



## FIRST RESOURCES

# SUSTAINABILITY REPORT 2019

### METHANE CAPTURE

*Reduced emissions by approximately 81,000 tonnes of CO<sub>2</sub>e with three methane capture facilities in operation, and installed two additional facilities in 2019*

### TRACEABILITY

*Maintained 100% traceability to all mills, and 98% traceability to plantations for our own mills*



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# ABOUT THIS REPORT

We are pleased to present First Resources' 2019 Sustainability Report. In this report, we provide a transparent account of our commitments, successes and challenges in integrating sustainability practices across our operations. The contents of this report have been determined by a refreshed materiality assessment in 2019, and ongoing stakeholder dialogue.

This report should be read in conjunction with First Resources' Annual Report and website, as some information will be accessible through those channels. The reporting exercise is not only an important facet of our commitment to transparency and accountability to stakeholders, it also allows us to reflect on the progress we have made and the areas that still need work.



## SCOPE OF THE REPORT [102-45, 102-50, 102-52]

This report covers the operations of First Resources Limited (First Resources) in Indonesia and Singapore, and excludes our rubber plantations in Indonesia, which contributes to a very small proportion of our business. We produce a sustainability report on an annual basis and the content of this report focuses primarily on activities carried out within the financial year ended 31 December 2019. Where applicable, data from previous financial years have been included for comparison.

## REPORTING FRAMEWORK [102-54]

Our report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The GRI content index can be found at the end of this report, on pages 60–67. The GRI disclosure numbers have also been included below the titles throughout the report where the relevant information is covered.

We have determined the content of this report using the GRI principles of stakeholder inclusiveness, sustainability context, materiality and completeness. To ensure the quality of our content, we have applied the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness.

This report also adheres to the SGX-ST Listing Rule 711A on preparing an annual sustainability report and describes our sustainability practices with reference to the primary components set out in SGX-ST Listing Rule 711B.

## DATA AND ASSURANCE [102-56]

We did not engaged a third party in the assurance of our sustainability report this year. In-depth assessments have been undertaken in material areas such as High Carbon Stock (HCS), High Conservation Value (HCV) and Free, Prior and Informed Consent (FPIC), which provide strong independent verification of our performance. Furthermore, all of the data included in this report has been subjected to rigorous reviews as part of our internal processes.

## CONTACT [102-53]

We welcome feedback from all our stakeholders. If you have questions or comments on this report, or our sustainability performance in general, please contact us:

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E [sustainability@first-resources.com](mailto:sustainability@first-resources.com)

# CEO'S MESSAGE

[102-14]



**CILIAN德拉 FANGIONO**  
*Executive Director and  
Chief Executive Officer*

*Dear Stakeholders,*

This Sustainability Report is our sixth report, communicating our Group's commitment, approach and progress towards sustainable business practices. Since our inaugural sustainability report for FY2011 and our pledge for "No Deforestation, No Peat and No Exploitation" (NDPE) in July 2015, we have made significant strides towards striking a balance between seeking financial profitability, providing genuine long-term economic and social benefits for our surrounding communities, and protecting the natural environment that we operate in. This is no easy task as the balance is a very delicate one, where there can often be conflicting stakeholder needs and shifting priorities and concerns over time.

We express our commitment to sustainability through the continual alignment of our understanding and values, the championing of behavioural changes within our organisation, and the upgrading of our business processes. And to these ends, over the last decade or so, we have grown our in-house technical capabilities in several sustainability sub-disciplines, incorporated sustainability considerations when evaluating operational and strategic initiatives, and introduced sustainability key performance indicators for senior and other relevant executives. Our Board also takes into consideration sustainability issues and concerns relating to environmental and social factors as part of its strategic formulation, and oversees the identification, management and monitoring of material sustainability risks as part of its risk management process.



The views and inputs from stakeholders matter to us. Your feedback provides us with insights on prevailing sustainability priorities and trends, and on where we can aspire to do more. We also rely on credible third-party assessors to take stock of how we are performing. We thank you for your interest in reading this sustainability report, and invite you to share with us any feedback to improve and enrich our sustainability journey.

**CHALLENGES IN 2019**

2019 was truly a difficult year for our industry, which saw the lowest average crude palm oil (CPO) prices in more than a decade, as well as an annual decline in CPO production for ourselves and many of our peers. Consequently, our economic profit fell year-on-year. Profitability in the oil palm sector suffered so badly that during some parts of 2019, independent smallholders experienced very poor cashflows. These independent smallholders'

knee-jerk reaction was to curtail fertiliser applications, which would bring about longer term detrimental effects to production. Our smallholder cooperatives, or commonly termed as plasma farmers, were able to reap better prices which were set by regional governments. From a sustainability perspective, we were able to contribute to our plasma farmers' economic viability by providing them fairer prices.

The same year also brought a new season of transboundary haze across Southeast Asia. Unfortunately in 2019, many mainstream news media continued to castigate the oil palm industry, as they believed irresponsible actors were clearing land by fire with the intention to plant oil palm. One needs to bear in mind the market environment in 2019, where exceedingly low palm oil prices have resulted in both large scale oil palm producers and smallholders to suffer negative or abysmal profits. It seems illogical therefore that there would be strong

## CEO'S MESSAGE



desire and means to plant new oil palm trees under such circumstances, as any new planting would require further capital investments for the next three years. In fact, palm oil prices had been low for some time already, starting even before 2019 and new seed sales for planting have reportedly been low. While one cannot refute that land clearing was a likely trigger for the fires, squarely shifting the blame on oil palm is unjust, and could well be counter-productive by bringing about the wrong remedy to the detriment of everyone. For instance, smallholders should be taught the benefits of land clearing using non-burning methods, as opposed to the benefits of one crop versus another.

Relating to this haze episode, we have drawn from the 2015 El Niño experience and have toughened

our efforts on fire prevention and management. Although we have been following a strict Zero Burning policy for many years now, even before our Roundtable on Sustainable Palm Oil (RSPO) membership in 2008, the biggest risk for us is fire spreading from outside of our planted concessions. Over the years, we have invested efforts in mapping out fire prone areas, increasing fire-fighting facilities as well as reaching out to more communities on the importance in fire prevention.

#### OUR PROGRESS ON PROTECTING THE ENVIRONMENT

With climate change taking centre stage in the list of global concerns, we are committed to doing our part. We have methane capture facilities at three of our mills, which has helped

the Group reduce greenhouse gas emissions by approximately 81,000 tonnes of CO<sub>2</sub>e in 2019, equivalent to emissions from the electricity use of approximately 13,700 homes in one year<sup>1</sup>. We also installed new methane capture facilities at two mills in 2019.

Forest and biodiversity protection also remain high on our agenda, with about 20,000 hectares of land identified as conservation areas. As of 2019, we planted nearly 15,000 forest trees in our concession areas, covering 43 hectares. We also focused on improving our yield and extraction rates, to support the growth of our business without the need for developing on new land. One example is that we are using our own seeds that produce about 20% higher yields than what we used to have, to replant around 1,500 hectares of our old oil palm trees in 2019. Our replanting programme continues in 2020 and beyond, and we will continue to rely on our own planting materials.

#### ON TRACK TO MEET OUR TRACEABILITY TARGETS

First Resources has maintained 100% traceability to mills since 2017, with approximately 8% of our crude palm oil feedstock sourced from our external suppliers. To provide more transparency and mitigate the risk of policy non-compliance in our supply chain, we have since disclosed the coordinates and addresses of our suppliers' mills. Traceability to plantations for First Resources-owned mills remains at 98%, and we are on track to achieve 100% traceability by 2020.

<sup>1</sup> <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

## ASSESSING LABOUR PRACTICES AND HUMAN RIGHTS

On the social front, we continue to ensure that proper labour practices are in place and human rights are protected. In 2019, we conducted internal labour and human rights assessments for two to three of our estates in each region. Issues that were looked into included compensation practices such as payslip standardisation and overtime incentives, implementation of proper workers' agreements, awareness on collective bargaining and grievance mechanisms, as well as the importance of education for children. We have already addressed some areas of improvement and will continue to do so in 2020.

## LOOKING AHEAD

Although we made significant strides in a number of areas in 2019, progress had been slower in some others. Our RSPO certification process was halted in 2019 due to a previous grievance case that was

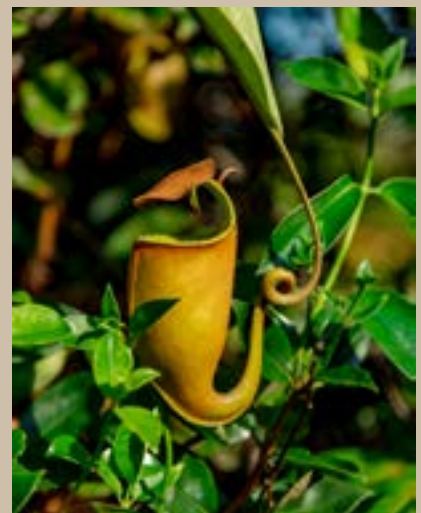
re-opened. The case has now been resolved, and we have proceeded to secure RSPO certification for another mill in early 2020. We remain committed to achieving our target of having all our mills and plantations certified by 2024. To meet this target, we plan to certify another five of our mills, integrated with plantations, by the end of 2020. We also aim to achieve the Indonesia Sustainable Palm Oil (ISPO) certifications for another five of our mills integrated with plantations by 2020.

With Indonesia aiming to increase its domestic biofuel mix, it is imperative that we meet the rising demand for palm oil in a sustainable and responsible way. We have plans to build a new integrated processing complex in the near future, housing a new kernel crushing plant, a new refinery and fractionation plant, as well as a biodiesel plant. As we grow our reliance on third-party suppliers to meet our feedstock requirements, more robust measures will need to be put in place to ensure traceability and compliance with our Policy on Sustainable Palm Oil.

Finally, it is with a heavy heart that we discuss about the COVID-19 pandemic, which the world remains in the grip of as I write this letter. The disruption caused to societies and businesses has been tremendous and continues to unfold. We hope that the economic fallout and movement restrictions will not materially impact the sustainability work plans that we have lined up for 2020. While we are bracing for a big and drawn out storm, our immediate thoughts and concerns are for the wellbeing of everyone, including our employees, our plasma farmers and all other stakeholders. We will continue to prioritise workplace safety above all other priorities, and we fully support the strong measures being taken to address this pandemic. We wish all our stakeholders good health, and we hope to continue our collaboration in shaping First Resources' sustainability journey going forward.

## CILIANDRA FANGIONO

*Executive Director and  
Chief Executive Officer*



# TARGETS AND PROGRESS

[103-2]

MATERIAL TOPIC	2019 COMMITMENTS/TARGETS	2019 PROGRESS	FUTURE COMMITMENTS/TARGETS
<b>Business conduct and ethics</b>	<ul style="list-style-type: none"> <li>Conduct our business with integrity and free from corruption</li> </ul>	<ul style="list-style-type: none"> <li>Continue to disseminate our Code of Conduct to employees, suppliers, and other business partners</li> </ul>	<ul style="list-style-type: none"> <li>Continue to conduct our business with integrity and free from corruption through the dissemination of our Code of Conduct (ongoing)</li> </ul>
<b>Climate change</b>	<ul style="list-style-type: none"> <li>Develop plans to progressively reduce our greenhouse gas (GHG) emissions</li> </ul>	<ul style="list-style-type: none"> <li>Reduced emissions by approximately 81,000 tonnes of CO<sub>2</sub>e with three operating methane capture facilities</li> <li>Installed new methane capture facilities at two mills</li> </ul>	<ul style="list-style-type: none"> <li>Continue to explore opportunities to reduce our GHG emissions (ongoing)</li> <li>Build one additional methane capture facility by 2020</li> </ul>
<b>Conservation and management of High Conservation Value (HCV) areas</b>	<ul style="list-style-type: none"> <li>Ensure no development on HCV areas</li> </ul>	<ul style="list-style-type: none"> <li>Continue to set aside HCV areas for conservation (a cumulative total of approximately 4,500 hectares identified as of 2019)</li> <li>Conducted HCV training for 13 villages with a total of 334 participants</li> <li>Conducted a workshop on the importance of conservation for 25 employees</li> <li>Conducted HCV training for 32 staff from two concessions in Riau</li> </ul>	<ul style="list-style-type: none"> <li>Continue to ensure no development on HCV areas (ongoing) <ul style="list-style-type: none"> <li>Conduct internal training on HCV and High Carbon Stock (HCS) for nine of our plantations</li> <li>Conduct training for an additional six villages on HCV and HCS</li> <li>Continue to rehabilitate approximately 26 hectares of HCV area within three of our concessions</li> </ul> </li> </ul>
<b>Employee attraction, retention, and development</b>	<ul style="list-style-type: none"> <li>Provide fair and favourable working conditions, employee benefits and development opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Increased average training hours per employee in the staff and workers category from 19.3 to 24.7</li> </ul>	<ul style="list-style-type: none"> <li>Continue to assess needs and provide appropriate training/mentorship for employees to ensure continuous development (ongoing)</li> </ul>



MATERIAL TOPIC	2019 COMMITMENTS/TARGETS	2019 PROGRESS	FUTURE COMMITMENTS/TARGETS
<b>Fire prevention and management</b>	<ul style="list-style-type: none"> <li>• Reach out to another nine villages on fire prevention and management in 2019</li> <li>• Reduce the number of fire incidents which occurred in 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Trained around 350 community members from 16 villages on fire prevention and management</li> </ul>	<ul style="list-style-type: none"> <li>• Reach out to another nine villages on fire prevention and management in 2020</li> <li>• Reduce the number of fire incidents which occurred in the previous year (ongoing)</li> <li>• Reduce size of estate areas affected by fires (ongoing)</li> <li>• Increase our firefighters' training frequency and the number of firefighters trained</li> </ul>
<b>Labour conditions and human rights</b>	<ul style="list-style-type: none"> <li>• Conduct another labour and human rights assessment in 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Followed up on recommended actions from a December 2017 labour and human rights pilot audit</li> <li>• Conducted an internal labour and human rights assessments for two to three of our estates in each region</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to improve labour conditions and protect human rights (ongoing) <ul style="list-style-type: none"> <li>▶ Continue to address areas for improvement identified in the internal labour and human rights assessment</li> </ul> </li> </ul>
<b>Occupational health and safety</b>	<ul style="list-style-type: none"> <li>• Achieve zero fatalities</li> </ul>	<ul style="list-style-type: none"> <li>• Two fatalities in 2019</li> <li>• Three high consequence injuries in 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve zero fatalities (ongoing)</li> <li>• Achieve zero high consequence injuries (ongoing)</li> </ul>

# TARGETS AND PROGRESS

MATERIAL TOPIC	2019 COMMITMENTS/TARGETS	2019 PROGRESS	FUTURE COMMITMENTS/TARGETS
<b>Peatland management</b>	<ul style="list-style-type: none"> <li>• Ensure no development on peatland of any depth</li> <li>• Complete canal blocking at another estate in 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Continued to set aside peatland from development (since July 2015)</li> <li>• Continue to work with two government agencies in peatland management</li> <li>• Installed data loggers and piezometers in two estates for water level monitoring purposes</li> <li>• Redesigned canal blocking for 11 estates between 2017 and 2019 due to changes in environmental conditions. Adjustments to canal blocking at these estates are ongoing</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure no development on peatland (ongoing)</li> <li>• Work together with the Ministry of Environment and Forestry to monitor water table (ongoing)</li> </ul>
<b>Protection of High Carbon Stock (HCS) forests</b>	<ul style="list-style-type: none"> <li>• Ensure no development on HCS forests</li> <li>• Roll out an engagement programme in 2019 with local communities to create awareness on and obtain their support for HCS conservation</li> </ul>	<ul style="list-style-type: none"> <li>• Continued to set aside HCS forests as protection areas (HCS assessments have been completed for all our development bank in 2017)</li> <li>• Conducted HCS training for 13 villages with a total of 334 attendees</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure no development on HCS forests (ongoing)</li> <li>▶ Conduct internal training on HCV and HCS for nine of our plantations</li> <li>▶ Conduct training for an additional six villages on HCV and HCS</li> </ul>
<b>Supply chain traceability</b>	<ul style="list-style-type: none"> <li>• Maintain 100% traceability to the mills (ongoing)</li> <li>• Obtain 100% traceability to plantations for First Resources' owned mills by 2020</li> <li>• Improve the traceability disclosures on our website in 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Maintained 100% traceability to the mills (achieved since 2017)</li> <li>• Maintained 98% traceability to plantations for First Resources' owned mills</li> <li>• Improved transparency by disclosing on our website the mill names, coordinates and addresses of our crude palm oil (CPO) and palm kernel (PK) suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain 100% traceability to the mills (ongoing)</li> <li>• Achieve 100% traceability to plantations for First Resources' mills by 2020</li> <li>• Continue to improve the traceability disclosures on our website in 2020</li> </ul>

MATERIAL TOPIC	2019 COMMITMENTS/TARGETS	2019 PROGRESS	FUTURE COMMITMENTS/TARGETS
<b>Sustainability certifications</b>	<ul style="list-style-type: none"> <li>• Achieve 100% Roundtable on Sustainable Palm Oil (RSPO) certification by 2024               <ul style="list-style-type: none"> <li>▶ Obtain RSPO certification for another two mills in 2019</li> </ul> </li> <li>• Achieve 100% Indonesia Sustainable Palm Oil (ISPO) certification for all mills with integrated plantations by 2020               <ul style="list-style-type: none"> <li>▶ Obtain ISPO certification for another three plantations in 2019</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• RSPO Certification               <ul style="list-style-type: none"> <li>▶ Maintained RSPO certification for two of our mills integrated with plantations</li> </ul> </li> <li>• ISPO Certification               <ul style="list-style-type: none"> <li>▶ Maintained ISPO certification for nine of our mills integrated with plantations, and maintained ISPO certification for one of our plantations</li> <li>▶ Commenced an ISPO certification process for another mill integrated with plantation in 2019</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Achieve 100% RSPO certification by 2024               <ul style="list-style-type: none"> <li>▶ Obtain RSPO certification for another six mills intergrated with plantation in 2020</li> </ul> </li> <li>• Obtain ISPO certification for another five mills integrated with plantations in 2020</li> </ul>
<b>Yield and extraction improvements</b>	<ul style="list-style-type: none"> <li>• Increase nucleus fresh fruit bunch (FFB) yield in 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Our nucleus FFB yield decreased from 18.9 tonnes per hectare in 2018 to 18.0 tonnes per hectare in 2019</li> <li>• Increased CPO extraction rate from 22.9% in 2018 to 23.1% in 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Increase nucleus FFB yield (ongoing)</li> <li>• Increase CPO extraction rate (ongoing)</li> </ul>

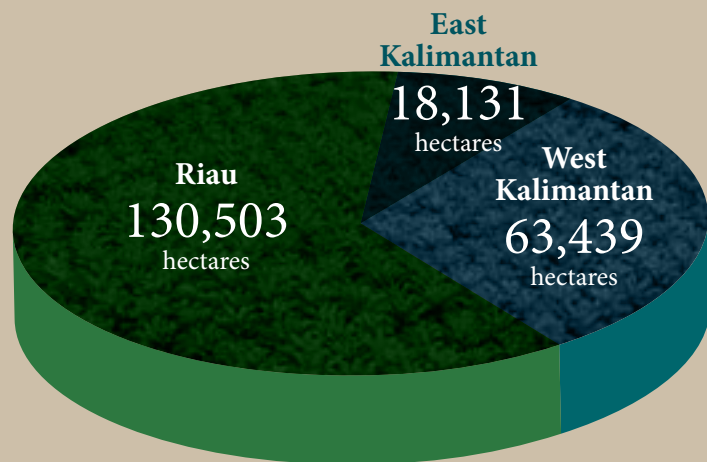
# ABOUT FIRST RESOURCES

[102-1, 102-5]

Established in 1992 and listed on the Singapore Exchange (SGX) since 2007, First Resources is one of the leading palm oil producers in the region and has grown into an integrated player with its own processing capabilities. As at 6th April 2020, Eight Capital Inc. holds 66% of our company shares, a further 16% are held by three other substantial shareholders, while the rest are held by the public.



