



FIRST RESOURCES LIMITE SUSTAINABILITY REPORT 2013

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## **ABOUT THIS REPORT**

This is First Resources' second sustainability report following the first one that was published in 2011. Our sustainability reports aim to communicate First Resources' performance along social, environmental and economic parameters and demonstrate accountability towards our goal for sustainable development. They complement our annual reports which focus on reporting the Group's operational and financial performance.

This report discusses the Group's sustainability programmes and progress across its oil palm plantations and palm oil mills in Indonesia. These areas make up the majority of First Resources' operations and are also the areas with most significant environmental and social impact. Where data is presented, it primarily relates to activities during the financial years ended 31 December 2012 and 2013.

This report was prepared using the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. The G4 indicators that have been addressed in this report are presented on pages 46 to 49. We have not obtained assurance for this report. Although we have adopted GRI G4 guidelines for this report instead of the GRI G3 guidelines used for the previous report, it does not significantly affect the comparability of data in our previous report.

According to the GRI G4 guidelines, we have started mapping material issues highlighted by our stakeholders and have attempted to discuss these in our report. Moving forward, we will continue to track these material issues and cover them in our future bi-annual reporting.

Sustainability reporting is part of our continuous engagement with stakeholders and we welcome your feedback. You may send your feedback via email to sustainability@first-resources.com.

## **CEO MESSAGE**

Dear Stakeholders,

At First Resources, we firmly believe that business success and sustainable growth can only be achieved when economic objectives are balanced with social and environmental interests. We therefore allocate substantial attention and resources in integrating sustainable practices into our operations.

This sustainability report, our second, signifies the Group's commitment towards transparency and accountability for our actions. In this report, you will find disclosure of our management approach towards sustainability, our policies, initiatives and progress made.

## **Resource Efficiency**

Resource efficiency is a key principle that underlies our sustainability strategy. We strive to do more with less. Efficient and optimum utilisation of scarce land and available resources is one of the best ways agricultural companies can help to mitigate their environmental footprint.

Palm oil is the most efficient vegetable oil, capable of producing more than five times the volume of oil as compared to other crops, on the same land area. Palm oil therefore plays a strategic role in addressing mounting pressures of food security that accompany a rising global population. In this regard, it is extremely fulfilling and rewarding to be a palm oil producer.

We continually seek to maximise outputs from our plantations and palm oil mills while minimising the inputs required, such as land, water and fertiliser. Our plantation management programme is highly focused on yield improvement and maximisation, from the use of high-yielding planting material, to the adoption of advanced agronomic practices and conscientious management oversight.

Our average crude palm oil (CPO) yield is higher than the Indonesian average. In 2012, we reported a CPO yield of 5.4 tonnes, an increase from the 5.2 tonnes achieved in 2011. However, the yield dipped to 4.3 tonnes per hectare in 2013. This was largely due to biological tree stress that occurred during the year, as well as the dilutive effect caused by a large percentage of newly mature and acquired plantations. We will continue to evaluate and improve on our processes, and strongly leverage on research and development, in our quest for yield improvements.

## **Improving Lives**

As palm oil operations are labour intensive, and new developments are often in rural parts of Indonesia, we firmly believe that commercial palm oil cultivation is an effective solution for socio-economic development and poverty alleviation.

We are committed to leading community growth in areas where we are operationally present. The plasma partnership, where we assist plasma farmers in developing and managing their oil palm plots, is a principal and effective community development programme. These partnerships provide sustainable incomes for thousands of smallholders, directly impacting local economic growth and living standards. As at the end of 2013, we partnered with more than 10,000 smallholders on 21,869 hectares of oil palm plantations, representing 13% of our total plantation under management.

In addition to the plasma scheme partnerships with smallholders, we implement community development projects structured around three key pillars, namely, education, healthcare and infrastructure. More details of these programmes can be found in the following sections of this report.

We also provide employment to more than 18,000 people in Indonesia. As an employer, we are constantly seeking ways to improve the work, safety and living conditions for our employees and their families living on the plantations.



#### **Benchmarks and Certifications**

We aim to manage our plantations according to standards and best practices developed by recognised industry associations. The current key ones and the ones which we adopt include the Roundtable of Sustainable Palm Oil (RSPO), the Indonesian Sustainable Palm Oil (ISPO) and the International Sustainability and Carbon Certification (ISCC).

In response to growing customers' demand for certified sustainable palm oil, we have audited some of our plantations and palm oil mills against these standards. We now have 48,344 hectares of our nucleus plantations that are ISCC certified. In addition, six of our palm oil mills, our processing plants and bulking facilities are ISCC certified. As a result, we are able to provide customers with a fully traceable product that meets ISCC requirements. In addition, the Group helped five of our plasma estates, representing 5,019 hectares, to achieve their ISCC certifications.

ISPO certifications are mandatory for Indonesian plantations and we have started the auditing process for our subsidiaries. Currently, three of our subsidiaries, representing 19,402 hectares of plantations and three palm oil mills, have been ISPO certified. We plan to conduct ISPO audits for at least two additional subsidiaries by the end of 2014.

#### **A Continuous Journey**

The scarcity of land, water and other natural resources, coupled with a growing population makes resource efficiency an increasing global concern. Changes in climatic patterns have also impacted global crop production and added to the urgent need of addressing both food security and environmental issues.

As we expand to meet the growing global demand for food and biofuel, sustainable farming practices and responsible business conduct are critical in ensuring that the environment and the communities can continue to support our operations. We are thankful that the nature of our business enables us to play a part and make a difference.

We are cognizant that our sustainability mission is a journey rather than a destination, as new challenges and issues surface by the day. We are committed to continuously review and strengthen our sustainability framework to respond to emerging and evolving industry standards. We will keep our stakeholders updated of our progress via these reports.

Our journey cannot be ventured alone. I would like to thank our Board of Directors for sharing the same values, our stakeholders for your support and cooperation in helping us progress in our mission, and last but not the least, our employees, for their relentless efforts and dedication in turning our sustainability values and mission into tangible achievements.

**Ciliandra Fangiono** Director and Chief Executive Officer

## **ABOUT FIRST RESOURCES**

## **BUSINESS OVERVIEW**

The Group (comprising First Resources Limited and its subsidiaries) started its first operations in 1992, with the development oil palm plantations in the Riau province, Indonesia. Today, we manage more than 170,000 hectares of oil palm plantations across the Riau, East Kalimantan and West Kalimantan provinces of Indonesia with a crude palm oil (CPO) output of more than 500,000 tonnes annually. Our head office is located in Jakarta and we have offices in each of the abovementioned provinces as well as in Singapore.

Our core business activities include cultivating oil palms, harvesting the fresh fruit bunches (FFB) and milling them into CPO and palm kernel. In addition to plantations and palm oil mills, we have processing facilities comprising refinery, fractionation, biodiesel and kernel crushing plants. These facilities process our CPO and palm kernel into higher value palm-based products such as biodiesel, refined, bleached and deodorised (RBD) olein, RBD stearin, palm kernel oil and palm kernel expeller.

We sell our range of products to both domestic Indonesian market as well as international markets, supplying to palm oil refiners, traders, brokers, and fast-moving consumer goods companies. We have our own bulking facilities and jetty located in Dumai, Riau province, to facilitate the logistics and movement of our products to the international markets.

The Group's current plantation profile is young, with more than fifty percent of our trees either in their young or immature ages. As a result, the Group anticipates strong production growth over the next few years as these trees mature into prime yielding ages.

Going forward, the Group will continue to focus on expanding our upstream plantation assets organically through new plantings. In anticipation of the growth in FFB production, the Group has also commenced construction of the 13<sup>th</sup> and 14<sup>th</sup> palm oil mills located in the Riau and West Kalimantan provinces. These new mills will be completed in 2015.

In addition, the Group has started to develop rubber plantations in 2012 as part of its crop and land-use diversification programme. The size of our rubber plantations is small in comparison to our oil palm plantations.

# **OUR PRESENCE**







## **OUR VALUE CHAIN**



## **OPERATIONAL AND FINANCIAL PERFORMANCE**

The tables below highlight our operational and financial performance for the financial years 2012 and 2013. Our financial performance is largely influenced by our operational output and the international market prices of CPO, which have been volatile, due to supply and demand factors as well as volatility in crude oil prices. The operational and financial performance of the Group is reviewed and discussed in greater detail in our annual reports which are available at www.first-resources.com.

## Financial Highlights

Financial Year	2012	2013
Income Statement (US\$'000)		
Sales	603,429	626,498
Gross Profit	382,240	381,743
Gains Arising from Changes in Fair Value of		
Biological Assets	35,795	29,564
Profit from Operations	333,528	340,834
EBITDA <sup>(1)</sup>	322,750	338,916
Profit before Tax	326,327	313,564
Net Profit Attributable to Owners of the Company	237,060	238,242
Underlying Net Profit <sup>(2)</sup>	211,301	216,958
Balance Sheet (US\$'000)		
Total Assets	1,930,900	1,780,274
Total Liabilities	773,328	740,149
Total Equity	1,157,572	1,040,125
Equity Attributable to Owners of the Company	1,106,392	993,479

Notes:

(1) EBITDA = Profit from operations before depreciation, amortisation and gains arising from changes in fair value of biological assets

(2) Underlying net profit = Net profit attributable to owners of the Company adjusted to exclude net gains arising from changes in fair value of biological assets

## **Operational Highlights**

Operational Year	2012	2013
Production Volume (tonnes)		
Fresh Fruit Bunches (FFB)	2,168,983	2,266,866
Nucleus	1,924,743	2,049,095
Plasma	244,240	217,771
Crude Palm Oil (CPO)	525,831	588,792
Palm Kernel (PK)	123,129	135,462
Productivity		
FFB Yield per Mature Hectare (tonnes)	23.0	18.7
CPO Yield per Mature Hectare (tonnes)	5.4	4.3
CPO Extraction Rate (%)	23.3	23.1
PK Extraction Rate (%)	5.5	5.3

## ECONOMIC WEALTH GENERATION

With our core operations located in Indonesia, the growth and success of our business contribute to the development of Indonesia and its people. The returns generated by our business are also shared with our shareholders and our dividend policy is to distribute up to 30% of our underlying net profit annually. The table below shows the direct economic value generated and distributed by our operations in the financial years 2012 and 2013. Our suppliers, which include plasma famers as a core group, are the largest beneficiaries of our business.

