

# CORPORATE GOVERNANCE

First Resources Limited (the “Company”) is committed to maintaining high standards of corporate governance through transparency and effective disclosures. The Board and Management have used their best endeavours to align the Company’s governance framework with the recommendations of the Code of Corporate Governance 2012 (the “2012 CG Code”) issued by the Monetary Authority of Singapore (the “MAS”).

This report describes the Company’s corporate governance processes and practices with reference to the principles of the 2012 CG Code. The Board is pleased to inform that the Company is substantially in compliance with the 2012 CG Code and reasons for any deviation are explained below. The Board continually reviews and refines the Company’s corporate governance processes and practices in light of best practices, consistent with the needs and circumstances of the Group.

On 6 August 2018, the MAS issued a revised Code of Corporate Governance (the “2018 CG Code”), and accompanying Practice Guidance. The 2018 CG Code supersedes and replaces the 2012 CG Code that was issued in May 2012. The 2018 CG Code will apply for annual reports covering financial years commencing from 1 January 2019. The Board will work towards the implementation of the 2018 CG Code, where appropriate, in the next annual report.

## BOARD MATTERS

### Principle 1: The Board’s Conduct of Affairs

The primary function of the Board is to manage the Group in the best interest of shareholders and other stakeholders, and to pursue the continual enhancement of shareholder value.

In addition to its statutory responsibilities, the principal functions of the Board include:

- (a) providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including the safeguarding of shareholders’ interests and the Company’s assets;
- (c) reviewing Management’s performance;
- (d) identifying the key stakeholder groups and recognising that their perceptions affect the Company’s reputation;
- (e) setting the Company’s values and standards (including ethical standards);
- (f) ensuring that obligations to shareholders and other stakeholders are understood and met; and
- (g) considering sustainability issues such as environmental and social factors, as part of its strategic formulation.

The Board discharges its responsibilities either directly or indirectly through various committees comprising members of the Board. The Board has established three committees: (i) Audit Committee; (ii) Nominating Committee; and (iii) Remuneration Committee. These committees function within clearly defined terms of reference and are each chaired by an Independent Director.

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The Board and the various Board Committees comprise the following members:

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee
Lim Ming Seong	Chairman and Independent Director	-	Chairman	Member <sup>(1)</sup>
Ciliandra Fangiono	Executive Director	-	Member	-
Fang Zhixiang	Executive Director	-	-	-
Teng Cheong Kwee	Independent Director	Chairman	-	Member
Ong Beng Kee	Independent Director	Member	-	-
Ng Shin Ein	Independent Director	-	Member	Chairman
Chang See Hiang <sup>(2)</sup>	Independent Director	Member	Member	-
	Non-Executive			
Tan Seow Kheng	Non-Independent Director	Member	-	-
Hee Theng Fong <sup>(3)</sup>	Independent Director	Member	-	Member

#### Notes:

<sup>(1)</sup> Mr Lim Ming Seong was appointed as a member of the Remuneration Committee with effect from 1 May 2018.

<sup>(2)</sup> Mr Chang See Hiang was appointed as an Independent Director and a member of the Audit Committee and Nominating Committee with effect from 1 March 2019.

<sup>(3)</sup> Mr Hee Theng Fong resigned as an Independent Director with effect from 1 May 2018.

All Directors exercise due diligence and independent judgement and make decisions objectively in the best interests of the Company. This is one of the performance criteria for the assessment of the effectiveness of the individual Directors.

The Board conducts regular scheduled meetings on a quarterly basis. Such meetings are typically scheduled before the start of each year in consultation with the Directors. Ad-hoc meetings may also be convened as and when warranted by matters requiring the Board's attention. If necessary, Board meetings may be conducted by way of telephone or video conferencing as permitted under the Company's Constitution. Time is set aside, after each scheduled Board meeting, for discussion amongst the Non-Executive Directors (including Independent Directors) without the presence of Management.

The Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2018 is set out as follows:

Name	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lim Ming Seong	4	4	-	-	1	1	1	- <sup>(1)</sup>
Ciliandra Fangiono	4	4	-	-	1	1	-	-
Fang Zhixiang	4	4	-	-	-	-	-	-
Teng Cheong Kwee	4	4	4	4	-	-	1	1
Ong Beng Kee	4	4	4	4	-	-	-	-
Ng Shin Ein	4	4	-	-	1	1	1	1
Tan Seow Kheng	4	4	4	4	-	-	-	-
Hee Theng Fong <sup>(2)</sup>	4	1	4	1	-	-	1	1

#### Notes:

<sup>(1)</sup> Mr Lim Ming Seong was appointed as a member of the Remuneration Committee with effect from 1 May 2018.

<sup>(2)</sup> Mr Hee Theng Fong resigned as an Independent Director with effect from 1 May 2018.

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The Group has adopted a set of internal guidelines setting forth financial authorisation and approval limits for investments, acquisitions, disposals and capital expenditures. Transactions falling outside the ordinary course of business and where the value of a transaction exceeds these limits have to be approved by the Board.

A formal letter of appointment, which sets out the director's duties and obligations, is provided to each Director upon appointment. Orientation programmes are also organised for newly appointed Directors. Newly appointed Directors who do not have prior experience as a director of a Singapore listed company are either briefed by the Company's legal advisors on their duties and obligations or undergo relevant courses conducted by external parties.