## OIL PALM PLANTED AREA BY LOCATION IN 2019 (hectares)



Note: The figures include both nucleus and plasma planted area

## OPERATIONAL PROFILE

[102-2, 102-4, 102-7, 102-10]

Supported by a workforce of 20,913 employees, we manage 181,065 hectares of oil palm plantations across the Indonesian provinces of Riau, West Kalimantan and East Kalimantan, and another 31,008 hectares of smallholder plasma schemes. With a total of 212,073 hectares of both nucleus and plasma planted area, we are one of the leading palm oil producers in the region.

We also operate 17 palm oil mills, one kernel crushing plant, as well as downstream businesses including

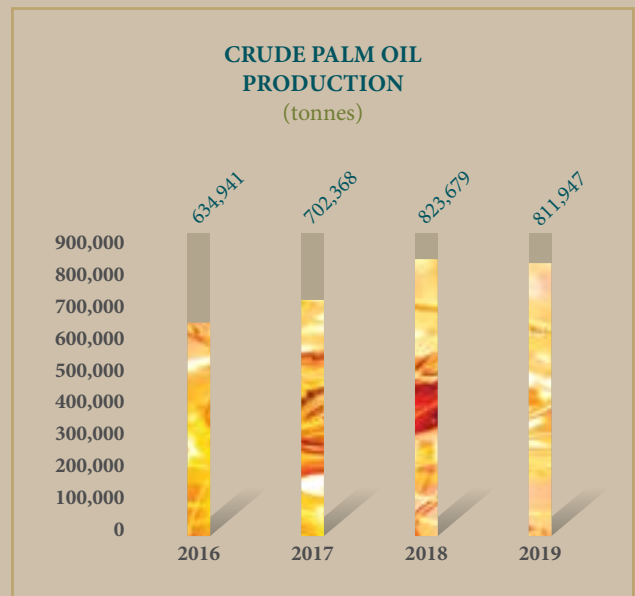
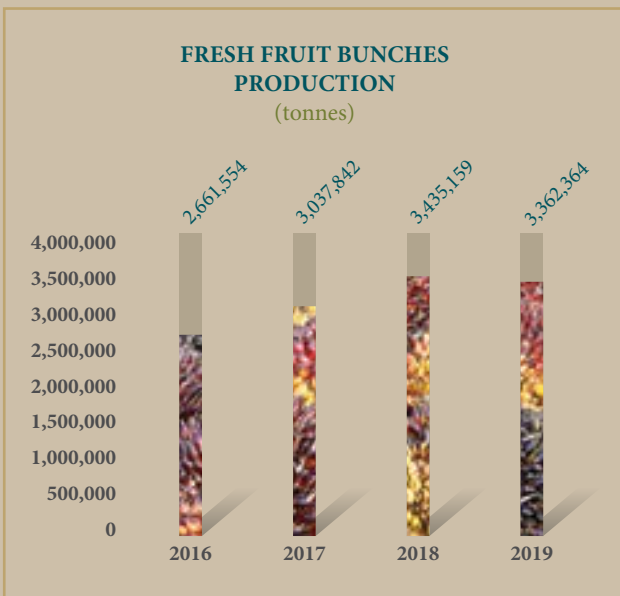
two processing plants in Indonesia. Our 16<sup>th</sup> and 17<sup>th</sup> palm oil mills were commissioned in 2019 to cater to the growth in production from our maturing plantations.

Almost half of our plantations are of prime age and approximately 7% are in their immature age. Our largest planted area is located in Riau, which contributes to approximately 69% of our fresh fruit bunches (FFB), while the remaining 31% are provided by our plantations in West and East Kalimantan. In 2019, the Group produced 3,362,364 tonnes of FFB (from both nucleus and plasma estates). Our total crude palm oil (CPO) production was 811,947 tonnes.

For more details on our business flow chart, please refer to pages 4-5 of our 2019 Annual Report.



● Oil Palm Plantation / Land Bank | ● Oil Palm Plantation with Mill | ● Processing Plant



For more information on our operational review, please refer to pages 14-15 of our 2019 Annual Report.

# OUR APPROACH TO SUSTAINABILITY

[102-16]

As an agribusiness, sustainability is integral to how First Resources conducts business activities. We recognise that our long-term success relies on the ongoing health of the environment we depend on, as well as the well-being of the stakeholders we interact with. The principle of sustainability is implicit within the values that guide our behaviours, actions and decisions. Our values, described on our [website](#), are Loyalty, Integrity, Diligence, Persistence and Care.

## OUR POLICY ON SUSTAINABLE PALM OIL

We strive to ensure that our operations create sustainable development by taking into account the needs of our stakeholders and maintaining the highest social and environmental standards. In 2015, we launched our [Policy on Sustainable Palm Oil](#), which sets out our commitments to “No Deforestation, No Peat and No Exploitation”, and is also referred to as our NDPE policy. Our commitments guide us towards our goal of ensuring that the establishment and management of our oil palm plantations provide genuine long-term economic and social benefits for the local communities where we operate and beyond, while protecting the environment. It communicates the social and environmental standards we expect to be upheld across our operations, including our subsidiaries and associated companies, as well as our third-party suppliers.

Our policy encompasses commitments around four main areas:

**ENVIRONMENTAL  
MANAGEMENT**

Ensuring zero burning and no development on High Carbon Stock (HCS) forests, High Conservation Value (HCV) areas and peat areas, as well as increasing yield and progressively reducing greenhouse gas emissions (GHG) from our operations



**COMMUNITY  
ENGAGEMENT AND  
DEVELOPMENT**

Respecting the rights of indigenous and local communities and driving positive socio-economic impact for people



**EMPLOYEE RELATIONS  
AND WORKPLACE**

Ensuring labour standards and human rights of all our employees, including contract and temporary workers, are respected



**SUPPLY CHAIN**

Working towards a traceable and transparent supply chain, with an aim to build a network of suppliers that upholds our sustainability goals and practices, as set out in our policy



1



4

## OUR APPROACH TO SUSTAINABILITY

### IMPLEMENTING OUR POLICY

We remain mindful of our ongoing task to translate our policy commitments into action on the ground. As a key player in the Indonesian palm oil sector, we understand that achieving a sustainable business requires ongoing engagement and collaboration with our key industry players, suppliers and business partners. A summary of our main stakeholder engagement efforts in 2019 can be found in the *Materiality and Stakeholder Engagement* section of this report.

We engage and train all relevant employees on our policy and provide additional support on social and environmental issues for key areas of the business. We socialise our policy with all our suppliers, through our supplier onboarding process, one-on-one meetings or group sessions to help them understand our commitments and the importance of aligning their practices with our requirements. To date, feedback from participating suppliers has generally been supportive and constructive. For more details on our engagement with our suppliers, see the section on *Supply Chain*. We also work with our customers to improve practices. For example, we implemented corrective action plans in 2019, based on the findings and recommendations from a customer's labour and human rights audit.

### MONITORING AND GRIEVANCE PROCEDURE

[102-17]

We have set up a robust system to ensure that practices and performance related to our policies can be monitored and reported. We have two distinct mechanisms for reporting concerns or complaints: our whistleblowing procedure and our grievance procedure. Both mechanisms are open to external and internal stakeholders.

#### Whistleblowing Procedure

Our whistleblowing procedure is designed to ensure that employees and business partners have a safe, anonymous and straightforward channel to alert us to concerns, non-compliances or grievances. The system makes use of easy access tools, including anonymous complaints boxes in estates, SMS, phone and email services. Complaints raised through these channels are generally handled locally but can be escalated to the Audit Committee where material.

First Resources does not tolerate nor condone any actions taken against any employee in retaliation for raising a compliance or integrity issue. The company may institute disciplinary action against any party found to have taken such retaliatory action against whistleblowers. Anyone wishing to make a whistleblowing report may refer to the details on our *website*.

#### Grievance Procedure

We also have a grievance procedure in place for stakeholders to register sustainability-related concerns, particularly with regard to our Policy on Sustainable Palm Oil, such as those related to deforestation, land disputes, human rights or general labour issues.

Grievances can be submitted via email to our Grievance Officer or can be posted via mail to our office address as follows:

8 Temasek Boulevard  
#36-02 Suntec Tower Three  
Singapore 038988  
Attn: Grievance Officer  
(Sustainability Department)

E [sustainability@first-resources.com](mailto:sustainability@first-resources.com)

Our philosophy is to work collaboratively and constructively with all our stakeholders. We want stakeholders to engage us directly with their concerns, so that these can be investigated and addressed through remediation, if necessary, and as quickly as possible. In this regard, we appreciate and welcome stakeholders, including non-governmental organisations (NGOs), to engage positively with us and help us to address gaps in our operations.

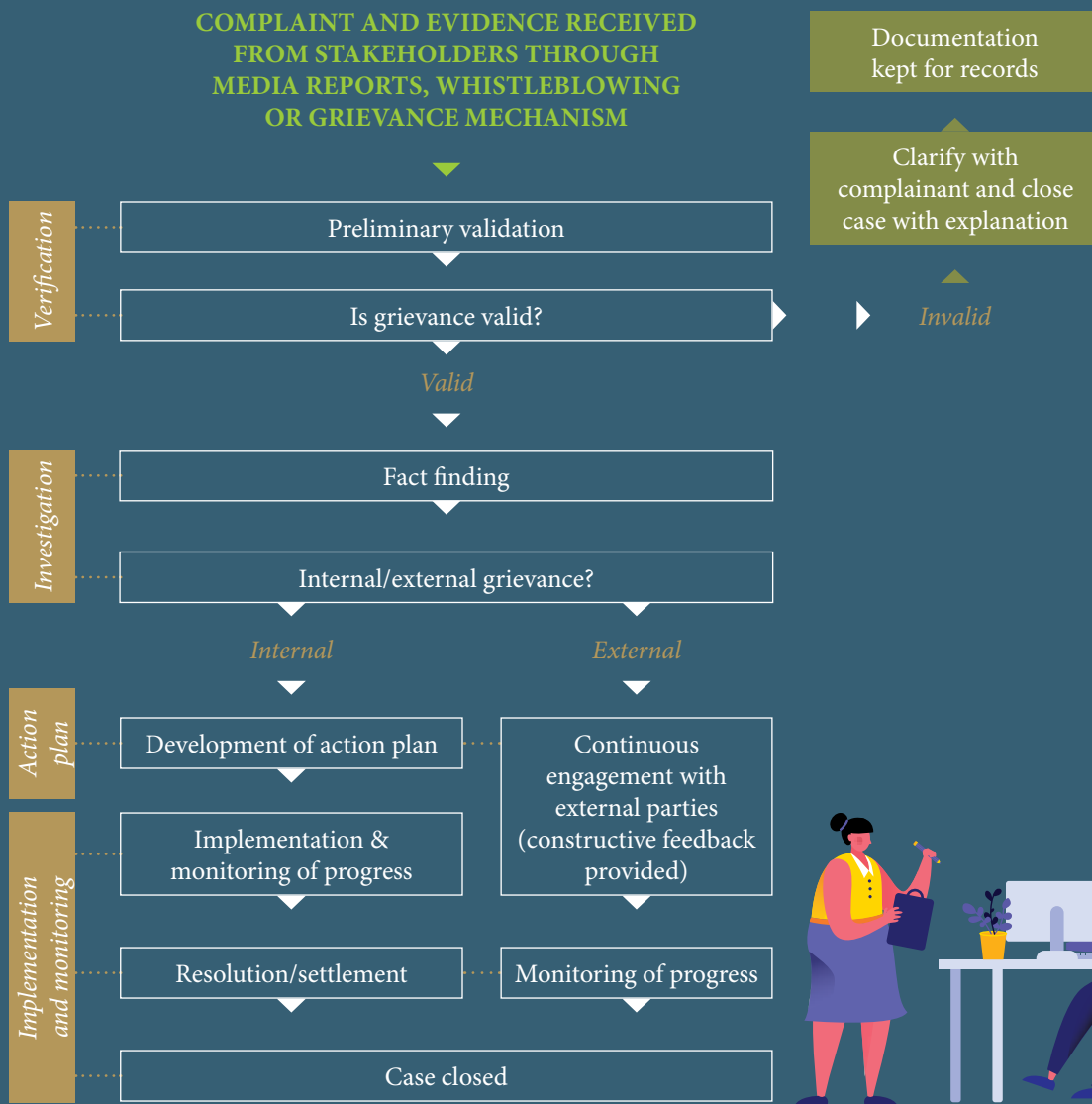






## GRIEVANCE PROCEDURE

COMPLAINT AND EVIDENCE RECEIVED FROM STAKEHOLDERS THROUGH MEDIA REPORTS, WHISTLEBLOWING OR GRIEVANCE MECHANISM



Our grievance list consists of cases that have been brought to our attention through media reports, stakeholder feedback, buyers' grievance mechanism, our

own grievance procedure and the Roundtable on Sustainable Palm Oil (RSPO). We aim to communicate transparently on grievances and complaints that have been raised as

well as report our progress towards resolving them. Our grievance list is updated regularly and available on our [website](#).

# OUR APPROACH TO SUSTAINABILITY

## GOVERNANCE OF SUSTAINABILITY

[102-18, 102-19, 102-20, 102-21, 102-26, 102-32, 103-3]

We are committed to maintaining the highest standards of corporate governance at First Resources. This is crucial for the effective implementation of our policies and ensuring we are improving our performance on an ongoing basis.

The Board, led by the Chairman, has oversight of sustainability matters

and receives regular updates on important sustainability issues. Sustainability topics are further discussed and addressed in quarterly senior management meetings, where representatives from all key areas of our operations are present.

Responsibility for the day-to-day implementation of sustainability is delegated to our Head of Sustainability, who reports directly to the CEO, and is supported by a team of skilled experts from across our business. We have integrated sustainability throughout our

management systems, including the key performance indicators (KPIs) of relevant senior executives and other employees with functional responsibility at an operational level. Operational teams are required to provide regular cross-departmental updates on key issues – including hotspots and fire incidents, the status of land clearing, and any incidents of conflict with local communities – to the regional and corporate sustainability teams.

### SUSTAINABILITY GOVERNANCE STRUCTURE



## OUR MATERIAL SUSTAINABILITY TOPICS

[102-15, 102-46, 102-47, 102-49, 103-1]

We use the principle of materiality to ensure that we are focused on managing and reporting our performance against the topics that matter most to our stakeholders and that are of greatest significance to the long-term performance of our business.

In 2019, we conducted a new assessment of our material sustainability topics. This process, which was guided by a robust stakeholder engagement exercise, highlighted new and emerging topics, and provided a fresh check on whether we are focusing on the right issues.

Based on the outcomes of the assessment, **Climate Change**, and **Gender Equality and Inclusion** have emerged as new sustainability topics for First Resources. In addition,

**Business Conduct and Ethics** and **Employee Attraction, Retention and Development** have increased in relative significance from previous assessments.

Our materiality matrix and details of our assessment methodology can be found in the *Materiality and Stakeholder Engagement* section of this report.

TOPIC	DESCRIPTION	BOUNDARIES
<b>Business conduct and ethics</b>	Ensuring the highest standards of corporate governance, conducting business activities with integrity and free from corruption	 
<b>Climate change</b>	Reducing greenhouse gas (GHG) emissions and building resilience against the impacts of climate change	 
<b>Conservation and management of High Conservation Value (HCV) areas</b>	Identifying, conserving and managing areas of land with high biological, ecological, social or cultural value	
<b>Employee attraction, retention, and development</b>	Attracting, developing, and retaining skilled individuals to meet First Resources' current and future talent needs	 
<b>Fire prevention and management</b>	Preventing the occurrence and responding swiftly to forest fires within our own and our suppliers' estates	
<b>Labour conditions and human rights</b>	Promoting fair and favourable working conditions, respecting the human rights of employees and preventing child labour	 
<b>Occupational health and safety</b>	Preventing any work-related fatalities, injuries and illnesses by promoting a safe and healthy work environment	 
<b>Peatland management</b>	Conserving, managing and rehabilitating peatland	
<b>Protection of High Carbon Stock (HCS) forests</b>	Identifying and protecting forests that hold large stores of carbon	
<b>Supply chain traceability</b>	Achieving full traceability of the source of crude palm oil (CPO) and palm kernel (PK) to mill, and fresh fruit bunches (FFB) to plantation	 
<b>Sustainability certifications</b>	Obtaining relevant sustainability certifications linked to the sector	 
<b>Yield and extraction improvements</b>	Enhancing productivity through research and development that targets increased yield and extraction rates	 



# ENVIRONMENTAL MANAGEMENT





## YIELD AND EXTRACTION IMPROVEMENTS

[103-1, 103-2, 103-3]

As the most versatile vegetable oil, palm oil is used in both food and non-food products around the world. It also has the highest yield compared to any alternative oil crops, making the most efficient use of the land. However, with the increase in demand for palm oil, concerns on the environmental impacts of the industry is also growing, especially in relation to the clearing of land for plantations.

