DEL MONTE PACIFIC LIMITED
(Incorporated in the British Virgin Islands)

RESPONSE TO THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) OR SIAS QUESTIONS IN ADVANCE OF THE COMPANY'S AGM ON 26 AUGUST 2022

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?**

The Group has started to implement plans for price increases in FY2023 to help cover the cost increases. Our strategic pricing actions combined with our disciplined approach to cost reduction are expected to help us to at least maintain our profit margins.

In the USA, we have not experienced a decline in demand following our pricing actions and have now grown aggregate market share for eight successive quarters on the back of trusted quality products, strong commercial execution, increased distribution of core products, and new product expansion, all supported by superior supply chain service.

In the Philippines, the impact of price increases varies depending on the category and product. There is also the factor of increasing competition from lower-priced variants. Strong commercial execution is key to achieving our sales targets.

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

The biggest opportunity for growth is the U.S. market where the brand is well known, but had not been adequately supported by the previous owner over the past decade.

Kitchen Basics benefits from an established and loyal consumer following and has impressive depth of distribution nationally. The brand complements our College Inn broth business and creates an immediate national footprint within the broth/stock category.

We are eager to consider market opportunities for the brand outside the U.S.

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

We continue to work on new opportunities for growth via our innovation, renovation and customization strategies across our branded portfolio within the Group.

In the U.S., our portfolio is advantaged in the current inflationary/recessionary conditions. Our tiered brand approach has allowed us to accelerate growth in the key U.S. value channels - Dollar Stores, Club Stores and Mass Merchandisers.

(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?**

The joint venture combines the strengths of Del Monte and Vinamilk. Vinamilk is a leading regional dairy company with technical and manufacturing expertise for developing value-added product offerings anchored on quality, health and functional benefits, while Del Monte, as a market leader, has strong, long-standing relationships with leading food and beverage retailers and partnerships with distributors all over the Philippines. Del Monte also has a strong equity for health and wellness, and this new category of milk leverages on this strength.

Del Monte Vinamilk current products are fortified ready-to-drink milk and yogurt drink that deliver superb taste and highly relevant functional benefits. We plan to increase our product lines with more dairy-based products from Vinamilk.

The size of the addressable market that we are participating in is over US$300 million, dominated by RTD-Milk (flavored and white milk).

As of the end of FY2022, the JV shareholders have infused US$2 million of capital in the JV.

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?**

The Group is proactively monitoring its borrowing and interest rates and will continue to pursue refinancing with cheaper loans or debt instruments as the opportunity arises.

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

Yes, this is our plan.

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?**

We estimate an additional US$14-16 million of interest expense if interest rate on our floating rate loans increases by 1% p.a. This is based on a full-year impact from the start of the fiscal year. However, with the refinancing of the expensive Senior Secured Notes in the USA last May 2022 to a cheaper loan, we do have interest savings that should offset the impact of increased interest rates. We also benefit from the reduction in preference dividend as a result of the redemption of Series A-1 Preference Shares in April 2022. This was refinanced by loans. Although total debt and interest expense went up, the cash cost to the Company is lower as the loans have lower cost than the preference dividend. We also continue to negotiate the credit spread as the benchmark interest rates rise.

(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?**

DMPL's leverage in terms of net debt/EBITDA has improved significantly from 14.1x in FY2018 to 4.4x at the end of FY2022, with the EBITDA growth of DMPL group. Increasing our EBITDA will allow us to generate more free cash flow to retire debt.

DMPL can generate cash from the planned IPO's of its subsidiaries, specifically DMFI and DMPI. The Company is in discussions with banks for these proposed IPO's subject to market conditions. This is expected to generate substantial cash for debt repayment.

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 planning1.

(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?**

Yes. The Nominating and Governance Committee and the Board regularly undertake a rigorous review of the independence of the Company's Independent Directors and have concluded that they have continued to engage in constructive discussions, demonstrated objectivity and exercised independent business judgement on matters that come before the Board and Board Committees in a manner that is in the best interest of the Company. The Directors had observed that these Independent Directors had demonstrated even greater independence in the discharge of their duties through these years.

In fact, considering the complexity of the Company's and Group's businesses, the Independent Directors' long tenure have only helped them to obtain deep knowledge of and insight on the businesses and provide stronger and more valuable guidance to the Group.

The Board believes that it is sufficiently diverse in terms of functional expertise, industry experience, international experience, independent directors and ethnicity.

The diverse skill sets of the Board include the following, among others: business, M&A, entrepreneurship, accounting, corporate finance, banking, agriculture, governance, sustainability, investor relations and corporate communications.

With respect to Independent Directors who have served on the Board for over nine years, they had been re-elected in 2021, under the two-tier rule, by the Company's minority shareholders given key information provided to them in the Annual Report.

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?**

We do not believe that Dr. Emil Javier's high level involvement at the plantation interferes with his independent judgement as Independent Director. On the contrary, such broad and deep exposure to the heart of Del Monte's crown jewel in the Philippines enhances Dr. Javier's contributions in the board room. We do not see Dr. Javier's involvement at the Plantation to be essentially distinct from his role as Independent Director at all. To us, Dr. Javier's high level wisdom imparted at the pineapple plantation forms a seamless whole with his independent business judgement in the regular board and committee meetings. Del Monte needs Dr. Javier, an eminent and multi-awarded national scientist, more than he needs Del Monte if at all.

Del Monte's minority shareholders recognize these when they had re-elected Dr. Javier last year without the concurrence of the controlling shareholder under the second-tier voting. Under the two-tier rule, Dr. Javier had been re-elected in 2021 by the Company's minority shareholders given key information provided to them in the Annual Report.

(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?

Please see response in (i).

We do not believe so. The long-tenured Directors have been such because the Company appreciates that they have continued and still continues to engage in constructive discussions, demonstrated objectivity and exercised independent business judgement on matters that come before the Board and Board Committees in a manner that is in the Company's best interest. Indeed, these Independent Directors had demonstrated even greater independence in the discharge of their duties through these years.

The Company does not have a maximum number of Directors under its Articles of Association and could appoint and onboard new Board members if it wishes to do so.

Under the two-tier rule, Dr. Emil. Javier had been re-elected in 2021 by the Company's minority shareholders given key information provided to them in the Annual Report.

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?**

Please see response in (i).

Under the two-tier rule, Mr. Benedict Kwek Gim Song had been re-elected in 2021 by the Company's minority shareholders given key information provided to them in the Annual Report.