



First Resources Limited

Policy on Sustainable Palm Oil

Progress Report 4
-January to June 2017

Introduction

This report is our fourth progress update on the implementation of the policy since the launch of our [Policy on Sustainable Palm Oil](#) in July 2015.

In the first six months of 2017, we reinforced our sustainability commitments, focusing on HCS verifications, HCV protection, implementation of best practices on peat land, as well as engagement with stakeholders.

In addition to attending workshops conducted by buyers, we also had a series of review meetings internally and externally, to take stock of our efforts whilst obtaining feedback on stakeholders' concerns and emerging issues.

High Carbon Stock ("HCS") Forests

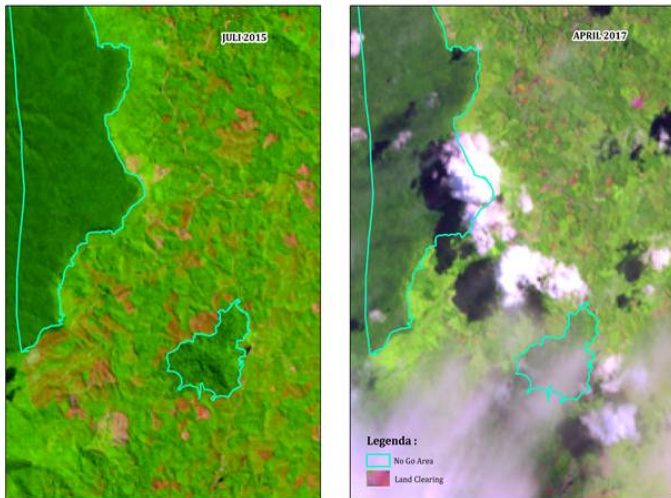
In the last report, we shared that approximately 29,000 hectares or 26% of our development land bank have been identified as "No-Go Areas¹". We have completed independent HCS verifications for ten of our concessions. During the period, we continued with independent HCS verifications for another five concessions, which we expect to complete by the end of this year.

The land clearing moratorium for all "No-Go Areas" including potential HCS areas remained, and was observed by our operations.

We use satellite imagery (Landsat) to monitor internal compliance. By overlaying the satellite imagery with our HCS area maps, we aim to detect any forest cover changes.

¹ "No-Go Areas" consist of potential High Carbon Stock Forests, High Conservation Value areas and peat land.

The use of geospatial analysis allows us to self-monitor the Group's compliance to its HCS policy and respond quickly to any unintentional land clearance. The sustainability team also conducts ground visits to our HCS areas on a scheduled basis to audit that the areas have been kept free from development.



High Conservation Value (“HCV”) Areas

The Group currently has 4,543 hectares of HCV areas identified within its concessions. Management and monitoring plans have been developed to protect our HCV areas.

We have formed conservation taskforces at two of our HCV areas to monitor the condition of the areas more closely. These teams conduct daily patrols and record their observations of wildlife species on a regular basis. In addition to the daily patrols, cameras have also been installed to provide round-the-clock monitoring.

Such consistent monitoring helps discourage illegal activities like logging, encroachment and hunting in our HCV areas. It also enables us to study the populations of wildlife species in the area and therefore review the effectiveness of our conservation efforts.



Results are also shared with our local conservation partners to gather feedback for improvements to our monitoring processes.

The conservation taskforces have been equipped with various trainings in the areas of manual HCV monitoring, handling of orangutans and other wildlife species, and the use of conservation software tools.

We are simultaneously exploring landscape conservation projects for one of our estates in West Kalimantan. At this preliminary stage, members within the same landscape have shared data on their HCV areas. Third party expertise was also sought to conduct surveys in the area.



Peat

As part of our fire prevention and management strategy on peat land, we have established a specialised peat taskforce focused on conducting detailed peat surveys and assessments in selected estates that have peat areas. We have further recruited experienced personnel to expand the skillsets of the team.



Trainings were also provided to the peat taskforce to better equip them. The taskforce is led by our research and development department and supported by our agronomy and sustainability department.

Their focus includes identifying peat characteristics, water soil quality, peat drainage, flood characteristics, proportion of peat material and pyrite existence. Results of their peat surveys were used to enhance our water management plans in peat plantations.

Fire Management and Monitoring

In the first half of 2017, weather in our operating areas has been conducive with good rainfall. In spite of favourable weather conditions, we remained vigilant in our monitoring efforts and made conscientious efforts to

scrutinise our existing fire management and monitoring procedures.

