Are there plans to globalise the "Kitchen Basics" brand?**

(iii) **Acquisitions: How does the current market cycle/inflationary pressure affect the group's strategy to expand its market and product line?**

(iv) **Vietnam Dairy Products JSC (Vinamilk): Can management elaborate further on the market entry strategy as it enters a new category (dairy) in the Philippines? What is the size of the total addressable market? How much capital has the group earmarked to support the joint venture with Vinamilk?**

Q2. As noted in the letter to shareholders (page 10), the group refinanced the US$200 million 6.625% Series A-1 preference shares with debt. Net debt has increased from US$1.256 billion to US$1.546 billion as at 30 April 2022, an increase of US$290 million.

The group's net debt to equity ratio increased to 312.4% from 195.5% while net debt to EBITDA rose to 4.4x from 4.1x.

In addition, after the close of the financial year, the group also successfully redeemed its US$500 million senior secured notes which had an interest rate of 11.875% per annum after raising a new 7-year US$600 million term loan with adjusted Secured Overnight Financing Rate (SOFR) of 0.5% (floor) plus 4.25% per annum. As noted in the operating and financial review, the group is expected to achieve approximately US$20-30 million interest savings per year although one-off costs associated with the redemption of the Notes of about US$70 million will be booked in FY2023, with US$26 million of the US$70 million being non-cash in nature.

(i) **Is management looking to carry out any further refinancing to reduce the group's borrowing costs?**

(ii) **Are there plans to also redeem the Series A-2 preference shares?**

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As disclosed in Note 32 (page 263 – Financial risk management: Financial risk management objectives and policies: Interest rate risk), as at 30 April 2022, approximately half of the group's loans and borrowings are on fixed rates and the other half on variable rates.

(iii) **What is the impact on the group's borrowing costs if/when interest rates go up?**

(iv) **With shareholders' equity amounting to US$494 million as at 30 April 2022, has the board evaluated the need to raise new capital to further strengthen the financial position of the group/company?**

Q3. As noted in the corporate governance report, during the annual general meeting held on 27 August 2021, shareholders approved the continued appointments of Messrs. Benedict Kwek Gim Song, Emil Q. Javier and Godfrey E. Scotchbrook as independent directors, via a two-tier voting, and their appointments will remain in force until the earlier of their retirement, or resignation, or the conclusion of the third AGM.

The directors were first appointed on 30 April 2007, 30 April 2007 and 28 December 2000 respectively and have served on the board for 15 years to nearly 22 years. Collectively, the three long tenured independent directors have served for approximately 52 years.

Only one out of the four independent directors (Mrs Yvonne Goh) has been on the board for less than nine years. Mrs Yvonne Goh was first appointed on 4 September 2015.

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1].

(i) **Has the board/nominating committee (NC) deliberated on the guidance by SGX RegCo on the selective use of the two-tier rule to promote board renewal?**

At the AGM scheduled to be held on 26 August 2022, the company is proposing to re-elect Dr. Emil Q. Javier. In addition, the company is also seeking shareholders' approval to make additional payments of up to US$100,000 with respect to services to be rendered by the director(s) to the company (resolution 7).

(ii) **Will the specialist services rendered by Dr. Emil Q. Javier to the group at the plantation interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement?**

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to

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(iii) **Will the continued appointments of the long-tenured directors (including the proposed re-election of Dr. Emil Q. Javier) impede/delay the progressive renewal of the board? Are there any challenges faced by the board in identifying and onboarding of new board members?**

In addition, Mr. Benedict Kwek Gim Song, the lead independent director, was first appointed as a director on 30 April 2007 and as the lead independent director on 11 September 2013.

(iv) **Should Mr. Benedict Kwek Gim Song, the lead independent director, lead by example by setting the tone with regard to capping the tenure of independent directors?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)