Sustainable production is therefore crucial to minimising our impact on the environment and ensuring the long-term success of our business. Opportunities for continued growth without the need to develop new land will come from our ongoing efforts to improve yield and extraction rates.

### YIELD AND EXTRACTION RATES

At First Resources, we continuously seek to improve our yield and extraction rates, which are dependent on a combination of complex

factors – including weather and changes in climate, pests, soil types, as well as agricultural practices such as fertilisation and harvesting efficiency. To improve our yield as well as reduce our reliance on manual labour, we employ a number of practices including:

- Replanting with our own higher-yielding planting materials developed through research;
- Customised fertilisation by plantation blocks to increase the effectiveness of fertilisers applied;
- Increased mechanisation such as the use of a fertiliser spreader, empty fruit bunch (EFB) spreader and battery-operated herbicide sprayers; and
- Transportation of fresh fruit bunches (FFB) from the field to the main road by motorcycles instead of wheelbarrows.

A lower FFB yield was observed in 2019 compared to the previous year due to replanting and a reduction of fertiliser application for old plantings in preparation for replanting. We would expect to see a higher FFB yield in 2020 as a result of an increase in the percentage of oil palm plantings in their prime age.



# ENVIRONMENTAL MANAGEMENT

We also continued to provide support and share best management practices with our smallholders to help them increase productivity. The decrease in smallholder FFB yield compared to the previous year was due to an increased proportion of older plantings in our plasma areas. For more information on our engagement with smallholder farmers, see the section on *Supporting Smallholders*.

Despite a lower FFB yield in 2019, we managed to improve our crude palm oil (CPO) extraction rate in 2019 as a result of:

- Better FFB quality from an increase in field monitoring;
- Increased collection of oil palm loose fruits;
- A reduction in the turnover rate of our harvesters compared to previous years; and
- An increase in transportation efficiency of FFB to mills.

To cater for the growth in production from our maturing plantations in Kalimantan, we constructed two new mills which began operations

in 2019. This is expected to further enhance production and increase our extraction rates in the future.

## RESEARCH AND DEVELOPMENT

First Resources has three dedicated research and development facilities across our operations – the First Resources Research Centre based in Riau and two research stations in West and East Kalimantan. These centres focus on innovations in yield improvement, the mitigation of environmental impacts and crop management.

We have invested in a number of breeding programmes aimed at developing higher-yielding planting material for future planting and replanting activities. One of our projects involves the use of advanced biotechnology, where we are collaborating with a university partner to research molecular/ DNA marker-assisted oil palm breeding selection. The breeding programme also aims to develop more resilient planting materials that can better cope with diseases such as

*Ganoderma*, dry weather conditions and greater weather fluctuations resulting from climate change.

Another area of focus is to develop seed varieties that produce shorter and more compact palms. This will help to increase workers' harvesting productivity and also enable larger palm density per hectare.

Through our replanting programme, we have gradually renewed our plantations with high-yielding seeds, increasing our overall productivity. In 2019, we replanted approximately 1,500 hectares of our old oil palm trees, with all of the planting materials coming from our own seed production unit. The yield estimate from these enhanced planting materials is more than 20% higher than the existing planting materials we have been using on the field.

In March 2019, we also commissioned a new tissue culture laboratory to produce clonal palms using tissue culture. Through this laboratory, we hope to be able to clone oil palms identified to have desired characteristics.

### FFB Yield and Extraction Rates

	2016	2017	2018	2019
Nucleus FFB yield (tonnes/hectare)	17.3	18.2	18.9	18.0
Smallholder FFB yield (tonnes/hectare)	13.5	13.6	12.8	11.7
CPO extraction rate (%)	22.5	22.2	22.9	23.1
Palm Kernel extraction rate (%)	5.4	5.4	5.2	5.3

## CONSERVATION AND FOREST MANAGEMENT

[103-1, 103-2, 103-3]

Indonesia contains one of the world's largest areas of rainforests which houses a rich biodiversity. These forests are crucial for maintaining a healthy ecosystem and play an important role in our fight against climate change. We recognise that activities of land clearing for agriculture may contribute to the loss of biodiversity as well as the release of stored carbon. As a sustainable palm oil company, we play an important role in conserving and managing forests. Our priorities consist of protecting High Conservation Value (HCV) areas, including riparian zones, as well as High Carbon Stock (HCS) forests and peatland.



### IDENTIFYING HCV AREAS

[304-4]

In line with our Policy on Sustainable Palm Oil, First Resources does not develop on HCV areas, including riparian zones. Following the RSPO Principles and Criteria (P&C) and the RSPO New Planting Procedures (NPP), all new developments are subjected to third-party HCV assessments undertaken by an expert approved under the HCV Assessor Licensing Scheme. These assessments are available on the *Roundtable on Sustainable Palm Oil's (RSPO) website*, and cover habitat quality, soil conditions, peat presence, river quality, and community cultural identity.

Based on assessments carried out between 2009 and 2017, the Group identified approximately

4,500 hectares of HCV areas which are excluded from our oil palm plantations' development plans. Through our HCV assessments, rare and endangered species were identified within our concessions and the surrounding areas. For our full list of identified threatened species under Indonesia's National Law of Protected Species (Indonesian Government Regulation No. 92 of 2018), or under the International Union for Conservation of Nature's Red List (IUCN Red List), see our [website](#).

### IDENTIFYING HCS FORESTS

As part of our commitment to halt deforestation and retain carbon stores, we no longer develop HCS forests as defined by the HCS Approach Steering Group, and continue to implement

our broad-based land use planning procedure. All new development areas are required to undergo HCS assessments carried out by third-party HCS experts.

A total of 15 HCS assessments covering all 110,000 hectares of our development bank have been carried out between 2015 and 2017 using the HCS Toolkit Version 1. These assessments took more than two years to complete as extensive work was required for ground truthing, patch analysis and initial consultations with local communities. We have also conducted Rapid Biodiversity Assessment (RBA) for seven of the concessions where follow-up analyses were necessary. These analyses helped to fine-tune the contours of our HCS areas.

# ENVIRONMENTAL MANAGEMENT

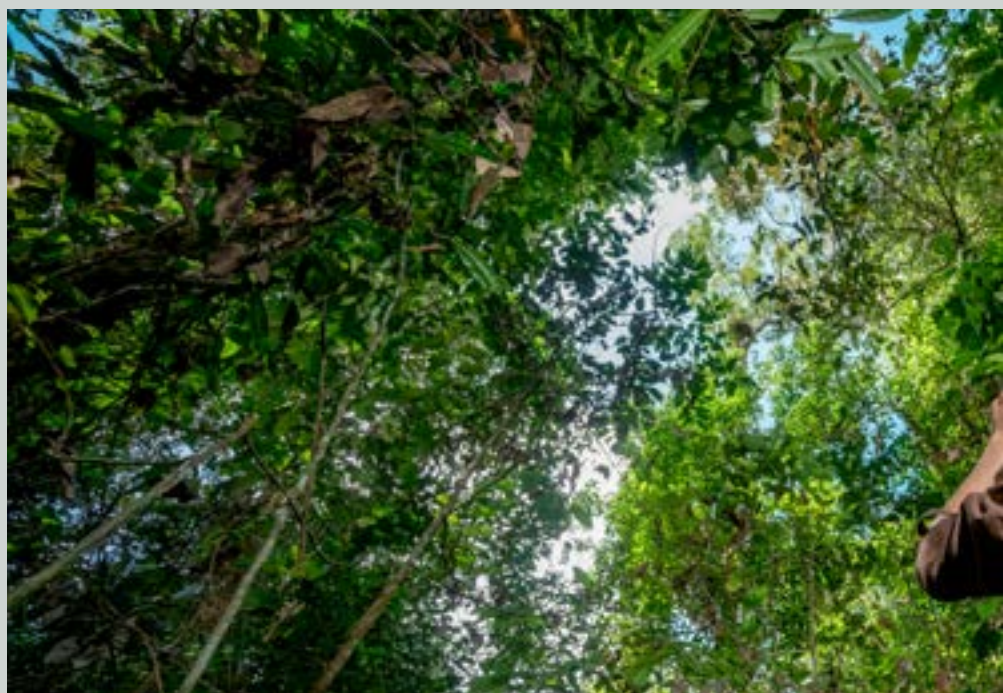
In November 2018, a revised RSPO P&C was released. Criterion 7.12 of the revised RSPO P&C requires that new land clearing after 15 November 2018 must be preceded by a High Conservation Value - High Carbon Stock Approach (HCV-HCSA) assessments. Going forward and for any future assessments, First Resources will implement the HCV-HCSA assessment, where required.

## PROTECTING HCV AND HCS AREAS

[304-1, 304-2, 304-3]

We have identified approximately 20,000 hectares of land as conservation areas. These are areas with potential HCS, HCV or peat content, and have therefore been carved out from the Group's development plans, in accordance with our policy.

Our ongoing conservation and forest protection efforts are mainly focused on ensuring internal compliance in relation to our conservation areas. Prior to any new developments, an environmental impact assessment (*Analisis Mengenai Dampak Lingkungan* or AMDAL) is carried out in accordance with local regulations. These new developments will also need to be approved by our sustainability team, who will ensure that the areas proposed for development are not within conservation areas. Post development, our sustainability team will conduct checks on the ground to ensure that only non-conversation areas were cleared. Buffer zones are also in place to mitigate the risks of accidental non-compliance. In addition, our plantation managers have key performance indicators



(KPIs) tied to no development on conservation areas.

We also have a strict policy against the hunting, injuring, possessing, and killing of rare and endangered wildlife within our plantations. Any infringement of this policy results in disciplinary measures, including termination of employment. Besides deterrent measures, we also take a proactive approach to ensure these species are protected, including placing signboards at strategic locations to highlight conservation areas, with daily patrols monitoring these areas.

In West Kalimantan, we formed conservation taskforces at two of our concessions, where the presence of orangutans has been identified. Through our ongoing partnership with a local conservation non-

governmental organisation (NGO), the taskforces have been equipped and trained to undertake manual HCV monitoring, to handle orangutans and other wildlife species, and to use conservation software tools. Cameras have been installed to provide 24-hours surveillance, in addition to joint patrols between the taskforce and the NGO. The teams record their observations on the presence of orangutans and other wildlife species regularly, and the results are subsequently shared with our local partner to gather feedback for improvements. The taskforces also support the rehabilitation of these HCV areas.

A joint survey between First Resources and the local NGO was carried out in 2018 to study the feasibility of building corridors to connect HCV areas within a concession. From the survey, it was





found that orangutans were crossing from the plantation area within our concession to a neighbouring plantation and vice versa using a wooden log as a bridge. Realising that this could lead to human-wildlife conflict in the long term, First Resources, together with the neighbouring plantation, joined forces on a project to build a corridor between the forest fragments of both companies' concessions. As part of the project, we prepared the seedlings and restoration area for tree planting in addition to performing maintenance activities.

This year, we conducted a workshop on "Biodiversity Conservation as a Sustainable Palm Oil Business Strategy" at the YIARI Learning Centre at Ketapang, West Kalimantan. The workshop, which was attended by 25 employees

representing various levels and functions from First Resources, aimed to strengthen their understanding on the importance of conservation. Examples of topics covered include impacts of oil palm plantations to the ecosystem, as well as social and economic benefits from biodiversity conservation in oil palm plantations. In addition to the workshop, we have also conducted HCV and HCS training for a total of 32 staff from two concessions in Riau. In 2020, we aim to conduct internal training on HCV and HCS for nine of our plantations.

In East Kalimantan, we continued our partnership with the Research and Technology Development Agency of the Ministry of Environment and Forestry, with the aim of optimising the potential of the Lembonah forest, which has been set aside as a HCV area. Based on a study conducted by a research agency in 2015, a recommendation was to explore the development of this HCV area into a conservation and environmental education forest.

Together with the ministry, we developed modules on the Lembonah Forest and the surrounding environment to educate tourists and visitors on the importance of conserving these areas. In February 2019, a *module* was published.

Not all communities are aware and supportive of the HCV and HCS concept, and we see this as the biggest obstacle to the successful conservation of the areas that the Group has set aside from development. Awareness programmes are therefore key to educating the

communities on the importance of protecting the conservation areas. In 2019, we conducted HCS and HCV training for 13 villages, with a total of 334 attendees across Riau, West Kalimantan and East Kalimantan. In 2020, we aim to conduct HCV and HCS training for another six villages.

We also use satellite imagery, updated monthly, to detect any land clearing activities on the ground. We will continue to monitor our concessions to ensure no land clearing on HCV and HCS areas takes place.

#### REHABILITATING HCV AND HCS AREAS

[304-3]

Rehabilitation projects are being implemented to restore degraded HCV and HCS areas back to their prior conditions. Restoration work commenced in the second half of 2016 in one of the identified HCV areas at PT Limpah Sejahtera, which was damaged by fires in 2015. To date, almost 15,000 forest trees have been planted in three of our concession areas, covering 43 hectares. In 2019, some of these areas were affected by forest fires, dampening our efforts. The source of fires originated from outside of our concession. Going forward, we are putting in place further measures to mitigate future risks of fires. For more details on these efforts, see the section on *Fire Prevention*.

Reforestation and rehabilitation work also remain a challenge as suitable tree species are required to be identified for specific areas due to differences in growth conditions such as soil type.

# ENVIRONMENTAL MANAGEMENT

To prevent the deterioration of HCV areas, we monitor the number, stratum, and species of flora and fauna in selected plots and assign a corresponding biodiversity index. The index is reviewed yearly to assess if our HCV management and monitoring efforts have been adequate or require further improvement. In 2020, we will continue to rehabilitate approximately 26 hectares of HCV area within three of our concessions.

## PEAT MANAGEMENT

[103-1, 103-2, 103-3]

Since the introduction of our Policy on Sustainable Palm Oil in 2015, and in line with our “No Deforestation, No Peat and No Exploitation” (NDPE) commitment, we will not carry out any new plantings on peatland at any depth.

Our specialised peat taskforce, established as part of our fire prevention and management strategy for peatland, focuses on conducting detailed peat surveys and peat assessments in our estates. The taskforce is led by our research and development department and supported by our agronomy and sustainability department. The taskforce has undergone training conducted by experienced personnel, to ensure that they are equipped with the necessary skills and up-to-date on best practices. The results from the peat surveys are being used for our land use planning and to enhance the water management plans of our plantations on peat. As of 2019, a total of 20 peat surveys have been conducted.

For our existing plantations on peat, we implement best management practices, such as ensuring groundwater levels are maintained at optimal levels to minimise peat subsidence and to minimise the release of carbon dioxide. To monitor water tables, we have installed piezometers and automatic data loggers at our plantations to record data every 12 hours.

To regulate and manage water levels, we have also blocked canals and built water gates at selected estates in accordance with the guidelines of the Indonesian Ministry of Environment and Forestry, and Indonesian Peatland Restoration Agency. We have also been updating the two government agencies regularly on our progress in peatland management. Between 2017 and 2019, we revised the canal blocking design for 11 estates due to changes in environmental conditions. Adjustments to the canal blocking at these estates are ongoing. Going forward, we will also be working with the ministry to monitor nine of our estates. We will be performing routine measurement of water table in the field, installing a piezometer in every block of planted area and installing peat subsidence measurement pole for peat drainability assessment.

Peat drainability assessments will be conducted at planted areas on peat five years prior to any replanting. We also continue to report and work with the ministry to ensure that all our estates are in compliance with any new directives issued by the Indonesian government on water management of existing peat plantations.

## FIRE PREVENTION

[103-1, 103-2, 103-3]

At First Resources, we follow a strict Zero Burning policy for land clearing in all new developments and future replanting. This policy is also socialised with our suppliers who are made aware that any deliberate breach may result in an immediate termination of contract.

Launched in 2016, our Integrated Fire Management (IFM) programme comprises in-depth workplan for fire prevention, preparedness, response and recovery. Both our corporate headquarters and regional operations teams are heavily involved in the implementation of the workplan. Two important aspects of the IFM programme is the identification of high-risk and high-priority areas as well as ensuring that essential fire-fighting facilities are in working order. Each estate has a *Peta Rawan Kebakaran* (Fire Prone Map) mapping out risk areas and facilities available. These facilities include roads, patrol paths, fire equipment store, fire lookout tower, water reservoirs/sources and warning signs. Location of villages and important telephone numbers are also noted on the Fire Prone Map.



In addition to strengthening our IFM programme, we also work with external stakeholders such as the RSPO who actively detects fire hotspots within RSPO members concessions. This provides an additional source of alerts aside from our own internal fire hotspot monitoring. In 2019, based on fire hotspot data from RSPO, 47 fire incidences within our concessions were identified.



Our fire prevention activities include installing warning signs at strategic locations, building fire lookout towers educating the community, creating firebreaks and deploying routine fire patrols during fire prone season. The patrol teams update the management on any fire occurrences and in case any facilities are in non-working conditions. In peat areas, we create firebreaks, prepare water reservoirs/sources, build canal blockings and implement water management practices. During the dry season, we take further precautions by increasing the water levels in the peat area to prevent incoming fire and/or prevent fire from spreading.

We have more than 1,400 firefighters assigned within our operations to

ensure fires are handled swiftly and adequately. In 2019, we provided refresher trainings to approximately 220 firefighters through a series of programmes conducted across our mills and estates in Riau, West Kalimantan and East Kalimantan.

