Fangiono Agro Plantation Group ("FAP Agri")

In September 2016, we were alerted by Waxman Consulting ("Waxman") on potential breaches to First Resources' sustainability policy as a result of the operations of FAP Agri.

Waxman's preliminary research has indicated that the following subsidiaries of FAP Agri have violated First Resources' no deforestation and zero-burn policies in the process of their plantation expansion.

- PT Setia Agro Utama
- PT Setia Agro Abadi
- PT Borneo Bhakti Sejahtera
- PT Citra Palma Pertiwi

FAP Agri is not a subsidiary or an associated company of First Resources. It is an external supplier to First Resources, supplying us crude palm oil ("CPO") for our downstream business. (First Resources' full list of subsidiaries and associates can be found in our Annual Reports.)

First Resources expects our suppliers to comply with our sustainability policy that was announced on 1st July 2015. As part of our policy implementation, we have communicated the details of our policy to all our CPO suppliers and have conducted one-on-one engagements with severals suppliers, including FAP Agri, to elaborate on the objectives of the policy and the implications on our suppliers.

Given the severity of the issues raised, we engaged with FAP Agri immediately to investigate the reported allegations. We have also faciliated a direct meeting between FAP Agri and Waxman. The following clarifications were provided by FAP Agri:

- Of the 4 companies highlighted by Waxman, PT Setia Agro Utama and PT Borneo Bhakti Sejahtera are correctly identified as subsidiaries of FAP Agri. The rest are not subsidiaries nor associated companies of FAP Agri.
- PT Setia Agro Utama and PT Borneo Bhakti Sejahtera have not been active in plantation expansion. These 2 companies collectively planted 8 hectares of oil palm plantations in 2016 and confirmed that there are no new development plans in 2017.
- FAP Agri has agreed to observe First Resources' policy on High Carbon Stock ("HCS") forests for their subsidiaries' future development plans.

First Resources will continue to engage with FAP Agri to share updates on HCS requirements and methodologies.

The above is updated as at 31 December 2016.