

Setia Agrindo Lestari

Setia Agrindo Lestari (SAL) is an associate of First Resources Limited (FR) that was acquired in October 2013. SAL's primary activity is in oil palm plantation management and it holds a concession in Gaung, Indragiri Hilir district of the Riau province of Indonesia.

In May 2015, there were media reports, including a report published by the Jakarta Post, which claimed several irresponsible practices by SAL.

The practices inferred in the media reports were:

1. Violation of Indonesian government's forest moratorium
2. Intention to land clear by burning
3. Caused pollution in the local water supplies through its operations
4. Lack of consent from the local community in the use of their land

Below is a summary of issues inferred from the media reports, our clarification to these reports, as well as the follow-up actions (if any) that we have taken to address these issues.

Issue 1	SAL has violated Indonesian Government's forest moratorium which bans issuance of new permits on peat land.
Clarification	<p>SAL has all the necessary legal permits (Ijin Lokasi, IUP, AMDAL and others) that are required for oil palm plantation development.</p> <p>In addition, SAL's concession does not lie in the government's forest moratorium zone.</p>
Action taken / Status	On 1 July 2015, FR announced an enhanced Sustainability Policy which commits to not developing on peat land of any depth. This policy applies to both FR's subsidiaries and associates.

Issue 2	SAL has intention to use fire to prepare the land for new plantings.
Clarification	SAL has only deployed mechanical means for land clearing and there is no intention to use fire to prepare the land for new plantings. This is evident from the ' <i>vegetation felled by the land clearing</i> ' that was mentioned in the reports.
Action taken / Status	SAL has increased its internal capabilities in fire management and monitoring, as a precaution against fires that may be ignited accidentally or deliberately by other parties during the dry seasons.

Issue 3	SAL has caused local water supplies to be polluted due to its operations.
Clarification	The canals constructed by SAL had cut through the main local river, Sungai Rawa, which the local community accesses water from. The canals had drawn felled vegetation from SAL's land clearing operations towards the river, affecting the quality of local water supplies.
Action taken / Status	<p>Due to the concerns raised, the Ministry of Environment in Riau has conducted a site visit in June 2015 to evaluate the condition of water supplies at the local communities and the water management practices of SAL. The Ministry had recommended several improvements and SAL has since implemented these, including improvements on the canal waterway in the affected area.</p> <p>In addition, SAL has also constructed wells in the village of Pungkat Hilir to provide clean potable water for the villagers.</p>

Issue 4	SAL has not obtained consent from the local community in the use of their land.
Clarification	Consent and financial compensation was made before development work began. In addition to financial compensation, land has been allocated for plasma programme for the local villagers.
Action taken / Status	None.

Case Closed

The above is updated as at 31 March 2016.

As there are no further planned follow-up actions, FR will monitor the situation and provide further updates only when there are new developments.