We have also tested the use of Unmanned Aerial Vehicles (UAV) in one region to assess the extent of a burnt area. This method is useful for verification and is much faster compared to ground-truthing. Going forward, we will evaluate the feasibility of using UAV and the possibility of deploying it to other regions.

Given the complexity of varying land rights in Indonesia, it is not uncommon that communities live

in or within close proximity to our concession areas. Fire incidents within these areas are mainly caused by illegal burning activities, carried out by communities who engage in small-scale farming. As part of our IFM programme, we have been engaging local communities, with the cooperation of the relevant authorities, to raise awareness about fire risks and prevention. We also include them in our fire training sessions where they learn about fire management practices and alternative land clearing methods. In 2019, we have trained around 350 community members from 16 villages in fire prevention and management. Being able to reach out to all communities remain a challenge.

#### ***Number of Fire Incidences in 2018 and 2019***

	Region					
	Riau		West Kalimantan		East Kalimantan	
	2018	2019	2018	2019	2018	2019
<b>Number of fires within estates</b>	0	1	67	43	1	3

*Note: Data as per reported to RSPO.*

# ENVIRONMENTAL MANAGEMENT

In 2020, we plan to reach out to another nine villages on fire prevention and management as well as increase our firefighters training frequency and the number of firefighters trained.

## FIRE MONITORING AND PREVENTION EFFORTS

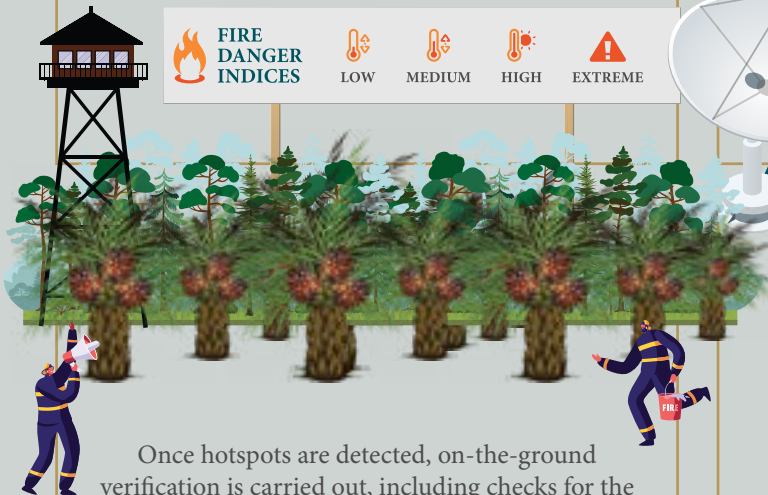
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We create Fire Danger Indices (FDI) for risk assessments. The FDI has 4 levels: Low, Medium, High, and Extreme, depending on humidity, rain and fuel conditions. Fire risk levels are clearly and prominently displayed in fire prone areas during the hot and dry season to remind workers to be vigilant. Depending on the FDI level, there will be routine patrol teams. During severe conditions, patrol teams will bring along fire extinguishing equipment to extinguish any fire found.

B



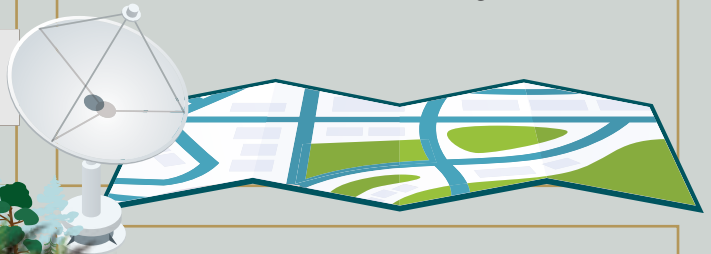
We make use of satellite monitoring which are conducted daily by overlapping hotspots captured by the satellite with our concession maps to keep track of the situation on the ground.



**FIRE DANGER INDICES**

- LOW
- MEDIUM
- HIGH
- EXTREME

Once hotspots are detected, on-the-ground verification is carried out, including checks for the presence of smoke from fire lookout towers and sending fire-fighting teams to the affected areas. The towers are also important to assess fire conditions (e.g. movement of fire, size of fire). We also work closely with the RSPO on any hotspots detected.



In the case of a fire breakout, the firefighting team will be mobilised immediately, and a police report will be made for an investigation to be carried out.



C

D

## CLIMATE CHANGE

[103-1, 103-2, 103-3]

Climate change is considered one of the world's most pressing environmental issues. As a palm oil company, we are not only at risk in terms of the impacts that extreme weather events might have on our productivity, but also from regulatory changes as we transition to a low carbon economy. To play our part, we are committed to reducing greenhouse gas (GHG) emissions from land use change through forest conservation and fire prevention. We are also putting in place plans to reduce GHG emissions at our facilities, including emissions from palm oil mill effluent (POME) and exploring opportunities to ensure the physical resilience of our business against the impacts of climate change.

### REDUCING EMISSIONS FROM LAND USE CHANGE

One of the biggest contributors of GHG emissions in the production of palm oil comes from land use change, particularly through the clearance of peatland and HCS forests. To avoid the release of stored carbon into the atmosphere, we do not undertake any new developments on HCS forests or peat areas at any depth. For more details on our approach to conserving HCS forests and peatland management, see the section on *Conservation and Forest Management*.

### REDUCING EMISSIONS THROUGH METHANE CAPTURE

[305-5]

Another significant source of GHG emissions comes from POME, which is wastewater from the processing of fresh fruit bunches (FFB). If left untreated, POME emits methane, a potent GHG. As part of our GHG emissions reduction plans, we have been establishing methane capture facilities which flare or convert the biogas to alternative sources of electricity for our operations.

We have operational methane capture facilities at three of our mills. These facilities allow POME to be treated in a closed system where methane is captured, compared to open ponds where the gas is released into the atmosphere. Based on the International Sustainability Carbon Certification (ISCC) calculation methodology, the estimated reduction in GHG emissions for each facility is approximately 0.51 tonne of CO<sub>2</sub>e for each tonne of CPO produced.

In 2019, the three facilities collectively helped the Group

to reduce GHG emissions by approximately 81,000 tonnes of CO<sub>2</sub>e. This is equivalent to emissions from the electricity use of approximately 13,700 homes in one year<sup>1</sup>. In the same year, we also installed new methane capture facilities at two mills, and plan to install an additional facility in 2020.

### MEASURING OUR FOOTPRINT

Due to system issues which could not be resolved at the time of writing this report, we were not able to use the RSPO PalmGHG calculator version 4, the latest version. Our GHG emissions for 2019 are therefore calculated using the RSPO PalmGHG calculator version 3.0.1. We will use the latest version in the next report.

The GHG data included in this report represents only our mills that are RSPO certified. The total GHG emissions of a mill is obtained through the summation of emissions from the mill, supplying own and group plantations, and non-group plantations including third party plantations and smallholders. For plantations not owned by the group, a reference emission value can be used. The reference value can be

<sup>1</sup> <https://www.epa.gov/energy/green-house-gas-equivalencies-calculator>



# ENVIRONMENTAL MANAGEMENT

obtained from research, national value or based on the emission value of another plantation, for instance, own plantation.

In 2019, the GHG emissions intensity of PT Meridan Sejati Surya Plantation (MSSP), a mill integrated with plantation, increased sharply. This is due to First Resources now having the majority ownership of four estates which supply FFB to the mill. Previously, these four estates were affiliated companies as the Group

owned a minority interest in them. Instead of using a reference emission value as we have done in the previous year, we now have complete and robust dataset of the four estates, and is able to calculate the actual GHG emissions of the four estates.

With the updated data, the proportion of GHG emissions by source has changed as well. While land conversion remains a significant source of GHG emission, peat oxidation and nitrous oxide (N<sub>2</sub>O)

emission account for the big increase in total carbon emissions.

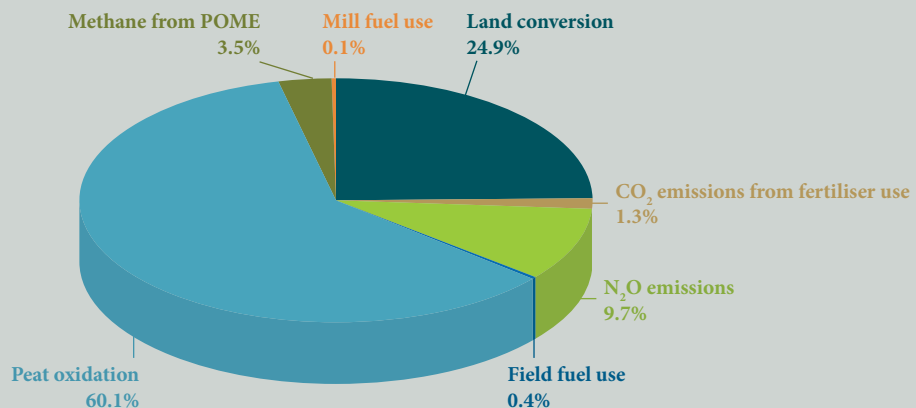
To reduce the amount of emissions from plantations developed on peat soil, we continue to employ best management practices such as maintaining optimal groundwater levels. For more information on how we are managing our peat lands, see the section on [Peat Management](#).

## Net GHG Emissions Intensity (tonnes of CO<sub>2</sub>e per tonne of CPO produced) [305-4]

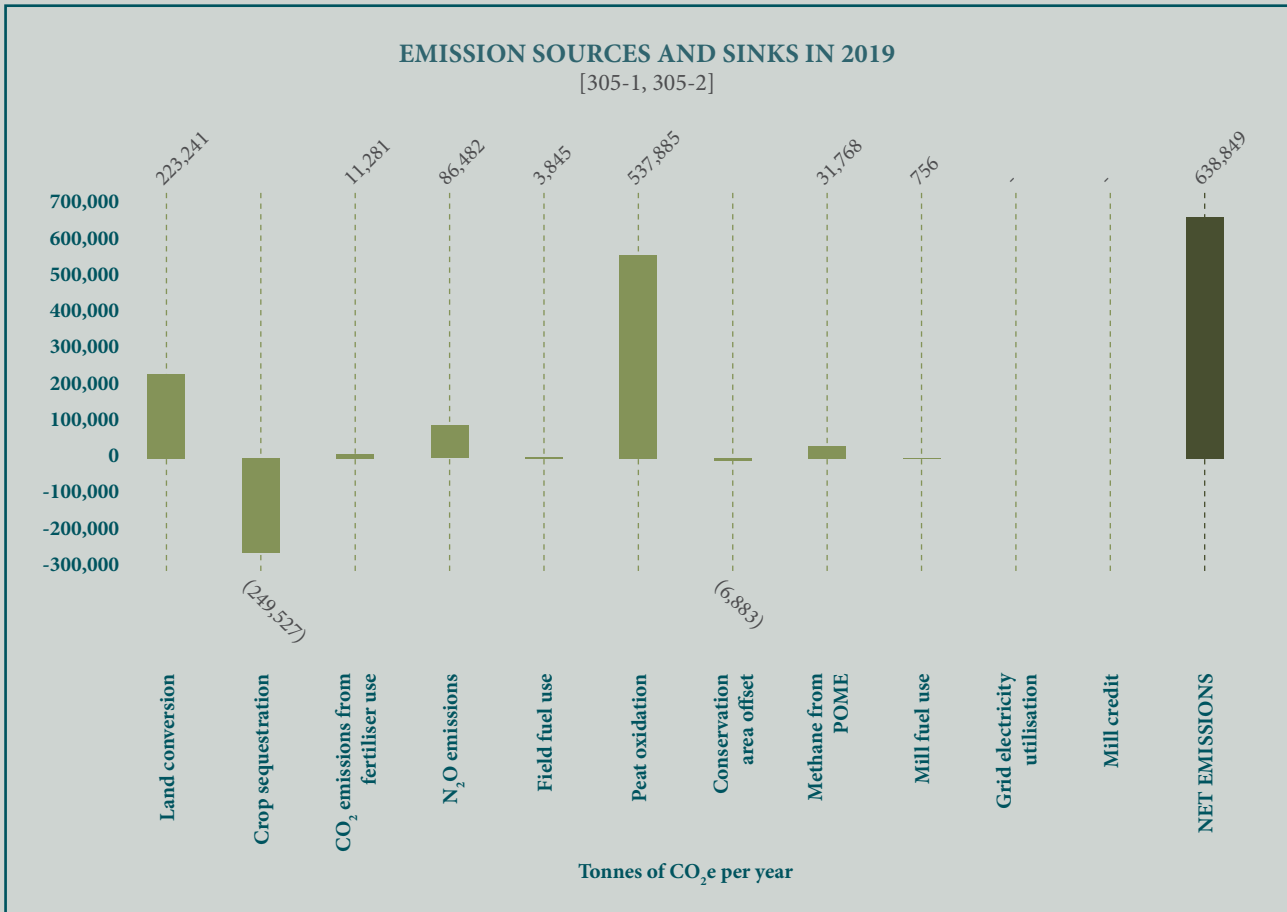
Mill with integrated plantations	2016 (PalmGHG 2.1.1)	2017 (PalmGHG 3.0.1)	2018 (PalmGHG 3.0.1)	2019 (PalmGHG 3.0.1)
PT ATS	1.29	1.22	1.21	<b>1.07</b>
PT MSSP	0.64	0.59	0.52	<b>9.91</b>

Note: The emissions intensity ratio figures above include Scope 1 emissions only. Scope 1 emissions are direct emissions from sources which are owned or controlled by First Resources. There are no indirect Scope 2 emissions as First Resources does not purchase any electricity from the grid for PT ATS and PT MSSP.

## GHG EMISSIONS BY SOURCE IN 2019



Note: The above figures includes emissions from PT ATS and PT MSSP, and covers Scope 1 emissions only. There are no Scope 2 emissions associated with PT ATS and PT MSSP.



Note: The above figures include data from PT ATS and PT MSSP. All emissions are Scope 1 as First Resources does not purchase electricity (Scope 2 emissions) from the grid for PT ATS and PT MSSP.

**MANAGING PHYSICAL RISKS FROM CLIMATE CHANGE**

As an agribusiness, changes in weather patterns resulting from climate change have the potential to

affect our yield and productivity. We are currently exploring opportunities to ensure the physical resilience of our business. Part of our breeding programme includes developing more resilient planting materials

that can cope with dry weather conditions and greater weather fluctuations resulting from climate change. For more information on our programmes, see the section on *Research and Development*.

# ENVIRONMENTAL MANAGEMENT

## WATER AND WASTE MANAGEMENT

[103-1]

The sustainable use of natural resources for production processes is instrumental to safeguarding the health of our planet. As an agribusiness, water is a critical resource, not only for the maintenance of our crops and to generate steam for processing, but also in other areas such as the well-being of our workers. We are therefore committed to using water responsibly, minimising our consumption, recycling where possible and preventing the pollution of waterways. We are also committed to the efficient use of other resources and aim to reuse, recover and recycle the waste produced by our operations.

### WATER MANAGEMENT

[103-2, 103-3]

Most of the water we use is for the processing of fresh fruit bunches (FFB) at our mills. All of the water used for our milling operations is drawn from rivers and we do not use groundwater. In 2019, we have implemented more robust controls

to monitor the use of water, and where possible, reduce the amount of water used. To reduce the amount of water drawn from the rivers, water from the cooler turbines, and sludge condensate from the steriliser is recycled. Water from sludge condensate is also fully recycled for water dilution in the operation of mills. A total of 941,974 cubic metres of wastewater was recycled in 2019.

In addition to mill usage, we also draw water for nursery irrigation and household use. All water used for our plantations are 100% rain-fed.

In 2019, we updated our water consumption calculation methodology, which now includes water drawn from the rivers that are treated and not treated for use. Our water consumption intensity target remains at 1.0 cubic metres per tonne of FFB processed for all our mills.

### WASTE AND EFFLUENTS MANAGEMENT

[103-2, 103-3]

Our approach to managing waste and effluents is guided by agronomic best practices to minimise our environmental impact.

The main waste products from the milling process include organic solid plantation waste such as EFB, fibres, shells and POME, which are predominantly reused, recovered and recycled.

EFB is applied as mulch in the plantations to conserve moisture in soil, improve soil fertility, and reduce weed growth. Fibres and shells are used to generate power in our palm oil mills and refineries. Oil palm trunks from replanting and oil palm fronds from field upkeep are left in the plantations to decompose naturally, acting as fertiliser. We will continue to ensure that the bulk of our organic waste generated is reused. Non-hazardous waste generated downstream such as filter bags and cartridges are collected and disposed by local licensed waste collectors.

To minimise effluent discharge, POME generated is repurposed as organic fertiliser which reduces our need for commercial fertilisers. For land application, the biological oxygen demand (BOD) level is kept below the legal threshold of 5,000 milligrams per litre.

#### Water Consumption by Mills [303-5]

	2016	2017	2018	2019
<b>Total water consumption (cubic metres)</b>	2,631,198	2,520,863	3,005,415	<b>3,867,756</b>
<b>Water consumption intensity (cubic metres per tonne of FFB processed)</b>	0.94	0.80	0.82	<b>1.10</b>

Note: 2016, 2017 and 2018 data only include water that was drawn from rivers and treated for use. 2019 data includes water that was drawn from rivers that are treated and not treated for use.