On an on-going basis, the Directors are briefed by the Company Secretary, external auditors and external professionals on updates to relevant regulations and governance requirements, accounting standards and industry regulations. In addition, the Chief Executive Officer ("CEO") regularly updates the Board on the business activities and strategies of the Group during Board meetings. The Board is also updated on any significant developments and matters relating to environmental, social or other sustainability issues and risks affecting the Group. During the year, the Board was updated on the changes to the Code of Corporate Governance and the SGX-ST Listing Manual.

The Directors may also attend other appropriate courses and seminars at the Company's expense. These include programmes conducted by the Singapore Institute of Directors, of which the Company is a corporate member.

In addition to the formal Board meetings, the Board also organises Board strategy meetings periodically for in-depth discussions on strategic issues and direction of the Group, wherein due consideration is also given to key material environmental, social and governance factors identified for the Group. Such Board strategy meetings, which may be held offsite, include presentations by key executives on the Group's key business focus and growth plans going forward, as well as strategic issues relating to specific business areas. From time to time, the Company also organises site visits for the Directors to better apprise them of the Group's business. Such visits also provide the Non-Executive Directors with an opportunity to interact and engage with the key executives of the Group.

## Principle 2: Board Composition and Guidance

The Board comprises eight Directors of whom five are Independent Directors. Accordingly, more than half of the Board is made up of Independent Directors. In relation to gender diversity, one out of the eight Directors is a female.

Under the 2012 CG Code, an "independent" director is defined as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. Mr Tan Seow Kheng is a candidate recommended by Infinite Capital Fund Limited ("Infinite Capital"), a substantial shareholder of the Company. Notwithstanding that Infinite Capital is only a 5% shareholder of the Company, the Board also took into consideration (1) Mr Tan Seow Kheng's past and present employment with Infinite Capital's affiliates; and that (2) Infinite Capital's affiliates have palm oil business and operate in the same industry as the Group. Hence, the Board deemed Mr Tan Seow Kheng as a Non-Executive Non-Independent Director.

The independence of each Director is reviewed annually by the Nominating Committee, particularly those who have served more than nine years from the date of their first appointment. The following Directors would have served on the Board for more than nine years as Independent Directors by the forthcoming Annual General Meeting ("AGM") to be held on 29 April 2019:

- (a) Mr Lim Ming Seong;
- (b) Mr Teng Cheong Kwee; and
- (c) Ms Ng Shin Ein.

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The Nominating Committee rigorously reviewed the independence of these Directors, as recommended by the 2012 CG Code. The Nominating Committee (with Mr Lim Ming Seong and Ms Ng Shin Ein abstaining from reviewing his/her own independence), with the concurrence of the Board, is of the view that all three abovementioned Independent Directors are considered to be independent, notwithstanding that they have served more than nine years. These Directors have continuously demonstrated independence in character and judgement in the discharge of their responsibilities as Directors of the Company. The Board has also observed their participations and deliberations at Board meetings and other occasions and has no reason to doubt their ability to exercise independent judgement in the interest of the Company. Given their combined strength of objectivity, wealth of working experience and professionalism in carrying out their duties, the Board acknowledges and recognises the benefits of the experience and stability brought by these long-serving Independent Directors.

As part of the process of renewing the Board, Mr Chang See Hiang has been appointed as an Independent Director with effect from 1 March 2019. Consequent to his appointment as an Independent Director, Mr Chang was also appointed as a member of the Audit Committee and Nominating Committee.

Mr Ong Beng Kee, who was appointed to the Board in May 2010, continues to be independent.

Annually, a review of the size and composition of the Board (and Board Committees) is also undertaken by the Company to ensure alignment with the needs of the Group. The Nominating Committee is of the view that the current size and composition of the Board (and Board Committees) is appropriate for the scope and nature of the Group's operations and facilitates effective decision making.

The Nominating Committee is satisfied that the Board comprises Directors who, collectively, have the core competencies, such as industry knowledge, finance, accounting, legal, business and management experience, necessary to meet the Company's performance targets. In addition, the Directors, as a group, provide an appropriate balance and diversity of skill sets, experience and knowledge. These attributes encourage robust, open and constructive deliberations during Board meetings to challenge Management on its assumptions and proposals, which also mitigate the dominance of any individual or small group of individuals in the Board's decision-making process. Although the Board does not have a written policy with regards to diversity in identifying director nominees, it will consider the benefits of all aspects of diversity, including diversity of skills, experience, background, gender, age and other relevant factors.

New Directors, if any, will continue to be selected based on objective criteria set as part of the process for appointment of new Directors. All Board appointments are made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Non-Executive and Independent Directors contribute to the board process by monitoring and reviewing Management's performance. For the financial year under review, the Non-Executive and Independent Directors have constructively challenged Management's proposals and decisions and reviewed Management's performance. They have unrestricted access to Management for any information that they may require to discharge their oversight function effectively. As Non-Executive and Independent Directors constitute a majority of the Board, objectivity on such deliberations is assured.

There were no alternate Directors appointed during the year.