## Economic Value Generated and Distributed

Economy	2012	2013
Direct Economic Value Generated (US\$'000)		
(a) Revenue	608,109	630,055
Economic Value Distributed (US\$'000)		
(b) Operating Costs	188,384	197,833
(c) Employee Wages and Benefits	56,640	69,584
(d) Payments to Providers of Capital	80,322	78,299
(e) Payments to Government	101,472	88,782
(f) Community Investments	395	422
Economic Value Retained (US\$'000)		
a - (b+c+d+e+f)	180,896	195,135

## **OWNERSHIP AND COMPANY STRUCTURE**

First Resources Limited has been listed on the Singapore Exchange since 2007 and complies with the rules and regulations of the stock exchange. As at 31 December 2013, two substantial shareholders, Eight Capital Inc. and Infinite Capital Fund Limited, collectively own 69% of the company, with the remaining 31% owned by the public.

First Resources conducts its operations in Indonesia through its various Indonesian subsidiaries. The list of its subsidiaries as at 31 December 2013, both direct and indirect, can be found in the Financial Statement section of our Annual Report 2013, which is available at www.first-resources.com.

## GOVERNANCE

First Resources is committed to maintaining high standards of corporate governance through transparency and effective disclosures. Companies listed on the Singapore Exchange are required to comply with the Code of Corporate Governance ("Code") issued by the Monetary Authority of Singapore. For financial years ended 31 December 2012 and 31 December 2013, we are substantially in compliance with the Code.

As at 31 December 2013, our Board is chaired by an independent non-executive director. The Board comprises one executive director who is the Chief Executive Officer, and five independent directors, one of whom is the Chairman of the Board. Our independent directors make up more than one-third of the composition of the Board, thereby providing a strong and independent element on the Board.

The primary function of the Board is to manage the Group in the best interest of shareholders as well as other stakeholders, and to pursue the continual enhancement of shareholder value. The Board is assisted by various sub-committees in discharging its responsibilities, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. Each of these sub-committees is headed by one of the independent directors.

Details on the Board composition, terms of reference of each committee, directors' remuneration and other significant policies can be found in the Corporate Governance section of our Annual Report 2013 which is available at www.first-resources.com.

## CORPORATE VISION, MISSION AND VALUES

First Resources' vision is to be a leading palm-focused agribusiness known for its excellence.

Our mission is:

- To continuously enhance shareholder value through growth and profitability
- To be an employer of choice with a high performance team geared towards business excellence
- To be an efficient producer with the highest levels of productivity and lowest cost of production
- To be an environmentally and socially responsible corporate citizen

The values that guide our behaviour, actions and decisions are Loyalty, Integrity, Diligence, Persistence and Care.



First Resources has a Code of Conduct which serves as a general guideline for our management and employees in conducting their duties and responsibilities ethically. It outlines corporate values and ethical standards which are in line with the Group's vision and mission. Areas covered under the Code of Conduct include professionalism and work ethics, conflict of interests, political impartiality, anti-corruption and zero tolerance on fraud. All our employees will have to comply with applicable country laws, regulations and legal requirements. Any breach of the Code of Conduct can result in disciplinary action in accordance to the prevailing law and regulation and termination of employment. The Code of Conduct was also distributed to First Resources' suppliers and other business partners.

The Group has put in place a whistle blowing policy, endorsed by the Audit Committee, which provides for a mechanism by which employees and other persons may, in confidence, raise concerns about possible unethical conduct and improprieties in financial reporting or other matters.





## OUR APPROACH TO SUSTAINABILITY

As a plantation operator, our activities are deeply intertwined with the environment and communities where we operate in. It is therefore one of our missions to conduct our operations in a sustainable manner so that our business can be viable over the long term.

Resource efficiency is a key principle in our sustainability strategy. We seek to produce more with less, so as to mitigate our environmental footprint.



We are constantly strengthening our sustainability framework through regular benchmarking against industry standards and best practices.



Our sustainability approach involves ongoing stakeholder engagement to identify and better understand their needs and concerns.

# **OUR APPROACH TO SUSTAINABILITY**

## HOLISTIC APPROACH TO SUSTAINABILITY

As a plantation operator, our activities are deeply intertwined with the environment and communities where we operate in. It is therefore one of our missions to conduct our operations in a sustainable manner so that our business can be viable over the long term.

First Resources believes in taking a holistic approach towards sustainability. Our sustainability strategy focuses on engaging stakeholders proactively, implementing the best practices across every relevant aspect of our operations, and constantly strengthening our sustainability framework through regular benchmarking.

The Group's sustainability framework is multi-faceted with the main objectives of minimising adverse impact to the environment, engaging and empowering the communities around us and being a responsible employer.

## **Resource Efficiency**

Resource efficiency is a key principle in our sustainability strategy. We seek to continually maximise outputs from our plantations and palm oil mills while minimising the inputs required, such as land, water, and fertiliser. Efficient and optimum utilisation of scarce land and available resources is one of the best ways plantation companies can help to mitigate their environmental footprint while addressing global food shortage.

With this underlying principle, the Group allocates considerable efforts and investments into the development of an effective plantation management programme. The programme begins with using high-yielding planting material, incorporating advanced agronomic practices and ensuring proper estate management.

As a result, our palm oil yield per hectare is higher than industry average yields despite the fact that a large proportion of our trees have yet to reach their prime productive ages. We are therefore able to produce the same amount of palm oil by utilising less land, which translates into lower usage of fertilisers, pesticides and energy.

## Above Average Crude Palm Oil Yield

	2012	2013
First Resources Nucleus Plantation Yield (tonnes/hectare)	5.5	4.5
Indonesian Industry Average Yield (tonnes/hectare)	4.1	4.0

## **Research and Development**

Research and development (R&D) is an integral backbone of our plantation management programme. The First Resources Research Centre, based in Riau, Indonesia, looks into continuous yield improvement and environmental impact minimisation. Our ongoing R&D activities include:

#### • Breeding programme

We invest in a number of breeding programmes with the objective of developing higher yielding planting material for our future planting and replanting activities. The programme is expected to produce its first batch of high-yielding quality seeds before the end of the decade.

## • Fertiliser usage recommendation

We use the chemical and analytical laboratories to analyse the leaves, the chemical properties of soil and the quality of fertiliser. These analyses help us to determine the optimal fertiliser dosage for individual blocks of plantation. Field trials on organic and inorganic fertilisers are also conducted to test and improve the effectiveness of the fertiliser usage recommendation.

## Crop protection

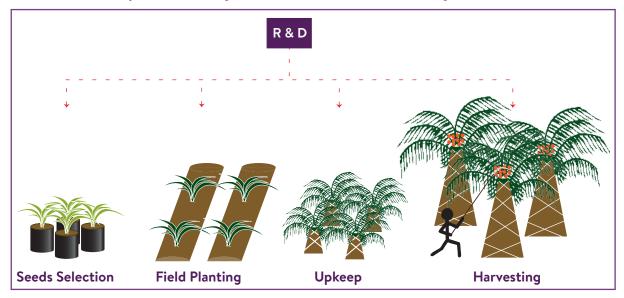
Integrated Pest Management (IPM) is implemented to protect our palm trees from pest damage and to minimise the environmental impact of our operations with the proper application of pesticides. As part of our IPM, we use the phytopathology laboratories to develop biological pest control methods and reduce our reliance on synthetic pesticides. The biological pest control methods control pest population through the use of their natural predators.

## • Soil and water management

R&D provides inputs to the use of legume cover crops, accumulation of organic matter and construction of drainage system. The use of legume cover crops and the accumulation of organic matter as soil mulch are important to increasing soil humidity, biological activity and contributing to yield improvement. A good drainage system helps to manage the water level inside the plantation blocks and to deliver palm oil mill effluent as organic fertilisers.

## • Plantation assets monitoring

Unmanned Aerial-Photographic Vehicle (UAV) is used to provide detailed field and estate mapping, oil palms stand per hectare, water channel on each block, water catchment area, bridge and other topographic data. The UAV helps us to monitor our plantations and gather the data required to improve our estate management, and subsequently the productivity of our plantations.