**Quantity of Organic Wastes Generated by Mills and Disposal Method** [306-2]

Type of Waste	2016 Quantity	2017 Quantity	2018 Quantity	2019 Quantity	Disposal method
EFB (tonnes)	456,903	449,402	578,571	534,574	Reused as organic fertiliser or as fuel
POME (cubic metres)	2,033,233	2,164,176	2,457,816	2,473,332	Reused as organic fertiliser or discharged to the sea
Kernel shells (tonnes)	117,756	126,376	139,321	124,070	Reused as fuel
Fibres (tonnes)	362,231	393,799	464,132	447,483	Reused as fuel

**Biological Oxygen Demand (BOD) Levels by Discharge Destination and Region (milligrams per litre)** [306-1]

Regulation Standard	2016	2017	2018	2019	
<b>SEA DISCHARGE</b>					
Riau	100	5.8	7.9	5.1	3.6
<b>LAND APPLICATION</b>					
Riau	5,000	831	910	791	1,107
West Kalimantan	5,000	2,479	1,854	1,772	1,600
East Kalimantan	5,000	-	-	1,084	1,659

**Chemical Oxygen Demand (COD) Levels by Discharge Destination and Region (milligrams per litre)** [306-1]

Regulation Standard	2016	2017	2018	2019	
<b>SEA DISCHARGE</b>					
Riau	350	24.2	28.7	49.8	24.2
<b>LAND APPLICATION</b>					
Riau	10,000	2,692	2,643	2,544	3,305
West Kalimantan	None	8,527	5,531	7,207	7,636
East Kalimantan	None	-	-	2,084	3,541

**Hazardous Waste**

Hazardous waste generated from our operations include pesticide packaging, expired pesticides, used batteries, used lubricants and filters, empty paint cans, printer cartridges, and needles from health clinic.

We have in place an operational procedure for the handling of hazardous waste, which also covers leakage handling. All hazardous waste is segregated, labelled and stored within secure, fire resistant temporary storage facilities that are equipped with spillage containment

kits, alarms, firefighting equipment and first aid kits. These facilities are inspected weekly. Hazardous waste is collected by licensed third-parties for proper disposal in accordance with national legislations and international best practices.

# ENVIRONMENTAL MANAGEMENT

## PROGRAMME FOR POLLUTION CONTROL, EVALUATION AND RATING (PROPER)

First Resources participates annually in the Programme for Pollution Control, Evaluation and Rating (PROPER), a national public environmental reporting initiative by the Indonesian Ministry of Environment. The objective is to promote industrial compliance with pollution control regulations, facilitate and enforce the adoption of practices contributing to cleaner technologies, and ensuring a better environmental management system. The programme uses a colour-coded rating to determine performance, as per the rating categories below. Areas assessed include: air and water pollution control; hazardous waste management, environmental management system, implementation of Environmental Impact Assessment, community development and conservation of resources. Between 2018-2019, eight of our mills were assessed under PROPER and all eight mills maintained the Blue rating.

## RATING CATEGORIES

GOLD

### EXCELLENT:

For businesses/activities that have successfully displayed environmental management effort and achieved excellent results

GREEN

### GOOD:

For businesses/activities that have displayed environmental management effort and achieved results better than those required by regulation

BLUE

### ADEQUATE:

For businesses/activities that have displayed environmental management effort, and have achieved the minimum standard required by regulation

RED

### POOR:

For businesses/activities that have displayed environmental management effort, but achieved only parts of the minimum standard required by regulation

BLACK

### VERY POOR:

For businesses/activities that do not display significant environmental management effort



## PEST MANAGEMENT AND CHEMICAL USAGE

[103-1, 103-2, 103-3]

First Resources uses chemicals to protect crops from pests and diseases as well as maintain high yields. Without proper management, the use of such chemicals may pose a risk to workers and the environment. We are therefore committed to adopting agronomic best practices.

### INTEGRATED PEST MANAGEMENT

Our integrated pest management strategy includes a combination of biological controls as well as good agricultural practices such as selecting the right pesticides and controlling dosage.

Barn owls (*Tyto alba*) are used in our plantations to control the rat population. We currently

have breeding projects in Riau and Kalimantan to increase the population of barn owls in our young estates. We also plant beneficial plants such as *Cassia cobanensis*, *Antigonon leptopus*, and *Turnera subulata*, which attract predators of oil palm leaf-eating pests such as bagworms and nettle caterpillars. Other biological agent such as *Cordyceps* fungus is also used during outbreaks of pests (nettle caterpillars). We also use *Trichoderma* as a bio-fungicide to control *Ganoderma*.

We monitor the usage of our pesticides and ensure they are permitted by the Ministry of Agriculture in Indonesia. Different types of pesticides with different purposes are available in either solid or liquid form, and the usage depends on requirements. Some pesticides are also used in the form of pre-formulated mixtures and their classification is set by the manufacturer as per the World Health Organisation's (WHO) guidelines.

We only use the WHO's Class 1A or 1B pesticides in specific and urgent situations such as during a bagworm outbreak as biological methods will not be effective. Adequate safety measures such as the use of personal protective equipment (PPE) are put in place to prevent any long-term health issues for our workers when using Class 1 chemicals.

### Paraquat Phase-out

To address concerns from stakeholders on the high toxicity levels and the potential of misusing paraquat, we have started with trials on alternative pesticides which have shown promising results. We have reduced our use of paraquat significantly in 2019, and aim to phase-out its use by 2020. In the meantime, we continue to ensure that adequate safety measures are in place to prevent any accidents or long-term damage taking place from paraquat use.

#### Amount of Pesticides Applied (kilogrammes or litres per hectare) [102-48]

Pesticides	Kilogrammes per hectare				Litres per hectare			
	2016	2017	2018	2019	2016	2017	2018	2019
Fungicide	0.001	0.001	0.004	0.004	-	-	0.002	0.000
Herbicide	0.162	0.100	0.207	0.257	2.074	2.010	2.284	2.252
Insecticide	0.483	0.225	0.099	0.268	0.037	0.030	0.037	0.039
Rodenticide	0.179	0.149	0.269	0.300	-	-	-	-
<b>Total</b>	<b>0.825</b>	<b>0.475</b>	<b>0.579</b>	<b>0.829</b>	<b>2.112</b>	<b>2.040</b>	<b>2.323</b>	<b>2.235</b>

Note: Pesticides in solid form are recorded in kilogrammes per hectare, while pesticides in liquid form are recorded in litres per hectare. Figures for 2016-2018 have been restated due to data corrections.

## ENVIRONMENTAL MANAGEMENT

**FERTILISER USAGE**

The use of fertilisers in the field varies depending on total new plantings as well as the total hectareage of mature plantations, with oil palm plantings

in their prime-yielding age requiring a higher input of nutrients.

While there is currently a higher proportion of inorganic fertiliser application on our younger planting

profile, an overall reduction in proportion is observed for plantations with a more mature profile. We expect our chemical usage for crop protection and maintenance to diminish as our younger plantations

reach maturity. We have also put in place procedures and guidelines to allow adequate intervals between fertiliser applications and to avoid applying fertilisers during periods of heavy rain to minimise runoff. In order to protect buffer zones, we have developed internal standard operating procedures which prevent fertilisers and chemicals to be applied on these areas.

We aim to use organic fertilisers derived from waste products to the maximum extent possible. 95% of our POME and EFB are currently reused as organic fertilisers in the field. We are currently conducting

research and trials to increase the accuracy of fertiliser application for our plantations, ensuring their optimum use. This also includes fine-tuning recommendations for different areas which may have different requirements due to terrain and soil type, as well as zones with microclimates.

Going forward, we aim to continue improving on fertiliser use by conducting site specific assessments on manuring programmes and encouraging the implementation of the “4 Rights” in manuring (right source, right dosage, right time, and right place).

Workers who handle chemicals within our operations are required to undergo regular trainings which are conducted by field, research and development staff, learning centres and by the chemical vendors. The training scope includes handling of packaging, making chemicals solutions from concentrate, using the applicator and evaluating the success rate of application. We also ensure that adequate PPEs are provided and used on site. First Resources does not use chemicals listed under the Stockholm or Rotterdam Conventions.

#### Usage of Organic Fertilisers

	2016	2017	2018	2019
EFB (tonnes)	384,288	449,497	507,669	494,034
POME (cubic metres)	1,929,636	2,057,817	2,345,497	2,355,326

#### Usage of Inorganic Fertilisers

	2016	2017	2018	2019
Inorganic fertiliser (tonnes)	170,279	156,119	174,825	148,337
Inorganic fertiliser (tonnes/hectare)	0.90	0.80	0.90	0.70

# COMMUNITY ENGAGEMENT AND DEVELOPMENT



## RIGHTS OF INDIGENOUS AND LOCAL COMMUNITIES

[103-1, 103-2, 103-3]

The palm oil sector is a major contributor to the Indonesian economy, lifting rural communities out of poverty through the creation of jobs and

through the provision of important infrastructure. We recognise that if not handled properly, the acquisition of land for the development of new plantations may undermine the rights of local indigenous communities and negatively impact their livelihoods.

To maintain positive relations with the communities where we operate, First Resources is committed to upholding the rights of indigenous and local populations through constructive engagements. We also contribute to the socio-economic development of our neighbouring communities through our community investment initiatives.

### COMMUNITY ENGAGEMENT

[413-1, 413-2]

We conduct social impact assessments in all new areas that we plan to develop. This enables us to understand the potential impacts of our operations on communities. The results of these assessments guide us in our engagement with communities and our planning and implementation of programmes to help mitigate the negative changes that may result from our operations.

As part of our Policy on Sustainable Palm Oil, we have made the commitment to respect the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) for the utilisation of land to which they hold legal or customary rights. Should a conflict or grievance arise, we ensure that these are resolved with local communities through an open, transparent and consultative manner.

### Land Compensation

The processes to settle land rights and compensation are extremely complex in Indonesia, guided by multi-layered national and provincial laws and procedures. Customary and indigenous land claims may be undefined and conflicting with the current legal context. The

identification of land ownership can also be a challenge due to the common practice of shifting cultivations.

Upon being granted a location permit (*Ijin lokasi*) for a new development, we will first identify the land that belongs to individuals within the local community. This is followed by a socialisation process which usually covers various key aspects designed to inform the communities about:

- The company's permit granted by the government;
- The government's and company's land compensation policies;
- The development plans;
- The approach for land measurement;
- Land valuation approaches; and
- The process for verifying land ownership and the requirements for proof of ownership.

Following socialisation and the completion of due diligence, compensation is made to communities who have accepted the company's offer for their land. All land transfers are documented and witnessed by members of the local government and community leaders.

### Conflict Resolution

[411-1]

We are committed to ensuring that all new developments follow the principles of FPIC, with the ultimate aim of zero land conflicts surfacing in the future.

Land disputes involving rightful land ownership are amongst the most common form of conflicts that we come across. Our *grievance procedure*, detailed in Our Approach to Sustainability section of this report, allows stakeholders to raise grievances. We are committed to resolving conflicts in a responsive manner and through a process that is fair and transparent. In 2019, we had no new cases involving



# COMMUNITY ENGAGEMENT AND DEVELOPMENT

land conflict. The past three cases involving land conflicts, two of which were registered on the Roundtable on Sustainable Palm Oil (RSPO) complaints log, have been closed. For more information, see our grievance list available on our [website](#).

## COMMUNITY INVESTMENT

[103-1, 103-2, 103-3, 203-1, 203-2]

We employ a large proportion of our workforce from local communities, which are often located in isolated areas that lack basic infrastructure and services. We are therefore committed to driving positive socio-economic impact for the people and communities where we operate through not only job creation but also community development programmes centred on education, healthcare and infrastructure.



Our Community Development Officers (CDOs) are the main liaison between our company and community members. CDOs engage with local residents on a regular basis to build relationships and understand community members' ambitions, concerns and needs. A CDO's typical task includes collecting data on living conditions and population numbers, brainstorming new development ideas with community members, designing and proposing new programmes to regional managers and sustainability coordinators, and implementing local projects. CDOs also act as ambassadors, engaging with local government agencies to present and explain First Resources' operational activities, environmental initiatives and social programmes.

### EDUCATION

First Resources recognises that education is fundamental for the growth and well-being of our communities. We are therefore working to increase access to quality formal education for both the current and future generations of children. We currently manage 38 schools located within our oil palm estates.

These include two preschools, 14 kindergartens, 19 elementary schools and three junior high schools. These institutions employ more than 300 teachers and educate more than 5,500 students. The educational practices adopted are similar to those at schools managed by the local government. The Group contributes to the schools' facilities and teaching aids, such as furniture, computers, electricity generators and books.

All children of employees working in our estates are provided with free education at our schools. Scholarships were awarded to high-scoring children from less privileged families, having been selected by local education authorities. To motivate teachers that work with our communities, and encourage a higher standard of teaching, we offer them additional incentives, such as supplementary income. In 2019, we allocated and invested more than IDR3.8 billion to support the education of children. Based on a pilot audit conducted by our customer Neste, it was found that a number of children within an estate in Riau dropped out or were not attending school. To understand





the reasons for this, we conducted a survey in 2019. It was found that some children did not attend school due to their parents' lack of awareness on the importance of education, the distance to the schools from their home, age gaps with their classmates and the need to help their parents at home. In order to address these issues, we engaged with the children's families to raise awareness on the importance of education and provided school items such as school uniforms and books. As a result of this initiative, approximately 35% of the children we reached out to agreed to attend school again. The majority who did not want to attend school were teenagers who felt conscious about the age gap with the younger children. We will continue to raise awareness on the importance of education and encourage all children to go to school.

The Group has also established an internship programme that is run in collaboration with more than 30 Indonesian universities. The programme offers students an opportunity to apply what they have learned at university, expand their knowledge and benefit from valuable on-the-job experience. In 2019, we have taken in 80 interns, consisting of students from various universities and high schools.

## HEALTHCARE

We have a total of 32 health clinics within our estates. These are staffed with qualified medical professionals, including at least one doctor and two nurses in each facility. The primary purpose of the clinics is to service our employees and their families, but they



are also open to local community members. The operating hours of our clinics are longer than those of the health posts managed by local government. Medical services such as immunisations for polio, measles and tuberculosis are available to communities upon request.

We have also established health-related community programmes to improve the wellbeing of local residents and increase their awareness about the benefits of healthy living. Carried out in collaboration with local health authorities, the "Be Healthy with First Resources" programme includes treatments and advice for children, pregnant women and the elderly, as well as the coordination of blood donation drives.

## INFRASTRUCTURE

In addition to enabling us to run our operations more efficiently, a better infrastructure system helps to increase the mobility of local communities, enabling access to

healthcare facilities, educational facilities and markets. Before undertaking infrastructure projects, First Resources will consult local village leaders to better understand the needs of the community.

The roads servicing our operating areas, which we share with local communities, are maintained to minimise disruptions to our operations as well as to maintain strong links to the main transport network. In 2019, we repaired 23.5 kilometres of roads as well as two bridges in Riau.

## ACCESS TO CLEAN WATER

Infrastructure for delivering clean and potable water is severely lacking in some of the communities located near our operations. Recognising this as a basic need, our past efforts include providing clean water, new piping and water tanks, as well as the construction of new water wells for villages. This has enabled the communities to access clean water for drinking and other household needs.

# EMPLOYEE RELATIONS AND WORKPLACE



## EMPLOYEE ATTRACTION, RETENTION AND DEVELOPMENT

[103-1, 103-2, 103-3]

The long-term success of our business depends on our ability to recruit, develop and retain talented people. First Resources is committed to being a responsible employer and ensuring we offer rewarding employment opportunities. This includes

promoting fair and favourable working conditions, employee benefits and development opportunities.

**EMPLOYEE PROFILE**  
[102-7, 102-8]

We directly employ 20,913 employees across our offices, plantations, mills and processing plants, 18,322 of which are permanent employees and 2,591 are contract employees.

To maintain efficient operations, some of our workers, including seasonal workers, security guards and those needed for special construction projects, are sourced through third party contractors. Other seasonal workers are contracted during peak harvesting seasons. In these cases,

workers are sometimes the wives of male workers, or workers located nearby our operations who prefer not to be bound to a company as it provides them with the flexibility to engage in other work.

***Number of Employees by Employment Contract and Gender***

	2016		2017		2018		2019	
	Permanent	Contract	Permanent	Contract	Permanent	Contract	Permanent	Contract
Male	12,138	2,243	13,540	3,417	16,588	3,616	15,039	2,455
Female	1,301	198	1,229	232	2,992	415	3,283	136

***Number of Employees by Employment Contract and Region***

	2016		2017		2018		2019	
	Permanent	Contract	Permanent	Contract	Permanent	Contract	Permanent	Contract
Jakarta	159	0	176	0	194	0	182	0
Riau	7,229	1,660	7,350	2,717	7,841	2,646	7,355	2,370
West Kalimantan	5,027	300	5,695	566	8,048	1,091	7,677	4
East Kalimantan	995	481	1,520	366	3,472	294	3,082	217
Singapore	29	0	28	0	25	0	26	0

Our new hires and turnover rates can be attributed mainly to harvesters. With many employers to choose from, harvesters tend to prefer plantations with younger and shorter oil palm trees, as the work is less strenuous and risky.

Harvesting work is also dependent on peak crop season which tends to impact the new hire and turnover rates, unlike other jobs such as herbicide spraying and fertiliser application, which have a more predictable schedule.

Due to a tough year in 2019, there were also less new hires and job positions which were replaced. The decrease in contract workers engaged was also due to lower production during the year as well as the mechanisation of some of our field activities.

***New Hires and Turnover Number, and Rate*** [401-1]

	2017	2018	2019
New Hires	4,818	11,349	4,455
New Hire Rate	35%	64%	23%
Turnover	3,318	6,547	5,762
Turnover rate	24%	37%	30%

Note: Data provided only includes permanent employees, contract employees are not included.

# EMPLOYEE RELATIONS AND WORKPLACE

## FAIR WAGES AND EMPLOYEE BENEFITS [401-2, 409-1]

First Resources has implemented a salary structure such that the lowest wage paid is in line with the minimum wage regulated by the respective province or district. Wages are regularly updated based on new guidelines or revisions to the relevant existing agreements according to the Regulation (Peraturan Pemerintah) No. 78 year 2015.

In 2019, we conducted an internal labour and human rights assessment for two to three of our estates in each region. Issues that were looked into include compensation practices such as payslip standardisation and overtime incentives, implementation of a proper workers' agreement, awareness on collective bargaining and grievance mechanisms, as well as the importance of children's education.

We acknowledge that groundwork conditions vary depending on the environment. For example, hilly terrains will require more time to reach the same work target compared to an environment with flat terrains. We therefore conducted a comprehensive time-motion study for wages which takes into account working conditions to ensure fair compensation.