Given the vast operating areas of our plantations, we recognise that there are challenges in eliminating fires. Hence, we diligently engage with the local communities and authorities to prevent fires. We also invite some of the local communities to join us in our fire trainings to improve their knowledge of fire risks.

Besides implementing fire detection procedures, we also provide effective training to our firefighting team, to improve their readiness to any fire alerts. Our strategy towards fire management remains unchanged, focusing on early detection and prompt response to extinguish fires.

We intensified our training programme during the period to include more fire management and suppression sessions. We have trained another 392 employees in a series of firefighting programmes conducted across our estates.

Details of training provided by region are as follows:-

	Riau	West Kalimantan	East Kalimantan
Participants	74	223	95



Greenhouse Gas (“GHG”) Reduction

In our latest ACOP submission to the RSPO, we have calculated the GHG emissions of one of our estates, using the latest palm GHG calculator version 3.

The GHG emissions calculation for this estate is as follows:

Emission	2015	2016
tco ² e/product	1.23	0.64

The significant reduction in the emissions at this estate was mainly due to the commissioning of the methane capture plant that has been constructed at the mill.

Supply Chain and Traceability

In line with our sustainability policy, we actively engage with our suppliers to understand their challenges. As business partners, we render support by sharing our experiences and assisting them in implementing best practices in their operations.

In our effort to ensure that our supply chain does not unintentionally support irresponsible practices, we strive to achieve full traceability of our palm oil supplies to the mills and plantations. We have started our engagement with both our external FFB and CPO suppliers and are pleased to receive supportive feedback from them.

For 1H2017, approximately 97% of the CPO we processed has been traceable to the mills, and up to 92% of the FFBs processed in our 14 mills were traced back to the plantations.

	2016	1H2017
Traceability to Palm Oil Mills	98%	97%
Traceability to Plantations	90%	92%

We are planning a supplier workshop aimed at raising traceability awareness among our suppliers and at providing further clarity on our requirements. Considering the small percentage of third party purchases and the traceability data we have collected so far, we are confident that we will be able to achieve our traceability targets.

Buyers’ Engagement

In our previous report, we shared that we have facilitated mill verification visits for two of our buyers, who checked on various sustainability aspects such as traceability of our FFB and CPO, labour practices, including health and safety policies, as well as our grievances and our whistle-blowing platforms.

Both assessments yielded positive reports and constructive feedback for our operations. During this period, we continued to work on areas that have been recommended for improvements by our buyers during the mill verification process. We also periodically update our buyers on our ground implementation.

Grievances Update

By tapping onto a wider network of external stakeholders, we hope our grievance procedure will be an effective tool in helping us monitor our operations as well as those of our suppliers more stringently. Grievances lodged will be recorded, investigated, reported and handled in a fair and transparent manner.

For this reporting period, there were no formal grievances filed against us. As mentioned in our previous report, we had received feedback from Waxman Consulting (also known as Mighty) that their preliminary research indicated that one of our suppliers, FAP Agri, has potentially breached our sustainability policy.

After a series of discussions between First Resources and FAP Agri, we are pleased that FAP Agri has agreed to adopt the HCS Approach methodology across its operations. With our assistance, they have completed desktop HCS assessments of their development areas. They will also be engaging independent HCS experts to review their desktop assessments. Furthermore, we have shared with them our internal sustainability practices and spent considerable time to engage them in adopting best practices.

Labour Issues and Concerns

Labour concerns as highlighted by stakeholders are risks to the Indonesian palm oil sector and remain an industry-wide challenge. With the current focus on these issues, we took the opportunity to review some of our labour practices. In addition, we have planned a series of improvements to our facilities to improve employees' living standards.

We have been reminding our workers not to bring their children to the estate to assist them. We have also stressed to them that warnings will be given to those who violate our policies.



For children below schooling age, we have built more day-care facilities in the workers' housing areas to ensure we have sufficient caretakers to babysit the children. In addition, to encourage workers to send their

children to schools, we have provided bus services to students in selected estates.

Other Updates

Integrated Pest Management

To minimise the use of pesticides, we use biological controls. We have initiated barn owl breeding projects in Riau and Kalimantan to enhance the owl population in our young estates so as to reduce our dependence on pesticides.



Mangrove Planting

During the period, we continue to make progress in our mangrove-planting programme which was launched in 2014. We have added another 500 trees to protect the coastal ecosystem. To date, we have planted more than 3,500 trees and will continue to monitor the growth and health of the mangroves.

ISPO certification

During the period, two of our estates had undergone the ISPO certification audit. We are awaiting the certificate issuance for these estates. Upon issuance, we will have ten estates with ISPO certifications.