Profiles and key information of individual Directors, including their directorships in other listed companies and principal commitments, both present and those held over the preceding five years, are disclosed on pages 20 to 23 of this Annual Report.

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## **Principle 3: Chairman and Chief Executive Officer**

The Company has a separate Chairman and CEO to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman of the Company is Mr Lim Ming Seong. Mr Lim, who is a Non-Executive Director, is not related to the CEO. As the Chairman, he bears primary responsibility for leading the Board to ensure its effectiveness on all aspects of its role including setting the agenda for Board meetings with input from Management. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and Management to encourage constructive relations within the Board and between the Board and Management. To promote a culture of openness and debate at the Board, he ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and also facilitates the effective contribution of the Non-Executive Directors. At the AGM and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. The Chairman also promotes high standards of corporate governance for the Company, with the support of the Board, Company Secretary and Management.

The CEO, Mr Ciliandra Fangiono, drives the business strategies of the Company as set by the Board and manages the day-to-day business operations together with the other executive officers of the Company.

Given that the roles of the Chairman and CEO are separate and the Chairman is independent, no lead independent director is required to be appointed.

## **Principle 4: Board Membership**

As at the date of this report, the Nominating Committee comprises Mr Lim Ming Seong as Chairman, Mr Ciliandra Fangiono, Ms Ng Shin Ein and Mr Chang See Hiang as members. The majority of the Nominating Committee, including the Chairman, is independent. The Nominating Committee met once during the financial year under review.

The Nominating Committee is guided by its terms of reference which sets out its responsibilities. The terms of reference are in line with the 2012 CG Code. These include:

- (a) Reviewing board succession plans for Directors, in particular, the Chairman and for the CEO;
- (b) Evaluating the performance of the Board, its Board Committees and proposing objective performance criteria for Board's approval;
- (c) Establishing procedures for and making recommendations to the Board on all Board appointments and re-appointments;
- (d) Determining annually if a Director is independent pursuant to the guidelines set forth in the 2012 CG Code;
- (e) Evaluating if a Director is able to and has been adequately carrying out his or her duties as a Director when the Director concerned holds multiple board representations; and
- (f) Reviewing training and professional development programmes for the Board.

The Nominating Committee has assessed that although some Directors have other board representations, they have devoted sufficient time and attention to their role as Directors and to the affairs of the Group. The Nominating Committee believes that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors should be best assessed through qualitative factors such as their attendance and time commitment to the affairs of the Company. The Nominating Committee would continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The Board and Nominating Committee are satisfied that all Directors have discharged their duties adequately for the financial year ended 31 December 2018.

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The Nominating Committee has a process for the selection, appointment and re-appointment of Directors. The Nominating Committee will, on an annual basis, review the size and composition of the Board and will consider the results of the annual appraisal of the Board's performance. It will evaluate the range of skills, knowledge and experience on the Board, and assess whether new competencies are required to improve the Board's competitiveness. When a need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the Nominating Committee will source for new candidates with the desired competencies. External help may be engaged to source for potential candidates if considered necessary. Where required, the Nominating Committee may also tap on its networking contacts to assist with identifying and shortlisting of candidates. Directors and Management may also make recommendations. The Nominating Committee will meet shortlisted candidates for an interview before making recommendation to the Board for consideration and approval.

All Directors are required to submit themselves for re-election at regular intervals and at least once every three years. In recommending a Director for re-election to the Board, the Nominating Committee will consider, amongst other things, the individual's competencies, commitment and contribution to the Board. After assessing the performance of the retiring Directors, the Nominating Committee has recommended the re-election of (i) Mr Ong Beng Kee who is retiring pursuant to Regulation 103 of the Company's Constitution; (ii) Mr Chang See Hiang pursuant to Regulation 109 of the Company's Constitution; and (iii) Mr Ciliandra Fangiono pursuant to Rule 720(5) of the SGX-ST Listing Manual at the forthcoming AGM. As part of the board renewal process, Ms Ng Shin Ein, who has served on the Board for more than nine years and who is due to retire pursuant to Regulation 103 of the Company's Constitution, will not be offering herself for re-election at the forthcoming AGM. Consequent to Ms Ng Shin Ein's retirement at the forthcoming AGM, she will also cease to be the Chairman of the Remuneration Committee and a member of the Nominating Committee. The Board has accepted these recommendations.

The Nominating Committee reviews succession plans for the Board and seeks to ensure that changes in Board membership are carried out progressively and in an orderly manner, for long-term continuity and stability.

Information regarding the Directors of the Company in respect of their dates of first appointment and last re-election/re-appointment is set out as follows:

Name	Date of initial appointment	Date of last re-election/ re-appointment
Lim Ming Seong	1 October 2007	30 April 2018
Ciliandra Fangiono	18 April 2007	28 April 2017
Fang Zhixiang	1 November 2014	30 April 2018
Teng Cheong Kwee	1 October 2007	30 April 2018
Ong Beng Kee	1 May 2010	27 April 2016
Ng Shin Ein	1 October 2007	27 April 2016
Chang See Hiang	1 March 2019	Not Applicable
Tan Seow Kheng	1 November 2014	28 April 2017

## Principle 5: Board Performance

The Nominating Committee undertakes a process to assess the effectiveness of the Board and its Board Committees. Directors are requested to complete a Board Evaluation Questionnaire to assess the overall effectiveness of the Board and the Board Committees. To ensure confidentiality, the Company Secretary compiles the Directors' responses to the Board Evaluation Questionnaire on a collective basis and present the results to the Nominating Committee. The results of the evaluation exercise are considered by the Nominating Committee which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The Board Chairman, who is also the Chairman of the Nominating Committee, will act on the results of the performance evaluation and in consultation with the Nominating Committee propose, where appropriate, new members to be appointed to the Board or seek the resignation of existing members. The evaluation for the financial year ended 31 December 2018 confirmed that the Board and its Board Committees were generally functioning effectively during the year.