We keep records of all salaries paid to our employees and contractors. These records are acknowledged by the payees and clarification is provided to ensure that they understand how the payments have been calculated.

Based on the labour and human rights assessment conducted in 2019, improvements were made to payslips provided to workers by ensuring they are standardised and contain the necessary information. The payslips were also restructured to make it easier for the workers to understand.

We also provide additional benefits to our permanent employees. These benefits include life and health insurance coverage and an annual bonus which is determined by the individual's and the Group's performance.

We aim to house all our plantation and mill employees and their families in a safe and healthy living environment in our estates. Through our programme called "17 *Kehidupan Pondok*", we identified 17 areas of needs for workers living on estates, including access to purchasing provisions as well as facilities and amenities that meet their needs. In addition to housing and sanitation, employees also have access to running water, electricity, medical care, sports and recreational facilities, and places of worship. Educational facilities for employees' children, such as kindergartens and primary schools, day care centres, and school buses are also provided.

### *Ratio of Lowest Monthly Wage to Legal Minimum Wage by Region in 2019* [202-1]

	Monthly legal minimum wage (IDR)	First Resources lowest monthly wage (IDR)	Ratio of the lowest level wage to minimum wage (for males and females)
Riau	2,981,345	2,981,345	1:1
West Kalimantan - Sanggau	2,318,000	2,318,000	1:1
West Kalimantan - Ketapang	2,638,000	2,638,000	1:1
East Kalimantan - Kubar	3,050,500	3,050,500	1:1

## TRAINING AND DEVELOPMENT

[404-2]

Every year, the First Resources Learning Centre assesses the training needs of our employees. Training is prioritised in line with the Group's business and operational requirements. We have established regular training programmes that include field assistant training, mill assistant training, administration assistant training, and foreman training. Non-regular training programmes are also provided on topics such as harvesting management, fertilising management, e-plantation systems, seven tools management, problem solving and decision making. Training is provided by First Resources' coaches and specialist vendors, while continual on-the-job training and mentorships are provided by managers and supervisors.

Our Learning Centre also runs five graduate training programmes, for field assistants, palm oil mill assistants and administration assistants. Spanning five to six months, these programmes cover the technical, managerial and interactive skills required to work in First Resources' estates and palm oil mills. As part of our recruitment drive, we have formed partnerships with universities in Java and Sumatra to provide internships for undergraduates and vocational school students. Our internship programme exposes students to administrative



duties, plantation activities and palm oil mill operations. Apart from allowing students to gain experience with the company, the internship programme also provides an opportunity for us to identify potential candidates for a permanent role in the future.

As part of our efforts to retain and develop high potential employees as future leaders of the company, First Resources has developed a career path system to offer different progression tracks. This is to ensure that all employees have the opportunity to develop at a pace that is suitable for them and

employees with higher ambitions and performance can progress faster. Employee performance is assessed annually through our People Development Review.

Through a more structured career progression path, employees' competencies are better developed and career planning within a vertical career path is facilitated. However, this does not limit the career scope of an employee as horizontal career paths between departments can also take place. This approach is expected to help us maintain a highly competent, motivated and engaged workforce.

### *Average Training Hours per Permanent Employee, by Employee Categories* [404-1]

	2016	2017	2018	2019
Senior Management	-	13.3	8.9	1.5
Middle Management	0.6	19.0	33.2	18.2
Staff and workers	17.6	31.2	19.3	24.7

Note: Staff and workers include assistant managers, officers, clerks, foremen and other workers.

# EMPLOYEE RELATIONS AND WORKPLACE

## GENDER EQUALITY AND INCLUSION

[103-1, 103-2, 103-3]

Women play a critical role in agricultural growth in developing countries but continue to face a number of constraints that limit their inclusion in the sector. Employment in plantations has been male dominated for a long time, due to the physical nature of work and deep-rooted cultural norms that men are the bread winners, while women have larger roles to play at

home. As a result of these norms, women have had less access than men to resources and opportunities, including land, financial services and education. At First Resources, we are committed to providing job opportunities based on competence, skills and experience, regardless of gender, ethnicity, race or religion. In 2019, we conducted a training session in one of our plantations, to nurture a work environment that is safe and respectful. The training raised awareness on gender discrimination, such as stereotyping of women in specific roles, and covered general

workplace conduct, including no harassment and discrimination.

Nevertheless, due to the manual nature of oil palm cultivation and processing, most of our plantation and mill workers are men. Male workers are typically assigned heavier physical tasks, for example harvesting and carrying fresh fruit bunches (FFB) to trucks for transportation. Women are typically assigned tasks such as weeding, fertilising and the collection of oil palm loose fruits that have fallen to the ground.

### *Percentage of the Board and Employees by Gender* [405-1]

	2016		2017		2018		2019	
	Male	Female	Male	Female	Male	Female	Male	Female
Board	87.5	12.5	87.5	12.5	85.7	14.3	88.9	11.1
Senior Management	93.5	6.5	92.9	7.1	92.7	7.3	92.1	7.9
Middle Management	89.1	10.9	89.7	10.3	87.2	12.8	90.2	9.8
Staff and workers	90.3	9.7	91.7	8.3	84.7	15.3	82.0	18.0

Note: Staff and workers include assistant managers, officers, clerks, foremen and other workers.

### *Percentage of the Board and Employees by Age Group in 2019* [405-1]

In 2019	<30 years old	30-50 years old	>50 years old
Board	0.0	33.3	66.7
Senior Management	0.0	52.6	47.4
Middle Management	2.2	77.6	20.2
Staff and workers	34.8	61.3	3.9

Note: Staff and workers include assistant managers, officers, clerks, foremen and other workers.



## LABOUR CONDITIONS AND HUMAN RIGHTS

[103-1, 103-2, 103-3]

Labour and human rights issues in the palm oil industry especially in supply chains, remain an industry-wide challenge. At First Resources, we prohibit the use of forced, trafficked or child labour and respect the workplace rights of all our employees, including contract workers. This is also expected of the suppliers we work with.

A pilot audit of our workers' living and working conditions was conducted in Riau by one of our customers, Neste. Based on the audit results, we conducted a training in 2019 for our staff and workers to raise awareness on respecting workers' and women's rights. For more details, see section on *Gender Equality and Inclusion*. Some items are still work in progress, especially in areas where it involves a third-party agent (for casual workers) and areas where it takes time to change a cultural preference and practice.

## FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

[102-41]

We support the freedom of all our employees to form unions as a channel to communicate their expectations and aspirations. Our labour union is part of the Workers' Union Confederation (KSPSI).

Each subsidiary and its labour union representatives have agreed on a Collective Labour Agreement that aims to protect employees' and employer's rights and obligations. All our employees are protected by the Collective Labour Agreement, which covers industrial relations, working hours, remuneration, out-of-post assignments and transfers, social security and welfare, occupational health and safety, and employment termination.

As part of the assessment we conducted on labour and human rights in 2019, we also took the opportunity to socialise and improve the workers' awareness on the collective labour agreement.

We hold focus group discussions and meetings together with labour unions at least once a year. These dialogues enable us to take into consideration the aspirations of our employees and solicit their suggestions, inputs and criticisms.

Employees are also able to convey their aspirations through the human resources department. The Group communicates all changes related to employment via emails, circulars, or our internal portal.

## FORCED OR COMPULSORY LABOUR, AND CHILD LABOUR

[408-1, 409-1]

In accordance with national labour laws and regulations, the Group does not tolerate forced or bonded labour, or the employment of under-aged workers.

For our plantation and mill operations, we ensure that employees are never subject to the unlawful withholding of wages, identification cards, passports or other travel documents. Where we have outsourced our manpower needs to external agencies, we have briefed these middlemen of our policies and practices. We will cease working with agencies found to be in breach.

Our recruitment policies, work practices and procedures ensure that all employees are above 18 years of age, and that they understand their rights and obligations. We actively monitor that children do not assist their parents in our estates, as this practice is common in many parts of Indonesia. We also put up signboards to remind parents not to bring their children to the plantations, socialise the importance of education and provide facilities such as child-care centres and schools. Constant reminders are sent to all workers and warnings are issued to those who violate our policies.

# EMPLOYEE RELATIONS AND WORKPLACE

## OCCUPATIONAL HEALTH AND SAFETY

[103-1, 103-2, 103-3, 403-1]

We are committed to providing a safe and healthy working environment for all our employees. To reduce the risks of health and safety incidents within our operations, we have implemented an Occupational Health and Safety (OHS) Management System across our estates, covering all our employees. Workers are consulted on the development of the management system which is based on the Occupational Health and Safety Assessment Series standard (OHSAS 18001), and complies with local regulation requirements.

### PROTECTING OUR PEOPLE

[403-2, 403-3, 403-4, 403-5, 403-6, 403-7]

Our Health & Safety Committees which meets at least once every three months, comprises management and staff representatives. The committee

is responsible for identifying and evaluating potential hazards, recommending corrective actions, following up on implemented recommendations, providing employees with education and training, and developing a grievance mechanism. The quality of our risk assessments are validated during external audits conducted by the Roundtable on Sustainable Palm Oil (RSPO) and Indonesia Sustainable Palm Oil (ISPO).

Health and safety topics are discussed with employees during daily morning meetings. In addition, we have OHS manuals and procedures, working instructions, emergency response drills and other activities to ensure all employees are aware of the health and safety risks related to their jobs. OHS considerations are also incorporated into the Collective Labour Agreement with the workers' union. These include provisions for equipping estate workers with personal protective equipment (PPE) and the establishment of Health & Safety Committees. We also maintain an Emergency Response Team on standby to attend to any immediate health and safety-related crisis.

When a work-related accident occurs, first aid would be administered to the injured. If necessary, the injured party would be sent to the nearest clinic or hospital for treatment and

monitored for progress. We will then investigate and prepare an accident report within 48 hours. Following the evaluation, corrective actions and preventive measures will be implemented to prevent the accident from re-occurring. These actions and measures will be socialised with the workers on site.

To support the health of our employees and their families, we have established medical teams in every operational area. Our medical teams conduct routine check-ups and deliver various health programmes that aim to increase awareness about the benefits of a healthy lifestyle. These include healthy living tips, health education, and counselling related to chronic diseases.

### HEALTH AND SAFETY PERFORMANCE

[403-9]

We aim to eliminate fatalities and reduce accidents and injuries in our operations. All work-related accidents are recorded and evaluated. Recommendations are then implemented to prevent or reduce the reoccurrence of similar incidents.

Our existing grievance mechanism allows workers to report any work-related hazards and hazardous situations. To protect workers from reprisals, workers can make





an anonymous report through a hotline number clearly displayed in the office. The hotline is managed by our internal audit team, who will investigate the issues reported. Workers are also allowed to stop work if they do not feel safe.

The main hazards in plantations are falling sharp fronds and bunches during the harvesting process, and sharp fronds which are left on the ground to decompose and act as fertiliser. These are associated with relatively short-term injuries such as cuts and thorn-pricks, so our severity rate remains consistently low. To minimise the risk of injury, all harvesters are provided with

PPE such as safety helmets, gloves and boots.

Hazards in palm oil mills include overhead sling conveyors, slippery floors, hot steam and loud noises. Workers are regularly reminded to be vigilant and are briefed during daily shift meetings on any potential health and safety issues.

Although we make every effort to ensure the safety of our employees, we regret to report that there were two fatalities in our operations in 2019. One was caused by a traffic accident, while the other was due to a fall. We have taken the necessary actions required to prevent the

occurrence of such fatal accidents in the future.

In 2019, a total of three high consequence injuries were recorded. These incidents involved workers being struck by equipment as well as the wearing of jewellery when undertaking tasks.

In order to prevent such incidents from happening again, we installed additional safety signs, carried out repair and replacement of equipment to ensure functionality and safety, conducted OHS talks for employees on prevention and vigilance, and reinforced the correct and proper use of PPE.

#### Fatalities

	2016		2017		2018		2019	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate
Employees	2	0.08	3	0.11	2	0.05	2	0.05

Note: Rates are calculated based on 1,000,000 hours worked.

#### High Consequence Injuries

	2018		2019	
	Number	Rate	Number	Rate
Employees	0	0	3	0.07

Note: High consequence injuries were only tracked from 2018 based on the GRI Occupational Health and Safety 2018 Standard. A high consequence injury is defined as a work-related injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six months, excluding fatalities. Rates are calculated based on 1,000,000 hours worked.

#### Recordable Work-related Injuries

	2016		2017		2018		2019	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate
Employees	2,521	105.16	2,101	79.16	2,133	55.08	2,217	53.54

Note: Rates are calculated based on 1,000,000 hours worked.

# SUPPLY CHAIN

## MANAGING OUR SUPPLY CHAIN

[102-9, 103-1]

To ensure First Resources delivers on our commitment to providing long-term economic and social benefits to communities while minimising our environmental footprint, we are focused on developing a supply chain that is aligned to our sustainability policy. We are working towards achieving a fully traceable and transparent supply chain and engaging with our suppliers to bring them on board our sustainability journey with us.

Fresh fruit bunches (FFB), the feedstock for our mills, are supplied by our own nucleus estates, third-party estates, thousands of individual farmers (plasma and independent), as well as FFB dealers who buy from farmers. Crude palm oil (CPO) and palm kernel (PK), which are raw materials for our processing plants, are either provided by First Resources-owned mills or sourced from third-party mills in Indonesia.

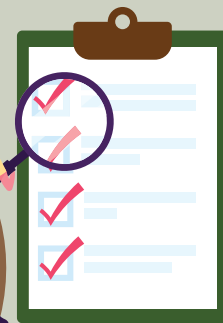
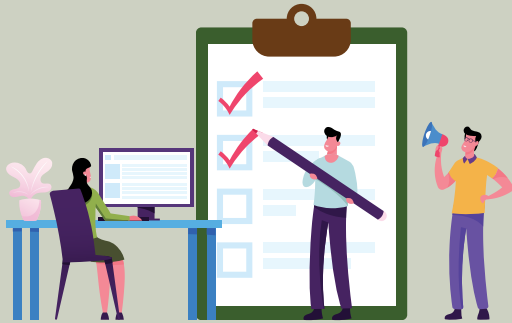
Aside from FFB, CPO and PK, we also procure several other products and services to run our business. Of our non-palm procurement, our most significant spend for our operations is on fertilisers sourced from Indonesian companies. Other spend categories for our upstream operations include fuel, chemicals (methanol, bleaching earth and phosphoric acid), spare parts and other materials.

In 2017, we developed our Sustainable Supply Chain Framework, a multi-pronged strategy comprising of supply chain traceability; supplier engagement; supplier assessment; and stakeholder collaboration.

**FIRST RESOURCES SUSTAINABLE SUPPLY CHAIN FRAMEWORK**

**SUPPLY CHAIN TRACEABILITY**

Encourage accountability of suppliers by developing a traceable and transparent supply chain



**SUPPLIER ENGAGEMENT**

Educate and support suppliers by engaging key suppliers to convey our sustainable goals, developments and expectations

**STAKEHOLDER COLLABORATION**

Detect risks in our supply chain by working with stakeholders through an established grievance procedure



**SUPPLIER ASSESSMENT**

Influence behaviours of suppliers by including sustainability criteria in supplier assessments

# SUPPLY CHAIN

## SUPPLY CHAIN TRACEABILITY [103-1, 103-2, 103-3]

One of our key commitments in our Policy on Sustainable Palm Oil is to ensure that our oil and refined products can be traced to their origin – initially to the palm oil mill but ultimately to the plantation. Traceability presents a complex but essential first step towards our ultimate goal in providing the level of transparency and confidence that is expected by our customers to guarantee that our products come from sustainable sources.

Our commercial team works closely with our sustainability team to achieve our Group's traceability targets through active engagement with suppliers.

### Traceability to mills

For CPO to be fully traceable to mills, First Resources requires the parent company name, company name, mill name, mill address and geographical coordinates. In the case that any part of this information is missing or incomplete, CPO volumes from that particular supplier is treated as “untraceable”. This does not mean that we do not know the source, but rather that they do not fulfil the criteria for what we consider as traceable.

Approximately 8% of our CPO feedstock are purchased from external suppliers. Since 2017, we managed to obtain all the necessary data to maintain 100% traceability to mills.

A list of our CPO and PK suppliers are available on our *website*. In 2019, we took an additional step to increase transparency by disclosing the mill

names, coordinates and addresses of our CPO and PK suppliers. We believe that doing so enables us to better mitigate the risk of policy non-compliance in our supply chain.

### Traceability to plantations

Of all the FFB processed in our own mills in 2019, 92% came from our own plantations and plasma schemes, while the remaining 8% was sourced from third-party suppliers. These include independent smallholders, medium-sized outgrowers and neighbouring plantation companies. FFB is also purchased from local traders who collect FFB from the surrounding area. In 2019, we maintained approximately 98% traceability of the FFB processed at our mills.

To increase our mill's traceability to plantation, we socialise our Supply Chain Framework to FFB dealers who have been supplying to us. This is followed by field visits to FFB collecting points. Quite often, third parties may be concerned about the sharing of data due to supplier confidentiality. Part of our socialisation process involves explaining our intention and that we will respect the confidentiality of the information shared. This has helped us obtain the details we require to be on track for achieving our target of 100% traceability to plantation for First Resources-owned mills by 2020. We have also shared our concession maps with the Roundtable on Sustainable Palm Oil (RSPO).

### SUPPLIER ENGAGEMENT

First Resources endeavours to communicate our sustainability policy to our suppliers with the

aim of developing a supply chain network that embodies the Group's sustainability goals and practices.

Once we have traced where the supply of our raw materials come from, we are able to focus our supplier engagements with the key players in our supply chain. One-on-one meetings and group sessions are held to communicate our sustainability policies and expectations, and to help suppliers understand the importance of aligning their practices with our requirements. To date, feedback from participating suppliers has been generally supportive and constructive.

Through constant dialogue with our suppliers, especially smallholders, we hope to build a relationship of mutual trust in order for them to feel confident in sharing information about the challenges they face in meeting new sustainability standards. A strong rapport with suppliers strengthens our ability to support them in their sustainability efforts without compromising on our policies.