#### Research and Development – An Integral Backbone of our Plantation Management

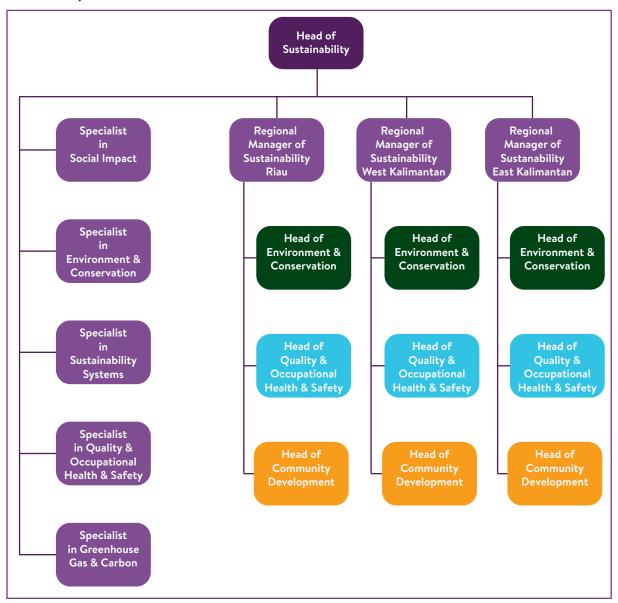
## SUSTAINABILITY TEAM

First Resources has a dedicated team in place to oversee and undertake the Group's sustainability efforts. Led by our Group Head of Sustainability who reports directly to the Chief Executive Officer, the sustainability team undertakes the following responsibilities:

- Recommends sustainability directions and targets
- Implements sustainability policies and initiatives
- Monitors and manages sustainability performance and risks
- Regularly benchmarks sustainability framework against industry standards
- Tracks international and national sustainability trends and developments

For more effective management, there is a regional sustainability team at each province that we operate in. This enables the sustainability team to work more closely with regional operations and to provide guidance in the day-to-day activities of the plantations and palm oil mills.

## **Sustainability Structure**



## SUSTAINABILITY STANDARDS AND BENCHMARKS

We are constantly strengthening our sustainability framework through regular benchmarking against standards and best practices developed by national and international industry bodies. Our sustainability commitment and progress are further affirmed when our operations are certified against these standards and benchmarks.

For the international sustainability standards, we make reference to the Roundtable on Sustainable Palm Oil, International Sustainability and Carbon Certification and the Quality, Environmental, Health and Safety management system. For national sustainability standards, we are guided by Indonesian Sustainable Palm Oil system and the Programme for Pollution Control, Evaluation, and Rating.

## Indonesian Sustainable Palm Oil System (ISPO)

The ISPO is a government led effort aimed at creating a system for sustainable palm oil production and certification that will enhance Indonesia's competitiveness in the global palm oil market and reduce greenhouse gas emissions from Indonesian oil palm plantations and operations. It is a mandatory certification scheme regulated by the Indonesian Ministry of Agriculture.

ISPO standards consist of seven principles, 40 criteria, 128 indicators and 158 guidances covering legal issues, economic, environmental and social terms extracted from 137 rules and regulations applied to oil palm plantations.

As at 31 December 2013, three of our subsidiaries representing 19,402 hectares of our plantation under management and three palm oil mills, were ISPO certified. In 2014, we are planning to conduct the ISPO audit for at least two additional subsidiaries.

## Roundtable on Sustainable Palm Oil (RSPO)

RSPO is a non-governmental organisation formed by palm oil producers, end-users and other non-governmental organisations to promote the production of sustainable palm oil. It has established eight principles, 43 criteria and 138 indicators for its certification programme. RSPO principles include commitment to transparency, compliance with applicable laws and regulations, commitment to long-term economic and financial viability, use of appropriate best practices by growers and millers, environmental responsibility and conservation of natural resources and biodiversity, responsible consideration of employees and of individuals and communities affected by growers and palm oil mills, responsible development of new plantings, and commitment to continuous improvement in key areas of activity.

We are a member of RSPO and are committed to adopting its principles and criteria. None of our estates have been RSPO certified but we aim to work towards RSPO certifications for our operations.

## International Sustainability and Carbon Certification (ISCC)

ISCC was developed for the certification of biomass and bioenergy with orientations towards reduction of greenhouse gas emissions and non-development of land with high biodiversity value or high carbon stock.

As at 31 December 2013, 48,344 hectares of our nucleus plantations and 5,019 hectares of our plasma plantations were certified under the ISCC scheme. In addition, six out of the Group's twelve palm oil mills and both our processing and our bulking facilities are ISCC certified. As a result, we are able to provide customers with a fully traceable product under the ISCC scheme.

ISCC certifications demonstrate compliance with the European Union's Renewable Energy Directives. ISCC certified products must have at least 35% of greenhouse gas (GHG) emissions savings as compared to fossil fuels which have an emission value of 83.8 grams of carbon dioxide equivalent per megajoule (referring to EU-Renewable Energy Directive 2009).

## Quality, Environmental, Health and Safety (QEHS) Management System

QEHS management system is an integrated management system which sets out international standards covering quality, environment, and occupational health and safety aspects.

ISO 9001, HACCP, and GMP+B2 standards are implemented by us to ensure the quality and safety of our products whereas ISO 14001 and OHSAS 18001 ensure that our occupational health and safety risks and environmental impact are being measured and improved.

In 2013, one of our subsidiaries obtained GMP+B2 and HACCP certifications and three subsidiaries were audited in accordance to the ISO 9001 and ISO 14001 standards. Six subsidiaries have successfully maintained their ISO 9001 and ISO 14001 certifications and two subsidiaries have maintained their OHSAS 18001 certifications. In addition, two of our subsidiaries received the highest rating (Gold Flag) from the Ministry of Manpower and Transmigration of Indonesia for the implementation of occupational health and safety management systems.

## Programme for Pollution Control, Evaluation, and Rating (PROPER)

PROPER is a national level public environmental reporting initiative developed by the Indonesian Ministry of Environment. It aims to encourage companies to adhere to environmental regulations and to achieve environmental excellence through the integration of sustainable development principles in their production process.

PROPER uses a simple five-colour rating scheme comprising gold, green, blue, red and black, to grade the different levels of pollution control practiced by factories against the regulatory standards, with gold being the highest rating and black the lowest.

In 2013, seven of our subsidiaries participated in the assessment process for PROPER. Six of our palm oil mills received blue ratings for achieving the regulatory standards.







## STAKEHOLDER ENGAGEMENT

Our sustainability strategy involves ongoing stakeholder engagement to better identify and understand their needs and concerns. We carefully map our stakeholders across the full spectrum of the Group's activities and engage them through various platforms and at different levels of our organisation. Besides delivering timely and accurate information on the Group, we concurrently gather valuable feedback from them and develop action plans to address their concerns. Our engagement with key stakeholder groups is listed in the table below.

No.	Stakeholders	Method of Engagement		Objective	Frequency
1.	Local Community	Ceremonial gatherings and festive celebrations		Promote development of sustainable oil palms Communicate Group's sustainability policies Identify community development programs to meet local needs	At least twice a year
2.	Customers	Meetings and networking sessions	•	Product quality and safety Supply chain and traceability Identifying business opportunities	Regularly
3.	Employees	Internal portal, memos and circulars	•	Update Group policies and procedures	Regularly
		Performance reviews	•	Review employees' performances and receive feedback on job satisfaction Talent retention	Twice a year
4.	Labor Unions	Focus group discussion and meetings	•	Discuss cooperative labor issues, welfare and benefits	Once a year
5.	Government and Regulatory Bodies	Reporting on compliance to local and national regulations	•	Inform the regulatory bodies on Group's compliance to applicable regulation	Once a year or as and when required
6.	Plasma Farmers	Group meetings	•	Provide guidance on plantation management best practices	Daily
			•	Communicate sustainability standards and practices	At least once a year
7.	Shareholders, Investors, Bankers and Rating Agencies	Annual General Meeting		Provide updates on industry, Group's performance and plans Seek approval and feedback	Once a year
		Conferences, meetings, site visits	•	Provide updates on industry, Group's performance and plans	Regularly

## Engagement with Key Stakeholder Groups

No.	Stakeholders	Method of Engagement		Objective	Frequency
			•	Explore capital raising or banking opportunities	
8.	Industry Associations	Meetings, gatherings and working group discussions	•	Receive updates and provide feedback on industry developments and changes in policies	As and when required
9.	Certification Bodies	Site visits for audit purposes	•	To ensure compliance and review results	As and when required
10.	Suppliers and Contractors	Meetings	•	Explore business opportunities, working contracts, tender exercises	As and when required
			•	Communicate Group's policies and standards	Once a year
11.	Non-Governmental Groups	Working group discussions	•	Discuss Group's sustainability strategy, framework and initiatives	As and when required

## **Industry Associations**

First Resources is a member of the following industry associations:

- Roundtable on Sustainable Palm Oil (RSPO)
- Indonesian Palm Oil Association (GAPKI)
- Forum on Indonesian Sustainability Palm Oil (FISPO)
- High Conservation Value (HCV) Network Indonesia

We maintain an active role in Indonesia's sustainability movement. Our Head of Sustainability chairs the Management Team of FISPO. We are also active members of the RSPO, where we participate in their Indonesia National Interpretation Working Group and the Indonesia HCV Working Group in developing the toolkit for HCV management and monitoring.

#### Shareholders and Investment Community

First Resources keeps shareholders equally and adequately informed of all major developments impacting the Group. The Group conveys material announcements through the Singapore Exchange portal (SGXNET) and on the Group's website. Financial and operational performance reports are published quarterly along with monthly production updates.

All shareholders were invited to the Annual General Meeting of Shareholders at which they had the opportunity to provide feedback and recommendations to the company as well as to review the performance, membership and remuneration of the directors. We also engage our investors in one-on-one meetings. In these meetings, we share the Group's performances and also our views on the industry.