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The Nominating Committee had extracted salient recommendations from the 2012 CG Code and incorporated these recommendations into the Board Evaluation Questionnaire. The performance of the Board was reviewed as a whole, focusing on factors such as board composition, board information, board processes, internal controls and risk management, board accountability, communication with top management and standards of conduct. The Nominating Committee also considered whether the Directors have reasonable understanding of the Group's business and the industry as well as the Directors' working relationship with the other members of the Board. These performance criteria shall not change from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Nominating Committee and the Board shall justify its decision for the change.

The Board believes that evaluation of individual Director's performance is a continuous process. For the financial year under review, the Nominating Committee took note of each individual Director's attendance at meetings of the Board, Board Committees and at general meetings; participation in discussions at meetings; the individual Director's functional expertise and his or her commitment of time to the Company and took such factors into consideration in the annual process of evaluating the performance of the individual Directors.

## **Principle 6: Access to Information**

Management has an on-going obligation to supply the Board with complete, adequate information in a timely manner. The Board is informed of all material events and transactions as and when they occur. The information that is provided by Management to the Board includes background or explanatory information relating to matters to be brought before the Board, budgets, forecasts and internal financial statements. In respect of budgets, any material variances between the projections and actual results are also disclosed and explained. In addition, the Board has separate and independent access to the Company's Management at all times. Request for information from the Board are dealt with promptly by Management.

As a general rule, Board papers are sent to Board members at least five working days before the Board meeting to afford the Directors sufficient time to review the Board papers prior to the meetings. For matters which require the Board's decision outside such meetings, Board papers will be circulated for the Board's consideration, with discussions and clarifications taking place between members of the Board and Management directly, before approval is granted.

The Directors also have separate and independent access to the Company Secretary. The Company Secretary attends all Board and Board Committee meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. The Company Secretary assists the Chairman of the Board and the Chairman of each of the Board Committee and Management in the development of agendas for the various Board and Board Committee meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Should Directors, whether as a group or individually, need independent professional advice to fulfil their duties, such advice may be obtained from a professional firm, the cost of which will be borne by the Company.

## **REMUNERATION MATTERS**

### **Principle 7: Procedures for Developing Remuneration Policies**

### **Principle 8: Level and Mix of Remuneration**

### **Principle 9: Disclosure on Remuneration**

As at the date of this report, the Remuneration Committee comprises Ms Ng Shin Ein as Chairman, Mr Teng Cheong Kwee and Mr Lim Ming Seong as members. All three members are Independent Directors. Mr Lim Ming Seong was appointed as a member of the Remuneration Committee in place of Mr Hee Theng Fong with effect from 1 May 2018.

The Remuneration Committee is guided by its terms of reference that are in line with the 2012 CG Code.

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The role of the Remuneration Committee is to review and recommend to the Board remuneration policies and packages for the Directors and key executives of the Group. The aim is to build and retain a capable and committed management team. To ensure that the remuneration package is sufficient and competitive to retain and motivate key executives, the Remuneration Committee also takes into consideration the existing compensation standards of the industry in which the Company operates in. The Remuneration Committee covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in kind.

The Remuneration Committee, when required, has access to expert advice both within and outside the Company, on remuneration of directors.

The following table shows the Directors' remuneration paid in the year ended 31 December 2018:

Name	Directors' Fee	Fixed Salary	Variable Bonus	Total Remuneration
<b>Executive Directors:</b>				
Ciliandra Fangiono	-	56%	44%	S\$1,527,000
Fang Zhixiang	-	56%	44%	S\$1,207,000
<b>Non-Executive Directors:</b>				
Lim Ming Seong	100%	-	-	S\$90,000
Teng Cheong Kwee	100%	-	-	S\$80,000
Ong Beng Kee	100%	-	-	S\$70,000
Ng Shin Ein	100%	-	-	S\$75,000
Tan Seow Kheng	100%	-	-	S\$70,000
Hee Theng Fong <sup>(1)</sup>	100%	-	-	S\$75,000

**Note:**

<sup>(1)</sup> The Director's fees paid to Mr Hee Theng Fong in the year ended 31 December 2018 was for his full year of service from 1 January to 31 December 2017. He resigned as an Independent Director with effect from 1 May 2018 and the fees for his service from 1 January to 30 April 2018 would be prorated accordingly and submitted to shareholders for approval at the forthcoming AGM.