## SUPPLIER ASSESSMENT [308-1, 308-2, 414-1, 414-2]

Building on our traceability information and supplier engagement efforts, we then assess our suppliers to ensure their practices are in line with our Policy on Sustainable Palm Oil.

Suppliers found to be non-compliant will be given the opportunity to undertake corrective actions within a certain timeline. In line with our policy, we will suspend sourcing from non-compliant suppliers found to be engaged in the development of High



Carbon Stock (HCS) forests, High Conservation Value (HCV) areas or peat areas, using of fires during land preparation or in the exploitation of local communities, and who do not take immediate remedial actions. In 2019, we have not found any suppliers in breach of our policy requirements.

All our new suppliers are also screened using social and environmental criteria during our supplier onboarding process. This process involves the signing of an onboarding form to acknowledge that they will comply with our policy requirements, as well as providing their mill or estate information to fulfil our traceability process. We will verify the information provided, and companies who cannot meet our requirements will not be onboarded as a new supplier.

### STAKEHOLDER COLLABORATION

We acknowledge that getting suppliers on board is not a task we can undertake on our own and we rely heavily on stakeholder collaboration. External stakeholders may hold better monitoring tools and intelligence to detect potential errant or non-compliant suppliers. In addition to our own assessments, we leverage on external parties to help us identify suppliers that we should further assess and engage with. For example, a non-governmental organisation (NGO) that works to protect the environment, sends us monthly reports of their deforestation detection. We look through these to see if any of the highlighted companies are in our supply chain which require us to undertake follow-up actions.

## SUPPORTING SMALLHOLDERS

[103-1, 103-2, 103-3]

Smallholders account for approximately 40% of Indonesia's oil palm plantations. As a company managing 181,065 hectares of nucleus plantations, First Resources is in a unique position to share our experience on best agricultural practices with the smallholders we work with and to facilitate their inclusion in the company's supply chain. We believe this is essential to support the transition of the palm oil industry into a truly sustainable one.

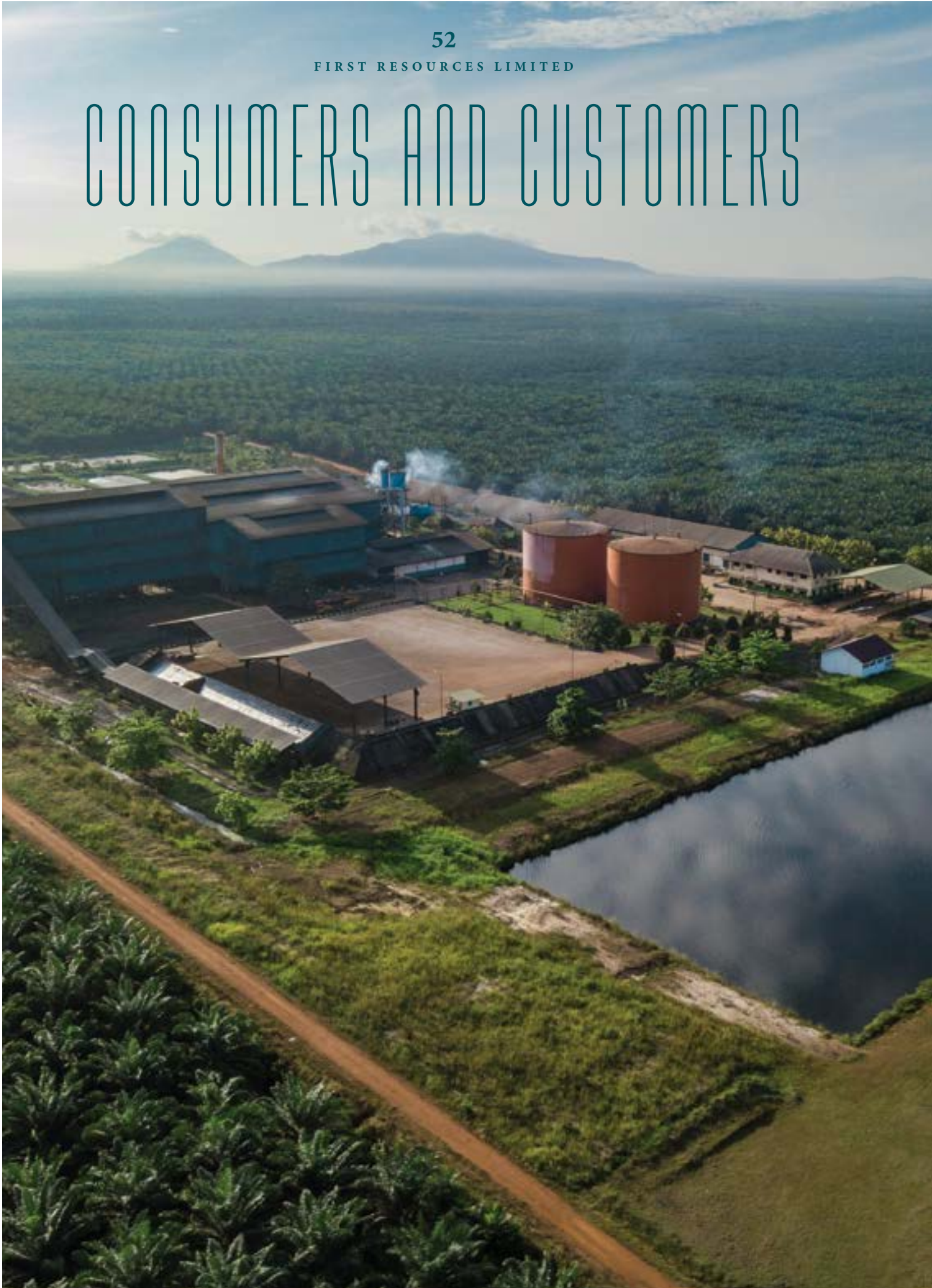
Through the Free, Prior and Informed Consent (FPIC) process, which is carried out before any new development, we are able to identify communities that are interested in partnering with us to develop plantations. We work with indigenous and local communities through various plasma scheme partnerships. In some of these schemes, the company assists plasma smallholders to develop and manage their plots until the oil palm trees reach a productive age, and after which the plots are handed back to the smallholders for management. In other partnership schemes, the company assumes responsibility for developing and managing the plasma plots on behalf of these smallholders, even after maturity. Plasma smallholders profit by selling their FFB harvests to the company

at government-determined prices. These partnerships provide a sustainable income for thousands of smallholders, and this in turn directly impacts local economic growth and living standards.

We are committed to working with our schemed smallholders to improve their yields. Without adequate support programmes in place, smallholders may not be able to cope with risks of price volatility. Our field officers provide technical assistance and practical training such as quality seed stock and advice on fertiliser and pesticide procurement and usage. They also share new farming technologies, offer assistance with land titling and coordinate transportation of FFB to palm oil mills. As of end 2019, we manage 31,008 hectares of plasma smallholders, representing 15% of the total plantation area managed by First Resources, and 10.5% of the FFB we processed. All of our plasma smallholders are involved in our smallholder programmes.

For independent smallholders, we work with them to socialise our Policy on Sustainable Palm Oil and ensure that they adhere to our standards via workshops. During the workshops, we also take the opportunity to ask new independent smallholders to fill in our supplier onboarding form, in which they acknowledge they have received and understood our policy requirements.

# CONSUMERS AND CUSTOMERS



## PROTECTING CONSUMER HEALTH

[102-6, 416-2]

Customers of First Resources comprise primarily traders, palm oil refiners, and renewable energy producers. We sell our products in both, local and export markets. For our export sales, we mainly sell them on Free on Board (FOB) basis to our customers who then ship the products globally, with the biggest markets being China, India and Europe. We work closely with our customers to meet their varying needs and respond to the growing market demand for traceable and sustainable palm oil.

Whilst First Resources does not produce consumer brands, we are committed to safeguarding consumer health. We have put in place relevant certification systems to ensure that our processing plants achieve and adhere to best practices for product quality and safety standards. Since 2013, our kernel crushing plant has been certified to the Hazard Analysis and Critical Control Points (HACCP), and good manufacturing practices GMP+ B2 standards. We have also achieved HACCP certification for both our refineries in September 2019.

In 2019, there were no incidents of non-compliance relating to the health and safety of our products and services.

## SUSTAINABILITY CERTIFICATIONS

[102-13, 103-1, 103-2, 103-3, 102-12]

To demonstrate our commitment to sustainability and meet the growing demand for sustainable palm oil, we continue to actively participate

in various industry schemes and work towards obtaining relevant industry certifications. These include the Roundtable on Sustainable Palm Oil (RSPO), the Indonesia Sustainable Palm Oil (ISPO) and the International Sustainability Carbon Certification (ISCC).

### ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

First Resources has been a member of the RSPO since 2008. Since 2018, two of our mills in Riau have been RSPO certified. In addition, both of our processing units (PT Adhitya Serayakorita and PT Ciliandra Perkasa) and bulking station (PT Meridan Sejatisurya) are certified against the RSPO Supply Chain Certification Standard.

In 2019, we were unable to certify additional mills due to the High Conservation Value (HCV) complaint at PT Limpah Sejahtera that was re-opened. We worked closely with RSPO to fulfil the requirements to resolve the case. In February 2020, the case was resolved, and we were also able to certify another mill. For more information, refer to our *grievance list*. We will continue our efforts to achieve our target of certifying all of First Resources plantations and mills by 2024. To meet this target, we will look to certify another five mills integrated with plantations in 2020.

### INDONESIA SUSTAINABLE PALM OIL (ISPO)

In 2019, we maintained our ISPO certification for nine of our mills which are integrated with plantations. We have also maintained the ISPO certification for one of our plantation. To date, 49% of our plantations are ISPO certified.

While we commenced the process to certify another mill integrated with plantation in 2019, the available resources had to be redirected towards a customer audit. As a result, we were not able to complete the entire certification process in time. Nevertheless, we aim to achieve ISPO certification for another five mills which are integrated with plantations in 2020.

### INTERNATIONAL SUSTAINABILITY CARBON CERTIFICATION (ISCC)

In 2019, we have successfully renewed all our ISCC certifications. As of 31 December 2019, 51,020 hectares of our nucleus plantations are certified under the ISCC scheme, which is approximately 28% of our total nucleus area. In addition, six of the Group's 17 palm oil mills, both our processing units and one bulking unit are ISCC certified. We are thus able to provide customers with a fully traceable product under the ISCC scheme.

#### Certification Status on RSPO and ISPO

	2016	2017	2018	2019
<b>PLANTATION</b>				
RSPO	-	-	10%	10%
ISPO	43%	43%	49%	49%
<b>MILL</b>				
RSPO	-	-	2	2
ISPO	8	8	9	9

Note: The above reflects the Group's certified nucleus area as percentage of total nucleus area.

# MATERIALITY AND STAKEHOLDER ENGAGEMENT

## MATERIALITY ASSESSMENT

[102-15, 102-32, 102-46, 102-47]

To ensure alignment with best practice and objectivity in our materiality assessment, we worked with Corporate Citizenship, a global business consultancy specialising in sustainability. Our five-stage process is detailed below:



### SUSTAINABILITY CONTEXT AND ISSUE IDENTIFICATION

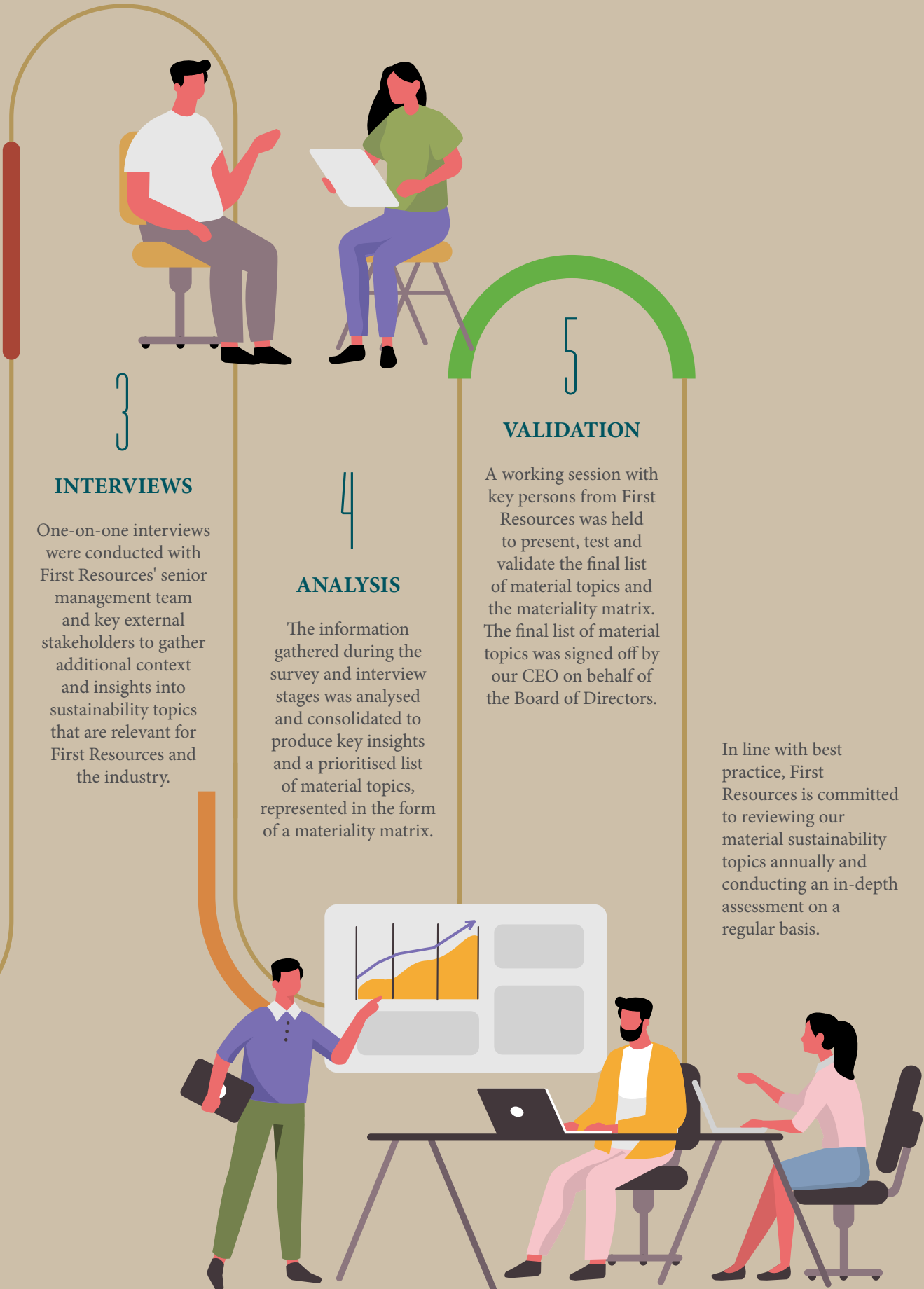
A benchmarking exercise and desktop research was conducted to identify emerging and any key topics missing from First Resources' previous list of material sustainability topics.



### SURVEYS

An online survey was designed and circulated to a carefully selected list of internal and external stakeholders. Participants were asked to prioritise and rank the short-list of potentially material topics based on what is most important for First Resources to manage from an internal and external perspective. Stakeholders were selected based on their knowledge on the sector and First Resources, and their ability to provide constructive insights.





1

**INTERVIEWS**

One-on-one interviews were conducted with First Resources' senior management team and key external stakeholders to gather additional context and insights into sustainability topics that are relevant for First Resources and the industry.

2

**ANALYSIS**

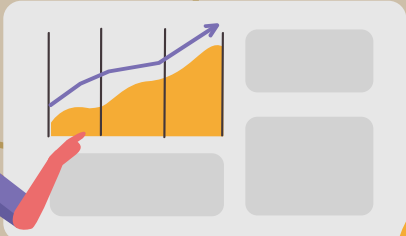
The information gathered during the survey and interview stages was analysed and consolidated to produce key insights and a prioritised list of material topics, represented in the form of a materiality matrix.

3

**VALIDATION**

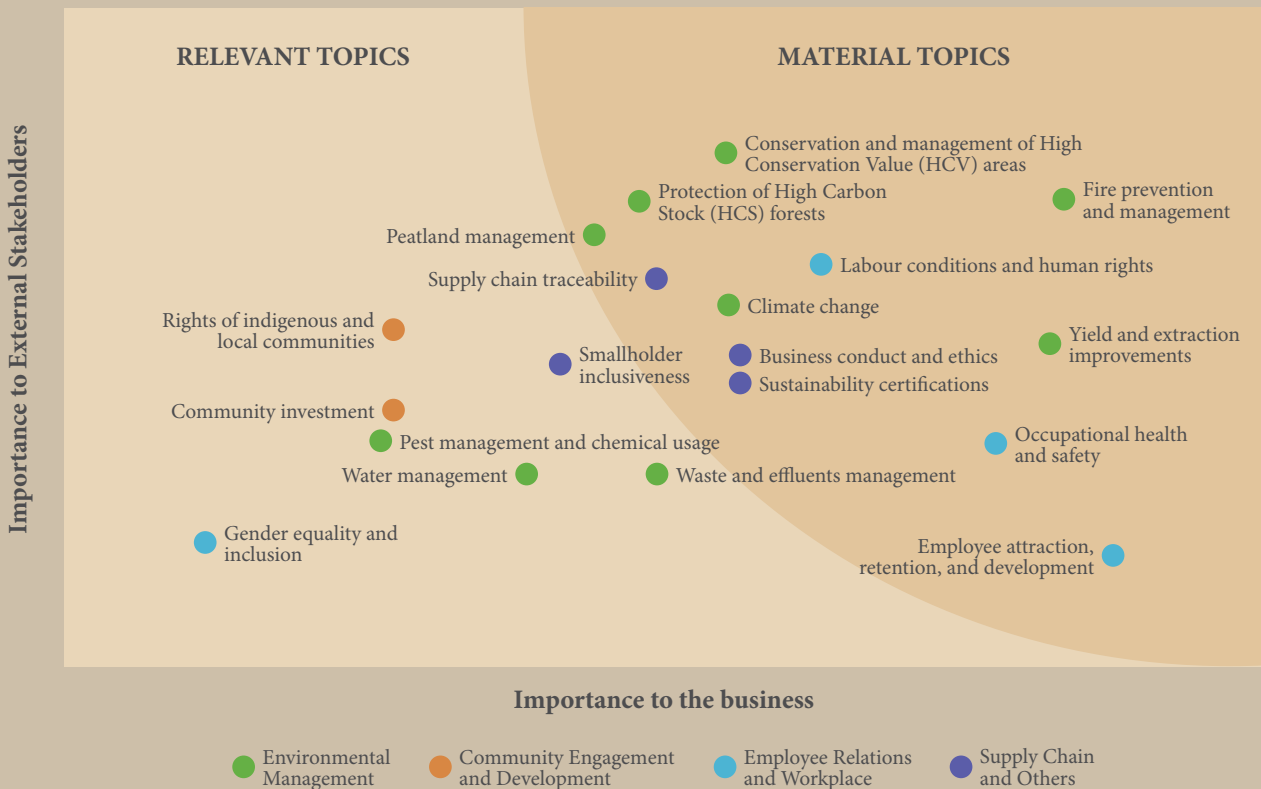
A working session with key persons from First Resources was held to present, test and validate the final list of material topics and the materiality matrix. The final list of material topics was signed off by our CEO on behalf of the Board of Directors.