### Customers

Our products are sold domestically as well as exported to international markets. Our direct customers include palm oil refiners, traders and fast-moving consumer goods companies. We engage our customers on a regular basis to ensure that we deliver our sales commitments, understand their requirements and at the same time, keep ourselves updated on latest industry developments.

The quality and specifications of our products are broadly based on Palm Oil Refiners Association of Malaysia (PORAM) standards and customers' requirements. During the reporting period, we have not received any significant complaints on the products that we have supplied and we remain compliant with applicable standards.

With increasing market awareness and interest in sustainable palm oil, there has been corresponding demand for palm oil traceability. The majority of our palm oil originate, and are traceable from either our own plantations or from our plasma plantations. To meet customers' requirements, we intend to incorporate additional procedures in our procurement process, in order to achieve traceability of our external palm oil inputs and extend our sustainability efforts beyond our operations.

#### **Suppliers**

Our main suppliers are our plasma smallholders, fertiliser and pesticide suppliers and contractors whom we engage to carry out land clearing activities as well as construction and maintenance of our mills and processing facilities. The selection, evaluation and procurement of our suppliers are managed in accordance to our internal procedures to ensure it is done in a fair and transparent manner. We seek to treat our suppliers fairly and ethically.

It is important to us that our suppliers are compliant to local laws and regulations. We are also conscious that we must bring our suppliers on board our journey towards higher standards of sustainability. We engage them at least annually to communicate or update the Group's code of conduct and policies with regards to compliance and sustainability. If suppliers are found to have breached regulations including labour and environmental laws, their contracts will be terminated.

We seek to use local suppliers in our operational areas in order to promote economic growth in these communities. The table below provides a breakdown of the suppliers who support our plantation, milling and processing activities, by their domicile.

#### Supplier Category (By Domicile)

	Sumatra		East Kal	imantan	West Kalimantan	
	2012	2013	2012	2013	2012	2013
Local <sup>(1)</sup>	56%	49%	81%	79%	84%	87%
National <sup>(2)</sup>	35%	47%	18%	21%	16%	12%
International <sup>(3)</sup>	9%	4%	1%	0%	0%	2%

Notes:

(1) Local suppliers are Indonesian suppliers which are located within our operational area, Sumatra, East Kalimantan or West Kalimantan.

(2) National suppliers are Indonesian suppliers which are located outside our operational area

(3) International suppliers are suppliers from foreign countries.

## SUSTAINABILITY REPORTING BY MATERIALITY

In defining the reporting content for our sustainability reports, we refer to the following GRI G4 principles:

#### • Stakeholder Inclusiveness

This principle requires the reporting company to involve stakeholders by obtaining their inputs to determine the report content and gathering their feedback on the published report.

Materiality

This principle requires the report to contain issues or aspects that are material to the stakeholders.

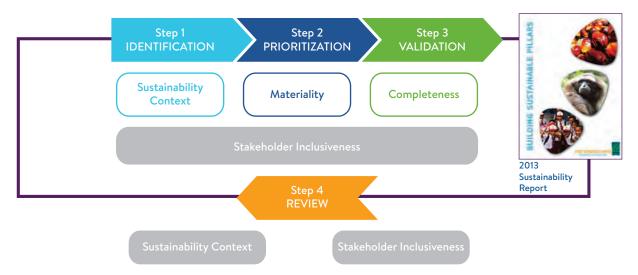
Sustainability Context

This principle requires the report to contain issues in the sustainability context that are relevant to the Group.

Completeness

This principle requires the report to be made in a clear scope for a specific reporting period and be supported by complete data for such a scope and reporting period.

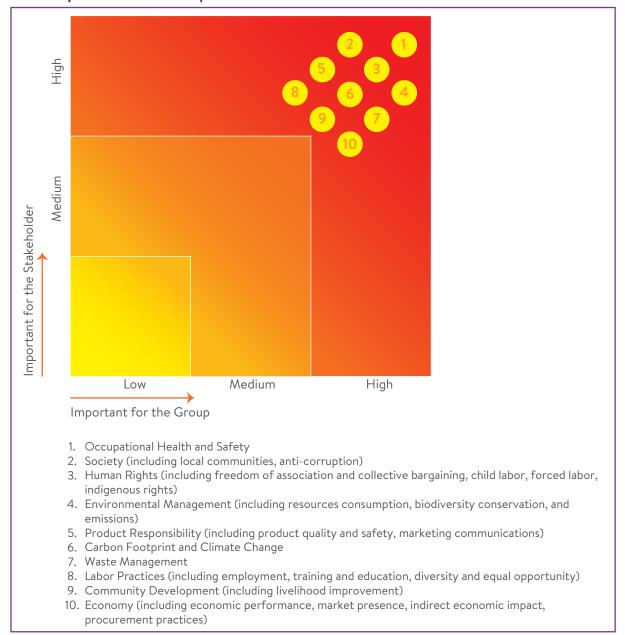
#### **Report Content Determination Process**



We have used the following methodology in preparing the contents of this report:

- 1. Identify the relevant sustainability aspects of our operations and the boundaries of these operations
- 2. Prioritise the sustainability aspects by determining their materiality
- 3. Validate the material aspects for completeness
- 4. Review previous report, including stakeholder feedback, for incorporation into this report

Cross-departmental workshops were held internally to identify issues of sustainability context, whether environmental, social or economic, that may be present within the boundaries of the Group's operations. Feedback or information received during our regular stakeholder engagement meetings were also used as inputs in identifying these sustainability issues. Through a questionnaire which we have prepared, stakeholders' opinions were obtained to determine the materiality level of the identified issues. Inputs from a wide spectrum of stakeholders were gathered, including representatives from local communities, non-governmental organisations, universities, customers, suppliers/contractors, certification bodies, employees, plasma farmers, industry associations, shareholders and local government. Based on these inputs, a materiality matrix was developed. The chart below highlights the top ten sustainability aspects that are of key concern to our stakeholders. This sustainability report focuses on addressing these key material aspects.



## Materiality Level of Identified Aspects

Validation is then conducted to ensure that the content of our report is well-balanced and covers both positive and negative progress by the Group. Feedback and suggestions that stakeholders had on our previous report were also reviewed and incorporated where appropriate.



## ENVIRONMENTAL MANAGEMENT

First Resources is committed to minimising adverse environmental impact from our operations. We strive for efficiency in material, water and energy consumption, and we integrate environmental best practices throughout our operations.



All organic plantation wastes by-products from our milling activities are reused, recovered and recycled as fertilisers or biomass fuel.



Our plantations are 100% rainwater fed.



Most of our energy consumption in our plantations and palm oil mills comes from renewable sources of palm fibres and shells that are recycled from our operations.

# **ENVIRONMENTAL MANAGEMENT**

## MANAGING ENVIRONMENTAL IMPACT

First Resources is committed to minimising adverse environmental impact from our operations. An underlying principle behind our strategy towards sustainable palm oil production is resource efficiency. We strive for efficiency in material, water, and energy consumption. We implement monitoring, assessment, and research and development activities as part of our ongoing efforts to minimise our environmental impact. Key areas that we monitor as part of our environmental management programme are described in the following sections.

## Waste Management

All organic plantation wastes and by-products from our milling activities are reused, recovered and recycled. Palm oil mill effluent (POME), empty fruit bunches (EFB), fibres and shells are the by-products of our crude palm oil (CPO) production.

## Waste Recovery and Usage

Waste	Reused, Recovered and Recycled
Empty Fruit Bunches	100% mulched as fertiliser
Mesocarp Fibres	100% used for boiler fuel and electricity generation
Shells	70-80% used for power generation at our biodiesel, refinery and
	fractionation plants
	20-30% used for boiler fuel and palm oil mill electricity generation
Palm Oil Mill Effluent	100% treated and used as fertiliser
Tree Trunks and Fronds	100% left in the plantations to decompose naturally, used as fertiliser

Treated POME is collected, returned and reused in our plantations as organic fertiliser. POME is collected in anaerobic open ponds on our estates for treatment and POME parameters are monitored regularly to ensure their compliance with the government regulated limit for effluent land application. Care is taken to ensure that no effluent would enter the rivers as surface run-off at all times. In 2013, the amount of wastewater used as organic fertiliser reached 1,696,111 cubic metres. In addition to POME, EFB are also applied to land as organic fertiliser. EFB can be applied as mulch to conserve moisture, improve soil fertility, and reduce weed growth. Fibres and shells are used to generate power in our palm oil mills and refineries for our boiler.

## Wastewater Monitoring

Parameters	Standard	2012 Average	2013 Average
Biological Oxygen Demand (milligrams/litre)	5,000	881	1,028
РН	6-9	7	8

We have an operational procedure covering hazardous waste handling activities including leakage handling. Hazardous waste streams include pesticide packaging, expired pesticides, used batteries, used lubricants and filters, empty paint cans and printer cartridges and needles from health clinics. All hazardous waste streams are 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. Facilities are inspected weekly and waste is collected by licensed third-party hazardous waste collectors. These procedures fulfil the international and national sustainability standards. Throughout 2013, there were no reported leakages in our operational areas.

## Soil Fertility Management

First Resources' soil management practices are aimed at maintaining and enhancing soil fertility and reducing risks of soil degradation posed by our activities. Our objective is to enable our oil palms to attain their full productive potential, but through minimal use of inorganic fertilisers.