The fee structure for the Directors' fees is as follows:

- (a) A single base fee of S\$60,000 for serving as Non-Executive Director;
- (b) Additional fee of S\$20,000 for serving as Chairman of the Board of Directors; and
- (c) Additional fee for serving as Chairman/Member on the following Board Committees:

Type of Committee	Chairman's Fee	Member's Fee
Audit Committee	S\$15,000	S\$10,000
Nominating Committee	S\$10,000	S\$5,000
Remuneration Committee	S\$10,000	S\$5,000

In determining the quantum of Directors' fees, factors such as frequency of meetings, effort and time spent, responsibilities of Directors and the need to pay competitive fees to retain, attract and motivate the Directors, are taken into account. The Non-Executive Directors are not overcompensated to the extent that their independence is compromised. Directors' fees recommended by the Board are subject to the approval of the shareholders at the forthcoming AGM. No Director is involved in deciding his or her own remuneration. The current remuneration framework for the Non-Executive Directors remains unchanged from that of the previous financial year ended 31 December 2017. The Director's fees are paid wholly in cash.

The CEO and Deputy CEO, both being Executive Directors, do not receive Directors' fees and are on service contracts which are subject to annual review by the Remuneration Committee. The contracts do not contain any onerous removal clauses.



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The remuneration package for the CEO, Deputy CEO and other key executives consists of both fixed and variable components. The variable component in the form of bonus is determined based on the performance of the individual employee and the Group's performance in the relevant financial year. This is to align their interests with those of the shareholders and link rewards to corporate and individual performance. For the purpose of assessing the performance of the Executive Directors and key executives, key performance indicators comprising both quantitative and qualitative factors are set out at the beginning of each year and reviewed at the end of the financial year. The Company does not have any contractual provisions which allow it to reclaim incentive components of remuneration from Executive Directors and key executives as such provisions may have a negative impact on attracting and retaining talent in the Company. The remuneration of the CEO, Deputy CEO and other key executives is paid wholly in cash.

The following table shows the remuneration of our top five key executives (who are not Directors or the CEO of the Company) paid in the year ended 31 December 2018:

Name	Fixed Salary	Variable Bonus	Remuneration Band
Executive A	69%	31%	S\$500,000 – S\$750,000
Executive B	59%	41%	S\$250,000 – S\$500,000
Executive C	64%	36%	S\$250,000 – S\$500,000
Executive D	57%	43%	S\$250,000 – S\$500,000
Executive E	82%	18%	S\$250,000 – S\$500,000

The total remuneration of the top five key executives (who are not Directors or the CEO of the Company) paid in the year ended 31 December 2018 amounted to S\$2,011,000.

The Company believes that it may not be in the best interest of the Company to disclose the remuneration of key executives on an individually named basis as recommended by the 2012 CG Code, as such disclosure may affect its ability to motivate, retain and nurture employees. In view of the competitive environment and limited talent pool in the industry that the Group operates in, the Company is of the opinion that such disclosure should be on a no-name basis.

There were no termination, retirement and post-employment benefits paid to Directors and the top five key executives in the year ended 31 December 2018. In addition, the Remuneration Committee was satisfied that the service contracts with the Executive Directors and key executives do not contain termination clauses that are overly generous.

The Company does not have any long-term incentive scheme or schemes involving the offer of shares or grant of options following the expiry of the initial share plans in November 2017.

For transparency, the 2012 CG Code also recommends disclosure of the remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year. Mr Ciliandra Fangiono and Mr Fang Zhixiang are brothers and their remuneration is set out in the Directors' remuneration table above. Ms Serene Lim is the wife of Mr Ciliandra Fangiono, and her remuneration is between the band of S\$100,000 – S\$150,000.

## ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

The Board provides shareholders with a comprehensive and balanced assessment of the Group's performance, position and prospects on a quarterly basis when it releases its results through the SGXNet and the Company's website.

Financial results for the first three quarters are released no later than 45 days from the end of the quarter. Annual financial results for the full year are released within 60 days from the financial year-end.

Other price sensitive information is disseminated to shareholders through announcements via SGXNet, press releases and the Company's website. The Company's Annual Report is also accessible on the Company's website.

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Management provides the Board with management accounts on a quarterly basis and as the Board may require from time to time. Such reports enable the Board members to make a balanced and informed assessment of the Group's performance, position and prospects.

The Company also observes obligations of continuing disclosure under the SGX-ST Listing Manual. The Company has received signed undertakings from all its Directors and executive officers pursuant to Rule 720(1) of the SGX-ST Listing Manual.

## **Principle 11: Risk Management and Internal Controls**

## **Principle 12: Audit Committee**

As at the date of this report, the Audit Committee comprises Mr Teng Cheong Kwee as Chairman, Mr Ong Beng Kee, Mr Tan Seow Kheng and Mr Chang See Hiang as members, the majority of whom, including the Chairman, are independent. The Audit Committee met four times during the financial year under review.

The majority of the Audit Committee, including the Chairman, has accounting or related financial management expertise or experience. The Board is of the view of that the members of the Audit Committee are appropriately qualified to discharge their responsibilities. None of the Audit Committee members were previous partners or directors of the Company's external auditor, Ernst & Young LLP, within the last 12 months or hold any financial interest in the external auditor.

The Audit Committee is guided by its terms of reference which sets out its responsibilities. The terms of reference are in line with the 2012 CG Code.