In line with best practice, First Resources is committed to reviewing our material sustainability topics annually and conducting an in-depth assessment on a regular basis.



# MATERIALITY AND STAKEHOLDER ENGAGEMENT

## FIRST RESOURCES MATERIALITY MATRIX



Key:

**MATERIAL TOPICS:**

Topics that are most important to internal and external stakeholders. These will form the focus of First Resources’ sustainability strategy and reporting. We will ensure that adequate resources are allocated to the management of these topics and sufficient public disclosure is provided.

**RELEVANT TOPICS:**

Topics that are less critical and of lower relative importance to internal and external stakeholders. However, these topics will still form part of First Resources’ responsible business practices, and will be managed as part of the company’s general sustainability approach. These will be reported on as relevant, based on sustainability context and stakeholder interest.

### STAKEHOLDER ENGAGEMENT

[102-21, 102-40, 102-42, 102-43, 102-44]

Engaging our stakeholders to better understand their interests and concerns is a fundamental part of our approach to sustainability. We aim

to take an inclusive approach and work constructively with all our key stakeholders by ensuring that we maintain an open dialogue.

We have identified our key stakeholder groups through an internal mapping exercise based on our impacts on them and their importance to the success and

continuity of our business. We then tailored our method of engagement for each of these groups. Our approach to stakeholder engagement is reviewed and enhanced regularly to ensure that it remains effective. The following summarises our stakeholder engagement efforts in 2019.

STAKEHOLDER GROUPS	ENGAGEMENT METHOD AND FREQUENCY	TOPICS AND CONCERNS RAISED	FIRST RESOURCES' RESPONSE TO THOSE TOPICS/CONCERNS
<b>Communities</b>	<ul style="list-style-type: none"> <li>• Meetings with Community Development Officers (periodic)</li> </ul>	<ul style="list-style-type: none"> <li>• Better village infrastructure</li> <li>• Access to employment opportunities</li> <li>• Participation in plasma programme</li> <li>• Social conflict, and Free, Prior and Informed Consent (FPIC) concerns</li> </ul>	<ul style="list-style-type: none"> <li>• Increase investment to support community infrastructure</li> <li>• Prioritise employment opportunities to local communities</li> <li>• Ensure appropriate plasma allocation for plantation development</li> <li>• Conduct Social and Environment Impact Assessments and ensure better communication during FPIC process</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• One-on-one communication (as required)</li> <li>• Website (regularly)</li> <li>• Annual Report (yearly)</li> <li>• Sustainability Report (yearly)</li> </ul>	<ul style="list-style-type: none"> <li>• First Resources' sustainability commitments, initiatives and progress</li> <li>• Customers' traceability requirements</li> <li>• Grievances lodged by stakeholders on First Resources' operations or suppliers such as hotspots and fire allegations</li> </ul>	<ul style="list-style-type: none"> <li>• Provide regular updates on our sustainability policy and its implementation progress</li> <li>• Provide traceability data of our supplying mills</li> <li>• Investigate, address and clarify grievances lodged as per our grievance mechanism</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• E-mails and notice boards (regularly)</li> <li>• Internal company meetings (regularly)</li> <li>• Performance review (twice a year)</li> </ul>	<ul style="list-style-type: none"> <li>• First Resources' operational and financial performance</li> <li>• Personal and career development</li> <li>• Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Keep employees updated on company news, performance and policies</li> <li>• Ensure health and safety procedures, and equipment are adequate</li> <li>• Increase amount and adequacy of training, and development opportunities</li> </ul>

# MATERIALITY AND STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUPS	ENGAGEMENT METHOD AND FREQUENCY	TOPICS AND CONCERNS RAISED	FIRST RESOURCES' RESPONSE TO THOSE TOPICS/CONCERNS
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual General Meeting (yearly)</li> <li>• Website (regularly)</li> <li>• SGXNET (periodic)</li> <li>• Annual Report (yearly)</li> <li>• Sustainability Report (yearly)</li> <li>• One-on-one communication (as required)</li> <li>• Conferences / Non-deal Roadshows (periodic)</li> </ul>	<ul style="list-style-type: none"> <li>• First Resources' operational and financial performance</li> <li>• First Resources' sustainability commitments, initiatives and progress</li> <li>• Fire prevention and management</li> </ul>	<ul style="list-style-type: none"> <li>• Provide updates on Company's performance and plans</li> <li>• Provide updates on our sustainability policy and its implementation progress</li> <li>• Provide information on our fire prevention practices and management initiatives</li> </ul>
<b>Banks and financial institutions</b>	<ul style="list-style-type: none"> <li>• Website (regularly)</li> <li>• SGXNET (periodic)</li> <li>• Annual Report (yearly)</li> <li>• Sustainability Report (yearly)</li> <li>• One-on-one communication (as required)</li> </ul>	<ul style="list-style-type: none"> <li>• First Resources' financial performance</li> <li>• First Resources' sustainability commitments, initiatives and progress</li> <li>• Sustainability certifications</li> <li>• Fire prevention and management</li> <li>• Yield improvements</li> <li>• Impacts of climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Provide updates on company's performance and plans</li> <li>• Provide updates on our sustainability policy and its implementation progress</li> <li>• Provide progress updates on our sustainability certifications</li> <li>• Provide information on our fire prevention and management initiatives</li> <li>• Research and development initiatives that focus on innovation in yield improvements and the mitigation of environmental impact</li> </ul>
<b>Non-governmental organisations (NGOs)</b>	<ul style="list-style-type: none"> <li>• One-on-one communication (as required)</li> <li>• Website (regularly)</li> <li>• Annual Report (yearly)</li> <li>• Sustainability Report (yearly)</li> </ul>	<ul style="list-style-type: none"> <li>• First Resources' sustainability commitments, initiatives and progress</li> <li>• Grievance lodged by stakeholders on First Resources' operations or suppliers such as hotspots and fire allegations</li> </ul>	<ul style="list-style-type: none"> <li>• Provide updates on our sustainability policy and its implementation progress</li> <li>• Investigate and respond to grievances as per our grievance mechanism</li> </ul>

STAKEHOLDER GROUPS	ENGAGEMENT METHOD AND FREQUENCY	TOPICS AND CONCERNS RAISED	FIRST RESOURCES' RESPONSE TO THOSE TOPICS/CONCERNS
Suppliers	<ul style="list-style-type: none"> <li>One-on-one communication (as required)</li> <li>Group sessions (periodic)</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with First Resources' sustainability standards including our traceability requirements</li> <li>Clarification to grievances lodged on suppliers' operations</li> </ul>	<ul style="list-style-type: none"> <li>Explain First Resources sustainability policy and our expectations of supplier compliance</li> <li>Verify clarifications made and respond to grievances as per our grievance mechanism</li> </ul>
Regulatory bodies (including government)	<ul style="list-style-type: none"> <li>One-on-one communication (as required)</li> <li>Reporting mechanisms (as required)</li> <li>Multi-stakeholder forums (as required)</li> </ul>	<ul style="list-style-type: none"> <li>Company's compliance with applicable regulation/legislation (including educating and working with local communities on fire prevention)</li> </ul>	<ul style="list-style-type: none"> <li>Ensure documentation of company's compliance</li> <li>Engagement with local communities to raise awareness about fire risks and prevention, as well as including them in our fire training sessions, where they learn about fire management practices.</li> </ul>

## MEMBERSHIP ASSOCIATIONS AND EXTERNAL INITIATIVES

[102-12, 102-13]

Industry collaboration and partnerships are important for First Resources to deliver on our commitments. Through our memberships of various associations

and participation in external initiatives, we seek to be active contributors to transform the palm oil industry.

### Membership Associations:

- Roundtable on Sustainable Palm Oil (RSPO)
- Indonesian Palm Oil Association (GAPKI)
- Association of Indonesian Biodiesel Producers (APROBI)

### External Initiatives

- The RSPO Principles and Criteria (P&C)
- International Sustainability & Carbon Certification (ISCC)
- High Carbon Stock (HCS) Approach
- United Nations Guiding Principles on Business and Human Rights

# GRI CONTENT INDEX

[102-55]

GRI STANDARD DISCLOSURE	GRI DISCLOSURE NUMBER AND TITLE	PAGE REFERENCES/ REASONS FOR OMISSION
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## GENERAL DISCLOSURES

GRI 102: General Disclosures 2016	Organisational Profile		
	102-1	Name of the organisation	10
	102-2	Activities, brands, products, and services	10; Annual Report 2019: 1-5
	102-3	Location of headquarters	8 Temasek Boulevard #36-02 Suntec Tower Three Singapore 038988
	102-4	Location of operations	10-11
	102-5	Ownership and legal form	10
	102-6	Markets served	53
	102-7	Scale of the organisation	10-11, 41; Annual Report 2019: 2-3, 6-9, 14-17
	102-8	Information on employees and other workers	41
	102-9	Supply chain	48
	102-10	Significant changes to the organisation and its supply chain	10
	102-11	Precautionary Principle or approach	First Resources does not explicitly refer to the precautionary principle or approach in its risk management principles. Please see our approach to materiality on page 54-56, and in the Annual Report 2019, the risk management on page 37.
	102-12	External initiatives	59
	102-13	Membership of associations	59
	<b>Strategy</b>		
	102-14	Statement from senior decision-maker	2-5
	102-15	Key impacts, risks, and opportunities	17
	<b>Ethics and Integrity</b>		
	102-16	Values, principles, standards, and norms of behaviour	12
	102-17	Mechanisms for advice and concerns about ethics	14-15

GRI STANDARD DISCLOSURE	GRI DISCLOSURE NUMBER AND TITLE	PAGE REFERENCES/ REASONS FOR OMISSION
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## GENERAL DISCLOSURES

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# GLOSSARY OF TERMS

<b>Analisis Mengenai Dampak Lingkungan (AMDAL)</b>	A mandatory environmental impact assessment in Indonesia required to be carried out for a planned development project that is likely to have significant impact to the environment.
<b>Biodiversity</b>	The diversity (number and variety of species) of plant and animal life within a region.
<b>Biological Oxygen Demand (BOD)</b>	The amount of oxygen consumed by bacteria and other microorganisms when decomposing organic matter under aerobic conditions (i.e. when oxygen is present) at a specified temperature.
<b>Carbon Dioxide Equivalents (CO<sub>2</sub>e)</b>	A standard unit for measuring carbon footprints. It is to express the impact of each different GHG in terms of the amount of carbon dioxide that would create the same amount of warming. That way, a carbon footprint consisting of different types of GHG can be expressed as a single number.
<b>Chemical Oxygen Demand (COD)</b>	Another indicator of contamination that shows the amount of dissolved matter in water that is susceptible to being oxidised. While BOD uses bacteria and other microorganisms to test, COD uses chemicals to test.
<b>Crude palm oil (CPO)</b>	The oil extracted from the pulp of the FFB.
<b>Deoxyribonucleic acid (DNA)</b>	The genetic code that determines all the characteristics of a living organism.
<b>Effluents</b>	Wastewater discharged from a source (such as mill) into a separate body of water.
<b>Extraction rate</b>	The amount of oil recovered from FFB (in percentage) at a mill. CPO is extracted from the flesh of the FFB's fruitlets; PKO from the kernel of the FFB's fruitlets.
<b>Empty fruit bunch (EFB)</b>	The remains of the FFB after it has been processed and its fruitlets removed at the mill.
<b>Fire Danger Indices (FDI)</b>	An internal index for fire risk assessment which has four levels: Low, Medium, High and Extreme, depending on humidity, rain and fuel conditions.

<b>Fresh fruit bunch (FFB)</b>	The ripe fruit bunch harvested from the oil palm tree. The weight of the fruit bunch ranges between 10 kg to 40 kg depending on the size and age.
<b>Free, Prior and Informed Consent (FPIC)</b>	The principle that a community or indigenous people has a right to give or withhold its consent to projects that are proposed, which may affect them or their lands they customarily own, occupy or use.
<b>Greenhouse gas (GHG)</b>	A gas that has the property of absorbing and emitting infrared radiation, creating a greenhouse effect.
<b>Global Reporting Initiative (GRI)</b>	A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.
<b>High Conservation Value (HCV)</b>	Areas with biological, ecological, social or cultural values of outstanding significance at the national, regional or global level or of critical importance at the local level.
<b>High Conservation Value - High Carbon Stock Approach (HCV-HCSA) assessments</b>	A participatory process for identifying social and environmental values which need to be conserved in production landscapes. As per the revised RSPO Principles and Criteria released in November 2018, any new land clearing (in existing plantations or new plantings) after 15 November 2018 must be preceded by a HCV-HCSA assessment.
<b>High Carbon Stock (HCS) Approach</b>	A practical methodology for distinguishing forest areas that should be protected from degraded lands that may be developed. It is a sequence of processes and assessments undertaken within two overarching modules: a social requirements module, which focuses on respecting communities' rights to their lands; and an integration module, which includes the FPIC and HCV processes.
<b>Integrated Fire Management (IFM)</b>	An in-depth workplan for fire prevention, preparedness, response and recovery.
<b>Indonesia Sustainable Palm Oil (ISPO)</b>	A mandatory certification requirement for all oil palm growers and millers operating in Indonesia imposed by the government in an effort to preserve the environment, promote economic and social activities, and enforcement of Indonesian statutory laws in the palm oil sector.

## GLOSSARY OF TERMS

<b>International Sustainability and Carbon Certificate (ISCC)</b>	A certification system that promotes the sustainable cultivation, processing and utilisation of biomass and bioenergy. It is geared towards GHG emissions reduction, sustainable land use, protection of natural biospheres and social sustainability.
<b>International Union for Conservation of Nature's Red List (IUCN Red List)</b>	The world's most comprehensive inventory of the global conservation status of biological species. It is a critical indicator of the health of the world's biodiversity.
<b>Nucleus plantation</b>	Plantations owned by the group.
<b>RSPO New Planting Procedures (NPP)</b>	The RSPO NPP consists of a set of assessments and verification activities to be conducted by grower members and certification bodies prior to a new oil palm development, in order to help guide responsible planting and ensure that social and environmental requirements have been met.
<b>PalmGHG Calculator</b>	A tool developed by the RSPO Greenhouse Gas Working Group 2 to allow palm oil producers to estimate and monitor their net GHG emissions. The Calculator also enables palm oil producers to identify crucial areas in their production chain and thereby guiding emission reduction opportunities.
<b>Palm oil mill effluent (POME)</b>	The by-product of processed FFB.
<b>Peat</b>	An accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.
<b>Palm kernel (PK)</b>	The seed in the FFB's fruitlet where the palm kernel oil is derived from.
<b>Plasma schemes</b>	A programme initiated by the Indonesian government to encourage the development of smallholders' plantations with the assistance and cooperation of plantation companies (the nucleus) which assist and support the surrounding community plantations (the plasma).
<b>Personal protective equipment (PPE)</b>	Equipment that protects users from health and safety risks at work.
<b>Programme for Pollution Control, Evaluation and Rating (PROPER)</b>	A national public environmental reporting initiative by the Indonesian Environmental Agency to promote industrial compliance with pollution control regulations, facilitate and enforce the adoption of practices contributing to cleaner technologies, and ensuring a better environmental management system.



<b>Rapid Biodiversity Assessment (RBA)</b>	A rapid assessment to evaluate the state of a region's biodiversity and the health of its ecosystems.
<b>Roundtable on Sustainable Palm Oil (RSPO)</b>	A not-for-profit organisation that unites stakeholders from the seven sectors of the palm oil industry: oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organisations (NGOs), to develop and implement global standards for sustainable palm oil consisting of environmental and social criteria.
<b>RSPO Principles and Criteria (P&amp;C)</b>	A set of stringent standards for sustainable palm oil production covering the most significant environmental and social impacts of palm oil production and the immediate inputs to production, such as seed, chemicals and water, and social impacts related to on-farm labour and community relations, which RSPO producers (i.e. mills and plantation) must comply with.
<b>RSPO Supply Chain Certification Standard</b>	A standard to ensure the integrity of the trade in sustainable palm oil (i.e. palm oil that has indeed been produced by RSPO certified plantations) and its products.
<b>Stakeholders</b>	Any group or individuals who are affected by or can affect a company's operations.
<b>Standard Operating Procedures (SOPs)</b>	A set of step-by-step instructions developed to help workers carry out complex routine operations.
<b>Sustainability</b>	A term expressing a long-term balance between social, economic and environmental objectives. Often linked to sustainable development, which is defined as "development that meets the need of current generations without compromising the needs of future generations".
<b>Unmanned Aerial Vehicle (UAV)</b>	An aircraft that is guided autonomously, by remote control, or both.
<b>World Health Organisation (WHO) Class 1A and 1B</b>	A classification of hazardous level of active ingredients in pesticides according to the World Health Organisation. 1A is extremely hazardous and 1B is highly hazardous.



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