For new development areas, we mechanically clear land and harness the organic contents within fallen, decomposing biomass to replenish plantation soil. This provides a rich substrate for new plantings and reduces inorganic fertiliser usage. On undulating plantations, we build terraces and silt pits to minimise soil erosion and the leaching of fertilisers and pesticides into water bodies. We also maintain buffer zones along riparian strips to protect river banks and maintain water quality.

Before the planting or during the immature phase of oil palms, our estates are planted with legume cover crops to conserve and improve soil fertility and fix atmospheric nitrogen for the trees.

We recycle all the biomass and organic by-products produced in our plantations and mills such as pruned fronds, EFB and POME and use them as organic fertilisers. This practice helps reduce the use of inorganic fertilisers. However, the use of such organic fertilisers alone is not sufficient to maximise the potential of the palms. Our research team therefore conducts site specific leaf and soil analysis to recommend the amount of inorganic fertiliser required to create a balanced nutrition programme.

## Fertiliser Usage

Fertiliser Type	2012	2013
Inorganic Fertiliser (tonnes)	112,461	124,507
Empty Fruit Bunches (tonnes)	378,720	359,449
Palm Oil Mill Effluent (litres)	1,423,108	1,696,111

## Pest Control Management

Integrated Pest Management (IPM) is the practice of using a range of strategies to sustainably maintain pest populations within economic thresholds while causing minimal harm to local ecosystems. We adopt the IPM approach in managing pest in our plantations. Biological controls are introduced where possible, to reduce risks that could be caused by the release of chemicals into the ecosystem. We only use pesticides which are registered with and permitted by the Ministry of Agriculture.

Oil palm pests include rats, rhinoceros beetles, bunch moths, bagworms and nettle caterpillars. Barn owls are used in our plantations as a biological control agent for fresh fruit bunches (FFB) eating rat populations. In 2013, First Resources maintained 1,636 owl nest boxes in Riau that supported an estimated population of over 1,300 common barn owls. We also established beneficial plants including *Cassia cobanensis*, *Antigonon leptopus*, *Turnera subulata*, *Cordyceps entomopathogenic*, and *Carambola sp*. These plants encourage parasites and attract predators of palm leaf-eating pests such as bagworms and caterpillars.

## **Pesticide Consumption**

Pesticide Type	2012	2013
Liquid Pesticide (litres)	420,431	341,987
Solid Pesticide (kilograms)	18,297	18,915

## Water Consumption

Our plantations are 100% rainwater fed and most of our water consumption is for our milling processes. In 2013, 2.3 million cubic metres  $(m^3)$  of water was used to process our FFB. Most of this water was drawn from the rivers near our operational areas. During the milling process, approximately 50% of the water evaporates in the steam boilers, while the balance will be treated, reused and returned to our plantations as fertilisers.

We monitor our water consumption per FFB processed to ensure efficient use of water. In 2013, water consumption per FFB processed decreased to  $1.02 \text{ m}^3$ /tonne from  $1.06 \text{ m}^3$ /tonne in 2012. So far, we do not have any complaints with regards to our river water consumption.

## Water Consumption for FFB Processing

	2012	2013
Water Consumption (cubic metres)	2,398,586	2,315,570
Water Consumption per FFB Processed (cubic metres/tonne)	1.06	1.02

## **Energy Consumption**

We use fossil and biomass fuel in our operations. Diesel is used to run heavy equipment and vehicles. Small quantities of diesel are also used to ignite boilers before the feed is switched to biomass fuels. Waste materials from our production, fibres and shell, are recycled and used as biomass fuel to generate power for our boilers. In 2012 and 2013, most of our energy consumption in our plantations and palm oil mills came from renewable sources.

## Energy Consumption from Renewable Sources

	2012		2013	
	Volume (tonnes)	Energy (gigajoule)	Volume (tonnes)	Energy (gigajoule)
Palm Kernel	79,003	1,552,251	79,996	1,571,761
Palm Fibre	267,017	5,270,923	287,347	5,672,239

## Greenhouse Gas (GHG) and other Air Emissions

Calculating our carbon footprint is the first phase of our commitment towards developing a GHG emissions reduction target. In 2011, we began the process of calculating our carbon footprint using the ISCC 205 GHG emissions calculation methodology, starting with biodiesel conversion at our processing facilities. Since then, we have extended the GHG emission to include our plantation and palm oil mills operations in Riau including transportation within the plantations and transportation to the refineries.

As at the end of 2013, six of our nucleus plantations, with an aggregate plantation area of 48,344 hectares, received ISCC certifications. We measured the carbon footprint of these ISCC certified plantations, using the ISCC 205 GHG emissions calculation methodology. ISCC certified products must have at least 35% of GHG emissions savings as compared to fossil fuels which have an emission value of 83.8 grams of carbon dioxide equivalent per megajoule (referring to EU-Renewable Energy Directive 2009).

In 2012 and 2013, the GHG emission value of biofuels output from these six plantations was below 23.2 grams of carbon dioxide equivalent per megajoule. The GHG emissions from the use of our biofuels were therefore at least 72% less than the use of fossil fuels, which met the ISCC GHG emission requirements. By 2014, we intend to extend the measurement of our carbon footprint to cover twelve mature plantations.

In line with prevailing Indonesian regulations, First Resources avoids planting on extensive area of peat soils and other fragile soils. Peat presence in soil is identified during High Conservation Value (HCV) assessments. On peat areas, we ensure groundwater levels are between 50 centimetres and 75 centimetres deep to prevent subsidence and carbon dioxide emissions.

First Resources has a strict zero-burning policy in our land clearing process. Instead, we mechanically clear land in preparation for new plantings and harness the organic contents within fallen, decomposing biomass to replenish plantation soil. Our zero-burning policy is communicated to both employees and contractors and any non-compliance can result in termination of employment or contracts.

Steam boilers are the primary source of palm oil mill air emissions. To minimise emissions, boilers are installed with dust collectors. Automated feeds maintain stable combustion conditions, while air and steam pressure gauges measure combustion completeness. Boilers undergo regular maintenance checks and palm oil mill emissions are monitored regularly for sulphur dioxide (SO<sub>2</sub>) and nitrogen dioxide (NO<sub>2</sub>) emission levels. Based on the national regulations, the maximum emissions limit for SO<sub>2</sub> is 600 miligrams/cubic metre. Our SO<sub>2</sub> and NO<sub>2</sub> emissions are below the statutory limits.

## Air Emission Monitoring

Emission	Standard	2012	2013
		Average	Average
SO <sub>2</sub> (miligrams/cubic metre)	600	63	59
NO <sub>2</sub> (miligrams/cubic metre)	800	60	72



## **Fire Precautions**

Our plantations are vulnerable to forest fires that can ignite due to extreme dry and hot weather, accidents, or deliberate slash and burn agriculture practices. These fires not only release air pollutants that affect air quality, but are also hazardous risks to our plantation assets and our workers.

To safeguard our plantations against such fire risks, we have fire hazard monitoring and management processes in place. Measures include:

#### • Satellite monitoring

We detect and monitor hotspots by using satellite information and overlaying them with our plantation boundary maps. Ground verification is then conducted on satellite hotspots that appear within our plantation boundaries.

#### • Fire danger index

We have developed a fire danger index to help us assess fire risks. The index is determined by taking into account four important factors - humidity level, number of days without any rainfall, total rainfall in the past 15 days, and general condition of vegetation (grass) in the estate.

#### • Mapping of fire-prone areas

We map fire-prone areas in all of our plantations and the maps are regularly updated to ensure accuracy. Warning signages are placed near the fire-prone areas to alert and increase the awareness among our employees, contractors, and others who have access to these areas.

#### • Daily patrols and briefings

Our security personnel conduct daily patrols focusing on identified fire-prone areas, worker housing areas and areas adjacent to local villages. We also increase the frequency of patrols during dry seasons. In addition, all workers are reminded during their daily briefings to report any fires spotted within our plantations and its surrounding areas.

#### Establishing watch towers

We establish watch towers within our plantations, where necessary, to improve fire detection.

#### • Maintaining a competent firefighting team

We maintain firefighting teams in all our plantations. These teams are equipped with up-to-date fire-fighting equipment and proper skills through regular trainings and fire drills.

Should a fire be detected within or near our plantations, the fire management team will be mobilised to extinguish the fire. Employees and villages nearby will be alerted and the evacuation protocol will be executed. Assistance from the local fire department will be sought if necessary. We document and report any incident of fire within or near our plantations to the local authorities. Further investigations will also be carried out to determine the origin and cause of fire.



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## **BIODIVERSITY CONSERVATION**

Biodiversity conservation is a major part of responsible agriculture and landscape planning. Indonesia has a rich and immensely varied ecosystem and we recognise the importance of protecting the habitats of rare and endangered species as part of sustainable palm oil production. Our conservation priorities include forest sustainability, river bank integrity, water source preservation, soil health, ecosystem vitality, and species preservation.