The Audit Committee performs the following principal duties:

- assists the Board of Directors in the discharge of its responsibilities on financial and accounting matters;
- reviews the audit plans, scope of work, results and quality of audits carried out by internal and external auditors;
- reviews the co-operation given by Management to the external and internal auditors;
- reviews significant financial reporting issues and judgements relating to financial statements for each financial year, quarterly and annual financial statements and the auditor's report before submission to the Board of Directors for approval;
- reviews the integrity of any financial information presented to our shareholders;
- reviews the adequacy and effectiveness of the Group's system of risk management and internal controls, including financial, operational, compliance and information technology controls via reviews carried out by the internal auditors, and taking into consideration the external auditors' findings arising from their annual audit;
- reviews the nature and extent of non-audit services provided by the external auditors yearly to determine their independence;
- recommends to the Board of Directors the appointment and re-appointment of external auditors, approves the compensation and terms of engagement of the external auditors;
- meets with the external and internal auditors without the presence of the Company's Management annually;
- reviews the effectiveness of the internal audit function;
- reviews the appointment, remuneration and resignation of the Head of Internal Audit;

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- reviews interested person transactions, if any;
- reviews potential conflicts of interest, if any;
- reviews all hedging policies to be implemented, if any;
- investigates any matter within its terms of reference; and
- reviews the risk management structure and any oversight of risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board of Directors.

Apart from the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's results of operations and/or financial position. Each member of the Audit Committee shall abstain from voting on any resolution in respect of matters in which he is interested.

The Audit Committee keeps abreast of the changes to accounting standards and issues that may have a direct impact on the financial statements by referring to the best practices and guidance in the Guidebook for Audit Committee in Singapore and the reports issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority. During the year under review, the Audit Committee was also briefed on the changes in accounting standards that would impact the Group's consolidated financial statements by the external auditors at the Audit Committee meetings.

In the review of the financial statements, the Audit Committee has considered and reviewed the significant financial reporting issues and judgements relating to financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the Audit Committee:

Significant matters	How the Audit Committee reviewed these matters and what decisions were made
Goodwill Impairment	<p>The Audit Committee considered the approach and methodology applied in performing the annual goodwill impairment assessment. It reviewed the key assumptions used in the discounted cash flow model such as pre-tax discount rate, projected crude palm oil price and terminal growth rate.</p> <p>Goodwill impairment was also an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2018.</p>
Recoverability of Deferred Tax Assets	<p>The Audit Committee considered the appropriateness of the accounting treatment in relation to the recognition of deferred tax assets, which took into consideration forecast of future profitability in determining recoverability of the deferred tax assets through taxable income in future years.</p> <p>Deferred tax assets was also an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2018.</p>

Following the review, the Audit Committee recommended to the Board to approve the financial statements for the financial year ended 31 December 2018.

The Audit Committee has full access to and co-operation of Management. The Audit Committee also has full discretion to invite any Director or executive officer to attend its meetings and has been given adequate resources to discharge its functions. During the year, the Audit Committee met with the external and internal auditors without the presence of Management.

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The Audit Committee has undertaken a review of the nature and extent of all non-audit services provided by the external auditors during the financial year and is satisfied that such services has not, in the Audit Committee's opinion, compromised the independence of the external auditors. The aggregate amount and breakdown of the audit and non-audit fees paid/payable to the external auditors is found in Note 7 "General and Administrative Expenses" in the Financial Statements of this Annual Report. The external auditors have also affirmed their independence in their report to the Audit Committee. Accordingly, the Audit Committee has recommended the re-appointment of the external auditors at the AGM of the Company.

The Company is in compliance with the requirements under SGX-ST Listing Manual Rules 712 and 715(1) on the appointment of a same auditing firm in Singapore to audit its accounts and the accounts of its subsidiaries and significant associated companies and Rule 715(2) on the appointment of a suitable auditing firm for its foreign incorporated subsidiaries and associated companies.

The Company has put in place a whistle-blowing policy, endorsed by the Audit Committee, which provides for a mechanism by which employees and any other persons may, in confidence, raise concerns about possible unethical conduct and improprieties in financial reporting or other matters. The objective of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal. All information received is treated with confidentiality and anonymous reporting is accepted for protecting the identity and interest of all whistle-blowers.

The Company does not tolerate nor condone any actions taken against any employee in retaliation for raising a compliance or integrity issue, and may institute disciplinary action against any party found to have taken such retaliatory action against whistle-blowers.

All whistle-blowing reports are received by the Internal Audit function on behalf of the Audit Committee. The Internal Audit function will conduct an initial review of the reports received and recommend for remedial, disciplinary or other corrective actions to be taken by the Company. A summary of the investigations conducted is reported to the Audit Committee for its attention on a quarterly basis. Whistle-blowing matters, where substantiated and material, are reported to the Audit Committee immediately.

The Audit Committee ensures that independent investigations and appropriate follow-up actions are carried out, where applicable. Details of the Group's whistle-blowing policy, including the different modes of reporting via an internal compliance hotline and email address, have been disseminated and made available to all employees. On an ongoing basis, the Group's whistle-blowing policy is covered during staff training as part of the Group's efforts to promote awareness of fraud control.

## **Risk Management**

The Board, through the Audit Committee, reviews the adequacy of the Group's risk management process to ensure that robust risk management and internal control systems are in place to manage risks in a way that is aligned with the Group's risk tolerance. The Company has put in place a Group Risk Management Framework to enhance its risk management process. The Framework lays out the processes for the identification of key risks within the business and assessment of the operating effectiveness of the Company's internal controls and also outlines the Group's risk tolerance levels. As part of the Framework, the Company maintains a risk register which identifies the key risks of the Group as well as the corresponding internal controls and action plans in place to manage or mitigate those risks. Key sustainability risks relating to material environmental and social issues identified for the Group are also included within the risk register. The risk register is maintained and reviewed by Management on a regular basis and the overall findings and recommendations from the risk assessment exercise are reported to the Audit Committee annually.

The Company has identified and reviewed its key risks to assess the adequacy and effectiveness of the Company's risk management and internal control systems, specifically on financial, operational, compliance and information technology risks. As part of the risk management process, material sustainability issues and concerns relating to environmental and social factors are also taken into consideration in the identification of key operational risks for the Group. Apart from the Group's risk management process, key business risks are thoroughly assessed by Management and each significant transaction is comprehensively analysed so that Management understands the risks involved before the transaction is embarked on. The Board, through the Audit Committee, will continuously identify, review and monitor the key risks, control measures and management actions as part of the risk management process, which also incorporates sustainability risk management.

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Some of these risks are discussed in Note 41 “Financial Risk Management Objectives and Policies” in the Financial Statements of this Annual Report.

## Internal Controls

The Company’s internal auditors conducts independent reviews of the adequacy and effectiveness of the Company’s internal controls, including financial, operational, compliance and information technology controls addressing the key risks identified in the overall risk framework of the Group. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the Audit Committee. The Audit Committee also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal auditors in this respect.

In the course of the statutory audit, the Company’s external auditors will highlight any material internal control weaknesses which have come to their attention in the course of carrying out their audit procedures, which are designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the Audit Committee.

The Board has received assurance from the CEO and Vice President of Finance:

- that the financial records have been properly maintained and the financial statements for the year ended 31 December 2018 give a true and fair view of the Company’s operations and finances; and
- regarding the effectiveness of the Company’s risk management and internal control systems.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors and reviews performed by Management, as well as the assurance from the CEO and Vice President of Finance, the Board, with the concurrence of the Audit Committee, is of the view that the Company’s system of risk management and internal controls were adequate and effective as at 31 December 2018 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

The system of risk management and internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

## Principle 13: Internal Audit

The Company has established an in-house Internal Audit (“IA”) function that is independent of the activities that it audits. The in-house IA reports to the Audit Committee functionally and to the CEO administratively.

The IA function adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) issued by the Institute of Internal Auditors.

To ensure that audits are performed effectively, the Company employs suitably qualified professional staff with the relevant experience. The in-house IA function is adequately resourced and has the appropriate standing within the Company. On an annual basis, the Audit Committee has also reviewed and is satisfied with the adequacy and effectiveness of the IA function and that the IA function has maintained its independence from the activities that they audit.

The IA function adopts a risk-based approach in formulating the annual audit plan which aligns its activities to the key risks across the Group’s business. The reviews performed by the internal auditors are aimed at assisting the Board in evaluating the adequacy and effectiveness of risk management, controls and governance processes.

# CORPORATE GOVERNANCE

During the year, the IA function conducted its audit reviews based on the annual audit plan which was approved by the Audit Committee. The annual audit plan also incorporates the audit of key risk areas identified under the Group Risk Management Framework. Each quarter, the IA function would submit a report to the Audit Committee on the key audit findings and actions to be taken by Management on such findings. Key findings are also highlighted at Audit Committee meetings for discussion and follow up actions. The Audit Committee monitors the timely and proper implementation of the required corrective, preventive or improvement measures to be undertaken by Management.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### **Principle 14: Shareholder Rights**

### **Principle 15: Communication with Shareholders**

### **Principle 16: Conduct of Shareholder Meetings**

The Company is committed to treat all shareholders fairly and equitably, through an open and non-discriminatory communication. The Company keeps its shareholders adequately informed of the changes in its business performance and prospects which may materially affect the price or value of the Company's shares.

The Company ensures that all material and price sensitive information which may affect the price or value of the Company's shares is promptly disseminated to the public on a comprehensive, accurate and timely basis via SGXNet and is not selectively disclosed. On the rare occasion when such information is inadvertently disclosed to a select group, the Company will make the same disclosure publicly to all others as soon as practicable.

Apart from the SGXNet, the investment community can also access announcements, quarterly results, annual reports, investor presentations, production updates and other corporate information on the dedicated Investor Relations section of our corporate website at [www.first-resources.com](http://www.first-resources.com). Our announcements are also disseminated by electronic mail to our subscribers in the form of news alerts, allowing investors to keep abreast of our latest performance and developments.

The Company has a dedicated Investor Relations ("IR") team which focuses on maintaining frequent interactions with the investment community in the form of meetings, investor roadshows, conference calls and results briefings. During the year, the IR team engaged close to 100 equity and fixed income investors in conference calls and meetings in Singapore, Malaysia and Hong Kong.