## **Conserving HCV Areas**

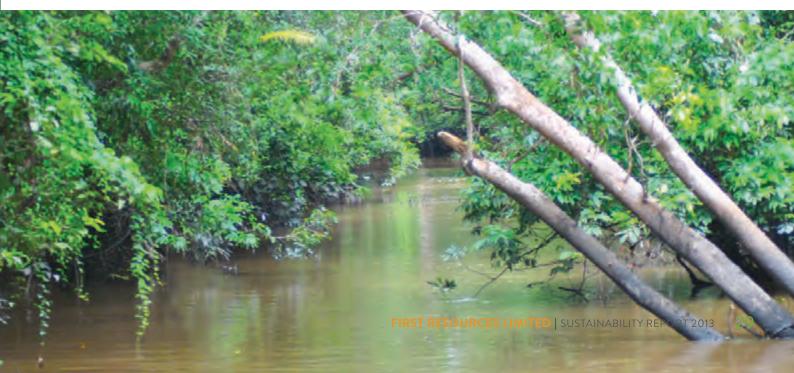
HCV areas are wildlife habitats, rare ecosystems and cultural areas found across land concessions for development and in our existing plantations. We conduct HCV assessments for our new development area. Approximately 5% of the assessed area was identified as HCV areas. In the assessment, assessors evaluate habitat quality, soil conditions, peat presence, river quality, and community cultural identity.

Identified HCV areas are demarcated and monitored. Signboards are placed at strategic spots to highlight HCV areas. We have introduced HCV awareness programmes at a few of our estates to educate our workers and local communities the importance of biodiversity conservation and to inform and guide them on the restrictions imposed on HCV areas. Rehabilitation is also conducted to restore degraded HCV areas back to their prior conditions. We plant multi-purpose trees species which carry economic value, such as Matoa (*Pometia sp.*) and Durian (*Durio sp.*).

## **Endangered Species**

As at the end of 2013, there were 1,341 species of flora and 273 species of fauna identified in our existing plantations and developmental areas during our HCV assessments. These species were spread throughout the island of Sumatra and Kalimantan. The habitats of these species were classified as HCV areas to be conserved. Our IUCN Red List species are listed on page 51 of this report.

We have a policy against hunting, injuring, possessing and killing of rare and endangered wildlife within our plantations. Any infringement of this policy will result in disciplinary measures, including termination of employment. We have also collaborated with local conservation agencies on the management of rare and endangered species and on educating local communities on the importance of conserving such species.





## COMMUNITY ENGAGEMENT AND DEVELOPMENT

We firmly believe that the cultivation of oil palm is an effective way to create jobs, alleviate poverty, and improve livelihoods in rural areas. We invest in healthcare, education and infrastructure development as part of our commitment towards community growth and empowerment.

We have more than 20 health clinics in our plantation estates, serving our employees, their families, as well as local community members.



We manage 27 schools located within our plantation estates, educating more than 2,200 students across these schools.



Our plasma partnership programmes provide sustainable incomes for thousands of smallholders, directly impacting local economic growth and living standards.

## **COMMUNITY ENGAGEMENT & DEVELOPMENT**

## **COMMUNITY ENGAGEMENT**

We recognise that wherever we operate, the acceptance and support of the local communities is central to our sustainable growth. While we firmly believe that the cultivation of oil palm is an effective way to create jobs, alleviate poverty, and improve livelihoods in rural areas, we understand that the establishment of plantations can create major changes for local communities and indigenous people.

Community engagement is therefore a key principle of our sustainability framework and we are continually reviewing and strengthening our processes in areas such as mediation, conflict management and participatory planning.

## Free, Prior and Informed Consent (FPIC)

We respect the customary rights of the local and indigenous communities to their land and commit to ensuring free, prior and informed consent from these communities before commencing any operations.

When the company is granted a location permit (Ijin Lokasi) for new development areas, we identify the local communities living in the area and conduct socialisation before commencing any operations. The socialisation usually consists of informing the communities of the company's permit, government and company policies regarding land compensation, development plans, land valuation approach, process of verifying land ownership and requirement for proof of ownership, and procedures for land measurements and compensation.

After the socialisation and the completion of the due diligence process, compensation will be made to those who have accepted the company's offer for their land. All land transfers are documented and witnessed by members of the local government.

## **Conflict Management**

We are supportive of responsible and peaceful resolution of conflicts that may arise due to our operations. Land disputes involving rightful land ownerships are among the common conflicts that we come across. We believe in working with the relevant stakeholders to ensure that conflicts are resolved through a process that is agreed upon by all appropriate parties.

In 2012, one of our subsidiaries received a complaint alleging the company of working on community land without first obtaining FPIC from the landowners. We have provided more details of this complaint in the following section. The root cause of the complaint stems from unsettled conflict over village boundaries. In 2013, we started to facilitate conflict resolution with the involvement of relevant stakeholders. We will provide progress updates on this conflict resolution in our next sustainability report.

## **Facilitating Conflict Resolution**

In this section, we highlight an unresolved land conflict within the concession area of a subsidiary. PT. Borneo Surya Mining Jaya (BSMJ). This concession area is home to several existing communities, whose village boundaries were cletermined by the local authorities. However, some members of Muara Tae community disagree on the boundaries that were drawn up, in particular the boundary between their village and that of the Muara Ponag community. This clisagreement led to a legal suit filed against the local government in the State Administration Court.

When BSMJ obtained its location and plantation permits to the area in 2010, it relied on the government's demarcation of village boundaries to conduct its socialisation and FPIC process. FPIC was obtained and compensation paid to the Muara Ponag community before the company commenced work. However, the rightful ownership of the land continues to be challenged by members of the Muara Tae community. This escalated into a complaint filed to RSPO, that alleged the company of working on the land of the Muara Tae community without obtaining their FPIC.

To address the conflict, BSMJ has since halted development activities on the disputed area. An independent Certification Body (Moody International Certification) was appointed to assess the complaint and a third party consultant, Lingkar Komunitas Sawit (Links), was subsequently engaged to develop a roadmap with the objective of resolving the conflict. The roadmap consists of six phases and is expected to be completed by 2015. A key task of the roadmap is to facilitate a participatory mapping process involving relevant parties, such as the local government and the communities of Muara Tae and Muara Ponaq. We have started implementing the roadmap in 2014 and we continually welcome relevant parties, such as the RSPO and the complainant, to be involved in the process.

In response to the complaint, the Group has also reviewed, strengthened and revised its standard operating procedures with regards to FPIC and conflict resolution.

#### PLASMA PROGRAMME

First Resources works with local smallholders through plasma schemes partnerships. Under these schemes, the company assists plasma farmers in developing and managing their plots up to a predetermined stage, typically when the trees reach productive ages, before the management of the plasma plots are handed back to the plasma farmers. The plasma farmers will sell their harvests from their plots to the company at government-determined prices. These partnerships provide sustainable incomes for thousands of smallholders, directly impacting local economic growth and living standards.

As at the end of 2013, we partnered with more than 10,000 smallholders on 21,869 hectares of oil palm plantations, representing 13% of the total plantation area managed by First Resources. Throughout these years, First Resources' field officers provided practical training, quality seed stock, advice on fertiliser and pesticide procurement and usage, exposure to new farming technologies, assistance with land titling and transportation of FFB to palm oil mills.

#### **Plasma Programme**

	2012	2013
Plasma Area (hectares)	20,598	21,869
Plasma FFB Production (tonnes)	244,240	217,771

In addition to implementing best practices at our own nucleus estates, we are also committed to raising the sustainability standards of our plasma farmers, as smallholders account for more than 40% of Indonesia's palm oil production. We have successfully helped five of our plasma estates, representing 5,019 hectares, to achieve ISCC certification.

### **COMMUNITY DEVELOPMENT**

In addition to the plasma scheme partnerships with smallholders, we establish and implement community development projects as an affirmation of the Group's commitment to community growth. First Resources' community development programmes are structured around education, healthcare and infrastructure.

In 2013, we ran a series of community development activities in more than 60 villages which were classified as Ring 1 villages. These villages are those located within or adjacent to First Resources' estates and are therefore those directly impacted by our operations.

#### **Community Development Programmes**



Our Community Development Officers (CDO) are the chief liaison for community members. They are in the field meeting estate residents and locals, building relationships and mapping ambitions, concerns and resources. Typical tasks include collecting data on village living conditions and population numbers, brainstorming new development activities with community members, designing and proposing new community development programmes to the regional managers and sustainability coordinators, implementing projects with local residents, liaising with local government agencies regarding community development, and presenting and explaining First Resources' operational activities, environmental impact, and environmental and social programmes.

## Education

We recognise that education is a key pillar to community growth. We promote literacy for the next generation by increasing communities' access to quality formal education.



Currently the Group manages 27 schools located within our plantation estates. These consist of nine kindergartens, 12 primary schools, three secondary schools and three high schools. As at the end of 2013, we have more than 200 teachers, educating more than 2,200 students across our schools. The education practices adopted by these schools are similar to those managed by the local government. The Group contributes to the schools' facilities and teachings aid such as furniture, computers, electricity generators and books.

All children of employees working on the estates are provided free education at our schools. Through Fangiono Foundation or "Yayasan Fangiono", the Group provides education funding and assistance in the form of scholarships to the communities. In 2013, the Group awarded scholarships to 400 primary, secondary, and high school students. Scholarships were awarded to high-scoring children from under-privileged families and recipients were selected by the local government's education department. Priority was given to students from Ring 1 families. Furthermore, the Group supported 202 local teachers by supplementing their income.

#### **Scholarship Programme**

	2012	2013
Scholarship Recipients (students)	379	400
Supplementary Income Recipients (teachers)	186	202

In addition to the scholarship programme, the Group has developed an internship programme. This programme is run in collaboration with more than 15 universities in Indonesia, including INSTIPER Yogyakarta, Bogor Agricultural University, STIPAP Medan, UGM Yogyakarta, UIR Pekanbaru, University of Indonesia, Jenderal Soedirman University of Purwokerto, Catholic University of Santo Thomas Medan, and Syiah Kuala University of Banda Aceh. Our internship programme offers students an opportunity to apply what they have learned, expand their knowledge and benefit from invaluable on-the-job experience. In 2013, 353 students from the cooperating universities participated in our internship programme, of which 132 stayed on to work for First Resources.