In addition, our IR team attends to queries or concerns from the investment community in a timely manner. Feedback and views received from them are also conveyed to Management by the IR team. The IR team is contactable at [investor@first-resources.com](mailto:investor@first-resources.com).

We conduct quarterly results briefings with analysts using the quarterly results materials which are posted on our corporate website. At such briefings, Management, together with the IR team, openly communicates the Group's financial and operational performances, business growth strategies as well as developments and initiatives on the sustainability front. The IR team also provides regular updates to the Board and Management on analysts' consensus estimates.

In recent years, sustainability-related topics have generated much interest from the investment community. The IR team works closely with the Group's Sustainability team to communicate the implementation progress of our Policy on Sustainable Palm Oil, as well as the related developments and new initiatives, to our stakeholders. In keeping with our commitment to keep our shareholders and the market abreast of the Group's progress on the sustainability front, we have concurrently published on our corporate website our sustainability report for the financial year ended 31 December 2018, which is to be read in conjunction with this Annual Report.

In line with the Company's sustainability efforts, the practice of circulating printed copies of the Company's annual reports and related documents (where applicable) ceases henceforth. Together with the sustainability report, the annual report and/or related documents are made available to shareholders via SGXNet and on the corporate website. The notice of AGM is also released via SGXNet, published in local newspapers and uploaded on the corporate website.

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At each AGM, the CEO delivers a presentation to update shareholders on the Group's performance over the past year. Shareholders are encouraged to communicate their views and discuss with the Board and Management on matters affecting the Company. They are also given the opportunity to direct questions and concerns to the Directors, Management and external auditors before voting on the proposed resolutions. Shareholders are allowed to vote in person or by proxy if they are unable to attend the AGM. At the AGM, each distinct issue is proposed as a separate resolution.

The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each general meeting of shareholders. Voting in absentia by mail, facsimile or email is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intent.

Voting at general meetings of shareholders are conducted by poll thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis.

The Company conducts electronic poll voting for all the resolutions to be passed at general meetings for greater transparency in the voting process. An independent scrutineer firm is also present to validate the votes at each general meeting. The results of all votes for and against each resolution is tallied and instantaneously displayed at the meeting. The voting results are announced via SGXNet following each general meeting.

The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon their request.

The Company strives to provide sustainable dividend payments to our shareholders, while remaining committed to an optimal capital structure and maintaining flexibility to pursue growth. In considering the level of dividend payments, the Board takes into consideration of the Company's cash flow, capital expenditure plan, working capital requirements, general financial condition and other factors deemed relevant by the Board. Whilst interim dividends are declared and approved by the Board at each half-year, final dividends are recommended by the Board at each year-end for shareholders' approval at the AGM. For the financial year ended 31 December 2018, the Board has proposed a final dividend of 2.00 Singapore cents per share, which brings the full-year ordinary dividend to 3.25 Singapore cents per share, translating to an annual dividend payout ratio of 31% of the Group's underlying net profit.

## **Code of Conduct**

The Company has a Code of Conduct which serves as a general guideline for 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 interest, 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 with the prevailing laws and regulations as well as termination of employment. The Code of Conduct is disseminated to employees, suppliers and other business partners.

# CORPORATE GOVERNANCE

## Dealing in Securities

The Company has adopted and issued an internal compliance code on securities trading, which provides guidance and internal regulations pertaining to dealings in the Company's securities by its Directors and officers. The Company's internal code prohibits its Directors and officers from dealing in the Company's securities during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year, and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. Directors and officers are also advised to adhere to the following rules at all times:

- (a) observe insider trading laws and avoid potential conflict of interests when dealing in securities;
- (b) not to deal in the securities when they are in possession of any unpublished material price-sensitive information of the Group; and
- (c) not to deal in the Company's shares on short-term considerations.

In addition, Directors are required to report to the Company Secretary within two business days whenever they deal in the Company's securities and the latter will make the necessary announcements in accordance with the requirements of the SGX-ST Listing Manual.

## Interested Person Transactions

To ensure that interested person transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, the Company has adopted internal guidelines and procedures for the review and approval of transactions with interested persons. All transactions with interested persons are monitored closely and reported in a timely manner to the Audit Committee for its review.

Shareholders have approved an interested person transactions mandate ("IPT Mandate") at the Extraordinary General Meeting on 30 April 2018. The IPT Mandate defines the threshold limits and review procedures for the transactions with interested persons carried out by the Group. Pursuant to the IPT Mandate, the Company also maintains a register of all such interested person transactions, which includes information pertinent to the evaluation of the interested person transactions.

Details of interested person transactions for the financial year ended 31 December 2018 as required under Rule 907 of the SGX-ST Listing Manual are set out as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	US\$'000	US\$'000
Associates of Eight Capital Inc.	8,466	6,003
Associates of Ciliandra Fangiono & Fang Zhixiang	94	191

The Audit Committee has reviewed, and is satisfied that the transactions are conducted at arm's length and on terms that are fair and reasonable. The Audit Committee and the Board of Directors are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.

## Material Contracts

Save as disclosed, there are no other material contracts entered into by the Company and its subsidiaries involving the interest of the CEO, Director or controlling shareholder, which are either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2017.