#### Internship Programme Participants

	2012	2013
Internship Programme Participants	310	353
Continue to Work for First Resources	205	132



#### Healthcare

We believe access to medical care is a basic amenity and we have built more than 20 health clinics in our estates, staffing them with qualified medical professionals to serve our employees and their families. These clinics are also open to local community members. At least one doctor and two nurses are placed in each clinic. The operating hours of our clinics are longer than health posts that are managed by the local government. Medical services such as polio, measles and tuberculosis immunisations are available to the communities upon request.

In addition to these health clinics, we have established the "Be Healthy with First Resources" programme, which aims to improve the well-being of the local communities and increase their awareness of healthy living. Initiatives in the programme include:

#### • Roving Doctor (Dokter Keliling)

We provide free medical treatments for the elderly, pregnant women and infants. In addition, we provide assistance in the form of medicine, milk, biscuits and baby food for the patients.

#### • Healthy School Children Initiatives (GASS - Gerakan Anak Sekolah Sehat)

We conduct free treatments which focus on the teeth, mouth, and digestive systems of school children.

#### • Circumcision Programme

We conduct free circumcision for under-privileged children who have reached the proper age to receive circumcision.

#### • Fogging

Malaria is still a major problem for certain rural areas in the Riau province. We conduct free fogging with priority for residential areas which are prone to malaria.

#### • Employee Blood Donation Initiative

We work with Indonesia Red Cross Society to conduct blood donation. Through this programme, our employees donate blood as part of our efforts to fight malaria and dengue.

#### "Be Healthy with First Resources" Programme

Programmes	2012	2013
Roving Doctor (persons)	2,471	876
Healthy School Children Initiatives (children)	2,306	1,300
Circumcision (persons)	449	61
Employee Blood Donation Initiative (persons)	128	-
Fogging (housing units)	1,270	1,280

#### Infrastructure

Infrastructure development can help to foster economic opportunities, hence improving living standards. We consult local village leaders on which community infrastructure projects to support. Besides enabling us to run our operational activities more efficiently, better infrastructure enable local communities, including farmers, cooperatives, associations, businesses and local government, to have better access to healthcare facilities, educational facilities and markets.

In 2013, most of our infrastructure projects were conducted in East and West Kalimantan, which are our new development areas. We built 465 kilometres and repaired 1,050 kilometres of roads and bridges which improved access for the communities. We also contributed in building places of worship and clean water facilities. Local support for infrastructure projects is usually high.

#### St. Mikael Church

We are supportive of ethnic and religious diversity. At Simpang Dua Ketapang, West Kalimantan, the Group provided financial assistance for the construction of St. Mikael Church. The church is planned for completion in 2014 and expected to be able to accommodate 750 churchgoers.

#### **Promoting Local Enterprises**

Local communities all want increased prosperity. Many aspire to become businessmen or successful independent smallholders. The Group helps fulfil these ambitions through the development of the plasma programme. In areas where the communities cannot grow oil palms, the Group also helps them in setting up other businesses such as maize cultivation, cattle farming, and weaving. We also promote local enterprises by using local transporters to move our products and engaging local contractors for land preparation, planting and other services that support our operations.



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### EMPLOYEE RELATIONS

We are committed to being a responsible employer by continuously providing appropriate skills training to our employees, understanding their aspirations, upholding their rights, and taking care of their welfare.



We offer job opportunities to all based on competence, skills and experience, regardless of ethnicity, race, religion, or gender.



In 2013, our Learning Centre facilitated 8,944 hours of training to 1,600 participants. Continual on-the-job training and mentorship is provided by managers and supervisors.



Occupational Health and Safety Management Systems are implemented in our estates to provide a safe and healthy working environment for our employees.

# **EMPLOYEE RELATIONS**

Employees are a key asset. We are committed to being a responsible employer by continuously providing appropriate skills training to our employees, understanding their aspirations, upholding and protecting their rights, and taking care of their welfare by providing a safe working environment.

As at the end of 2013, we had a total of 18,686 employees spread across our operational areas in Riau, Jakarta, West Kalimantan, East Kalimantan, and Singapore. The majority work on our plantations and palm oil mills. We strive to employ local people originating from our operational areas. This gives us a better understanding of the local culture and helps us contribute to the growth of the local economy through job creation.

#### Employee Distribution (as at the end of 2013)

By Position	Total Employees
Senior Management	44
Middle Management	226
Workers	15,178
Contract Workers	3,238

By Operational Areas	Total Employees
Jakarta	152
Riau	10,421
West Kalimantan	7,019
East Kalimantan	1,066
Singapore	28

By Gender	Total Employees
Male	17,316
Female	1,370



#### **RESPONSIBLE EMPLOYMENT PRACTICES**

#### **Equal Opportunities**

The Group believes in equal opportunities for all. We offer job opportunities based on competence, skills and experience, regardless of ethnicity, race, religion, or gender. We treat all employees equally and reward them fairly based on merit.

However, due to the manual work nature of the plantation activities, our plantation and mill workers are predominately male dominated. While male workers perform heavier physical tasks, like harvesting FFB and carrying them to trucks for transport to the palm oil mills, women are assigned tasks like weeding, fertilising and collecting loose fruits that have fallen on the ground. At the end of 2013, we had 1,370 female employees in the Group, representing 7% of our total employee headcount.

#### Forced and Child Labour

In accordance with national labour laws and regulations, the Group does not tolerate forced labour or the employment of under-aged children. 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. It is against First Resources' policy for children under the national working age to assist their parents in our plantations. We provide day care facilities at the plantations and employees with children are required to leave their children in the day care centres before they enter the plantations.

#### Freedom of Association and Industrial Relations

The Group supports the freedom of all employees to form unions as a channel to communicate their expectations and aspirations. Each subsidiary and their labour union representatives have agreed upon a Collective Labour Agreement which is aimed at protecting the employees' and the Group's rights and obligations. All our employees are protected by the Collective Labour Agreement. It serves as a legal basis with regard to employee rights and obligations, namely, industrial relations, working hours, remuneration, out-of-post assignments and transfers, social security and welfare, occupational health and safety, as well as employment termination.

We hold focus group discussions and meetings at least once a year with the labour unions which aim to take into consideration the aspirations, suggestions, inputs and criticisms from our employees. All employees can also convey their aspirations through the human resource department. The Group communicates all changes related to employment via emails, circulars, or its internal portal.



#### **REMUNERATION AND BENEFITS**

The level of remuneration and benefits we offer depends on the performance, competency, level of achievement and the amount of responsibility undertaken by the employee.

#### Minimum Wages and Benefits

The minimum wage in Indonesia differs from province to province as it is set by provincial and district authorities. We comply with the minimum wages stipulated by the local government. Employees also have variable components in their remuneration which are linked to individual and Group performance. We also provide additional benefits to our employees and the benefits received by permanent employees differ from that received by non-permanent employees.

#### Local Minimum Wage

Operational Area	Local Minimum Wage 2013
Riau	Rp 1,400,000
West Kalimantan	Rp 1,060,000
East Kalimantan	Rp 1,752,073
Jakarta	Rp 2,200,000

#### Estate Living

We aim to provide a safe and healthy living environment for our employees and their families living on the estates. Currently, the following services and amenities are provided to our estate employees:

- Housing and sanitation for permanent employees
- Potable water and electricity
- Medical care in our clinics
- Education for children of our employees in our schools
- Proper road infrastructure within the estate and leading to the main roads
- Proper facilities for recreation and worship
- Emergency response equipment such as first aid kits and fire extinguishers



#### HUMAN DEVELOPMENT

Recruiting, developing and retaining talented people are a priority. We are continuously investing and improving our human development programme to strengthen our human capital.

#### Recruitment

The First Resources Learning Centre runs three 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 soft skills required to work in First Resources' estates and palm oil mills.

As part of our recruitment drive, we formed partnerships with universities in Java and Sumatra providing internships for undergraduates and vocation school students. The internship programme gives students exposure to administrative environments, plantation activities and palm oil mill operations.

#### **Training and Development**

Every year, our Learning Centre will compile the training needs of our employees. Training needs will be prioritised in line with the Group's business and operational requirements. We have regular training programmes which include field assistant training, mill assistant training, administration assistant training, and foreman training. Non-regular training programmes include topics such as harvesting management, fertilising management, e-plantation system, seven tools management, problem solving and decision making. Training is provided by First Resources' coaches and specialist vendors. In 2013, the average number of training days per staff was 2.1 days. Continual on-the-job training and mentorship is provided by managers and supervisors.

#### **Training Realisation**

	2012	2013
Training Programmes	34	55
Training Hours	7,776	8,944
Training Participants	782	1,600

#### **Performance Evaluation**

We conduct performance reviews with our employees twice a year. The main objective is to identify individual strengths and weakness, suitable career paths and relevant training so that the employee's performance and potential can be increased. It is also a platform for us to provide feedback, improve communication and understand the needs of our employees.

**IMITED** SUSTAINAR

#### **OCCUPATIONAL HEALTH AND SAFETY**

We are committed to providing a safe and healthy working environment for all employees. We progressively implement the Occupational Health and Safety (OHS) Management System in our estates. The OHS Management System complies with local regulations, which includes hazard identification and prevention, risk assessment and management, programme evaluation and continuous management system improvement.

As at the end of 2013, we have more than 540 employees who are members of the Health and Safety Committees which comprise management and staff representatives. They are responsible for identifying potential hazards, evaluating these potential hazards, recommending corrective actions, following up on implemented recommendations, providing employees with education and training, and developing a grievance mechanism. In addition, we have more than 900 employees who are members of the Emergency Response Team (ERT). Should a crisis occur, the ERT will be mobilised to respond to the crisis in accordance with the Group's policies and procedures.

OHS messages are delivered daily through morning meetings. In addition, we have OHS manuals and procedures, working instructions, first aid practices, emergency responses and other health and safety activities to ensure all employees are aware of the health and safety risks related to their jobs. OHS aspects are also incorporated into the Collective Labour Agreement with the workers' union. It includes provisions such as equipping estate workers with personal protective equipment and setting up of a Health & Safety Committee.

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

We aim to reduce accidents, injuries and fatalities in our operations. Every work accident is recorded and evaluated. Recommendations made are then implemented to prevent or reduce recurrence of similar incidents.

The main hazards in plantations are falling sharp fronds and bunches during the harvesting process and sharp fronds on the ground. To minimise risk of injury in our plantations, all harvesters are provided with safety helmets, gloves and boots. Hazards in the palm oil mills include overhead sling conveyors, slippery floors, hot steam and loud noises. Workers are briefed at daily shift meetings to reinforce safety vigilance.

In 2013, we recorded 2,861 cases of injuries within the Group's plantations and palm oil mills. Most of these cases were minor injuries except for two cases. We regret to report that one of these led to fatality. We have provided support and financial assistance to the bereaved family.

In 2012, we recorded 1,866 cases of injuries and zero fatalities. In recognition of our good OHS management and implementation, three of our subsidiaries received Zero Accident Awards by the Regional Office of Manpower and Transmigration Department.

#### Health and Safety Performance

	2012	2013
Fatalities	-	1
Injuries	1,866	2,861
Lost days to Injury	4,689	7,127



### GUNAKAN MASKER DAN SARUNG TANGAN

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041155	CHILD LABOR	
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Indicator	Disclosure	Page
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\* AR 2013 : Annual Report 2013

## **GLOSSARY**

#### **Biodiversity**

The variety of life in an ecosystem

Biofuel

Fuel derived from non-fossilised organic matter

#### Biological oxygen demand (BOD)

A measure of the organic quality of water

#### CO<sub>2</sub> equivalent

A measure to compare emissions from greenhouse gases based on their global warming potential

#### Crude Palm Oil (CPO)

An edible vegetable oil from oil palm trees

### Effluent

Liquid waste

#### Empty Fruit Bunches (EFB)

The remaining plant matter once the oil palm matter fruitlets have been removed **Person** 

#### Free Prior and Informed Consent (FPIC)

The principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or use

#### Fresh Fruit Bunches (FFB)

Newly-picked oil palm bunches bearing fruitlets

#### Global Reporting Initiative (GRI)

A non-profit organisation providing sustainability reporting guidelines

#### Greenhouse gases (GHG)

Gases, such as carbon dioxide, methane and nitrous oxide, which trap solar radiation and contribute to climate change and ozone destruction

#### High Conservation Value (HCV) areas

Habitat containing exceptional or critical species, ecosystems, and social value

#### Indonesia Sustainable Palm Oil (ISPO)

The mandatory national sustainable palm oil standard

#### Integrated Pest Management (IPM)

An environmentally-sensitive combination of pest control methods to reduce use of pesticides and minimise risks to human health and the ecosystem

### International Sustainability and Carbon Certification (ISCC)

A global biomass and bioenergy certification scheme IUCN RED LIST

A list for assessing the extinction risks of species **Mesocarp** 

The fleshy layer of the oil palm fruit from which palm oil is extracted

#### Nucleus estates

Oil palm plantations that are owned and managed by the Group

#### Palm kernel (PK)

The innermost part of the palm oil fruit

#### Peat

Organic soil-like material comprising dead plant matter

#### Personal Protective Equipment (PPE)

Safety clothing and accessories

#### Plasma estates

Oil palm plantations that are developed by and managed by the Group for the economic benefit of smallholders

### Palm Oil Refiners Association of Malaysia (PORAM)

A voluntary, non-profit organisation representing palm oil refiners in matters related to the industry. PORAM contracts are recognized worldwide as trading rules/standards for trade of palm oil/palm kernel oils

#### PROPER

The Indonesian Ministry of Environment's corporate environmental performance rating programme (Program Penilaian Peringkat Kinerja)

#### Roundtable on Sustainable Palm Oil (RSPO)

A non-profit association representing stakeholders within the palm oil industry, with an objective of promoting the growth and use of sustainable oil palm products

#### Stakeholders

Individuals and groups that can affect or be affected by an organisation's activities

# **IUCN RED LIST**

The International Union for Conservation of Nature (IUCN) Red List sets out the precise evaluation criteria on the extinction risks of endangered species. The table below shows species found on our estates during our HCV assessments that have a "Near Threatened" or higher status.

#### Fauna

Local Name	Scientific Name	Local Name	Scientific Name		
<mark>Endangered</mark> Bekantan Buaya Sapit Buaya Senyulong Lutung Simpai	Nasalis larvatus Tomistoma schlegelii Tomistoma schelegei Presbytis melalophos	Orang Utan Owa Ungko Trenggiling	Pongo pygmaeus Hylobates albibarbis Manis javanica		
Vulnerable Babi Jenggot Bajing Terbang Pipi Jingga Bangau Tong Tong Berang-berang Wregul Berang-berang Air Berencet Kalimantan Beruang Madu Beruk	Sus barbatus Petinomys vordermanni Leptoptilos javanicus Aonyx cinerea Aonyx cinerea Ptilocichla leucogrammica Helarctos malayanus Macaca nemestrina	Cucak Rawa Gelatik Jawa Krabuku Ingkat Kukang Bukat Lutung Dahi Putih Punai Besar Rusa Sambar	Pycnonotus zeylanicus Padda oryzifora Tarsius bancanus Nycticebus coucang Presbytis frontata Treron capellei Rusa unicolor		
Near Threatened Bajing Dua Warna Betet Ekor Panjang Celepuk Merah Cica-daun Kecil Kadalan Beruang Kangkareng Hitam Kuau Raja Lutung Abu Lutung Kelabu Madi Hijau Kecil	Ratufa bicolor Psittacula longicauda Otus rufescens Chloropsis cyanopogon Phaenicophaeus diardi Anthracoceros malayanus Argusianus argus Trachypithecus cristatus Trachypithecus cristatus Calyptomena viridis	Pecuk Ular Pecuk Ular Asia Pelatuk Raffles Puyuh Sengayan Sempidan Biru Sempur-Hujan Darat Takut Tutut Tepus Telinga- Putih Tepus Tunggir Merah	Anhinga melanogaster Anhinga melanogaster Dinopium rafflesii Rollulus rouloul Lophura ignita Eurylaimus ochromalus Megalaima rafflesii Stachyris leucotis Stachryis maculata		
Flora					
Flora					
Flora Local Name	Scientific Name	Local Name	Scientific Name		
	Scientific Name Dryobalanops aromatica Gaertn.f. Dryobalanops aromatica Gaertn. Dipterocarpus costulatus V. SI. Shorea palembanica Miq. Parashorea lucida (Miq.) Kurz Shorea kunstleri King. Shorea ovalis	Local Name Meranti Pakit Meranti Putih/Lempung Merawan Nyerakat Hitam Pakit Tengkuyung Tengkurung	Shorea hopeifolia Sym. Shorea lamellata Hopea mengerawan Miq. Hopea beccariana Burck. Shorea induplicata Sloot. Dipterocarpus borneensis Slooten		
Local Name Critically Endangered Kapur Keladan Keruing Majau Meranti Batu Meranti Merah	Dryobalanops aromatica Gaertn.f. Dryobalanops aromatica Gaertn. Dipterocarpus costulatus V. SI. Shorea palembanica Miq. Parashorea lucida (Miq.) Kurz Shorea kunstleri King.	Meranti Pakit Meranti Putih/Lempung Merawan Nyerakat Hitam Pakit Tengkuyung	Shorea hopeifolia Sym. Shorea lamellata Hopea mengerawan Miq. Hopea beccariana Burck. Shorea induplicata Sloot.		
Local Name Critically Endangered Kapur Keladan Keruing Majau Meranti Batu Meranti Batu Meranti Merah Meranti Merah/Jawar Endangered Engkajang	Dryobalanops aromatica Gaertn.f. Dryobalanops aromatica Gaertn. Dipterocarpus costulatus V. SI. Shorea palembanica Miq. Parashorea lucida (Miq.) Kurz Shorea kunstleri King. Shorea ovalis Shorea argentifolia Symington	Meranti Pakit Meranti Putih/Lempung Merawan Nyerakat Hitam Pakit Tengkuyung Tengkurung	Shorea hopeifolia Sym. Shorea lamellata Hopea mengerawan Miq. Hopea beccariana Burck. Shorea induplicata Sloot. Dipterocarpus borneensis Slooten		

## FEEDBACK AND CONTACT DETAILS

We value your comments and suggestion to help us improve our sustainability reporting.

Please email your feedback to sustainability@first-resources.com.

If you prefer, you may mail your feedback to us at the address below.

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